



**TERMS OF REFERENCE**

**OF**

**DISTRICT COUNCIL OF PETERBOROUGH**

**AUDIT AND RISK COMMITTEE**

## **1. PURPOSE**

- 1.1 To provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

## **2. MEMBERSHIP**

- 2.1 Members of the committee are appointed by the Council. The committee shall consist of three independent members and two Elected Members of Council.
- 2.2 Membership may include members of another council audit and risk committee or a regional audit and risk committee. The Principal Member of the Council shall not be a member of the committee.
- 2.3 The independent members of the committee shall have recent and relevant financial, risk and governance experience.
- 2.4 Members of the committee must collectively have the skills, knowledge and experience relevant to the functions of the committee, including in financial management, risk management, and governance.
- 2.5 Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by the conflict of interest provisions pursuant to the *Local Government Act 1999* (“**the Act**”) not to vote, each member must vote on every matter that is before the committee for decision. Other Council staff (such as the Chief Executive Officer and Chief Finance and Governance Officer) would normally attend meetings as observers and be responsible for preparing papers for the committee. In accordance with the principles of open, transparent and informed decision making, committee meetings must be conducted in a place open to the public. The agenda and minutes of the committee meetings, subject to any items that are discussed in confidence under section 90 of the Act and subsequently retained as confidential under section 91 of the Act are also required to be made available to the public.
- 2.6 The Council’s external auditors may be invited to attend meetings of the committee but may not become a member of the committee.
- 2.7 The Council shall appoint a Presiding Member of the committee, who must be one of the three independent members appointed under clause 2.1.
- 2.8 An Audit Committee advisor maybe appointed to provide Council staff with support in drafting and maintaining the Audit Committee Work Program, meeting agendas and reports. The advisor will also provide technical support to the Presiding Member prior to and during committee meetings.
- 2.9 Appointments to the committee from Elected Members shall be for the period until the end of the term of Council. Independent members of the committee shall be appointed for a period of up to four years, commencing partway through an election cycle. Independent members may be reappointed by Council for a subsequent term.

### **3. SECRETARIAT RESOURCES**

- 3.1 The Chief Executive Officer shall provide sufficient administrative resources to the committee to enable it to adequately carry out its functions.

### **4. QUORUM**

- 4.1 The quorum necessary for the transaction of business shall be three members of the committee. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

### **5. FREQUENCY OF MEETINGS**

- 5.1 The committee must meet at least once each quarter and otherwise as required.

### **6. NOTICE OF MEETINGS**

- 6.1 Ordinary meetings of the committee will be held at times and places determined by Council or, subject to a decision of Council, the committee. A special meeting of the committee may be called pursuant to section 82 of the Act.
- 6.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and observers, no later than three clear days before the date of the meeting. Supporting papers shall be sent to committee members (and to other attendees as appropriate) at the same time.

### **7. MINUTES OF MEETINGS**

- 7.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the committee, including recording the names of those in attendance, are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedures at Meetings) Regulations 2013*.
- 7.2 Minutes of committee meetings shall be circulated within five days after a meeting to all members of the committee and all Elected Members, as well as being made publicly available.
- 7.3 After each meeting, the committee shall also provide to Council:
- 7.3.1 a report that summarises the work of the committee during the period preceding the meeting and the outcomes of the meeting; and
  - 7.3.2 the current version of the committee work program.

## **8. ROLE OF THE COMMITTEE**

### **8.1 Financial reporting**

- 8.1.1 The committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting, issues and judgements which they contain.
- 8.1.2 The committee shall review and provide advice to Council on any report of prudential issues obtained by the Council, before the Council makes a decision on the report, as per section 48(1) of the Act;
- 8.1.3 The committee shall review and challenge where necessary:
  - 8.1.3.1 the consistency of, and/or any changes to, accounting policies;
  - 8.1.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 8.1.3.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 8.1.3.4 the extent to which the Council has addressed the recommendations of audits and risk assessments, including those raised by the Council's auditor;
  - 8.1.3.5 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
  - 8.1.3.6 all material information presented with the financial statements.

### **8.2 Internal controls and risk management systems**

The committee shall:

- 8.2.1 keep under review the effectiveness of the Council's internal controls and risk management systems, including policies, systems and procedures for the identification and management of strategic, financial and operational risks;
- 8.2.2 review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

### **8.3 Internal audit**

- 8.3.1 The committee shall review and comment on an annual report provided by the Chief Executive Officer in relation to the policies and processes adopted by the Council to evaluate and improve the effectiveness of its internal control practices and procedures.

## **8.4 Public Interest Disclosure Act responsibilities**

- 8.4.1 The committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial recording or reporting or other matters. The committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

## **8.5 External audit**

The committee shall:

- 8.5.1 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 8.5.2 consider and make recommendations to the Council, in relation to the appointment, reappointment and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.3 oversee the Council's relationship with the external auditor including, but not limited to:
  - 8.5.3.1 recommending the approval of the external auditor's remuneration, covering fees for both audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
  - 8.5.3.2 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;
  - 8.5.3.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of the Council's relationship with the auditor, including the provision of any non-audit services;
  - 8.5.3.4 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);
  - 8.5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
  - 8.5.3.6 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 Committee's own internal quality procedures;

- 8.5.4 meet as needed with the external auditor. The committee shall meet the external auditor at least once a year, on a confidential basis, to discuss the external auditor's report and any issues arising from the audit, in circumstances where:
  - 8.5.4.1 a majority of the committee members are present; and
  - 8.5.4.2 no members or employees of the Council are present (other than members of the committee) ;
- 8.5.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 8.5.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
  - 8.5.6.1 a discussion of any major issues which arose during the external audit;
  - 8.5.6.2 any accounting and audit judgements; and
  - 8.5.6.3 levels of errors identified during the external audit.
- 8.5.7 review the effectiveness of the external audit;
- 8.5.8 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.9 review the subsequent audit management letter from the external auditor and management's proposed response, by the Council, to the external auditor's; and
- 8.5.10 findings and recommendations in that audit management letter.

## **9. REPORTING RESPONSIBILITIES**

- 9.1 The committee shall make whatever recommendations to the Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed; and
- 9.2 The committee shall provide an annual report to the council on the work of the committee undertaken during the preceding financial year. The Council must ensure this is included in its annual report for that financial year.

## **10. OTHER MATTERS**

The committee shall:

- 10.1 have access to reasonable resources in order to carry out its duties;
- 10.2 be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
- 10.3 give due consideration to the Act; and regulations made under the Act;

- 10.4 make recommendations on co-ordination of the external auditors;
- 10.5 oversee any investigation of activities which are within its terms of reference;
- 10.6 oversee action to follow up on matters raised by the external auditors; and
- 10.7 at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

## **11. ADOPTION OF TERMS OF REFERENCE**

- 11.1 The Terms of Reference for the District Council of Peterborough Committee were adopted at the Ordinary Meeting of Council held on 16<sup>th</sup> October 2023.

## **12. PUBLIC AVAILABILITY OF TERMS OF REFERENCE**

The public may inspect a copy of this Terms of Reference document, without charge, at the offices of the Council during normal office hours, and may obtain a copy for a fee fixed by the Council.

Further enquiries in relation to the Terms of Reference document should be directed to the Chief Executive Officer by telephoning 8651 3566 or emailing [council@peterborough.sa.gov.au](mailto:council@peterborough.sa.gov.au)

## **13. REVIEW OF TERMS OF REFERENCE**

The Council may review this Terms of Reference document from time to time, however it is anticipated that a bi-annual review of the Terms of Reference document will be undertaken.

## **14. DOCUMENT VERSION CONTROL**

<b>Review Date</b>	<b>Version Number</b>	<b>Change</b>	<b>Resolution</b>
21 April 2008 to Nov 22	1 to 6	Previous Audit Committee Term of Ref	
16 Oct 2023	7	New Terms of Ref, Audit & Risk Committee - Amendments in line with Statutes Amendment (Local Government Review) Act 2021	93/10/23