

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 Audit and Risk Committee's role 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 Audit and Risk Committee

- 2.1. The functions of the Audit and Risk Committee as prescribed under Section 126 (4) 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. Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of Council regularly.

3. Role of the Audit and Risk 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. Review any report obtained by Council under section 48(1) (Prudential Reports) of the Act per Council's Prudential Management Policy.
- 3.1.3. Review and challenge where necessary:
 - 3.1.3..1. The consistency of, and any changes to, accounting policies on a year on year basis.
 - 3.1.3..2. The methods used to account for significant or unusual transactions where different approaches are possible.
 - 3.1.3..3. Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
 - 3.1.3..4. The clarity of disclosure in the Council's financial reports and the context in which statements are made.
 - 3.1.3..5. 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 and Asset Management Plans.
- 3.2.2. Review, advise and approve (where appropriate) relevant components of Council's Annual Report including:
 - Annual financial statements for Council and subsidiaries.
 - Internal control and risk statements (where appropriate).
- 3.2.3. 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:
 - 3.3.2..1. Endorsing the audit timetable and audit plan.
 - 3.3.2..2. 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.
 - 3.3.2..3. 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.
 - 3.3.2..4. 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).
 - 3.3.2..5. Monitoring the external Auditor's compliance with legislative requirements on the rotation of individuals per section 128(6) of the Act.
 - 3.3.2..6. 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 Audit and Risk 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 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 Audit 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 Audit 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. Keep under review the effectiveness of the Council's internal controls and risk management systems.
- 3.5.2. Review the effectiveness of policies, systems and procedures established and maintained for regularly identifying, assessing, monitoring, managing, and reviewing strategic, financial and operational risks.
 - a. Receive reports on the activities of the Executive Strategic Risk and Internal Audit Group.
 - b. Monitor the responsiveness to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's auditor.

4. Reporting

- 4.1. The Audit and Risk Committee must
 - 4.1.1. provide a report to the Council after each meeting summarising
 - the work of the committee during the period preceding
 - and the meeting and the outcomes of the meeting
 - 4.1.2. Provide an annual report to the Council on the committee's work during the period the report relates.
- 4.2. 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
- 4.3. 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.

5. Delegations

Nil



6. Membership

- 6.1. Council will resolve the membership of the Audit and Risk Committee. Membership will consist of four independent members (who are not members of any Council) and two elected members.
- 6.2. Council must be satisfied that the members of the committee (when considered as a whole) must 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' Appointments 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. 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 Elected Members of the Committee.
- 6.7. Elected members will hold office for a period of two years.
- 6.8. Council may choose to appoint a proxy member for the elected members for two years.
- 6.9. Members must notify the Chair or CEO of non-attendance of a meeting.
- 6.10. If an elected member is unavailable, they may request the proxy member to attend a specific meeting on their behalf.
- 6.11. The proxy member may attend meetings of the Committee but has no voting entitlement unless representing an absent elected member.
- 6.12. Council employees are not eligible to be members of the Audit and Risk Committee
- 6.13. Members of the Committee may be removed by Council resolution at any time.

7. Presiding Member (Committee Chair)

- 7.1. Council will appoint an independent members as the Presiding Member of the Audit and Risk Committee for a period of its choosing. Council may decide to extend the appointment noting a member cannot exceed two terms of appointment (as per clause 2.5)
- 7.2. The Audit and Risk Committee may make an appointment to the position of Deputy Presiding Member for a term as determined by the Audit and Risk Committee.
- 7.3. The role of the Chair is to:
 - Oversee the orderly conduct of meetings per the Local Government Act 1999 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 Chair is not excluded from debate and may add to the debate nearing its end (so as not to 'lead from the Chair').
- 7.5. The Chair of a Committee has a deliberative vote and does not have a casting vote.
- 7.6. If the Chair of the Committee is absent from a meeting, the Deputy Chair will preside at that meeting.
- 7.7. If both the Chair and the Deputy Chair 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 Chair (or Deputy Chair, if relevant) is present.
- 7.8. The Committee minutes shall be presented to the next meeting ordinary meeting of Council, including recommendations that require a decision of Council, in the form resolved by the Committee, for consideration of the Council.
- 7.9. The Chair of a Committee may move the motion of the Committee

8. Meeting details

- 8.1. The Audit and Risk Committee will meet at least six times a year on dates and times determined by the Audit and Risk Committee.
- 8.2. 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.
- 8.3. The CEO is authorised to vary the meeting schedule after liaison with the Committee’s Presiding Member
- 8.4. 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 Audit and Risk Committee will be held per:
 - [Local Government Act 1999](#)
 - Parts 1, 3 and 4 [Local Government \(Procedures at Meetings\) Regulations 2013](#)
 - [City of Adelaide Standing Orders](#)
- 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 Local Government Act 1999.
- 9.3. The Audit and Risk 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 Audit and Risk Committee
- 9.4. That Regulation 20 – short term suspension of proceedings be enacted (where appropriate) to allow more time for a full discussion on the issues being considered

10. Conduct and Interests of Committee Members

- 10.1. All members of the Committee must comply with chapter 5 part 4 of the Local Government Act 1999 relating to Conduct and Disclosure of Interests.

Revision History – 2022-2026 Term of Office

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