

Audit Committee

Adopted by Council:
27/11/2018

Review Date:
4 years (or within 12 months of a general election)

1. Background

- 1.1 Pursuant to Section 126 of the *Local Government Act 1999* ("the Act") the Council must establish an Audit Committee ("the Committee"). The Council established the Audit Committee by resolution at its meeting of 27 November 2018.
- 1.2 The Town of Gawler Code of Practice for Committee Meeting Procedures applies to this Committee.

2. Function of the Audit Committee

- 2.1 Pursuant to Section 126 of the Act, the functions of an Audit Committee include:
 - (a) *reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and*
 - (ab) *proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and*
 - (ac) *proposing, and reviewing, the exercise of powers under section 130A; and*
 - (b) *liaising with the council's auditor; and*
 - (c) *reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.*
- 2.2 The Committee is appointed by the Council as part of a sound financial governance structure. The Committee shall:

Strategic, Financial and Management Planning

- 2.2.1 Review and provide information and recommendations in relation to the Community Plan and other key Strategic Management Plans.
- 2.2.2 Review and provide recommendations on the sustainability of the Council operations, including proposed debt levels and addressing asset management issues.

Financial reporting

- 2.2.3 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain, and to ensure that they present a fair and accurate record of the affairs of the Council.
- 2.2.4 Review and challenge where necessary:
- (a) The consistency of, and/or any changes to, accounting policies;
 - (b) The methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (d) The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
 - (e) All material information presented with the financial statements (insofar as it relates to the audit and risk management).

Internal controls and risk management systems

- 2.2.5 Keep under review the effectiveness of the Council's internal controls and risk management systems; and
- 2.2.6 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

External audit

- 2.2.7 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 of new auditors.
- 2.2.8 Oversee Council's relationship with the external auditor including, but not limited to:
- (a) 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;

- (b) 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;
- (c) 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;
- (d) 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);
- (e) Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- (f) 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 Committee's own internal quality procedures)

2.2.9 Meet with the external auditor at least once per year to discuss the external auditor's report and any issues arising from the audit;

2.2.10 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- (a) A discussion of any major issues which arose during the external audit;
- (b) Any accounting and audit judgements; and
- (c) Levels of errors identified during the external audit.

2.2.11 Review the management letter and management's response to the external auditor's findings and recommendations.

2.2.12 Review any representation letter(s) requested by the external auditor;

2.3 The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the CEO.

3. Membership

3.1 A minimum of two (2) Council Members and the Mayor and will be appointed by the Council by resolution as members of the Committee, for a period determined by Council. Council Members may be reappointed by Council.

- 3.2 A minimum of two (2) independent members will be appointed by the Council by resolution as members of the Committee, for a period of up to four years, so that terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council. Independent members:
- 3.2.1 Shall have recent and relevant financial, risk management and internal audit experience.
 - 3.2.2 Shall be individuals (not corporations or an organisation).
 - 3.2.3 Will have no conflict of interest (as per Division 3 of the Act).
- 3.3 The Committee may, by resolution supported by a majority of all members of the Committee, make a recommendation to the Council to remove a member of the Committee from office where a member has failed (without the leave of the Committee) to attend three consecutive meetings of the Committee.
- 3.4 All members of the Committee (including members who are not Council members) must comply with the Code of Conduct for Council Members, the general duties set out in Section 62 of the Act and the conflict of interest provisions set out in Sections 73 – 75A of the Act as if the Committee were a Council and a Committee member were a Council member.
- 3.5 Members of the Committee are required to complete a Register of Interest Return pursuant to Section 64 of the Act.
- 3.6 Council external auditors may be invited to attend meetings of the Committee in an advisory capacity.
- 3.7 Council Officers may attend meetings of the Committee as observers and are responsible for preparing agendas and minutes for the Committee.

4. Chairperson and Deputy Chairperson

- 4.1 The Council will appoint the Presiding Member (to be known as the Chairperson) of the Committee for the term determined by Council.
- 4.2 The Committee will appoint a Deputy Chairperson from its members at the first meeting of the Committee for the same term as the Chairperson.
- 4.3 If the Chairperson of the Committee is absent from a meeting then the Deputy Chairperson will preside at the meeting until the Chairperson is present. In the absence of the Chairperson and the Deputy Chairperson a member of the Committee chosen from those present will preside at the meeting until the Chairperson is present.

5. Meeting Details

- 5.1 The Committee will generally meet on a quarterly basis or as otherwise determined by the Committee.
- 5.2 The Committee may meet in the Conference Room, or as otherwise determined by the Committee.
- 5.3 All Committee meetings will be conducted in accordance with the Act, and relevant Regulations, Code of Practice for Committee Meeting Procedures and Code of Practice for Access to Council and Committee Meetings and Council Documents.
- 5.4 Part 3 of the Local Government (Procedures at Meetings) Regulations 2013 apply to meetings of the Committee.

6. Reporting Requirements

- 6.1 This Committee reports directly to and is accountable to Council.
- 6.2 The Minutes of the Committee shall be submitted to Council for decision.
- 6.3 The Committee will adopt a risk management focus in its considerations, decisions and recommendations to Council to enable Council to act as an informed and responsible decision maker representing the interests of the community.
- 6.4 The Committee must produce an Annual Review report for consideration by the Council by the end of each calendar year outlining the work of the Committee for the preceding 12 months.