

# **Wakefield Regional Council**

## **Audit Committee Terms of Reference**

### **1. Membership**

- 1.1. The Committee shall consist of five members, one being the Principal Member of Council as an ex officio member<sup>(7)</sup>, at least one of whom shall be an independent member, i.e. not a member of Council, at least half the members shall be members of Council<sup>(5)</sup>. The members of the Committee shall be appointed by Council.
- 1.2. Independent member(s) of the Committee shall have recent and relevant financial, risk management and/or internal audit experience.
- 1.3. Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision. However, Council staff may attend meetings as observers or be responsible for preparing papers for the Committee.
- 1.4. 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 *Local Government Act 1999* and subsequently retained as confidential under Section 91 of the Act, shall also be made available to the public.
- 1.5. Council's external auditors may be invited to attend meetings of the Committee.
- 1.6. Appointments to the Committee shall be for a period of up to four years, or until the end of the term of Council. Appointees may be reappointed by Council.
- 1.7. Council shall appoint the Presiding Member of the Committee. A Deputy Presiding Member shall also be appointed by Council.<sup>(6)</sup>

### **2. Secretarial resources**

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

### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be three. 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.

### **4. Frequency of meetings**

- 4.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

### **5. Notice of meetings**

- 5.1 Ordinary meetings of the Committee will be held at times and places determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.
- 5.2 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 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. Minutes of meetings

- 6.1 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 2000*.
- 6.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and to all members of Council and will (as appropriate) be available to the public.

## 7. Role of the Committee

### 7.1 Financial reporting

- 7.1.1 The Committee shall monitor the integrity of the financial statements of Council, review significant financial reporting issues and the judgements that they contain, and review the Annual Financial Statements to ensure that they present fairly the state of affairs of Council.<sup>(3)</sup>
- 7.1.2 The Committee shall review and challenge where necessary:
- the consistency of, and/or any changes to, accounting policies;
  - the methods used to account for significant or unusual transactions where different approaches are possible;
  - whether Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
  - 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).

### 7.2 Internal controls and risk management systems

The Committee shall:

- keep under review the effectiveness of the Council's internal controls and risk management systems; and
- review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis;<sup>(3)</sup> and
- 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 Committee understand the business of 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 auditors and by presentations by management on how business risks are identified and managed).

### 7.3 Whistle blowing

The Committee shall review Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.<sup>(2)</sup>

## 7.4 External audit

The Committee shall:

- 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;
- 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;
- oversee Council's relationship with the external auditor including, but not limited to:
  - (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;
  - (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) 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;
  - (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) monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
  - (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 Committee's own internal quality procedures);
- 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;
- review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - (1) a discussion of any major issues that arose during the external audit;
  - (2) any accounting and audit judgements; and
  - (3) levels of errors identified during the external audit. The Committee shall also review the effectiveness of the external audit<sup>(4)</sup>.
- review the management letter and management's response to the external auditor's findings and recommendations.

## 8. Reporting responsibilities

- 8.1 Pursuant to Section 41(8) of the *Local Government Act 1999*, the Committee is responsible to and reports directly to Council.<sup>(1)</sup>
- 8.2 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.
- 8.3 The Committee shall inform Council of its activities on a regular basis. This is by way of specific reports and recommendations documented as minutes of the Committee meetings.<sup>(1)</sup>
- 8.4 The Committee shall inform Council and the Local Government association of SA Mutual Liability Scheme (LGAMLS) of any potential civil liability claim or the development of any

“special risk” in accordance with LGAMLS rules.<sup>(1)</sup>

8.5 Council may require additional reporting requirements from time to time.<sup>(1)</sup>

## 9. Other matters

The Committee shall:

- examine, and provide comment on, the review of Council's Strategic Management Plans, including the Long Term Financial Plan and Infrastructure & Asset Management Plans, and Council's Annual Business Plan and supporting financial information<sup>(5)</sup> prior to community consultation;<sup>(3)</sup>
- 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);
- 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;
- give due consideration to laws and regulations of the Local Government Act, 1999;
- make recommendations on co-ordination of the internal and external auditors;
- oversee any investigation of activities which are within its terms of reference;
- oversee action to follow up on matters raised by the external auditors; and review its own performance at least once a year and review its terms of reference at least once in every two years<sup>(5)</sup> to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval; and
- follow Council Event Risk Management Guidelines when conducting or allowing events to operate under the Committee's care and control.<sup>(1)</sup>

Terms of Reference adopted – Council Meeting 27/6/07 Minute 286

- (1) Amended – Council meeting 25/11/09 Minute 118
- (2) Amended by deletion of previous clause 7.4 (regarding internal audit) – Council meeting 28/4/10 Minute 242
- (3) Amended – Council meeting 27/7/11 Minute 30
- (4) Amended by deletion of previous dot point under clause 7.4 External Audit (regarding review of management representation letter) – Council meeting 18/1/12 Minute 156
- (5) Amended – Council meeting 24/4/13 Minute 232
- (6) Amended – Council meeting 28/10/15 Minute 93
- (7) Amended – Council meeting 28/11/18 Minute 015