

# AUDIT & RISK COMMITTEE

## TERMS OF REFERENCE





## Adelaide Hills Region Waste Management Authority

### Audit and Risk Committee

#### Terms of Reference

26 June 2024

#### 1. Establishment

The Audit & Risk Management Committee is established in compliance with clause 30, schedule 2 of the *Local Government Act 1999 (Act)* and in accordance with regulation 17 of the *Local Government (Financial Management) Regulations 2011*.

#### 2. Objectives

2.1. The objectives of the Committee are to:

- 2.1.1. provide independent assurance and advice to the Board on accounting, internal audit, financial management, internal controls, risk management and governance matters;
- 2.1.2. review the accuracy and adequacy of the Authority's financial reporting;
- 2.1.3. provide effective liaison between the External Auditor and the Board; and
- 2.1.4. satisfy the requirements of the Act.

#### 3. Role of the Committee

3.1. Financial Reporting and Sustainability

- 3.1.1. Review the draft annual report of the Authority including the draft annual financial statements and application of accounting policies and provide an opinion to the Board on whether they present fairly the state of affairs of the Authority and where appropriate, recommend the approval of any material to be included in the draft annual report concerning internal controls and risk management.
- 3.1.2. Review and make recommendations to the Board regarding the assumptions, financial ratios and financial targets in the draft Long Term Financial Plan.
- 3.1.3. Provide commentary and advice on the financial sustainability of the Authority and any risks concerning, and as part of the adoption of the Strategic Plans, Long Term Financial Plan, Budget and periodic Budget reviews.
- 3.1.4. Review and provide recommendations and comments to the Board on the Authority's Asset Management Plans.
- 3.1.5. Review and make recommendations to the Board regarding any other significant financial, accounting, and reporting issues in respect of the Authority, including as referred to the Committee by the Board or Administration.
- 3.1.6. Consider and provide comment on the financial and risk-related issues associated with any activity referred by the Board.

### 3.2. Internal Controls and Risk Management

- 3.2.1. Review and monitor the adequacy of the accounting, internal control, reporting and other financial management systems, practices and processes of the Authority established and maintained to identify, assess, monitor, manage and review financial and strategic operational risks.
- 3.2.2. Monitor and review the effectiveness of the Authority's internal control environment.
- 3.2.3. Review any reports prepared for the Board under section 48(1) of the Act (Prudential requirements for certain activities).
- 3.2.4. Monitor and review the effectiveness of the Authority's internal audit function.
- 3.2.5. Monitor the responsiveness of the Authority to recommendations for improvements based on previous audits and risk assessments.
- 3.2.6. Propose an examination by, and review a report of, the External Auditor, or some other person determined by the Committee to be suitably qualified in the circumstances, to examine and report on any matter relating to financial management, or the efficiency and economy with which the Authority manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of an external annual audit of the Authority.

### 3.3. Internal Audit

- 3.3.1. Provide oversight of planning and scoping of the internal audit work plan and review and comment on reports provided by the person primarily responsible for the internal audit function.
- 3.3.2. Monitor the responsiveness to recommendations for improvements based on previous audits and risk assessments, including those raised by the Authority's auditor.

### 3.4. External Audit

- 3.4.1. Oversee the Authority's engagement with the External Auditor including but not limited to:
  - (a) assessing the External Auditor's qualifications and expertise;
  - (b) recommending the approval of the External Auditor's remuneration and terms of engagement to the Board;
  - (c) assessing the External Auditor's independence and objectivity;
  - (d) monitoring the External Auditor's compliance with legislative requirements on the rotation of audit partners; and
  - (e) considering and making recommendations to the Board concerning the appointment, reappointment and removal of the External Auditor.
- 3.4.2. Liaise with the External Auditor.
- 3.4.3. Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement as well as the internal audit plan.
- 3.4.4. Review the findings of the audit, paying particular attention to any accounting and audit judgements, any adjusted or unadjusted differences and any other significant issues

arising from the audit.

3.4.5. Review any representation letter requested by the External Auditor before they are signed by the Administration.

3.4.6. Review Administration's draft response to reviews, recommendations and audit letters provided by the External Auditor.

3.4.7. If an External Auditor resigns, the Committee will investigate the issues leading to the resignation and will recommend to the Board if any resulting action of the Authority is required.

### 3.5 Annual Report

3.5.1 Provide an Annual Report to the Board on the work of the Committee during the period to which the report relates, for inclusion with the Authority's Annual Report for Constituents Councils.

3.5.2 In the process of preparing its Annual Report, the Committee will undertake an annual skills assessment, and self-review of its performance over the previous twelve months. The self-assessment is to be prepared following consultation with all Committee members. Results of the assessment are to be included in the Committee's Annual Report.

3.5.3 The Committee will develop an annual work plan, in consultation with the Authority and Executive Officer, to support the Committee with the delivery of its functions.

## 4. Membership

4.1. Members of the Committee will be determined or approved by the Constituent Councils.

4.2. The Committee will consist of:

4.2.1. between three and five members; and

4.2.2. a majority of Independent Members who are not members of the Board of management of the Authority or employed by Constituent Councils; and

4.2.3. not less than one member of the Board.

4.3. One of the Independent Members will be appointed by the Board as the presiding member.

4.4. Expressions of Interest for the Independent Member positions will be sought by the Board.

4.5. The members of the committee (when considered as a whole) must have skills, knowledge and experience relevant to the functions of the committee, as determined by the Board, including in financial management, risk management and governance.

4.6. Independent Members will be appointed by the Constituent Councils for a maximum term of three years. The terms of the appointment will preferably be arranged to ensure an orderly rotation of Independent Members and continuity of committee membership (e.g. respective terms of the Independent Members expiring in different years).

4.7. Independent Members are eligible for reappointment at the expiration of their term of office at the sole discretion of the Constituent Councils. An Independent Member may be reappointed by the Constituent Councils for a maximum of three terms (subject to clauses 4.8 and 4.9).

4.8. Should the Constituent Councils identify a need to retain the services of an Independent

Member at the expiry of their third term, then the Constituent Councils may, at their sole discretion, reappoint an Independent Member for a further final term not exceeding one year.

- 4.9. An Independent Member who has served three terms is eligible to reapply to the Constituent Council for appointment as an Independent Member two years after the expiry of their three terms.

## **5. Voting**

- 5.1. Only Members are entitled to vote in Committee meetings.
- 5.2. Unless otherwise required by the Act, each Member must vote on every matter that is before the Committee for decision.
- 5.3. The person chairing the Committee meeting has a deliberative vote but does not, in the event of an equality of votes, have a casting vote.
- 5.4. All decisions of the Committee will be made on the majority decision of the members present and entitled to vote on the issue.
- 5.5. In the event of a tied vote, the motion for decision is rejected.
- 5.6. Motions which are rejected by the Committee may be reconsidered by the Committee (with or without additional information to inform the debate and decision making) or referred to the Board for a resolution.

## **6. Duties of Members**

- 6.1. Each Member must:
  - 6.1.1. comply with the duties in section 62 of the Act;
  - 6.1.2. lodge a primary return and ordinary returns under sections 65, 66 and 67 of the Act; and
  - 6.1.3. comply with sections 74 and 75 of the Act.
- 6.2. For the purposes of clause 6.1, the sections of the Act specified in that clause will apply as if:
  - 6.2.1. the Committee were a council;
  - 6.2.2. the Member was a member of a council; and
  - 6.2.3. any reference to the 'chief executive officer' is a reference to the 'Executive Officer'.

## **7. Meetings**

- 7.1. The Committee must meet at least quarterly.
- 7.2. Ordinary meetings of the Committee will be held at times and places determined by the Committee prior to each Board meeting.
- 7.3. Special meetings of the Committee may be held at any time. The Executive Officer must, at the request of:
  - 7.3.1. the presiding member of the Committee; or
  - 7.3.2. at least two members of the Committee call a special meeting of the Committee.
- 7.4. The Executive Officer must ensure that each member of the Committee, each Board member and any observers invited to the meeting is given notice of each meeting confirming the venue, time and date together with an agenda of items and the supporting papers to be

discussed:

7.4.1. for ordinary meetings, no later than three clear days before the date of the meeting;  
and

7.4.2. for special meetings, at least four hours before the commencement of the meeting.

- 7.5. The presiding member of the Board may attend any Committee meeting as an observer.
- 7.6. Members of the public can attend Committee meetings unless prohibited by a resolution of the Committee. A resolution of the Committee can only be made under this clause on the basis set out section 90 of the Act (as if that section expressly applied to the Committee).
- 7.7. Minutes of the Committee meetings must be circulated within five days after the meeting to all members of the Committee.
- 7.8. The Authority's Executive Officer may direct employees or contractors to attend any meeting as observers or be responsible for preparing papers for the Committee.
- 7.9. The External Auditor may be invited to attend any meeting of the Committee but must be invited to attend meetings considering the draft annual financial report and results of the external audit.
- 7.10. Part 2 of *Local Government (Procedures at Meetings) Regulations 2013* apply to meetings of the Committee as if the Committee was a Council Committee.
- 7.11. Meetings may be held and attended via electronic means provided advance notice has been provided and facilities to attend the meeting are available to all Members.

## 8. Quorum

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

## 9. Administrative Resources

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

## 10. Sitting Fees

10.1. Independent Members of the Committee will be paid a sitting fee for their attendance at Committee meetings.

10.2. The sitting fee will be determined by the Board every four years.

10.3. The sitting fee will be paid to an Independent Member following each Committee meeting if the Independent Member has provided a tax invoice to the Authority for the sitting fee. A tax invoice must comply with the requirements of *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

## 11. Defined terms

In these terms of reference:

**Act** means the *Local Government Act 1999*.

**Administration** means the staff of the Authority.

**Authority** means the Adelaide Hills Region Waste Management Authority.

**Board** means the board of management of the Authority.

**Budget** means the annual budget adopted by the Authority in accordance with the Charter.

**Charter** means the Adelaide Hills Region Waste Management Authority Charter (June 2022).

**Committee** means the Audit & Risk Management Committee.

**Constituent Councils** means:

- (a) Mount Barker District Council;
- (b) Adelaide Hills Council;
- (c) Rural City of Murray Bridge; and
- (d) Alexandrina Council.

**Executive Officer** means the person appointed to the role of Executive Officer of the Authority.

**External Auditor** means an auditor appointed for the Authority in accordance with clause 20, Schedule 2 of the Act.

**Independent Member** means a Member who is not a member of the Board or employed by Constituent Councils.

**Long Term Financial Plan** means the long term financial plan adopted by the Authority and approved by the Constituent Councils in accordance with the Charter.

**Member** means a member of the Committee.

**Strategic Plan** means a strategic plan adopted by the Authority in accordance with the Charter.