

 Wudinna District Council	Terms of Reference Audit Committee	Version No:	5.0
		Issued:	March 2011
		Last Review	July 2020
		Next Review	July 2021

GDS40 Responsibility:	Strategic Management
Minutes Reference:	21 July 2020 10.6.9
Next Review:	July 2021
Applicable Legislation:	Section 41 and 126 (Local Government Act 1999)
Related Documents:	Local Government Act 1999 Local Government (Procedures at Meetings) Regulations 2013 Public Interest Disclosure Act 2018 Public Interest Disclosure Regulations 2019 Committees and Subsidiaries Policy

1.0 Foreword

The overall function of the Committee is to provide an independent check on key Council activities and reports from the Committee to support Elected Members of the Council in meeting their responsibility to use Community resources for the overall benefit of the Community, that is, to keep the Council's resource allocation, expenditure and activities, and the efficiency and effectiveness of its service delivery, under review [Sec 59 (1) (a) (iii) of the LG Act].

2.0 Relationship of Committee to Council

The Wudinna District Council Audit Committee is a Committee of the Wudinna District Council established pursuant to the provisions of Sections 41 and 126 of the Local Government Act 1999 as amended ("LG Act") to oversee and advise the Council on matters of accountability and internal control.

The Committee will review the Terms of Reference on an annual basis and if revised they will be presented to Council for consideration. Council will determine the final terms of reference.

3.0 Objectives of the Committee

The Objectives of the Committee are:

- 3.1 to review annual financial statements to ensure that they present fairly the state of affairs of the Council;
- 3.2 proposing and providing information relevant to, a review of the council's strategic management plans and annual business plan;
- 3.3 proposing and reviewing the exercise of powers under section 130A (LG Act);
- 3.4 liaising with the council's auditor;
- 3.5 review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis, guide the development of Council's broad strategic directions

4.0 Responsibilities of the Committee

4.1 Financial Reporting

- a) The Committee shall monitor the integrity of the financial statements of Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain;
- b) The Committee shall review and challenge where necessary;
 - i) *the consistency of, and/or changes to, accounting policies;*
 - ii) *the methods used to account for significant or unusual transactions where different approaches are possible;*
 - iii) *whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;*
 - iv) *the clarity of disclosure in the Council's financial reports and the context in which statements are made; and*

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- v) *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).*

4.2 Internal Controls and Risk Management Systems

The Committee shall:

- a) keep under review the effectiveness of the Council's internal controls and risk management systems; and
- b) 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].*

4.3 Public Interest Disclosure

Members of the Committee shall follow the Disclosure Process as detailed in Council's Public Interest Disclosure Policy and Procedure and in accordance with the Public Interest Disclosure Act 2018 when making any appropriate disclosure of public interest information.

4.4 External Audit

The Committee shall:

- a. 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;
- b. 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;
- c. oversee Council's relationship with the external auditor including, but not limited to:
 - i) *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;*
 - ii) *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;*
 - iii) *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;*
 - iv) *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);*
 - v) *monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and*
 - vi) *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).*
- d. meet as needed with the external auditor. The Committee shall meet 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;

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- e. review and make recommendations on the annual audit plan, and in particular it's consistency with the scope of the external audit engagement;
- f. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - i) *a discussion of any major issues which arose during the external audit;*
 - ii) *any accounting and audit judgements; and*
 - iii) *levels of errors identified during the external audit. The Committee shall also review the effectiveness of the external audit.*
- g. 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];
- h. review the management letter and management's response to the external auditor's findings and recommendations.

5.0 Membership of the Committee and Voting Powers

- a. Members of the Committee are appointed by Council. The Committee shall consist of two independent members and three members from the Elected Members of Council:
 - Independent Members: Mr TR Scholz, Mr JD Ewen*
 - Elected Members: CA Walladge, EK Habermann and NL Scholz*

[Note that Section 126(2) LG Act provides that an audit committee may include persons who are not members of Council].
- b. Independent member(s) of the Committee shall have recent and relevant *financial and risk management* experience. The Principal Member of Council shall be a member of the Committee. *[Note that a person would not be considered independent if he or she was an Elected Member of that Council. Subject to any codes of conduct adopted by Council, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.]*
- c. Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the LG Act not to vote, each member must vote on every matter that is before the Committee for decision. However *other individuals such as the Chief Executive Officer, Finance Manager and if applicable, other representatives from the finance function,* may attend any meeting as observers or be responsible for preparing papers for the Committee. In accordance with the principles of open, transparent and informed decision and minutes of the 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 Local Government Act 1999 and subsequently retained as confidential under Section 91 of the LG Act, are also required to be made available to the public.
- d. *Council's external auditors* may be invited to attend meetings of the Committee.
- e. Appointments to the Committee shall be for a period of *four years, or until the end of the term of the Council.* Appointees may be reappointed by Council.
- f. The Committee shall appoint the Presiding Member (Chairperson) of the Committee at the first meeting following Council elections. *[Note that the Principal Member of the Council may be the Presiding Member of the Committee or an independent person may take this role].*
- g. The Presiding Member of the Council (Mayor) shall have automatic membership to the Committee.

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6.0 Committee Operational Procedure

6.1 Secretarial Resources

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

6.2 Frequency of Meetings

The Committee shall meet *four times per year* and otherwise as required.

6.3 Notice of Meeting

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 in accordance with the Local Government Act 1999.

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 3 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.

6.4 Quorum

The quorum necessary for the transaction of business shall be three (3). 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.

6.5 Minutes of Meetings

The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2013.

Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be available to the public.

6.6 Reporting Responsibilities

The Committee shall make whatever recommendations to Council it deems appropriate on any area within its term of reference where in its view actions or improvements are needed.

7.0 Other Matters

The Committee shall:

- 7.1 Have access to reasonable resources in order to carry out its duties; [Note that this is subject to any budget allocation being approved by Council];
- 7.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 7.3 Give due consideration to laws and regulations of the Local Government Act, 1999;
- 7.4 Make recommendations on co-ordination of the internal and external auditors;
- 7.5 Oversee any investigation of activities which are within its terms of reference;
- 7.6 Oversee action to follow up on matters raised by the external auditors; and
- 7.7 *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.*

8.0 Conflict of Interest and Confidentiality

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In the event of a conflict of interest arising for any member of the committee, the member will disclose the interest and clearly state the nature of the interest at the meeting before the matter is considered. The Conflict of Interest shall be dealt with in terms of the Local Government Act 1999 (S 73,74 75)

9.0 Media

The Mayor is the official spokesperson for media releases where the matter is of a political, controversial or sensitive nature. Committee members are not to represent the Committee to the media without prior approval of the Mayor.

Council will undertake media report release and advertising in terms of its standing policies