
Legislative Reference

Local Government Act 1999 - Section 126

Date of Establishment and Council Resolution Number

Council Meeting 27 March 2007, Resolution Number 1115/07. *(Note TOR26/6/07 1195/07)*

Strategic Plan Link**Corporate Objective -**

Ensure transparent and accountable governance, risk management and financial responsibility.

Risk Management Objective –

Through planning, implementation and completion of strategies council endeavours to minimise risk of the potential losses against, liabilities and the community.

Work, Health and Safety Objective –

To provide a safe and supportive work environment for council workers and visitors.

Purpose of the Committee

The purpose of the Committee is to provide Council with a reporting framework by overseeing and monitoring management's and the external auditor's participation in accounting, financial management, internal controls, risk management and governance matters, thereby providing an important, independent role between Council and its management and the community.

Functions of the Committee:

- reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
- proposing, and reviewing, the exercise of powers under Section 130A; and
- if the Council has exempted a subsidiary from the requirement to have an audit committee, the functions that would, apart from the exemption, have been performed by the subsidiary's audit committee; and
- liaising with the Council's auditor;
- reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
- reviewing the adequacy of Council's work, health and safety and Injury management systems and reporting mechanisms; and
- monitoring and reviewing Council's business risk identification and management practices.

Roles of the Committee:**1: Financial Reporting:**

- 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.
- 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);
- 1.3 The Committee shall review and challenge where necessary:
 - 1.3.1 the consistency of, and/or any changes to accounting policies;
 - 1.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 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;
 - 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;
 - 1.3.5 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
 - 1.3.6 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)

2: Internal controls and risk management systems: The

Committee shall:

- 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 and
- 2.2 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

3: Public Interest Disclosure Act responsibilities:

The Committee shall:

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

4: Internal Audit:

The Committee shall:

- 4.1 monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 4.2 oversee the planning and scoping of the internal audit work plan;
- 4.3 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.
- 4.4 review all reports on the Council's audit operations from the internal auditors at least on a quarterly basis;
- 4.5 review and monitor management's responsiveness to the findings and

- recommendations of the internal auditor; and
- 4.6 where appropriate, meet the “head” of 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: External Audit:

The Committee shall:

- 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;
- 5.2 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;
- 5.3 oversee Council’s relationship with the external auditor including, but not limited to:
 - 5.3.1 recommending the approval of the external auditor’s remuneration, whether fees for audit on non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 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;
 - 5.3.3 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;
 - 5.3.4 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);
 - 5.3.5 monitoring the external auditor’s compliance with legislative requirements on the rotation of audit partners; and
 - 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);
- 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:
 - 5.4.1 a majority of the Committee members are present; and
 - 5.4.2 no members or employees of the Council are present (other than members of the Committee);
- 5.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 5.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 5.6.1 a discussion of any major issues which arose during the external audit;
 - 5.6.2 any accounting and audit judgements; and
 - 5.6.3 levels of errors identified during the external audit. The Committee shall also review the effectiveness of the external audit.

- 5.7 review any representation letter(s) requested by the external auditor before they are signed by management; and,
 - 5.8 review the management letter and management's response to the external auditor's findings and recommendations.
- 6: Reporting responsibilities:
- 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 improvement is needed; and
 - 6.2 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 that it is included in its annual report for that financial year.
- 7: Annual Business Plan and Budget:
- 7.1 The Committee shall review the Annual Business Plan and Budget prior to Public Consultation as required by the Local Government Act, and formal adoption by Council, to ensure that the Annual Business Plan and Budget:
 - 7.1.1 is prepared in accordance with the requirements of the Local Government Act and Regulations;
 - 7.1.2 integrates with Council's Long Term Financial Management Plan and Asset Management Plan, to ensure that the goals, objectives and strategies of the "Plans" are being met; and
 - 7.1.3 integrates with Council's Strategic Plan in so far as it is developed in accordance with Council's Corporate Objectives and Strategies.
 - 7.2 The Committee shall review the Annual Business Plan and Budget Quarterly Review prior to adoption by Council.

Membership

The following constitutes the membership, both voting and non-voting (observers), of the Committee:

Voting Members

- Three Independent Members – Tim Mulhausler (Audit Chair), Felicity-Anne Lewis and Brian Clancey
- 1 Councillor – Cr Bruce Richardson (with Cr Collis Marrett as PROXY)
- Mayor (ex officio)

NOTE: Membership may include members of another council audit and risk committee or a regional audit and risk committee

Committee Observers (Non-voting)

- Chief Executive Officer
- Manager Corporate Services
- External Auditors
- Risk Manager (or equivalent)
- Executive Services and Communications Coordinator (minute taker)

Financial Skills, knowledge and experience

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.

Term of Office

1. Members are appointed to the Committee for a four year term which will expire in November 2026 or the term of office for elected members as specified in the Local Government Act 1999 as amended.
2. Council is required to nominate or re-nominate its representatives on the Committee in November 2026 at a full Council meeting or the first Council meeting after the declared General Elections in 2022.

Presiding Member (Chairperson)

The Presiding Member (Chairperson) of the Committee shall be appointed by Council at a full meeting, with the Presiding Member being an independent member of the Committee as specified in the Membership of the Committee.

The term of the Presiding Member (Chairperson) shall be for the term of Office of the Committee.

Role of Presiding Member (Chairperson)

The role of the Chairperson of the Committee is to:

- Chair all ordinary, special and other meetings of the Committee
- Liaise with the Chief Executive Officer or Manager of Corporate Services as to the functions, meetings, agendas, reports, financial information and other issues of the Committee.
- Ensure that the Committee meets all statutory obligations as required by the Local Government Act 1999 and associated Regulations, that relate to the Committee.
- Ensure that the Committee acts in accordance and fulfills its purpose, functions and roles as determined by the Terms of Reference.

Deputy Presiding Member (Deputy Chairperson)

Pursuant to Section 41 (4) of the Local Government Act 1999, the Council grants the power to the Committee to elect a Deputy Chairperson. If this power is exercised, the Deputy Chairperson shall be so elected at the first ordinary meeting of the Committee held after the November appointments of each year, for the term of the Committee.

The election process for the Deputy Chairperson shall be as follows:

1. The Presiding Member shall call for nominations for the position of Deputy Chairperson, which does not require a seconder.
2. In the event of two or more nominations being received, a secret ballot must be conducted. The ballot process must continue, eliminating the nominee with the least number of votes received each time. When one nominee is remaining, that nominee is duly elected to the position of Deputy Chairperson.
3. In the event of an equal number of votes being received by a nominee during the ballot process, lots will be drawn to determine the nominee to be eliminated. The nominee drawn will thus be eliminated.
4. In the event of only one nomination being received after the call for nominations, then the nominee will be appointed to the position of Deputy Chairperson.

In the absence of the Chairperson (Presiding Member), the Deputy Chairperson shall assume the powers and responsibilities of the Chairperson.

Secretary

The Chief Executive Officer of the Council or the Manager of Corporate Services, shall be the Secretary of the Committee. The Secretary shall:

- Arrange for the calling of all meetings of the Committee and provide all members with an agenda
- Maintain minutes of all meetings of the Committee
- Forward a copy of the minutes of any meetings of the Committee to the Council and members of the Committee within five days of the meeting
- Provide Council with an annual report of the functions of the Committee as specified in the Terms of Reference.

Ordinary Meetings

1. The Committee shall meet at least once in each quarter, with all appointments to be made at the first meeting after the general elections.
2. The Secretary shall give three clear days notice of all ordinary meetings and such notice shall be accompanied by an agenda for the meeting along with supporting documentation and reports for consideration at the meeting.
3. In the event of the absence of the Chairman and Deputy Chairperson, the members present at the meeting may elect an Acting Chairperson for the sole purpose of chairing the ordinary meeting.
4. All ordinary meetings of the Committee will be held at the principal offices of the Council, 5 Riverview Drive, Berri unless otherwise advised.

Special Meetings

1. Special meetings of the Committee may be called at any time by the Secretary with the approval of the Chairperson or Acting Chairperson.
2. At least four (4) hours prior notice in writing is required to hold a special meeting, and such notice shall set out explicitly the nature of the business to be conducted at the special meeting and whether any resolution of the Committee is required to be made.

Meeting Procedures

The procedure to be observed in relation to the meetings of the Committee shall be in accordance with the Local Government (Procedures of Meetings) Regulations 2000 as set out under the Local Government Act 1999. However, Part 2 "Meetings of Councils and Key Committees" of the Regulations does not apply to the committee.

Attendance at Committee Meetings Electronically

1. Committee members are preferred to attend meetings in person, however may participate in a Committee meeting by electronic means should the member be unable to attend due to illness or other extenuating circumstances with approval of the Mayor the CEO can provide attendance by electronic means.
2. A member of the Committee participating in a committee meeting by electronic means is taken to be present at the committee meeting provided that the member:
 - 2.1 can hear all other members present at the committee meeting; and
 - 2.2 can be heard by all other members present at the committee meeting.

Form of participation by electronic means

3 Where:

- 3.1 a Committee member is to participate in a Committee meeting by electronic means; and
- 3.2 the electronic means has the functionality to allow the member to participate in the Committee meeting by being both seen and heard; and
- 3.3 the electronic means of the Council has the functionality to allow the Committee member to be both seen and heard,

the member must participate by being both seen and heard.

Quorum

The quorum for all meetings of the Committee shall be ascertained by dividing the total number of members of the Committee by 2, ignoring any fraction resulting from the division, and adding one.

Voting

The voting at the Committee meetings shall be in accordance with Regulation 27 of the Local Government (Procedures of Meetings) Regulations 2000, which provides for the following.

1. A question arising for 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.

2. Each member of the Committee and who is present at a meeting of the Committee must, subject to a provision of the Act to the contrary, vote on a question arising for decision at that meeting.
3. The Chairperson of the Committee has a deliberative vote on a question arising for decision at the meeting but does not, in the event of an equality of votes, have a casting vote.

Absence

1. Any member of the Committee who is unable to attend any meeting shall advise the Secretary of their absence prior to the commencement of the meeting.
2. If any member of the Committee appointed is absent for three or more consecutive meetings, the Council may seek nominations for another person to be a member of the Committee, either representing the Council or the relevant community organisation from which the Committee member represented.

Minutes of Committee Meetings

1. The minutes of the committee must be made available to all committee members within 5 days of the date of the meeting.
2. The minutes of the committee meetings need to be reported on to the next meeting of Council following the committee meeting for authorisation and adoption.
3. After each meeting the Committee shall also provide to Council:
 - A report that summarises the work of the Committee during the period preceding the meeting and the outcomes of the meeting; and
 - The current version of the Committee's work program.

Annual Report

1. The Secretary of the Committee shall be responsible for preparing an annual report on the activities of the Audit and Risk Committee for the financial year by 30th September in each year.
2. The Annual Report must address all measures and performance criteria developed for the year in accordance with the annual business plan.

Register of Interest

Pursuant to Section 72(1) of the Local Government Act 1999, the register of interest provisions as described in Division 2 "Register of Interest" do not apply to the committee members.

Amendments to Terms of Reference

1. The Council may change the terms of reference of the Committee in part or in whole at any time as it sees fit by resolution at an ordinary or special meeting of Council.
2. The Committee may from time to time at an ordinary or special meeting pass resolution to recommend to Council to alter any part of the terms of reference.

Adoption of Terms of Reference

The terms of reference were adopted at the meeting of Council held on 26th June 2007, resolution number 1195/07.

The Terms of reference were altered to reflect Membership of Independent Members at a Meeting of Council held 26th February 2008, Resolution 1451/08

The Terms of Reference were reviewed and altered at a Meeting of Council held 23rd March 2010, Resolution 2178/10

The Terms of Reference were reviewed and altered at a Special Meeting of Council held 12th May 2015, Resolution 4094/15

The Terms of Reference were reviewed and altered at a Meeting of Council held 27 November 2018, Resolution 5143/18

The Terms of Reference were reviewed and altered (Committee Membership) at a Meeting of Council held 23 February 2021, Resolution 6009/21

The Terms of Reference were reviewed and altered at a Meeting of Council held 29 November 2022, Resolution 6596/22.

The Terms of Reference were reviewed and altered at a Meeting of Council held 31 October 2023, Resolution 207/23.