



Audit Committee

Terms of Reference

1. ESTABLISHMENT

- 1.1 The Audit Committee (the Committee) of Council is established under Section 41 of the *Local Government Act 1999* (the Act).

2. PURPOSE

- 2.1 The Committee is established for the purpose of Section 126 of the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* to:
- 2.1.1 review annual financial statements to ensure that they present fairly the state of affairs of the council;
 - 2.1.2 review the adequacy of Council-wide risk management systems on a regular basis;
 - 2.1.3 propose and provide information relevant to, a review of the council's strategic management plans and annual business plan;
 - 2.1.4 propose and review, the exercise of powers under section 130A relating to efficiency and economy audits;
 - 2.1.5 liaise with the Council's auditor; and
 - 2.1.6 review of the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

3. MEMBERSHIP

- 3.1 The membership of the Committee shall consist of:
- 3.1.1 two Elected Members¹; and
 - 3.1.2 up to three Independent Members with recent and relevant financial, risk management and internal audit experience
- 3.2 Council's external auditors may be invited to attend meetings of the Committee.

¹ Including the Mayor if appointed by Council (Note the Mayor has no ex-officio role on the Audit Committee)

3.3 Persons appointed under this clause are referred to as 'Member/Members' throughout the Terms of Reference.

3.4 The current Committee membership is as per Schedule 1 to the Terms of Reference.

3.5 Term of Office

3.5.1 The term of Office for the Independent Member(s) position shall be four years.

3.5.2 The term of office for Elected Members shall be two years or as resolved by Council.

3.6 Vacancies

3.6.1 The filling of any vacancy occurring by resignation or removal of a member shall be approved by Council through a Committee resolution.

3.7 Removing Members

3.7.1 Council may at any time remove a member of the Committee but shall observe the principles of natural justice. Circumstances that may lead to a member being removed may include (but are not limited to):

3.7.1.1 If the Member breaches the relevant Code of Conduct.

3.7.1.2 If a member is declared to be (by a medical practitioner) not of sound mind.

3.7.1.3 If the member knowingly acts in serious breach of the Council's policies or the legislative provisions i.e. failing to declare a conflict of interest; not maintaining confidentiality; committing fraud or corruption etc.

3.7.1.4 If the member is convicted of any criminal offence which prescribes a term of imprisonment or brings discredit upon the Council or the Committee

3.7.1.5 If the member is consistently unsupportive of the objectives of the Committee.

3.8 Leave of Absence

3.8.1 Any member absent for three or more consecutive meetings without apology or leave of the Committee shall have their position declared vacant and Clause 3.5.1 shall be invoked.

3.9 Sitting Fees

3.9.1 Independent Committee Members will be eligible to receive a sitting fee for meeting attendances as determined by the Council from time to time.

3.10 Selection Panel

3.10.1 At the time of a vacancy of an Independent Member, a selection panel comprising of the Chief Executive Officer or delegate, one Council Member

from the Audit Committee and one Independent Member from either the City of Victor Harbor, Alexandrina Council or the District Council of Yankalilla, will undertake a selection process and recommend Independent applicants to the Council for appointment as Independent Members.

4. ROLE AND RESPONSIBILITIES OF MEMBERS

4.1 The role of a Committee member is to:

- 4.1.1 Participate in the deliberations of the Committee, with regard to the policy and business which is before it;
- 4.1.2 Be mindful of the objectives and policies of the Council as they relate to the business of the Committee;
- 4.1.3 Give due consideration to laws and regulations of *the Local Government Act 1999*;
- 4.1.4 Participate in induction and ongoing training as required;
- 4.1.5 Be aware of the Committees resources and budget, and the need for efficiency and effectiveness in the activities for which the Committee has been established;
- 4.1.6 Be well informed on issues before the Committee, to prepare adequately for meetings and seek additional information if required;
- 4.1.7 Be mindful of the potential for a 'Conflict of Interest' to occur through participation on the Committee and to declare such interests as and when they arise; and
- 4.1.8 Observe confidentiality when it is required.

5. ROLE OF THE AUDIT COMMITTEE

5.1 Financial Reporting

- 5.1.1 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.
- 5.1.2 The Committee shall review and challenge where necessary:
 - 5.1.2.1 The consistency of, and/or any changes to, accounting policies;
 - 5.1.2.2 The methods used to account for significant or unusual transactions where difference approaches are possible;

- 5.1.2.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; and
- 5.1.2.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- 5.1.2.5 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 the audit and risk management).

5.2 Internal Controls and Risk Management Systems

5.2.1 The Committee shall

- 5.2.1.1 keep under review the effectiveness of Council's internal controls and risk management systems; and
- 5.2.1.2 review and recommend the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls and risk management.

[Note that it is important that the audit committee understand the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the internal and external auditors and by presentations by management on how business risks are identified and managed.]

5.3 Public Interest Disclosure

5.3.1 The Committee shall:

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

5.4 Internal Audit

5.4.1 The Committee shall:

- 5.4.1.1 monitor and review the effectiveness of Council's internal audit function in the context of Council's overall risk management system;

- 5.4.1.2 consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

[Note that this may include the review of the areas that have been identified for review and the frequency of review. The committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.]

- 5.4.1.3 review all reports on the Council's operations from the internal auditors;

[Note that the reports to the audit committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.]

- 5.4.1.4 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

- 5.4.1.5 where appropriate, meet the 'head' of the internal audit (internal or outsourced) at least once a year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Principal Member of the Council and to the Presiding Member of the Committee.

5.5 External Audit

5.5.1 The Committee shall:

- 5.5.1.1 The Committee shall consider and make recommendations to the Council, in relation to the appointment, re-appointment 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;

- 5.5.1.2 The Committee shall oversee Council's relationship with the external auditor including, but not limited to:

5.5.1.2.1 recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;

5.5.1.2.2 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;

- 5.5.1.2.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
- 5.5.1.2.4 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);
- 5.5.1.2.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- 5.5.1.2.6 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 committee's own internal quality procedures);
- 5.5.1.3 The Committee shall meet as needed with the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit.
- 5.5.1.4 The Committee shall review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 5.5.1.5 review and monitor the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - 5.5.1.5.1 discussion of any major issues which arose during the external audit;
 - 5.5.1.5.2 any accounting and audit judgements; and
 - 5.5.1.5.3 levels of errors identified during the external audit;
 - 5.5.1.5.4 the committee shall also review the effectiveness of the external audit.
- 5.5.1.6 review any representation letter(s) requested by the external auditor before they are signed by management.

[Note that these representation letters are a standard practice of any audit and provide the auditor confirmation from management, (in particular the Chief Financial Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.];
- 5.5.1.7 review the management letter and management's response to the external auditor's findings and recommendations.

5.6 Reporting Responsibilities

- 5.6.1 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 improvements is needed.

5.7 Other Matters

- 5.7.1 The Committee shall:

- 5.7.1.1 have access to reasonable resources in order to carry out its duties;
- 5.7.1.2 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;
- 5.7.1.3 give due consideration to laws and regulations of the Local Government Act 1999
- 5.7.1.4 make recommendations on co-ordination of the internal and external auditors;
- 5.7.1.5 oversee any investigation of activities which are within its terms of reference;
- 5.7.1.6 oversee action to follow up on matters raised by the external auditors; and
- 5.7.1.7 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.

6. MEETINGS

6.1 Ordinary Meetings

- 6.1.1 A minimum of four meetings are to be held per annum.
- 6.1.2 The Committee shall resolve by majority a 12 month schedule of meetings including the date, time and location in accordance with Section 87(2) of the *Local Government Act 1999*.

6.2 Special Meetings

- 6.2.1 Special Meetings may be called by the Chair or at least two members of the Committee at any time in accordance with the conditions of the Terms of Reference.

6.3 Meeting Procedures

- 6.3.1 Meetings will be held in accordance with these Terms of Reference and Council's Code of Practice for Meeting Procedures, developed in accordance with the *Local Government Act 1999* and the *Local Government (Procedures at Meetings) Regulations 2013*.

6.4 Quorum

6.4.1 A quorum for the Committee shall constitute three members, one of whom shall be an Elected Member.

6.5 Presentations

6.5.1 The Committee may receive presentations from members of the community, an organisations or Council officers on matters directly related to Clause 2.

6.6 Petitions

6.6.1 All petitions are received by Council. However, the Council may refer a matter arising from a petition to the Committee for consideration.

6.7 Notice of Meetings

6.7.1 A notice of the meeting is to be provided to each Committee Member in writing, setting out the date, time and location of the meeting and be accompanied by an agenda.

6.7.2 The agenda for Ordinary Meetings of the Committee shall be forwarded to members of the Committee electronically no later three clear days prior to the meeting.

6.7.3 A minimum of four hours' notice shall be given for any Special Meeting of the Committee.

6.7.4 A copy of the notice of meeting, agenda and accompanying reports shall be placed at the Council office as soon as practicable following circulation to members of the Committee.

6.8 Minutes

6.8.1 Minutes shall be kept of all meetings of the Committee.

6.8.2 Each Committee Member shall receive a copy of the minutes within five business days of the meeting of the Committee.

6.8.3 The minutes shall be confirmed at the next regular meeting with or without amendments.

6.8.4 One copy of all minutes shall be supplied to the Council before its next meeting following that of the Committee. Resolutions of the Committee are to be presented to a formal meeting of Council for endorsement before they can be enacted.

6.8.5 A copy of the minutes shall be placed on public exhibition at the Council Front Office within five days of the meeting of the Committee.

6.9 Interruption of meetings by members

- 6.9.1 A member of a Council Committee must not behave in an improper or disorderly manner; or cause an interruption or interrupt another member who is speaking (Clause 29 of the *Local Government (Procedures at Meetings) Regulations 2013*)

7. CONFLICT OF INTEREST

- 7.1 Sections 73 – 75 of the *Local Government Act 1999* (inclusive) refer to conflict of interest provisions. Committee members need to be aware of the circumstances under which a conflict of interest may arise and declare that interest to the membership present at the meeting.

8. VOTING

- 8.1 A question arising for a decision at a meeting of the Committee will be decided by a majority of the votes cast by the members present at the meeting and entitled to vote on the question.
- 8.2 Each member of the Committee present at any meeting shall have one vote on any matter.
- 8.3 The Chairperson or Deputy Chairperson has a deliberative vote but does not, in the event of an equality of votes, have a casting vote.
- 8.4 Each member present at a meeting of the Committee must vote on all questions arising for a decision at that meeting.

9. SUB-COMMITTEES

- 9.1 The Committee may appoint appropriate sub-committees as it considers necessary provided that all actions of such sub-committees shall be approved or confirmed by the Committee (unless otherwise specified by Council).
- 9.2 The sub-committees may second non-committee members where particular skills are required. The nomination of seconded committee members shall be presented to the Committee for ratification. Seconded persons are considered members of the sub-committee with voting rights.

10. FINANCE

- 10.1 A record of the financial transactions of the Committee shall be maintained by Council's finance department.
- 10.2 The Committee may expend funds within the Council approved budget limitations and the business/operational/marketing plans of the council.
- 10.3 Any variations to the budget shall require Council approval.
- 10.4 The Committee shall not operate any separate bank accounts unless authorised by the Council.

11. DELEGATIONS

- 11.1 Council may delegate matters to the Committee in accordance with Section 41 of the *Local Government Act 1999*.
- 11.2 The Committee may:
 - 11.2.1 Approve minutes as a true and accurate record of proceedings.
 - 11.2.2 appoint a Deputy Chairperson (if not resolved by Council).
 - 11.2.3 Approve their work plan and annual report of the Committee.
 - 11.2.4 Form sub-committees and project groups.
 - 11.2.5 Determine if a matter should be considered in confidence.

12. PUBLIC ACCESS

- 12.1 Meetings of the Committee shall be held in public.
- 12.2 The Committee may resolve to exclude the Public from attendance at the meeting if it is considered necessary to receive, discuss or consider in confidence any information or matter listed in Section 90 (3) of the *Local Government Act 1999*.
- 12.3 Minutes, Agendas, Reports and Documents produced by the Committee may be inspected at the Council Office at any time and are also available for viewing at the Library for a limited period. Copies of Minutes, Agendas, Report's and Documents may be purchased from the Council Office at a fee prescribed by Council.
- 12.4 Matters subject to a resolution of terms of confidentiality provisions will be excluded from inspection or purchase for a period as determined by the Committee.

13. REPORTING AND ACCOUNTABILITY

- 13.1 The Committee shall supply to Council a copy of all Committee minutes pursuant to Clause
- 13.2 Council shall appoint the Chairperson to the Committee who will be independent of Council and have qualifications as outlined in Clause 3.1.2.
- 13.3 Council may appoint a Deputy Chairperson to the Committee for the purpose of filling in for the Chair who is unable to attend (or part of) an Audit Committee.
- 13.4 The Chairperson of the Committee is not excluded from debate but should be respectful and provide opportunity for all other committee members to contribute in a way that deliberations are not 'lead from the Chair'.
- 13.5 In the absence of the Chairperson and Deputy Chairperson from a meeting, then the Mayor or delegate will preside at the meeting until the Chairperson or Deputy Chairperson is present.
- 13.6 The role of the Chairperson includes:

- 13.6.1 Overseeing and facilitating the conduct of meetings in accordance with the Terms of Reference and Code of Practice for Meeting Procedures (Council Committees), which is developed in accordance with *the Local Government Act 1999* and the *Local Government (Procedures at Meetings) Regulations 2013*.
- 13.6.2 Ensure all committee members have an opportunity to participate in discussions in an open and encouraging manner; and
- 13.6.3 Where a matter has been debated significantly and no new information is being discussed, to call the meeting to order and ask for the debate to be finalised and the motion to be put.
- 13.6.4 After considering advice from the Chief Executive Officer (CEO) or delegate, the Chairperson of the Committee is authorised to cancel the respective Committee meeting, if it is clear that there is no business to transact for that designated meeting.

14. Vacancies

- 14.1 The filling of any vacancy occurring by resignation or removal of a member shall be at the discretion of Council through a Council resolution.

15. Removing Members

- 15.1 Council may at any time remove a member of the Committee but shall observe the principles of natural justice. Circumstances that may lead to a member being removed may include (but are not limited to) if the member:
- 15.1.1 breaches the relevant Code of Conduct
- 15.1.2 is declared to be (by a medical practitioner) not of sound mind
- 15.1.3 knowingly acts in serious breach of the Council's policies or the legislative provisions ie failing to declare a conflict of interest; not maintaining confidentiality; committing fraud or corruption etc.
- 15.1.4 is convicted of any criminal offence which prescribes a term of imprisonment or brings discredit upon the Council or the Committee.
- 15.1.5 is consistently unsupportive of the purpose of the Committee.

16. Leave of Absence

- 16.1 Any member absent for three (3) or more consecutive meetings without apology or leave of the Committee shall have their position declared vacant and clause 6 shall be invoked.

17. Audit

- 17.1 The Auditor appointed by the Council from time to time shall be the auditor of the Committee finances and administrative procedures.

17.2 The Committee must comply with the requirements within Council's Internal Control Manual.

18. Media Protocol

18.1 Members are not to speak to media in their capacity as Committee Members.

18.2 In accordance with Council's Media Policy, the Mayor and the CEO are the principle spokespersons for the Council.

19. Liability of Members

19.1 In accordance with *Section 39 of the Local Government Act 1999*, no civil liability attaches to a member of the Committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the member's or Committee's powers, functions or duties. However, protection under these provisions may not apply for a breach of the Council's Election Caretaker Policy.

20. Interpretation

20.1 Any ambiguity or difficulty in interpretation of this Terms of Reference shall be referred to the Council for direction.

21. Dissolution

21.1 Council may at any time abolish the Committee and such action by the Council may include but is not limited to the Committee:

21.1.1 Has fully achieved its purpose for establishment

21.1.2 Has become unproductive

21.1.3 Can no longer attract membership

21.1.4 No longer serves the service priorities and/or core business of the Council.

21.1.5 Legislation has changed the roles and responsibilities of Council.

22. Amendments to Terms of Reference

22.1 Council may, at any time, either on its own initiative or at the request of the Committee, alter, delete or add to the provisions of these Terms of Reference.

23. Document History

Version	Issue Date	Resolution No.	Description
1.0	12 Feb 2007	OC 07/0049	Adopted the Audit Committee Charter
2.0	9 July 2007	OC 07/0349	Adopted amended Audit Committee Charter
3.0	11 Mar 2008		
4.0	25 Aug 2008		
5.0	10 Nov 2008	OC 08/0556	Amended Charter to reflect the revised membership numbers and appointed incumbents
6.0	16 Mar 2009	OC 09/0098	Amended Charter to reflect appointments
7.0	21 Sept 2009		
8.0	20 Sept 2010		
9.0	18 Oct 2010		
10.	29 Nov 2010		
11.	28 Mar 2011	OC 11/0145	Establishment of Audit Committee (Section 41 of <i>the Local Government Act 1999</i>)
12.	26 Sept 2011	CA 11/0034	Adopted reviewed Terms of Reference and Charter

13.	18 Mar 2013	CA 13/0005	Adopted reviewed Terms of Reference and Charter
14.	23 Nov 2015	OC5342015	Adopted reviewed Terms of Reference and Charter
15.	22 Aug 2016	OC4532016	2015/16 Audit Committee Self-assessment and annual review
16.	27 Feb 2017	OC592017	Extension of Independent Member Term
17.	18 Dec 2017	OC8032017	Appointment of Chairperson
18.	19 Nov 2018	OC6402018 OC6412018 OC6422018	Appointment of Chairperson Appointment of Elected Member representatives Independent Member's
19	25 Nov 2019	OC8102019	Adopted reviewed Terms of Reference
20	24 Feb 2020	OC1152020	Extension of Independent Member Term – Claudia Goldsmith to 21/02/22
21	27 July 2020	OC3582020	Amended Clause 2.1.3, Clause 3.1.1, 3.1.2, 13.2, 13.3 Added Clause 3.10 and 3.10.1

SCHEDULE 1

Audit Committee

Committee Membership

February 2020

Member	Representative	Appointed	Expires
City of Victor Harbor	Cr Tim Glazbrook	19 Nov 2018	18 Nov 2020
City of Victor Harbor	Cr David Kemp	19 Nov 2018	18 Nov 2020
City of Victor Harbor	Cr Andrew Robertson	19 Nov 2018	18 Nov 2020
Independent Member	David Papa	22 May 2017	22 May 2021
Independent Member	Claudia Goldsmith	22 May 2017	21 Feb 2022

Office Bearers	
Chairperson	Cr Tim Glazbrook