

Audit and Risk Committee Self-Assessment Summary Report – October 2022

The Audit and Risk Committee (ARC) Terms of Reference (ToR) state that at least once a year, ensure the ARC will review its own performance, membership and ToR to ensure it is operating at maximum effectiveness.

The below provides a summary of responses to the self-assessment undertaken. The self-assessment survey questions were based on the current structure and content of the ToR and all 6 members of the ARC responded. The full survey is an appendix to this report.

The following results will be reviewed against the current ToR and any suggested enhancements to the ToR will be discussed with the ARC at their meeting in February 2023.

Survey Results

Establishment & Purpose

Question	Response
1. Do you believe that the Audit and Risk Committee's (ARC) roles and responsibilities are adequately described in the Terms of Reference?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Yes, although the Committee spends quite a bit of time on the budgeting process, and this isn't specifically mentioned in the TOR
2. Do you recommend any changes?	2 Members responded – ‘Yes’ 3 Members responded – ‘No’ 1 Member did not respond Verbatim comments: <ul style="list-style-type: none"> • Clause 11.3 allows the CEO to cancel a meeting – this seems strange and should be up to the Presiding Member. • I am happy with the terms of reference as they stand. • A review on terms and experience of members to reflect the changing nature of risk and governance.
3. Do you believe the ARC has provided independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Yes, although the focus seems to be mostly on assurance rather than advice. • Yes - on accounting, financial management, internal controls, No – not as much on risk management and governance matters
4. Do you believe the ARC has reported to Council and provided appropriate advice and recommendations on matters relevant to its Terms of Reference to facilitate informed decision making in relation to discharging its legislative responsibilities and duties?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Yes, to a degree – the independent members provide advice and recommendations through reports to council, however, a more regular interactive approach with council members, particularly around QF variations, EOFY and LTFP, may provide greater assurance.
5. Is there anything further you would like to mention in regard to establishment and purpose of ARC?	3 Members responded – ‘Yes’ 2 Members responded – ‘No’ 1 Member did not respond Verbatim comments: <ul style="list-style-type: none"> • My observation has been that the committee members have been able to delve into the running of the council to have a robust understanding of the workings of the council and financial operations and accountability. • The ARC is an important governance committee that can positively contribute to the City of Adelaide Council and management through guidance, independence, challenging questions and support across a range of financial and operational matters.

	<ul style="list-style-type: none"> • Is there the value of the Chair of Audit being present at Cte to talk to the audit recommendations other than once a year? • I believe that we need to connect better with EMs, so that there is greater respect for the independent advice.
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Membership

Question	Response
<p>6.What are your thoughts on the diversity of skills, knowledge and experience of the current committee members, specifically relating to financial management, risk management and governance?</p>	<p>Verbatim comments:</p> <ul style="list-style-type: none"> • We have a very diverse committee at the moment especially the breadth the 4 independent members provide. • We currently have a mix of local government and private sector experience and it's important this continues. • In general, I think the mix is alright and able to cover the breadth of areas across the organisation. • Diverse experience - Risk, Financial, Commercial, Accounting, Legal. • I believe there is a broad set of skills and experience that the independent members bring. Whilst "council committee" experience may be limited for the 2 new members they bring well established corporate knowledge and business experience. The existing members bring their experience in technical areas but also their knowledge of "council committee" and background through a number of years of lived experience as well as insights into other local government councils. In terms of the Council appointed members I believe they bring background information and experience of Councils thinking i.e. at times context where needed, as well as other skills and knowledge. They interact constructively with the independent members. • I believe the expertise lies largely with financial management and there may need to be further exploration around skill set with regards to risk and governance.
<p>7.What training and development opportunities could benefit committee members?</p>	<p>Verbatim comments:</p> <ul style="list-style-type: none"> • Those without local government experience eg me, could benefit from receiving an overview of unique aspects of local government practices, legislative responsibilities etc. •it was highlighted the unique accounting requirements of local governments which requires a specialist understanding so training around those elements specific to the sector is useful. I have been learning at every meeting. • Local Government Reform. • There are always opportunities for training and developmentsubject to whatever budget exists - if one doesn't perhaps it could be created, however given that (budget) is potentially quite limited perhaps more 1:1 time with relevant executives to enable some deeper dives to enhance knowledge of CoA operations. • Greater familiarity with the LGAct around governance and risk, and induction with regards council financial report frameworks and formats

8. Do you think the ARC demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively and the willingness to address issues proactively as stated in the Terms of Reference?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Not a yes or no question – primarily yes
9. Any additional comments?	Verbatim comments: <ul style="list-style-type: none"> • I am and have been for some time concerned about the politicisation of the Audit and Risk Committee and very disappointed in the views expressed publicly by certain Elected Members and feel more work needs to be done to educate the Chamber and address these issues. • Disappointed that certain EMs continue to vote against receiving the minutes of ARC in the Chamber.

Roles & Responsibilities - Do you think the ARC has effectively:

Question	Response
10. Monitored the integrity of Council and subsidiary financial statements?	All Members responded – ‘Yes’
11. Reviewed Council's adherence to accounting standards and policies?	All Members responded – ‘Yes’
12. Reviewed effective internal controls such as financial controls and risk management systems?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Yes – to financial, however, no deep dive into risk management systems and how they work in practice
13. Reviewed the effectiveness of policies, systems and procedures in place for managing strategic, financial and operational risks and the activities of the Executive Strategic Risk and Internal Audit Group?	5 Members responded – ‘Yes’ 1 Member responded – ‘No’ Verbatim comments: <ul style="list-style-type: none"> • Yes, although we should spend more meeting time on SRIA information. • Not enough – very little is discussed or examined in terms of effectiveness or procedures. Paper is generally taken as read without commentary.
14. Reviewed the content and delivery of Council's Strategic Management Plans, Business Plan, Long Term Financial Plan and Asset Management Plans?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Content – Yes, although the process to build these plans seems inefficient. Delivery – the Committee should focus more on this. • Yes, at a high level - not detailed project level. • Yes – re content, and somewhat re delivery. Have made much ground on WIP.
15. Reviewed the effectiveness of the Internal Audit Work Plan including monitoring the effectiveness of management's responsiveness to findings and recommendations of the Internal Auditor?	All Members responded – ‘Yes’ Verbatim comments: <ul style="list-style-type: none"> • Yes, although I haven't yet seen how the IA Plan gets developed and suspect we have an opportunity to get more assurance on higher risk areas.
16. Do you think an effective approach has been implemented at City of Adelaide to sufficiently manage risk and opportunity?	5 Members responded – ‘Yes’ 1 Member responded – ‘No’ Verbatim comments: <ul style="list-style-type: none"> • No – from my perspective on the Committee there is insufficient focus on opportunity, and the approach to chasing opportunities seems cumbersome. • Yes somewhat – we still miss opportunities and risk – and generally end up on the front page of the paper because of it

<p>17. In your opinion, is there a productive relationship between ARC members and the External Auditor, maintaining open lines of communication and ongoing dialogue?</p>	<p>All Members responded – ‘Yes’ Verbatim comments:</p> <ul style="list-style-type: none"> • Yes, although if it doesn’t yet happen it would be a good thing for the Audit Committee Chair to meet annually with the External Audit partner.
<p>18. Is there an adequate process in place for the ARC to review the effectiveness of the External Audit and oversee actions to follow up on matters raised by the External Auditor?</p>	<p>All Members responded – ‘Yes’</p>
<p>19. In the context of your review of the periodical financial reporting and annual financial statements, do you feel that you have sufficient overview and information to ensure that they present fairly the state of affairs of the Council?</p>	<p>All Members responded – ‘Yes’</p>
<p>20. In your opinion, do you think emerging issues are effectively raised so they can be dealt with in a proactive manner?</p>	<p>5 Members responded – ‘Yes’ 1 Member responded – ‘No’</p>
<p>21. Any additional comments?</p>	<ul style="list-style-type: none"> • I’m not sure whether the Committee has met with the Internal Auditor without management as per the TOR. Also, not sure if the Committee has covered Section 8.1 of the TOR – “Make recommendations to Council on the exercise of Council’s powers under Section 130A of the Act, in relation to the conduct of Economy Audits that would not otherwise be addressed or included as part of an annual External Audit”. • The responses above are based on the limited number of meetings held and the ability to cover a select range of issues over the year - a balanced approach. In terms of Q16 the balance between risk and opportunity is perhaps difficult to assess, notwithstanding risk management systems are in place but how risk factors into day-to-day operational matters and projects for example is a little unknown. • I believe more attention needs to be paid to risks and emerging issues.

Meetings

Question	Response
22.The ARC meets at least 6 times a year. Do you think this scheduling is at appropriate intervals to address its responsibilities in a timely manner?	<p>4 Members responded – ‘Yes’ 1 Member responded – ‘No’ 1 Member did not respond</p> <p>Verbatim comments:</p> <ul style="list-style-type: none"> No – 6 times is about right but the scheduling/timing of several seems odd (at least it has in 2022) and not very well lined up with Elected Member meetings/decision making or key processes of the Administration.
23.Are the meeting papers and associated information (eg previous meeting's minutes, financial statements) satisfactory to enable you to understand the information provided and prepare for the meeting?	<p>4 Members responded – ‘Yes’ 1 Member responded – ‘No’ 1 Member did not respond</p> <p>Verbatim comments:</p> <ul style="list-style-type: none"> No – papers are way too long which makes it difficult to identify the key/material issues.
24.Any additional comments?	<ul style="list-style-type: none"> There has been, one, perhaps two instances of scheduled meetings being changed at relatively late notice and with no explanation as to why. This is not good practice. In most council documents there is generally a lot of detail. As noted above you don't always that inside understanding why particular processes are required but they are explained at the meetings. The response to Q22 and 23 needs to be tempered by the number of pages which are produced for each meeting which at times seems excessive and the range/breadth of issues covered at specific meetings. The shortening of the SRIA papers was a positive step during the year however there is very limited opportunity to ask questions about these reports and any specific items within. If this continues to be the case one would question the purpose of providing them or perhaps there is an opportunity at 1/2 meetings pa to bring them to the top of the agenda. By the time the committee gets to them there has usually been a number of other presentations/reports/discussions and time is pressing. The “2 hour” meeting timeframe is considered reasonable.

Reporting and Accountability

Question	Response
25.Do you have any comments on how the ARC reports to Council after every meeting?	<ul style="list-style-type: none"> From time to time, it could be beneficial for the Presiding Member to report to Council in person rather than just via a written report/minute. From my observation the reports have been thoughtful and considered. The committee has been able to highlight issues which have been a catalyst to address potential issues in a timely manner and helped inform the chamber well. Via minutes and Chair reports twice a year to the Chamber. I would like to see a regular – quarterly/ 3 x a year discussion with ARC re QF reports and emerging issues
26.Are there any ways you think the ARC can maximise value add?	<ul style="list-style-type: none"> In the past we have done some workshops with Elected Members and that I think was helpful (on key issues).

	<ul style="list-style-type: none"> • Yes – as mentioned briefly above, having more of an ‘advice’ mindset rather than just ‘assurance’ will lead to providing extra value to Council. • Continue to provide independent insights. • More 1:1 time with executives either in camera or, in private outside of meetings, to broaden and deepen knowledge. Shorter papers from Management at times. SRIA comments above. • There has been little discussion on emerging risks and opportunities – which may require a review of skillset. Work from home, COVID, revenue generation, future fund investment, all topics worthy of discussion. Collectively they have a lot of experience of how other councils and corporation are addressing risk and it would be good to have greater to this – and what constitutes best practice
27. Is there anything else you wish to comment on?	<ul style="list-style-type: none"> • Consideration should be given to increasing the sitting fees to encourage high quality candidates to sit on the Committee.

Appendix 1 – Questions asked in Survey

Audit and Risk Committee Assessment Survey

At least once a year, ensure the Audit and Risk Committee will review its own performance, membership and Terms of Reference to ensure it is operating at maximum effectiveness. The Presiding Member will provide a report to Council summarising its activities for the year including any recommended changes it considers necessary to the Council for approval. The Presiding Member will be present at that meeting of Council to support the report submitted.

Establishment and Purpose

1. Do you believe that the Audit and Risk Committee's (ARC) roles and responsibilities are adequately described in the Terms of Reference?

Yes

No

2. Do you recommend any changes?

3. Do you believe the ARC has provided independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters?

Yes

No

4. Do you believe the ARC has reported to Council and provided appropriate advice and recommendations on matters relevant to its Terms of Reference to facilitate informed decision making in relation to discharging its legislative responsibilities and duties?

Yes

No

5. Is there anything you further you would like to mention in regard to establishment and purpose of ARC?

Membership

6. What are your thoughts on the diversity of skills, knowledge and experience of the current committee members, specifically relating to financial management, risk management and governance?

7. What training and development opportunities could benefit committee members?

8. Do you think the ARC demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively and the willingness to address issues proactively as stated in the Terms of Reference?

Yes

No

9. Any additional comments?

Roles and Responsibilities

Do you think the ARC has effectively:

10. Monitored the integrity of Council and subsidiary financial statements?

Yes

No

11. Reviewed Council's adherence to accounting standards and policies?

Yes

No

12. Reviewed effective internal controls such as financial controls and risk management systems?

Yes

No

13. Reviewed the effectiveness of policies, systems and procedures in place for managing strategic, financial and operational risks and the activities of the Executive Strategic Risk and Internal Audit Group?

Yes

No

14. Reviewed the content and delivery of Council's Strategic Management Plans, Business Plan, Long Term Financial Plan and Asset Management Plans?

Yes

No

15. Reviewed the effectiveness of the Internal Audit Work Plan including monitoring the effectiveness of management's responsiveness to findings and recommendations of the Internal Auditor?

Yes

No

16. Do you think an effective approach has been implemented at City of Adelaide to sufficiently manage risk and opportunity?

Yes

No

17. In your opinion, is there a productive relationship between ARC members and the External Auditor, maintaining open lines of communication and ongoing dialogue?

Yes

No

18. Is there an adequate process in place for the ARC to review the effectiveness of the External Audit and oversee actions to follow up on matters raised by the External Auditor?

Yes

No

19. In the context of your review of the periodical financial reporting and annual financial statements, do you feel that you have sufficient overview and information to ensure that they present fairly the state of affairs of the Council?

Yes

No

20. In your opinion, do you think emerging issues are effectively raised so they can be dealt with in a proactive manner?

Yes

No

21. Any additional comments?

Meetings

22. The ARC meets at least 6 times a year. Do you think this scheduling is at appropriate intervals to address its responsibilities in a timely manner?

Yes

No

23. Are the meeting papers and associated information (eg previous meeting's minutes, financial statements) satisfactory to enable you to understand the information provided and prepare for the meeting?

Yes

No

24. Any additional comments?

Reporting and Accountability

25. Do you have any comments on how the ARC reports to Council after every meeting?

26. Are there any ways you think the ARC can maximise value add?

27. Is there anything else you wish to comment on?

The end