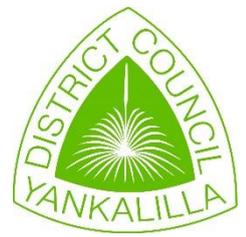


DISTRICT COUNCIL OF YANKALILLA



AUDIT COMMITTEE TERMS OF REFERENCE

1 ESTABLISHMENT

- 1.1 The District Council of Yankalilla (the Council) established the Council's Audit Committee (the Committee) pursuant to Section 41 of the *Local Government Act, 1999* (the Act).
- 1.2 The Committee is established to review and report to Council those matters conferred upon it as prescribed in Section 126 of the Act.
- 1.3 It's independence from Council embodies public sector risk management and governance principles set out in Section 41 of the Public Finance and Audit Act 1987, applicable for all public authorities within the State.

2 OBJECTIVES

- 2.1 The primary objective of the Committee is to assist Council in the effective conduct of its risk management, financial reporting and internal control implementation and monitoring.
- 2.2 Integral to Council's obligations to the Community, the Committee will facilitate:
 - 2.2.1 the enhancement of the credibility and objectivity of internal and external financial reporting.
 - 2.2.2 effective management of financial and other risks and the safeguarding of Council's assets and reputation.
 - 2.2.3 compliance with legislation and regulations as well as applying contemporary best practice and governance principles to Council's operations.
 - 2.2.4 the effective and constructive communication between the Committee, management, the external auditor and when the need arises Council.

3 MEMBERSHIP

- 3.1 Members of the Committee are appointed by resolution of Council.
- 3.2 The size of the committee shall be five (5) members.
- 3.3 The Committee shall consist of at least three (3) independent members with at least two (2) additional members from the Elected Members of Council.

- 3.4 An independent member is not considered independent if he or she is an Elected Member of the Council. Subject to Codes of Conduct adopted by the Council, this does not preclude an Elected Member or an employee of another Council from being a member of the Committee.
- 3.5 Independent member(s) of the Committee shall have recent and relevant financial and risk management experience and expertise as determined by Council.
- 3.6 Independent Members shall be appointed for a period of up to three (3) years.
- 3.7 The term of the Independent Members shall continue for at least six (6) months beyond the date of a Council periodical election, in order to provide some continuity to advice and assistance provided to Council.
- 3.8 Independent Member terms shall expire on different dates. Independent Member(s) of the Committee shall not be a member for more than two (2) successive terms.
- 3.9 Appointments of an Elected Member of Council shall be for a period of up to four (4) years or until the end of the term of Council. An Elected Member of Council shall not be a continuous member of the Committee for more than eight (8) years.
- 3.10 Any member of the Committee may be removed on the grounds that the member has been absent without leave from three (3) or more consecutive meetings or is not performing duties as required within the objectives and functions of the Committee.
- 3.11 The Council may appoint the Principal Member of the Council (the Mayor) as an ex officio member of the Committee. However, in such a case the Principal Member will not be taken to be included in the membership of the Committee, unless actually present at a meeting of the Committee.
- 3.12 That the Mayor, if not a member on an ex-officio basis, is to be a member of the Audit Committee
- 3.13 Only members of the Committee are entitled to vote in Committee meetings.
- 3.14 Unless otherwise required by the 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 and other employees may attend any meeting, in particular if they are responsible for preparing papers for the Committee or as observers.
- 3.15 All decisions ratified by the Committee shall be by majority vote.

4 COUNCIL PRESIDING MEMBER

- 4.1 The Council shall appoint one (1) of the independent members of the Committee as Presiding Member of the Committee.
- 4.2 The appointment term shall be from the date of Council's resolution to the expiration of the member's appointment.

5 ROLE AND FUNCTIONS

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 different 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.
 - 5.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made.
 - 5.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement.

5.2 Internal Control and Risk Management

- 5.2.1 The Committee shall:
 - 5.2.1.1 keep under review the effectiveness of the Council's internal controls and risk management systems.
 - 5.2.1.2 review, where appropriate, statements to be included in the annual report concerning internal controls and risk management.
 - 5.2.1.3 understand the nature of Council's business to appreciate the risks it manages on a daily basis and mitigate operational risks.

5.3 Whistle blowing

- 5.3.1 The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial recording or reporting or other matters. The Committee shall 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 as part of its overarching risk management systems.
- 5.4.1.2 Consider and make recommendations on the adequacy of internal audit resources and access to information to enable it to perform internal audit functions effectively, in accordance with relevant professional standards.
- 5.4.1.3 Review all internal audit reports on Council's operations.
- 5.4.1.4 Review and monitor management's responsiveness to the findings and recommendations of the internal audit provider.
- 5.4.1.5 Where appropriate, meet the internal audit provider at least once a year, without management being present, to discuss any issues arising from the internal audits carried out for that period.
- 5.4.1.6 At this meeting, the internal audit provider shall be given direct access to the Mayor and the Presiding Member of the Committee if requested by the any party.

5.5 External Audit

5.5.1 The Committee shall:

- 5.5.1.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
 - 5.5.1.2 Oversee the selection process for appointing new auditors subsequent to existing auditors term expiration.
 - 5.5.1.3 Ascertain and investigate the issues arising if the existing auditor resigns before the expiration of their contracted tenure and the reasons leading to this decision being made.
- 5.5.2 The Committee will oversee Council's relationship with the external auditor, including but not limited to:
- 5.5.2.1 Recommending the approval of the external auditor's remuneration, whether fee or audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.
 - 5.5.2.2 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.

- 5.5.2.3 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.
- 5.5.2.4 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).
- 5.5.2.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners.
- 5.5.2.6 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).
- 5.5.3 The Committee shall also meet as needed with the external auditor. The committee shall meet the external auditor at least once a year, without management being presented; to discuss the external auditor's report and any issues arising from the audit.
- 5.5.4 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
- 5.5.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 5.5.5.1 A discussion of any major issues which arose during the external audit.
 - 5.5.5.2 Any accounting and audit judgements.
 - 5.5.5.3 Levels of errors identified during the external audit.
- 5.5.6 The committee shall also review the effectiveness of the external audit based on the contract engagement.
- 5.5.7 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 Manager Finance 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).
- 5.5.8 Review the management letter and management's response to the external auditor's findings and recommendations.

5.6 Regional Subsidiaries

- 5.6.1 In accordance with Section 126(4) of the Act, the functions of the Committee include, if the Council has exempted a subsidiary from the requirement to have its own Audit Committee, the functions that would, apart from the exemption, have been performed by the subsidiary's Audit Committee.

6 MEETINGS

- 6.1 In accordance with the Act and the principles of open, transparent and informed decision making, committee meetings must be conducted in a place open to the public.
- 6.2 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, are also required to be made available to the public.
- 6.3 Meetings shall be held at least four (4) times per financial year, or at other times as determined by the Committee.
- 6.4 Ordinary meetings of the Committee shall be held at the discretion of the Council, or subject to a decision of Council, or the Committee. A special meeting of the Committee may be convened in accordance with the Act.
- 6.5 Meetings are to be held in accordance with the Local Government (Procedures at Meetings) Regulations 2013 (the Regulations).
- 6.6 Meetings are taken to be conducted in accordance with the Regulations, even if one or more committee members participate in the meeting by telephone or other electronic means.
- 6.7 Notice of each meeting confirming the venue, time and date along with the Agenda and of the items to be discussed and supporting documentation shall be forwarded to each Committee member and other attendees no later than three (3) days before the date of the meeting.
- 6.8 Members of the public shall have access to all documents relating to the Committee unless prohibited by resolution of the Committee in accordance with Section 91 of the Act.

7 VOTING

- 7.1 All decisions of the Committee shall be made on the basis of a majority decision of the Members present.
- 7.2 The Presiding Member is to have a determinative vote and casting vote in the event a majority not being reached.
- 7.3 When the Presiding Member is absent from a meeting, the Committee members may appoint a person from those present to act as the Presiding Member for the duration of the meeting.
- 7.4 Members must vote on all resolutions of the Committee.

8 QUORUM

- 8.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one or a specified number. 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.

9 REPORTING RESPONSIBILITIES

- 9.1 The committee shall make whatever recommendations to the Council it deems appropriate on any area within this 'Terms of Reference', where in its view, action or improvement is needed.
- 9.2 In accordance with Section 41(8) of the Act, the Committee shall after every meeting submit the Minutes of that meeting on Council's Agenda for the next meeting of Council.

10 DISCLOSURES OF INTERESTS AND CONDUCT

- 10.1 Members of the Committee must comply with statutory Codes of Conduct and conflict of interest provisions in the Act. In particular Sections 62 (General Duties), 63 (Code of Conduct) and 73 to 74 (Conflict of Interest and Members Disclosures of Interests).
- 10.2 Members of the Committee who are not Council Elected Members are not required to complete a 'Register of Interests' return in accordance with Section 64 of the Act.
- 10.3 No Committee member shall vote or take part in debate who has an interest in any matter before the Committee that would contravene those provisions above.
- 10.4 Notwithstanding the provisions in this 'Terms of Reference', all Committee members will observe the relevant requirements under the following overarching legislative frameworks;
- 10.4.1 The Act.
 - 10.4.2 The Regulations.
 - 10.4.3 Code of Conduct for Elected Members (for Elected Member Committee Members).
 - 10.4.4 The ICAC Directions and Guidelines, in particular those provisions relating to public officers, as defined in Schedule One (1) of the ICAC Act.
 - 10.4.5 All Council policies and procedures relevant to the operations of the Committee.

10.5 Committee members are expected to act honestly, in good faith and within the law at all times.

11 ADMINISTRATIVE RESOURCES

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