

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 12 December 2022
CONFIDENTIAL AGENDA BUSINESS ITEM**

Item: 10.1

Responsible Officer: Lachlan Miller
Executive Manager Governance & Performance
Office of the Chief Executive

Subject: External Audit Tender

For: Decision

1. External Audit Tender – Exclusion of the Public

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

- A/CEO, David Waters
- Director Corporate Services, Terry Crackett
- Executive Manager Governance & Performance, Lachlan Miller
- Manager Financial Services, Mike Carey
- Governance & Risk Coordinator and Minute Secretary, Steven Watson

be excluded from attendance at the meeting for Agenda Item 10.1: (External Audit Tender) in confidence.

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

Section 90(3)(d) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) that would, on balance, be contrary to the public interest, the disclosure of which could reasonably be expected to prejudice the commercial position of the business which supplied the information and to confer a commercial advantage on a third party.

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

2. External Audit Tender – Confidential Item

SUMMARY

SUMMARY

The contract for the provision of external audit services has expired and the Administration has undertaken a tender process.

The purpose of this report is to provide details of the tender process to the Audit Committee and to seek the Committee's recommendation to Council for the appointment of an external auditor.

The preferred tender, BDO Audit Pty Ltd (BDO), will be attending the Audit Committee meeting to answer any queries in relation to their tender and services.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted
2. To recommend to Council the appointment of BDO Audit Pty Ltd for the provision of external audit services for a period of three (3) years commencing with the audit for the financial year ending 30 June 2023, with an option of a further period of up to two (2) years, as per the tender in Appendix 2.
3. To recommend to Council that the proposed fee structure for BDO Audit Pty Ltd is appropriate to enable an adequate audit to be conducted

1. BACKGROUND

Audit Committee's Role in External Auditor Appointment

The Audit Committee's *Terms of Reference (Appendix 3)* sets out the following role in relation to the appointment of the external auditor:

- 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;

External Audit Services Procurement

In 2018, following an open tender process, accounting firm, Galpins, was awarded the tender to provide external audit services to Council for a three-year term with a two-year option. Council, upon recommendation from the Audit Committee, exercised that option for the 2020-21 and 2021-22 financial years.

With the impending expiry of the external audit services contract (following the completion of the 2021-22 audit), the Administration initiated an open tender process to contract a suitable firm for the provision of external audit services for a period of three (3) years commencing with the audit for the financial year ending 30 June 2023, with an option of a further period of up to two (2) years.

The request for tender (RFT), utilising Council’s standard procurement documentation and a specification developed by members of the SA Local Government Financial Management Group (SALGFMG) adapted to the AHC environment, was advertised for a three-week period on the Tenders SA site and attracted three (3) tender responses. A copy of the tender specification is at **Appendix 1**.

The Tender Evaluation Panel comprised:

- Executive Manager Governance & Performance, Lachlan Miller
- Manager Financial Services, Mike Carey
- Team Leader Finance, Liz Packer

The tender assessment process was conducted in two stages: non-fee-related assessment and fee (value for money) assessment. For the non-fee-related assessment component the evaluation criteria and weightings for the tender assessment (aligned to the RFT) were as follows:

Criteria	Weighting
Compliant Tender	Y/N
Ability to Supply (Ability to supply required services, Ability to complete works on time, Adequate resources (current/future workload))	20%
Business Capability (Skills and experience of proposed audit team in Local Government External Audit)	35%
Technical (Appropriateness of audit methodology. Appropriate licences and accreditation)	30%
Risk Management (Adequate insurance coverage)	5%
Procurement Sustainability (Social Inclusion)	5%
Procurement (Local Economic Benefit)	5%
	100%

The scoring system utilised a 5-point Likert scale, ranging from: 0 (Will fail to satisfy required standards) to 5 (Excellent) for all of the criteria except Local Economic Benefit: 0 (Overseas based supplier) to 5 (Business based in AHC area).

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

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

Priority O5.3 Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

External audit is a key accountability function to the community regarding the financial governance of the organisation.

➤ Legal Implications

Chapter 8 – Administrative and financial accountability, Part 3 – Accounts, financial statements and audit, Division 4 – Audit of the *Local Government Act 1999* and Part 6 - Audit of the *Local Government (Financial Management) Regulations 2011* set out the requirements regarding the appointment of the external auditor and the conduct of the audit.

Key elements relevant to the appointment of the auditor are that a council must have an auditor and they must be appointed by council on the recommendation of the council's audit committee. The auditor must be a register company auditor and must not be appointed for a period exceeding five (5) years.

➤ Risk Management Implications

The appointment of the external auditor consistent with the requirements of legislation assists 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

The external auditor is a current control and therefore there is no predicted movement in the Residual Risk rating resulting from this report.

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

➤ Financial and Resource Implications

Council makes a budget allocation each year for the expenses associated with the conduct of the external audit. The recommended tender price is within the current budget allocation.

The external audit function is managed by the Governance & Performance Department although the Finance Services Department is most significantly impacted throughout the external audit process.

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

There is a high expectation that Council’s accounts are audited by appropriately qualified and independent external auditors.

➤ **Sustainability Implications**

Not directly applicable.

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

Consultation on the development of this report was as follows:

Council Committees: The Audit Committee were advised at their October 2022 meeting that the external tender was to take place but were not engaged in the process itself.

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Not applicable

Community: Not Applicable

➤ **Additional Analysis**

As advised above, three (3) tenders were received and were scored individually by the evaluation team and then moderated to produce a final rating. The evaluation matrix has been de- identified for all but the recommended tender, as follows:

Criteria	A	BDO	C
Compliant Tender	Y	Y	Y
Ability to Supply (Ability to supply required services, Ability to complete works on time, Adequate resources (current/future workload))	12	12	12
Business Capability (Skills and experience of proposed audit team in Local Government External Audit)	21	21	14
Technical (Appropriateness of audit methodology. Appropriate licences and accreditation)	18	24	12
Risk Management (Adequate insurance coverage)	2	2	2
Procurement Sustainability (Social Inclusion)	2	4	2
Procurement (Local Economic Benefit)	3	3	3
Non-Fee Assessment Totals	59	66	45
Fee Proposal (3 year)	\$73.6k	\$83.6k	\$67k

The areas of comparative strength of the BDO proposal were the superior ICT controls assessment methodology, sound transition plan, document portal, 25% more audit hours, and extensive local government external audit experience.

Negotiation with the preferred tenderer on the cost of acquittals has been undertaken with a reduction in these fees which will be reflected in the final contract.

Based on the combination of the non-fee and fee assessments, the Tender Evaluation Panel identified BDO as the preferred tender. A copy of BDO tender is at **Appendix 2**

Referee reports were obtained from two councils that currently contract BDO for their external audit function. These referee reports were positive in all key areas of performance.

On the basis of the tender assessment and referee reports, the Tender Evaluation Panel affirmed their preference to recommend BDO to the Audit Committee for their consideration and recommendation to Council for appointment as Council's external auditors.

3. OPTIONS

The Committee has the following options:

- I. To note the actions of the Tender Evaluation Panel and to recommend the appointment of BDO as Council's external auditors for a period of three (3) years commencing with the audit for the financial year ending 30 June 2023, with an option of a further period of up to two (2) years subject to final negotiations on composition and pricing (Recommended).
- II. To note the actions of the Tender Evaluation Panel and determine an alternative course of action to the above (Not Recommended)

4. APPENDICES

- (1) External Audit Tender Specification
- (2) BDO Tender
- (3) Audit Committee Terms of Reference

Appendix 1

External Audit Tender Specification

7. Section D – Specifications for the Services

External Audit Specification

Detailed below is the specification and details that tenderers are required to address in their submissions.

7.1 The Objectives of the Audit

The objective of Council's audit is to provide independent audit opinion of the:

- a. accounts and annual financial reports; and
- b. internal financial controls

of Council for each financial year covered by the term of the audit appointment

The audit must meet both statutory requirements and Australian audit standards.

7.2 Term of Audit Appointment

Council is seeking to make an appointment for a period of three (3) years commencing with the audit for the financial year ending 30 June 2023, with an option of a further period of up to two (2) years.

Should the legislation change during the term of this contract, which would require that the SA Auditor-General audit South Australian Local Government, the term of appointment may be reduced to reflect the direction of that or any other relevant legislation.

7.3 Scope of the Audit

The auditor is to: –

7.3.1 carry out such work as is necessary to form opinions as to whether:

- a. the accounts are properly kept and the annual financial statements:
 - i. are prepared in accordance with the financial records; and
 - ii. represent fairly the results of the operations and cash flows for the financial year and the financial position of the Council at 30 June in accordance with the Australian Accounting Standards, the *Local Government Act 1999* (as amended), *Local Government (Financial*

Management) Regulations 2011 and other mandatory professional reporting requirements.

- b. the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.

7.3.2 include in his or her audit report any matters identified during the normal audit procedures such as: –

- a. any significant adverse trends in the financial position or the financial management practices of the Council;
- b. any material irregularities in the Council's accounting practices or in the management of the Council's financial affairs identified during the course of the audit;
- c. any factors impacting on the adequacy of the depreciation charge for the year. This is after due consideration of an assessment of the depreciation methodology principles adopted by Council and the consistency of the accounting principles applied;
- d. the adequacy of the internal controls in operation, in particular those in the critical areas listed below.

7.3.3 plan and undertake the annual standard acquittal audit certification of supplementary statements produced from the same accounting records in respect of Roads to Recovery, Commonwealth Home Support Program Grants, Workers' Compensation employee remuneration, Construction Industry Training Levy and all other grant acquittals as required by the grantor.

7.4 Audit Methodology and Approach

7.4.1 The auditor is required to comply with the requirements of *the Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

7.4.2 An audit is to be carried out in accordance with "Auditing Standards" and "Auditing Guidance Statements" published (and amended from time to time) by the Auditing and Assurance Standards Board established under the Australian Securities and Investments Commission Act 2001 of the Commonwealth.

- 7.4.3 The auditor is to provide the Council with a general outline of his or her methodology. This may include the proposed analysis and review of internal controls and the extent to which these controls lead to reliance on the Council's administration systems to produce accurate reports.
- 7.4.4 The auditor is to provide to the Council, on an annual basis (nominally in early February), a plan for the audit including:
- a. timing of interim audit visits;
 - b. final audit visit in accordance with timeframes agreed with Council's administration; and,
 - c. the method to be used to communicate with, and provide advice and information to, the Council.
- 7.4.5 The auditor is required to produce two opinions in compliance with section 129(3) of the *Local Government Act 1999* and written advice on particular matters arising from the audit, in compliance with section 129(4).
- 7.4.6 Prior to handing over a final audit management letter (see Section 7.6 below) the auditor is to discuss the proposed contents of the letter with senior management and thereafter at a meeting of the Council's Audit Committee or the Council itself.

7.5 **Critical Matters to be Audited**

Council is of the view that the following matters are important to the proper maintenance and reporting of its financial statements.

They are also important to the auditor's responsibility for providing the audit opinions and the written advice required by subsections 129(3) and (4) of the *Local Government Act 1999*.

The auditor should include in his or her proposal the extent to which the matters outlined below will be examined in the course of forming his or her independent audit opinions of the accounts and annual financial reports and the internal financial controls of the Council:

- 7.5.1 ***Governance and Control***
- a. Roles and Responsibilities
 - b. Delegated Authorities
 - c. Council/Committee Minutes and Directions
 - d. Strategic/Business/Risk Planning
 - e. Budget Management
 - f. Internal Controls including ICT Security

7.5.2 **Financial Accounting and Reporting**

- a. Income**
 - Rates revenue,
 - Government grants,
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income

- b. Expenses**
 - Salary and wages costs
 - Depreciation
 - Materials and contract expenditure
 - Loss on sale or revaluation of non-current assets
 - Insurances
 - Bad debts
 - Other expenses

- c. Current Assets**
 - Cash at bank and short-term investments
 - Trade and Other Receivables
 - Other Financial Assets
 - Inventory

- d. Non-Current Assets**
 - Financial Assets
 - Equity Accounting Investments in Council Business
 - Infrastructure, Property, plant, equipment, and accumulated depreciation thereon
 - Other Non-Current Assets

- e. Liabilities (current and non-current)**
 - Trade and Other payables
 - Borrowings
 - Provisions for employee entitlements

- f. Other**
 - Statement of changes in equity
 - Disclosure of contingent liabilities
 - Disclosure of capital commitments
 - Accounting policies and notes to the financial statements
 - Statement of cash flow
 - Financial Indicators as set out in the Model Financial Statements
 - Any other items as required as per Accounting Standards and/or relevant Legislation

7.6 **Audit Management Letters and Opinions**

Without limiting the scope and application of ASA 260 – “Communication of Audit Matters with Those Charged With Governance” Council requires that the auditor shall after the conclusion of both the interim audit or a final audit (in compliance with section 129(4) of the *Local Government Act 1999*) provide to the Mayor of the Council, the Council’s Audit Committee and the Chief Executive Officer a management letter outlining the audit findings in relation to the following matters where such matters are material:

- 7.6.1 Any significant adverse trends in the financial performance, financial position or financial management practices of the Council and any material irregularities in the Council’s accounting practices or in the management of the Council’s financial affairs identified during the course of the audit. Where management has taken steps to correct or improve the financial performance, financial position, financial management practices, accounting practices or management of the Council’s financial affairs, the auditor must comment on the efficacy of the correction or improvement.
- 7.6.2 The appropriateness of the valuation and depreciation methodologies being used in respect of all assets. Depreciation is a significant component of a Council’s operating expenses and any errors in the way in which depreciation is calculated can have a material impact on the calculation of a Council’s operating surplus or deficit. The auditor also needs to ensure that useful lives and residual values of infrastructure are realistic.
- 7.6.3 The extent to which the internal control environment has been assessed as set out in the audit plan and any material weaknesses in the control environment, based on the application of auditing standard ASA 315 (Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment), other relevant auditing standards, and the LGA’s Better Practice Model –Internal Financial Controls. Where weaknesses have been identified and management has proposed or adopted remedial action to rectify the weaknesses, the auditor must comment on the efficacy of the proposed or adopted course of action. Where weaknesses have not been addressed the auditor must make recommendations for addressing the weaknesses.
- 7.6.4 Whether the Council, through its Audit Committee, is regularly monitoring and assessing the adequacy and effectiveness of its risk management framework and activities.
- 7.6.5 Where the Council or management have requested that a specific activity, function or operation of the Council be reviewed during an audit, the auditor must report on the scope of the review, its findings and any

recommendations in relation to the activity, function or operation of the Council.

- 7.6.6 Where an Auditing Standard requires that the auditor must give consideration to the reporting of specific matters to those charged with governance, the auditor must comply with the Auditing Standard and report as necessary.
- 7.6.7 The auditor must report on the outcome of any remedial action taken by the Council as a result of previous reports. Specific attention must be drawn to situations where the remedial action is not adequate, including the failure to implement remedial action.
- 7.6.8 Where it becomes apparent to the auditor that a Council has failed to comply with relevant legislation, the auditor must report on significant failures and any remedial action proposed or adopted by management to rectify non-compliance.
- 7.6.9 Where, during the course of an audit, it becomes apparent that management has failed to comply with Council's policies, the auditor must report on significant non-compliance and any action proposed or adopted by management to rectify non-compliance with the Council's policies.
- 7.6.10 The requirements set out above do not limit the scope of the auditor's report and the auditor must report on any other matter that in the auditor's judgment may have an impact on good governance and the sound management of the Council's affairs.

7.7 Fees and Expenditure

- 7.7.1 The auditor is to provide the following detail:
 - a. an estimate of the hours to be spent on the audit by the lead auditor and audit personnel for a financial year, as per Table B in Schedule 12;
 - b. the lead auditor and registered company audit number;
 - c. the experience of the lead auditor in completing Local Government audits.
- 7.7.2 In addition, the auditor should indicate in the fee structure:
 - a. Tenderers are required to provide a detailed list of fees split into the categories listed in Table B in Schedule 12 (ex GST):
 - b. Fees for any additional work permitted (on an hourly rate) under section 130A of the *Local Government Act 1999*, or under sub-

regulation 22(2) of the *Local Government (Financial Management) Regulations 2011*;

- c. If additional services (those not listed in Section 3) are required, a breakdown and details of the fees and a separate fee is to be arranged prior to commencement of the service; and
- d. The Fee Submission shall include all general administration costs such as telephone calls, facsimiles, courier services, photocopying and travelling.

7.8 Attendance at Meetings

It is envisaged that the Lead Auditor (refer Schedule 3 below) will be required to attend at least two Audit Committee meetings per year to discuss matters associated with the annual Audit Plan and to discuss matters arising from the audit.

The Lead Auditor may also be requested to attend a Council meeting to discuss matters associated with the preparation of the annual financial statements and the audit report.

7.9 Terms and Conditions

The following conditions should be noted by auditors:

- a. The auditor shall not sub-contract to a third party without Council approval.
- b. The auditor shall not, and has no right to, assign the audit contract to third parties.
- c. The auditor shall not be engaged by the Council to undertake any financial and accounting work that results in financial information that will be the subject of the annual audit.
- d. The auditor shall confirm that he or she has and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission of at least \$5m in aggregate or \$2m on an "each and every claim" basis with a two year run-off, plus public liability insurance to a minimum of \$20m.

7.10 Termination of Appointment

The appointment as auditor is terminated if:

- a. the auditor (being a natural person) is unable to provide the Services; and where the Company providing the services is unable to provide an alternative person that is to the satisfaction of Council;
- b. the auditor ceases to be a registered company auditor;
- c. the auditor is a disqualified person under Section 128 (5) of the *Local Government Act 1999*;

- d. the auditor otherwise ceases to be eligible for appointment as auditor;
- e. the auditor accepts remunerated office or employment from the Council;
- f. the auditor resigns by giving 30 days written notice to Council;
- g. Council serves notice in writing to the auditor terminating the appointment for reasonable cause;
- h. the term of the appointment expires.

7.11 **Auditor Independence**

Pursuant to regulation 22(5) of the *Local Government (Financial Management) Regulations 2011*, the auditor is required, annually, to provide a declaration that he/she is independent of the Council and nothing has transpired that would compromise his or her independence during the conduct of the audit.

Attachment 1:
Overview of Adelaide Hills Council

Financial Information (based on 2021/22 Financial Year)

Item	\$
Total Operating Revenue	52.5m
General Rates Revenue	38.5m
Community Wastewater Management Systems (CWMS) Separate Rates	1.7m
Landscape Levy	1.0m
Total Expenses	51.3m
Total Assets	454m
Total Liabilities	30.3m

Council's administration operations are largely based at Stirling although some services are located in other townships across the region including Woodside. In addition, Council utilises three works depots located at Heathfield, Woodside and Gumeracha to service its field operations. Council has three libraries at Stirling, Woodside and Gumeracha and a Mobile Library visiting areas around the region. In addition, Council operates Community Centres located at Norton Summit and Gumeracha as well as supporting and working collaboratively with The Hut Community Centre at Aldgate.

Adelaide Hills Council owns and operates a retirement village that incorporates a total of 6 units, located in Bridgewater. Further, Council maintains 16 historic cemeteries within the Council area.

Council operates a co sourced internal audit model including contract internal audit services as part of Governance & Performance operations, working collaboratively with External Audit

Further details on Council's financial information are available in the 2021/22 General Purpose Financial Statements. These documents are available in hard copy upon request or on Council's web site:

<http://www.ahc.sa.gov.au/Council/council-documents>

Systems Information

The major financial systems are managed using the Open Office enterprise resource planning (ERP) software solution powered by Microsoft Dynamics. This is a fully integrated system incorporating the modules detailed below.

Asset information for financial accounting purposes is managed by the Confirm asset management system (Pitney Bowes)

Records management is currently provided by the RecordsHub management system.

In addition, various other computer systems are used such as Microsoft Office tools and Mapinfo (spatial and GIS).

OPEN OFFICE

The Open Office technology platform is based on Microsoft .Net framework and utilises a fully tiered architecture that allows the application to be deployed over one or many servers, making it fully scalable. The User Interface has been separated out from the Business Logic so data can be shared with other applications using Web Services.

All access to the database is fully controlled using LINQ in the Data Access Layer in consideration of data accuracy, security and integrity.

Open Office also makes extensive use of web services for the interaction with other systems and uses AJAX technology where it enhances the user experience.

Modules include:

- Cashlink Receipting being a comprehensive cash receipting product, which assists in the automation of the cash receipting process.
- Collect - Open Office's Accounts Receivable Module excluding Rate Debtors.
- Creditors Payment Processing
- Finesse - general ledger and financial reporting
- Payroll
- Procure - Open Office's Module which encompasses Creditors, Stores, Orders, Loans and Trust.
- Property - incorporating rating and billing
- Infringements
- Hazard ID
- Animal Management
- Development & Building Management
- Health Management

Appendix 2

BDO Tender

Appendix 3

Audit Committee Terms of Reference

ADELAIDE HILLS COUNCIL
Audit Committee



TERMS OF REFERENCE
Effective from 1 September 2017

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 Whistle blowing

The committee shall:

- 3.3.1 Review annually the Council's Whistleblower Protection Policy
- 3.3.2 Provide recommendations to Council regarding the Whistleblower Protection Policy to ensure that:
 - 3.3.2.1 There are adequate arrangements for Council employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
 - 3.3.2.2 The policy allows independent investigation of such matters and appropriate follow-up action in a manner that is in accordance with the Independent Commissioner Against Corruption Act 2012 and Regulations 2013.

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,
- 3.7 Service Improvement
- The Committee shall:
- 3.7.1 Monitor the benefits achieved through Council's Service Improvement Program with a focus on efficiency and effectiveness.

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.
- 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. External Audit Tender – 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 10.1 in confidence under sections 90(2) and 90(3)(d) 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	31 December 2024
Related Attachments	31 December 2024
Minutes	Until Council has appointed an External Auditor for the 30 June 2023 financial year.
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.