

**ADELAIDE HILLS COUNCIL
ORDINARY COUNCIL MEETING
Tuesday 11 April 2023
CONFIDENTIAL AGENDA BUSINESS ITEM**

Item: 18.1

Responsible Officer: Lachlan Miller
Executive Manager Governance and Performance
Office off the Chief Executive.

Subject: Audit Committee Independent Member Appointment

For: Decision

1. Audit Committee Independent Member Appointment – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except:

- Acting Chief Executive Officer, David Waters
- Acting Director Community Capacity, Rebecca Shepherd
- Director Corporate Services, Terry Crackett
- Director Development & Regulatory Services, Natalie Armstrong
- Director Infrastructure & Operations, Peter Bice
- Executive Manager Governance & Performance, Lachlan Miller
- IT Support Officer, Mike O'Donnell
- Minute Secretary, Pam Williams

be excluded from attendance at the meeting for Agenda Item 18.1: (Audit Committee Independent Member Appointment) in confidence.

The Council is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified above, be excluded to enable Council to consider the report at the meeting on the following grounds:

Section 90(3)(a) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead), because it would disclose the personal details of candidates who have expressed an interest to be on the Audit Committee.

Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

2. Audit Committee Independent Membership - Confidential Item

SUMMARY

Council utilises its Council Committees to provide advice to Council which collectively contribute to the achievement of Council's goals and strategies and discharge of its legislative obligations. Council has established three (3) Council Committees being the Audit Committee, the Chief Executive Officer Performance Review Panel (CEOPRP) and the Boundary Change Committee.

The Audit Committee Terms of Reference (TOR) provides that the Committee will consist of five members comprising three (3) independent members and two (2) Council Members (*see Appendix 1*). Further the TOR provides for the structuring of the Independent Member terms to ensure the orderly rotation and continuity of membership despite changes to the composition of the Audit Committee.

On 14 February 2023 Council resolved to commence a recruitment process for three (3) Independent Member positions, one which is due to expire 30 April 2023 and two (2) which are due to expire on 30 November 2023.

The recruitment process has now concluded.

The purpose of this report is to present the Selection Panel recommendations with a view to Council making a minor change to the Audit Committee Terms of Reference and appointment to the Independent Member roles.

RECOMMENDATION

Council resolves:

Decision 1:

- 1. That the report be received and noted**
- 2. To amend clause 5.7 on the AHC Audit Committee Terms of Reference to include:**
Appointments to the Committee shall be for a period of up to ~~four~~ **three (3) years.**

Decision 2:

- 3. To appoint Pamela Lee to the position of Audit Committee Independent Member for a term to commence from 01 May 2023 until 30 April 2027 (inclusive).**
 - 4. To appoint David Moffatt and Sarah Beesley to the positions of Audit Committee Independent Member for a term to commence from 01 December 2023 until 30 November 2027 (inclusive).**
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1. BACKGROUND

Legislative Provisions regarding Audit Committees

Functions

Section 126(4) of the *Local Government Act 1999* (the “LG Act”) requires councils to have an audit committee with the following mandatory functions:

- Reviewing financial statements to ensure that they present fairly the state of affairs of the council
- Review the councils strategic management plans and annual business plans
- Proposing and reviewing the exercise of s130 (economy and efficiency investigations)
- Liaising with the council’s auditor; and
- Reviewing the adequacy of accounting, internal control, reporting and other financial management systems and processes.

Council’s Audit Committee TOR (**Appendix 1**) contains these functions in expanded form along with a number of other discretionary functions.

The *Statutes Amendment (Local Government Review) Act 2021* (the “Amendment Act”) will require these committees to be referred to audit and risk committees and have the following additional mandatory functions:

- Monitoring the responsiveness of the council to recommendations for improvement on previous audit and risk assessments
- If the council has an internal audit function:
 - Providing oversight of planning and scoping of internal audits; and
 - Reviewing and commenting on internal audit reports
- Reviewing and evaluating the effectiveness of strategic, operational and financial risk management systems
- Reviewing any prudential management reports
- Performing any other functions prescribed in legislation.

The revised provisions of s126(4) are proposed to commence on 30 November 2023, as yet no additional regulations have been drafted. While some minor modifications may be required, the Committee’s current TOR and *Risk Management Policy* effectively cover off on the known incoming mandatory requirements.

Membership

Section 126(2) of the LG Act sets out the membership of an audit committee as follows:

- May include persons who are not members of the council;
- May not include an employee of the council;
- May include members of another council’s audit committee
- Any other provisions of Regulations (which under Regulation 17) include:
 - Must have between 3 and 5 members
 - Must include one person who is not a member of the council and who is determined by the council to have financial experience relevant to the functions of the committee; and
 - Must not include the council’s auditor.

The Amendment Act revises s126(2) as follows:

- The majority of members of the committee must not be members of the council;
- The members of the committee (when taken as a whole) must have the skills knowledge and experience relevant to the functions of the committee including financial management, risk management, governance and any other prescribed matter.

The revised provisions of s126(2) are proposed to commence on 30 November 2023. While some minor modifications may be required, the Committee's current TOR effectively covers off on the known incoming mandatory requirements.

AHC's Audit Committee Independent Membership Terms

The Audit Committee TOR provides for the staggering of Independent Member terms as follows:

- 5.8 The terms of appointment of the Independent Members should be arranged to ensure the orderly rotation and continuity of membership despite changes to the composition of the Council.

Consistent with this staggered approach:

- At its 14 December 2021 meeting, Council appointed Peter Brass and David Moffatt for a term concluding on 30 November 2023 (Res: 248/21)
- At its 25 January 2022 meeting, Council appointed Natalie Johnston for a term concluding on 30 April 2023 (Res: 19/22). The shorter term was utilised to avoid an Independent Member term expiry at the same time as the two Council Member term expiries (due to the Local Government Election).

In consideration of the impending conclusion of three Independent Members' terms on 30 April 2023 and 30 November 2023 respectively, Council resolved at its 14 February 2023 meeting :

12.5 Audit Committee Independent Member Recruitment

8.07pm Cr Louise Pascale left the Chamber

8.10pm Cr Louise Pascale returned to the Chamber

**Moved Cr Leith Mudge
S/- Cr Melanie Selwood**

31/23

Council resolves:

- 1. That the report be received and noted**
- 2. To amend clause 5.7 on the AHC Audit Committee Terms of Reference to include:**
 - **A maximum term of eight (8) years applies for Independent Members, along with a minimum two (2) year hiatus prior to being eligible for reappointment.**
- 3. To undertake a recruitment process for the selection of three Independent Ordinary Members for the Audit Committee, as follows:**
 - a. For one Independent Member for a term commencing 1 May 2023 and concluding 30 April 2025 (inclusive); and**
 - b. For two Independent Members for a term commencing 1 December 2023 and concluding 30 November 2025 (inclusive).**
- 4. To appoint Cr Malcolm Herrmann, Cr Melanie Selwood and the CEO (or delegate) as members of the Audit Committee Independent Member Selection Panel.**

Carried Unanimously

Advertisements for Expressions of Interest for Audit Committee Independent Members were placed in the local media, SEEK, AICD website and on Council's website in late February through early March 2023.

Council received a strong field of twenty-four (24) candidates and the Selection Panel shortlisted four (4) candidates for interview and, where appropriate, referee checking.

The current TOR indicates a maximum term of three (3) years. The Selection Panel is recommending to increase the maximum term of Independent Membership to four (4) years. The consideration is to allow continuity of service given there is only 6-7 meetings annually. This is not intended, nor should be perceived, as any commentary on the effectiveness of the current or past Independent Members on the Audit Committee.

Further extending the terms to four (4) will complement the Council's 14 February 2023 resolution for maximum terms to be eight (8) years.

The draft TOR (**Appendix 2**) contains the following proposed amended clause 5.7:

Appointments to the Committee shall be for a period of up to ~~four~~ **three (43)** years.

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective O4 We actively represent our community

Priority O4.2 Attract and develop a diverse and capable elected body that represents, promotes and reflects the composition of the community

Priority O4.3 Advocate to, and exert influence with, our stakeholders on behalf of our community to promote the needs and ambitions of the region

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community

Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

As an organisation we strive for accountable and strategic decision making. We seek to consistently meet our financial sustainability targets. Council is committed to open, participative and transparent decision making and administrative processes. We diligently adhere to legislative requirements to ensure public accountability.

➤ Legal Implications

Audit Committee

Section 126 of the LG Act prescribes that a council must have an audit committee to fulfil the functions set out in that section. Regulation 17(1)(b) of the *Local Government (Financial Management) Regulations 2011* requires that the audit committee must include at least one person who is not a member of the council and who is determined by the council to have financial experience relevant to the functions of an audit committee (i.e. an independent member).

Regulation 17 of the *Local Government (Financial Management) Regulations 2011* provides that the audit committee of a council:

- a) must have between 3 and 5 members (inclusive); and
- b) must include 1 person who is not a member of the council and who is determined by the council to have financial experience relevant to the functions of an audit committee; and
- c) must not include, as a member, the council's auditor under Section 128 of the Act.

The Amendment Act was assented to by the Governor on 17 June 2021. Commencement of the new provisions is being staggered into tranches with the first two tranches coming into effect on 20 September and 10 November 2021.

There are a number of revised and new provisions that, when those sections commence, will impact on the functions and membership of Council's Audit Committee. These matters are set out in the background section of this report.

Register of Interests

Chapter 5, Part 4, Division 2 of the Act sets out the provisions relating to the Register of Interests. Sections 65 and 66 set out the provisions regarding the completion of primary and ordinary returns to populate the Register of Interests (under s68). At its 26 September 2017 meeting Council resolved that the provisions of Division 2 will apply to members of committees (i.e. Independent Members) from the commencement of their term.

➤ **Risk Management Implications**

The selection of members and presiding members for s41 committees will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Low (3E)	Low (3E)

Note that there are many other controls that assist in mitigating this risk.

➤ **Financial and Resource Implications**

The costs specifically associated with this report relate to the payment of Independent Member sitting fees and Presiding Member allowances. The costs have been incorporated in the adopted budget.

The resource implications are predominately in relation to the conduct of the Independent Member selection process and subsequently the induction of new Members.

The sitting fees for Independent Members of the Audit Committee were considered by Council at the 24 August 2021 Ordinary Council Meeting and were resolved as follows:

12.14 S41 Committee – Independent Member Sitting Fees

Moved Cr Nathan Daniell
S/- Cr Mark Osterstock

184/21

Council resolves:

- 1. That the report be received and noted.**
- 2. That in relation to the Audit Committee and the Chief Executive Officer Performance Review Panel:**
 - a. To determine the sitting fees for Members, effective 1 December 2021, as follows:**
 - i. Independent Presiding Member - \$575 (excl GST) per attended meeting.**
 - ii. Independent Ordinary Member - \$450 (excl GST) per attended meeting.**
 - iii. Authorised Training - \$75 (excl GST) per hour of training attended excluding travel time but with a travel allowance being paid at the standard Council rate.**
 - b. That in the event that an Independent Ordinary Member is required to preside at a meeting in the absence of the Presiding Member, then that Member receives the \$575 (excl GST) sitting fee for that meeting.**

Carried Unanimously

➤ **Customer Service and Community/Cultural Implications**

There is a high expectation that Council has appropriate governance and accountability mechanisms in place in relation to its meeting structures and that Council Committee members are competent and understand the role and functions of the committee and their individual obligations with regard to conduct.

➤ **Sustainability Implications**

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Council Committees: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Not Applicable

Community: Not Applicable

There is no requirement for community consultation in relation to the appointment of Independent Members to Council Committees.

➤ **Additional Analysis**

A selection process was conducted by the Selection Panel, including fit with roles and functions of the Panel (as stated in the Terms of Reference) and with consideration to the diversity of the members (clause 5.5).

The Selection Panel unanimously decided to recommend Pamela Lee, Sarah Beesley and David Moffatt for appointment as the Independent Members on the Audit Committee.

The profiles of the recommended candidates are as follows:

- Pamela Lee’s qualifications include a Master of Business Administration, Degree in Applied Economics, Graduate Diploma of Strategic Management and Graduate Diploma of Applied Corporate Governance. Pamela has worked at executive level in local government and is the Independent Chair of the City of Port Lincoln and Tumby Bay District Council Audit Committees and is an Independent Member of the Mount Barker District Council’s Audit and Risk Committee.
- Sarah Beesley is a qualified accountant and is currently the State Manager of an Australian sporting organisation. Sarah has significant experience in not-for-profit organisations and continues to have significant community involvement with various sporting organisations. Sarah is a current Director on the Board of Sport South Australia and has strong and passionate risk focus.
- David Moffatt holds a Bachelor of Economics (Commerce) and is a CPA. He has had considerable experience in auditing and financial management roles and, more recently, as program manager in the state health industry. David has board member experience in the aged care sector and has completed two terms as an Independent Member of the City of Prospect Audit Committee including acting as Presiding Member. David has served two (2) terms (2years each) as a member of Council’s Audit Committee.

As identified in the Background section above, the new provisions regarding Audit Committee collective knowledge, skills and experience do not come into effect until the conclusion of the recommended term of appointment. Nevertheless, the proposed membership would adequately meet these requirements.

3. OPTIONS

Council has the following options:

- I. The Council may elect to support the recommendation for the Independent Member appointments (Recommended)
- II. The Council may elect not to support the recommendation for the Independent Member appointments. This decision would require further review of the short listed candidates or advertising again for an Independent Member and further interviews to be undertaken. (Not Recommended)

4. APPENDIX

- (1) Audit Committee Terms of Reference
- (2) Draft Audit Committee Terms of Reference

Appendix 1

Audit Committee Terms of Reference

ADELAIDE HILLS COUNCIL
Audit Committee



TERMS OF REFERENCE

Adopted 14 February 2023

1. ESTABLISHMENT

- 1.1 The Audit Committee (the Committee) of Council is established under Section 41 of the *Local Government Act 1999* (the Act), for the purposes of Section 126 of the Act and in compliance with regulation 17 of the *Local Government (Financial Management) Regulations 2011*.
- 1.2 The Audit Committee does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent from management.

2. ROLE

- 2.1 The overall role of the Audit Committee will be to assist Council to accomplish its objectives by monitoring and providing advice on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance functions through the following functions:

3. SPECIFIC FUNCTIONS

- 3.1 Financial Reporting and Prudential Requirements

The Committee shall:

- 3.1.1 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan and Budget and Long Term Financial Plan), the consistency between plans and the adequacy of Council's plans in the context of maintaining financial sustainability;
- 3.1.2 Review and provide advice to Council on the degree to which the annual financial statements present fairly the state of affairs of the Council;
- 3.1.3 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.;
- 3.1.4 Review and challenge where necessary:
- 3.1.4.1 The consistency of, and/or any changes to, accounting policies;
- 3.1.4.2 The methods used to account for significant or unusual transactions where different approaches are possible;

- 3.1.4.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 3.1.4.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- 3.1.4.5 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);

3.1.5 Review prudential reports prepared under Section 48(1) of the Act and provide advice to Council, upon request, on other prudential matters.

3.2 Internal Controls and Risk Management Systems

The Committee shall:

- 3.2.1 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives;
- 3.2.2 Review Council's risk management framework and monitor the performance of Council's risk management program;
- 3.2.3 Monitor the corporate risk profile and significant risk exposures for the organisation to ensure that there are appropriate management plans to manage and mitigate this business risk; and
- 3.2.4 Ensure an appropriate legislative compliance framework exists to identify risks and controls over compliance with applicable legislation and regulations.

3.3 Public Interest Disclosures

The Committee shall:

- 3.3.1 Review annually the Council's Public Interest Disclosure arrangements and compliance with the requirements of the *Public Interest Disclosure Act 2018*.
- 3.3.2 Provide recommendations to Council regarding Public Interest Disclosure Policy and resourcing required to comply with legislative requirements

3.4 Internal Audit

The Committee shall:

- 3.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 3.4.2 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.

- 3.4.3 Review all reports on the Council's operations from the internal auditors;
- 3.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 3.4.5 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.

3.5 External audit

The Committee shall:

- 3.5.1 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;
- 3.5.2 Oversee Council's relationship with the external auditor including, but not limited to:
 - 3.5.2.1 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;
 - 3.5.2.2 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;
 - 3.5.2.3 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;
 - 3.5.2.4 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);
 - 3.5.2.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 3.5.2.6 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);

- 3.5.3 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;
- 3.5.4 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 3.5.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - 3.5.5.1 a discussion of any major issues which arose during the external audit;
 - 3.5.5.2 any accounting and audit judgements; and
 - 3.5.5.3 Levels of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
- 3.5.6 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 3.5.7 Review the management letter and management's response to the external auditor's findings and recommendations.

3.6 Economy and Efficiency Audits

The Committee shall:

- 3.6.1 Propose and review the exercise of powers under Section 130A of the Act; to examine and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives,

4. OTHER MATTERS

The Committee shall:

- 4.1 Have access to reasonable resources in order to carry out its duties, recognising the constraints within Council's Budget;
- 4.2 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;
- 4.3 Give due consideration to laws and regulations of the Act;
- 4.4 Make recommendations on co-ordination of the internal and external auditors;
- 4.5 Oversee any investigation of activities which are within its terms of reference;
- 4.6 Oversee action to follow up on matters raised by the external and internal auditors;

4.7 Invite Council's external auditors and internal auditors to attend meetings of the Committee, as considered appropriate; and

4.8 At least once in its term, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

5. MEMBERSHIP

5.1 The Committee will comprise 5 members as follows:

5.1.1 Three (3) Independent Members; and

5.1.2 Two (2) Council Members

5.2 All members of the Committee will be appointed by the Council.

5.3 Independent Member(s) of the Committee shall have recent and relevant skills and experience in professions such as, but not limited to accounting, financial management, risk management, law, compliance, internal audit and governance.

5.4 It is desirable for the Council Members to be appointed to the Committee to have a sound understanding of financial management, risk management and governance.

5.5 In considering appointments to the Committee, Council should give consideration to the diversity of the membership.

5.6 Appointments to the Committee shall be for a period of up to three (3) years.

5.7 Members of the Committee are eligible for reappointment at the expiration of their term of office, however a maximum term of eight (8) years applies for Independent Members, along with a minimum two (2) year hiatus prior to being eligible for reappointment.

5.8 The terms of appointment of the Independent Members should be arranged to ensure the orderly rotation and continuity of membership despite changes to the composition of the Council.

6. SITTING FEES

6.1 The applicable Remuneration Tribunal (or its successor) Determination outlines the applicable allowance for Council Members on the Committee.

6.2 The Independent Members are to be paid a sitting fee as determined by Council for attendance at meetings and authorised training sessions. Council may determine a higher sitting fee for the presiding member.

7. PRESIDING MEMBER

7.1 The Council will appoint the Presiding Member of the Committee.

- 7.2 The Council authorises the Committee to determine if there will be a Deputy Presiding Member of the Committee and, if so, authorises the Committee to make the appointment to that position for a term determined by the Committee.
- 7.3 If the Presiding Member of the Committee is absent from a meeting the Deputy Presiding Member (if such position exists) will preside at that meeting. If there is no position of Deputy Presiding Member, or both the Presiding Member and the Deputy Presiding Member of the Committee are absent from a meeting of the Committee, then a member of the Committee chosen from those present will preside at the meeting until the Presiding Member (or Deputy Presiding Member, if relevant) is present.
- 7.4 The role of the Presiding Member includes:
- 7.4.1 overseeing and facilitating the conduct of meetings in accordance with Act and the *Local Government (Procedures at Meetings) Regulations 2013* (the Regulations); and
- 7.4.2 Ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner.

8. REPORTING RESPONSIBILITIES

- 8.1 For the purposes of Section 41(8) of the Act, the Committee's reporting and accountability requirements are:
- 8.1.1 The minutes of each Committee meeting will be included in the agenda papers of the next ordinary meeting of the Council;
- 8.1.2 The Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee;
- 8.1.3 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
- 8.1.4 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Committee's functions. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Act and staff may be requested to withdraw from the meeting.

9. MEETING PROCEDURE

- 9.1 Meeting procedure for the Committee is as set out in the Act, Parts 1, 3 and 4 of the Regulations. Insofar as the Act, the Regulations, or these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.
- 9.2 In accordance with Section 90(7a), one or more Committee members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all Committee members.

9.3 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.

9.4 Council Employees may attend any meeting as observers or be responsible for preparing papers for the committee.

10. SECRETARIAL RESOURCES

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

11. FREQUENCY OF MEETINGS

11.1 The Committee shall meet at least four times a year at appropriate times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

11.2 If after considering advice from the CEO or delegate, the Presiding Member of the Committee is authorised to cancel the respective Committee meeting, if it is clear that there is no business to transact for that designated meeting.

12. NOTICE OF MEETINGS

12.1 Notice of the meetings of the Committee will be given in accordance with Sections 87 and 88 of the Act. Accordingly, notice will be given:

12.1.1 To members of the Committee by email or as otherwise agreed by Committee members at least 3 clear days before the date of the meeting; and

12.1.2 To the public as soon as practicable after the time that notice of the meeting is given to members by causing a copy of the notice and agenda to be displayed at the Council's offices and on the Council's website.

12.2 PUBLIC ACCESS TO MEETINGS & DOCUMENTS

12.3 Members of the public are able to attend all meetings of the Committee, unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Act.

12.4 Members of the public have access to all documents relating to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 91 of the Act.

13. MINUTES OF MEETINGS

13.1 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 Regulations.

13.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and will (in accordance with legislative requirements) be available to the public.

Appendix 2

Draft Audit Committee Terms of Reference

ADELAIDE HILLS COUNCIL
Audit Committee



TERMS OF REFERENCE

DRAFT 11 APRIL 2023

1. ESTABLISHMENT

- 1.1 The Audit Committee (the Committee) of Council is established under Section 41 of the *Local Government Act 1999* (the Act), for the purposes of Section 126 of the Act and in compliance with regulation 17 of the *Local Government (Financial Management) Regulations 2011*.
- 1.2 The Audit Committee does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent from management.

2. ROLE

- 2.1 The overall role of the Audit Committee will be to assist Council to accomplish its objectives by monitoring and providing advice on the adequacy and effectiveness of the systems and processes regarding financial management and reporting, internal control and risk management, internal audit and governance functions through the following functions:

3. SPECIFIC FUNCTIONS

- 3.1 Financial Reporting and Prudential Requirements

The Committee shall:

- 3.1.1 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan and Budget and Long Term Financial Plan), the consistency between plans and the adequacy of Council's plans in the context of maintaining financial sustainability;
- 3.1.2 Review and provide advice to Council on the degree to which the annual financial statements present fairly the state of affairs of the Council;
- 3.1.3 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.;
- 3.1.4 Review and challenge where necessary:
- 3.1.4.1 The consistency of, and/or any changes to, accounting policies;
- 3.1.4.2 The methods used to account for significant or unusual transactions where different approaches are possible;

- 3.1.4.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 3.1.4.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- 3.1.4.5 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);

3.1.5 Review prudential reports prepared under Section 48(1) of the Act and provide advice to Council, upon request, on other prudential matters.

3.2 Internal Controls and Risk Management Systems

The Committee shall:

- 3.2.1 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives;
- 3.2.2 Review Council's risk management framework and monitor the performance of Council's risk management program;
- 3.2.3 Monitor the corporate risk profile and significant risk exposures for the organisation to ensure that there are appropriate management plans to manage and mitigate this business risk; and
- 3.2.4 Ensure an appropriate legislative compliance framework exists to identify risks and controls over compliance with applicable legislation and regulations.

3.3 Public Interest Disclosures

The Committee shall:

- 3.3.1 Review annually the Council's Public Interest Disclosure arrangements and compliance with the requirements of the *Public Interest Disclosure Act 2018*.
- 3.3.2 Provide recommendations to Council regarding Public Interest Disclosure Policy and resourcing required to comply with legislative requirements

3.4 Internal Audit

The Committee shall:

- 3.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 3.4.2 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.

- 3.4.3 Review all reports on the Council's operations from the internal auditors;
- 3.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 3.4.5 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.

3.5 External audit

The Committee shall:

- 3.5.1 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;
- 3.5.2 Oversee Council's relationship with the external auditor including, but not limited to:
 - 3.5.2.1 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;
 - 3.5.2.2 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;
 - 3.5.2.3 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;
 - 3.5.2.4 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);
 - 3.5.2.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 3.5.2.6 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);

- 3.5.3 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;
- 3.5.4 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 3.5.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - 3.5.5.1 a discussion of any major issues which arose during the external audit;
 - 3.5.5.2 any accounting and audit judgements; and
 - 3.5.5.3 Levels of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
- 3.5.6 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 3.5.7 Review the management letter and management's response to the external auditor's findings and recommendations.

3.6 Economy and Efficiency Audits

The Committee shall:

- 3.6.1 Propose and review the exercise of powers under Section 130A of the Act; to examine and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives,

4. OTHER MATTERS

The Committee shall:

- 4.1 Have access to reasonable resources in order to carry out its duties, recognising the constraints within Council's Budget;
- 4.2 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;
- 4.3 Give due consideration to laws and regulations of the Act;
- 4.4 Make recommendations on co-ordination of the internal and external auditors;
- 4.5 Oversee any investigation of activities which are within its terms of reference;
- 4.6 Oversee action to follow up on matters raised by the external and internal auditors;

4.7 Invite Council's external auditors and internal auditors to attend meetings of the Committee, as considered appropriate; and

4.8 At least once in its term, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

5. MEMBERSHIP

5.1 The Committee will comprise 5 members as follows:

5.1.1 Three (3) Independent Members; and

5.1.2 Two (2) Council Members

5.2 All members of the Committee will be appointed by the Council.

5.3 Independent Member(s) of the Committee shall have recent and relevant skills and experience in professions such as, but not limited to accounting, financial management, risk management, law, compliance, internal audit and governance.

5.4 It is desirable for the Council Members to be appointed to the Committee to have a sound understanding of financial management, risk management and governance.

5.5 In considering appointments to the Committee, Council should give consideration to the diversity of the membership.

5.6 Appointments to the Committee shall be for a period of up to ~~four~~ ~~three~~ (4) years.

5.7 Members of the Committee are eligible for reappointment at the expiration of their term of office, however a maximum term of eight (8) years applies for Independent Members, along with a minimum two (2) year hiatus prior to being eligible for reappointment.

5.8 The terms of appointment of the Independent Members should be arranged to ensure the orderly rotation and continuity of membership despite changes to the composition of the Council.

6. SITTING FEES

6.1 The applicable Remuneration Tribunal (or its successor) Determination outlines the applicable allowance for Council Members on the Committee.

6.2 The Independent Members are to be paid a sitting fee as determined by Council for attendance at meetings and authorised training sessions. Council may determine a higher sitting fee for the presiding member.

7. PRESIDING MEMBER

7.1 The Council will appoint the Presiding Member of the Committee.

- 7.2 The Council authorises the Committee to determine if there will be a Deputy Presiding Member of the Committee and, if so, authorises the Committee to make the appointment to that position for a term determined by the Committee.
- 7.3 If the Presiding Member of the Committee is absent from a meeting the Deputy Presiding Member (if such position exists) will preside at that meeting. If there is no position of Deputy Presiding Member, or both the Presiding Member and the Deputy Presiding Member of the Committee are absent from a meeting of the Committee, then a member of the Committee chosen from those present will preside at the meeting until the Presiding Member (or Deputy Presiding Member, if relevant) is present.
- 7.4 The role of the Presiding Member includes:
- 7.4.1 overseeing and facilitating the conduct of meetings in accordance with Act and the *Local Government (Procedures at Meetings) Regulations 2013* (the Regulations); and
 - 7.4.2 Ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner.

8. REPORTING RESPONSIBILITIES

- 8.1 For the purposes of Section 41(8) of the Act, the Committee's reporting and accountability requirements are:
- 8.1.1 The minutes of each Committee meeting will be included in the agenda papers of the next ordinary meeting of the Council;
 - 8.1.2 The Presiding Member will attend a meeting of the Council at least once per annum to present a report on the activities of the Committee;
 - 8.1.3 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
 - 8.1.4 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Committee's functions. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Act and staff may be requested to withdraw from the meeting.

9. MEETING PROCEDURE

- 9.1 Meeting procedure for the Committee is as set out in the Act, Parts 1, 3 and 4 of the Regulations. Insofar as the Act, the Regulations, or these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.
- 9.2 In accordance with Section 90(7a), one or more Committee members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all Committee members.

9.3 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.

9.4 Council Employees may attend any meeting as observers or be responsible for preparing papers for the committee.

10. SECRETARIAL RESOURCES

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

11. FREQUENCY OF MEETINGS

11.1 The Committee shall meet at least four times a year at appropriate times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

11.2 If after considering advice from the CEO or delegate, the Presiding Member of the Committee is authorised to cancel the respective Committee meeting, if it is clear that there is no business to transact for that designated meeting.

12. NOTICE OF MEETINGS

12.1 Notice of the meetings of the Committee will be given in accordance with Sections 87 and 88 of the Act. Accordingly, notice will be given:

12.1.1 To members of the Committee by email or as otherwise agreed by Committee members at least 3 clear days before the date of the meeting; and

12.1.2 To the public as soon as practicable after the time that notice of the meeting is given to members by causing a copy of the notice and agenda to be displayed at the Council's offices and on the Council's website.

12.2 PUBLIC ACCESS TO MEETINGS & DOCUMENTS

12.3 Members of the public are able to attend all meetings of the Committee, unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Act.

12.4 Members of the public have access to all documents relating to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 91 of the Act.

13. MINUTES OF MEETINGS

13.1 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 Regulations.

13.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and will (in accordance with legislative requirements) be available to the public.

3. Audit Committee Independent Member Appointment – Duration of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council’s decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 18.1 in confidence under sections 90(2) and 90(3)(a) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* to retain the Items in confidence as detailed in the Duration of Confidentiality Table below:

Item	Duration of Confidentiality NB: Item to be reviewed every 12 months if not released
Report	Until the appointment has been confirmed, but not longer than 30 April 2023.
Related Attachments	Until the appointment has been confirmed, but not longer than 30 April 2023.
Minutes	Until the appointment has been confirmed, but not longer than 30 April 2023.
Other (presentation, documents, or similar)	NIL

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Council delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.