

13/01/23

City of Adelaide
Audit and Risk Committee Terms of Reference
As Adopted By Council Date 2023

1. Preamble

- 1.1. Council is required to have an Audit and Risk Committee under Section 126 of *Local Government Act 1999* (the Act).
- 1.2. The role of the Audit and Risk Committee (“the Committee”) is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.
- 1.3. The establishment of a committee does not derogate from the power of the Council to act in a matter.

2. Functions of the Committee

- 2.1. The functions of the Committee as prescribed under Section 126 (4) of the Act include:
 - 2.1.1. reviewing annual financial statements to ensure that they present fairly the state of affairs of Council; and
 - 2.1.2. proposing, and providing information relevant to, a review of Council’s strategic management plans or annual business plan; and
 - 2.1.3. proposing, and reviewing, the exercise of powers under section 130A; and
 - 2.1.4. liaising with Council’s auditor; and
 - 2.1.5. reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of Council regularly.
- 2.2. Act as the Audit and Risk Committee of the following Council subsidiaries
 - 2.2.1. Adelaide Economic Development Authority (AEDA)
 - 2.2.2. Adelaide Central Market Authority (ACMA)

3. Role of the Committee

3.1. Financial Reporting

- 3.1.1. Monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain.
- 3.1.2. Receive regular financial updates.
- 3.1.3. Review any report obtained by Council under section 48(1) (Prudential Reports) of the Act per Council’s Prudential Management Policy.
- 3.1.4. Review and challenge where necessary:
 - the consistency of, and any changes to, accounting policies on a year on year basis.
 - the methods used to account for significant or unusual transactions where different approaches are possible.
 - whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.

- the clarity of disclosure in the Council's financial reports and the context in which statements are made.
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

3.2. Management Plans and Business Plans

- 3.2.1. Review and provide advice on the Council's Strategic Management Plans, Integrated Business Plan, Long Term Financial Plan, Climate Risk Plan and Asset Management Plans.
- 3.2.2. Receive regular updates on Council's implementation of the plans outlined in paragraph 3.2.1.
- 3.2.3. Review, advise and approve (where appropriate) relevant components of Council's Annual Report including:
 - Annual financial statements for Council and subsidiaries.
 - Annual report of the Committee to be included in the Council Annual Report
- 3.2.4. Monitor and review the effective delivery of these plans.

3.3. External Audit

- 3.3.1. Consider and make recommendations to the Council, concerning the appointment, reappointment, scope of engagement and removal of the Council's External Auditor per sections 128 to 130 of the Act.
- 3.3.2. Oversee the relationship with the External Auditor, including, but not limited to:
 - endorsing the audit timetable and audit plan.
 - recommending the approval of the External Auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit.
 - assessing the External Auditor's independence and objectivity, considering relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of non-audit services.
 - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and the Council (other than in the ordinary course of business).
 - monitoring the External Auditor's compliance with legislative requirements on the rotation of individuals per section 128(6) of the Act.
 - assessing the External Auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the External Auditor on the Committee's own internal quality procedures).
- 3.3.3. Meet as needed with the External Auditor, and at least once a year meet without management being present to discuss issues arising from the External Audit.

- 3.3.4. Review the findings of the External Audit with the External Auditor, including a discussion on any major issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit.
- 3.3.5. Review the Report to the Chief Executive Officer (“CEO”) and management’s response to the External Auditor’s findings and recommendations.
- 3.3.6. Review any representation letter(s) requested by the External Auditor before they are signed by management.
- 3.3.7. Review the effectiveness of the External Audit and oversee actions to follow-up on matters raised by the External Auditor.

3.4. Internal Audit

- 3.4.1. Monitor and review the effectiveness of the Council’s Internal Audit Work Plan and function in the context of the Council’s overall risk management system.
- 3.4.2. Receive full reports on all Internal Audit projects and monitor management’s responsiveness to the findings and recommendation of the Internal Auditor.
- 3.4.3. Meet with the Internal Audit Partner at least once a year, without management being present, to discuss any issues arising from the Internal Audits carried out during the year. In addition, the Internal Audit Partner shall have access to the Lord Mayor and the Presiding Member of the Committee.
- 3.4.4. Review the selection process for the Internal Auditor. Appointment of Internal Auditor is the responsibility of management per Council’s procurement framework. If the Internal Auditor resigns, the Committee shall investigate the issues leading to the resignation and decide whether any action is required.

3.5. Internal Control and Risk Management Systems

- 3.5.1. Review the Council’s Risk Profile and monitor the risk exposure of Council and its subsidiaries.
- 3.5.2. Review risk management processes and management information systems.
- 3.5.3. Review the adequacy and effectiveness of the Council’s accounting, internal controls, and financial and risk management systems and practices.
- 3.5.4. Ensure appropriate policies, systems and procedures relating to risk management are implemented and maintained for regularly identifying, assessing, monitoring, managing, and reviewing strategic, financial and operational risks.
- 3.5.5. Receive reports on the activities of the Executive Strategic Risk and Internal Audit Group.
- 3.5.6. Monitor the responsiveness of the organisation to recommendations for improvement based on previous audits and risk assessments.

4. Reporting

- 4.1. The Committee reports to the Council of its meetings through the presentation of its minutes at the next Council meeting.
- 4.2. Decisions made by the Committee will be referred to Council, noting advice that advice may be incorporated into individual reports presented to Council via a different committee meeting.
- 4.3. The Committee will provide an annual report to the Council on the Committee's work during the period to which the report relates.
- 4.4. The Presiding Member shall present the Annual Financial Statements to Council and provide comment on the veracity of Council's financial statements and conduct of the external audit.
- 4.5. At least once a year, the Committee will review its own performance, membership, and Terms of Reference to ensure it is operating at maximum effectiveness.
- 4.6. The CEO will identify matters, further to those matters covered elsewhere in these Terms of Reference, to be reported to the Committee in detail where those matters are considered to be of material effect, have a material impact on the operation of Council as an elected body (eg impact on policies relating to Council Members) or have significant impact on Council's operations.

5. Delegations

- 5.1. The Committee does not enjoy the delegation of any powers or functions of the Council but acts in accordance with these Terms of Reference.
- 5.2. All decisions of the Committee will, therefore, constitute recommendations to the Council.
- 5.3. The Audit and Risk Committee shall have access, at the Council's expense, to legal advice or other professional advice on any matter within its Terms of Reference.

6. Membership

- 6.1. Council will resolve the membership of the Committee. Membership will consist of four Independent Members (who are not members of any Council) and one Council Member
- 6.2. Council must be satisfied that the members of the Committee (when considered as a whole) have skills, knowledge and experience relevant to the functions of the Committee, including in financial management, risk management and governance.
- 6.3. Administration will undertake the recruitment of Independent Members following best practice and relevant policies and procedures. Once completed, a recommendation for appointment will be put to Council for decision.
- 6.4. Criteria used to select Members will have regard to diversity and representation principles.
- 6.5. Independent Members shall be appointed for up to four years. Four years is the preferred term however consideration will be given to shorter terms to enable staggering of potential reappointment dates and to ensure continuity of experience on the Committee.
- 6.6. An Independent Member may be reappointed to the Committee for a further term (or terms) however consecutive service cannot exceed eight years.

- 6.7. The Independent Members of the Committee will be paid an allowance in the form of a sitting fee for each meeting attended as set by Council resolution. No allowance is payable to a Council Member of the Committee.
- 6.8. A Council Member will hold office in the Committee for a period of two years.
- 6.9. Council may choose to appoint a proxy member for a Council Member's two year appointment period.
- 6.10. Members must notify the Chair or CEO of non-attendance of a meeting.
- 6.11. If a Council Member is unavailable, they may request the proxy member to attend a specific meeting on their behalf.
- 6.12. The proxy member may attend meetings of the Committee but has no voting entitlement unless representing an absent Council Member.
- 6.13. Council employees are not eligible to be members of the Committee.
- 6.14. Members of the Committee may be removed by Council resolution at any time.
- 6.15. The Lord Mayor is considered an ex-officio member to the Committee, and:
- 6.15.1. Is not included in the membership number
 - 6.15.2. Has no voting rights
 - 6.15.3. Receives all agendas and minutes.
 - 6.15.4. Is able to participate in discussion.
 - 6.15.5. Must comply with 10.1 of the Terms of Reference

7. Presiding Member of the Committee

- 7.1. Council will appoint an Independent Member as the Presiding Member of the Committee for a period of its choosing. Council may decide to extend the appointment noting a member cannot exceed two terms of appointment.
- 7.2. The Committee may appoint a Deputy Presiding Member for a term as determined by the Committee.
- 7.3. The role of the Presiding Member is to:
- Oversee the orderly conduct of meetings per the Act and the City of Adelaide Standing Orders
 - Ensure that the Guiding Principles at Regulation 4 are observed and that all Committee members can participate in discussions openly and responsibly.
 - Ensure when a matter has been debated significantly and no new information is being discussed to call the meeting to order and move the debate towards finalisation.
- 7.4. The Presiding Member is not excluded from the debate and may add to the debate nearing its end (so as not to 'lead from the Chair').
- 7.5. The Presiding Member has a deliberative vote and does not have a casting vote.
- 7.6. If the Presiding Member is absent from a meeting, the Deputy Presiding Member will preside at that meeting.
- 7.7. If both the Presiding Member and the Deputy Presiding Member of the Committee are absent from a meeting of the Committee, then a member of the Committee chosen by those present will preside until the Presiding Member (or Deputy Presiding Member, if relevant) is present.
- 7.8. The Presiding Member may move the motion of the Committee.

8. Meeting details

- 8.1. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public.
- 8.2. The Committee will meet at least six times a year on dates and times determined by the Committee.
- 8.3. The venue, time and date may be altered at the discretion of the CEO to suit a large public gallery, a specific issue or other extenuating circumstances.
- 8.4. The CEO is authorised to vary the meeting schedule after liaison with the Committee's Presiding Member
- 8.5. The CEO is authorised to not call a meeting of the Committee within the meeting schedule should the Committee have no matters for consideration.

9. Meeting procedures

- 9.1. Meetings of the Committee will be held per:
 - [Local Government Act 1999](#)
 - Parts 1, 3 and 4 [Local Government \(Procedures at Meetings\) Regulations 2013](#)
 - [City of Adelaide Code of Practice for Meeting Procedures](#)
- 9.2. Where these guiding documents are silent, the Committee will consider and determine its meeting practice, processes, and procedures within the parameters of the Act .
- 9.3. The Committee format should be less structured and formal than a Council meeting. This will then allow more time for a full discussion on the issues being considered by the Committee.

10. Conduct and Interests of Committee Members

- 10.1. All members of the Committee must comply with chapter 5 part 4 of the Act relating to Conduct, Disclosure and Register of Interests.

Revision History – 2022-2026 Term of Office

In Response to:	Revision to Audit and Risk Committee Terms of Reference