

FLEURIEU REGIONAL AQUATIC CENTRE AUTHORITY

AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

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| Date and Reference of FRAC Authority Resolution | 28 July 2017 / FRACA000087 |
| Review Frequency | Annual Review |
| Review Date | 11 February 2020 |
| Next Review Due | February 2021 |
| Applicable Legislation | Australian Accounting Standards & Regulations Local Government Act 1999 Local Government (Financial Management) Regulations 2011 |

1. ESTABLISHMENT

The Fleurieu Regional Aquatic Centre Authority ('the Authority') is a regional subsidiary established under Section 43 of the Local Government Act 1999 ('the Act') by the Constituent Councils; Alexandrina Council and the City of Victor Harbor.

At a meeting held on 28 July 2017, the Authority resolved to establish the Audit and Risk Management Committee ('the Committee') pursuant to Schedule 2, Part 2 Clause 30 of the Act and Local Government (Financial Management) Regulations 2011.

2. PURPOSE

The Committee is established for the purpose of:

- reviewing annual financial statements to ensure that they provide a timely and fair view of the state of affairs of the Authority;
- reviewing the adequacy of Authority risk management systems;
- proposing, and providing information relevant to, a review of the Authority's strategic management plans or annual business plan;
- liaising with the Authority's external auditor; and
- reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Authority on a regular basis.

3. MEMBERSHIP

3.1 Members of the Committee are appointed by the Constituent Councils. The Committee shall consist of:

- An Independent Chairperson; selected by the Authority for consideration by the constituent Councils following an Expression of Interest process to be undertaken in the local community; in line with skills and experience requirements set out in the Role Description;
- One City of Victor Harbor (professionally qualified) Council Officer (to be nominated by the Council Chief Executive Officer);
- One Alexandrina Council (professionally qualified) Officer (to be nominated by the Council Chief Executive Officer); and
- Two Authority Board Members nominated by the Authority for consideration by the constituent Councils.

Audit & Risk Committee – Terms of Reference

- 3.2 The Independent Chairperson of the Committee shall have suitable skills and experience commensurate to the role including recent financial and risk management experience relevant to the functions of the Committee.
- 3.3 The Authority's external auditors may be invited to attend meetings of the Committee.
- 3.4 Persons appointed under this section are referred to as 'Member/Members' throughout the Terms of Reference.

4. APPOINTMENT OF MEMBERS

- 4.1 In line with clause 6.5.3 of the Authority Charter, the term of appointment of a member of the Committee shall be for a term not exceeding two (2) years at the expiry of which such member will be eligible for reappointment.
- 4.2 Nominations for the independent member position will be publicly advertised and considered, on the recommendation of the Authority Board, by the Constituent Councils for appointment on a biennial basis.
- 4.3 The filling of any vacancy occurring by resignation or removal of a member shall be at the discretion of the Constituent Councils.
- 4.4 The Constituent Councils may at any time remove a member of the Committee but shall observe the principles of natural justice.
- 4.5 Any member absent for three or more consecutive meetings without apology or leave of the Committee, shall have their position declared vacant and clause 4.3 shall be invoked.
- 4.6 Payment of sitting fees for Committee meetings will be paid as follows:
 - Council Officer members of the Committee will not be paid a sitting fee;
 - An Independent Authority Board Member who is also a member of the Committee will be paid a sitting fee in line with fees currently paid for attendance at prescribed meetings of the Authority Board;
 - A Constituent Council Authority Board Member who is also a member of the Committee will not be paid a sitting fee in line with non-payment of sitting fees for meetings of the Authority Board; and
 - The Independent Chairperson of the Committee will be paid a sitting fee in line with fees currently paid to the Independent Chairperson of the Board for attendance at prescribed meetings of the Authority Board.

5. APPOINTMENT OF OFFICE BEARERS

- 5.1 The Chairperson of the Committee will be an Independent Chairperson and the term of office shall be two years.
- 5.2 The Committee may appoint a Deputy Chairperson if considered necessary.

6. ROLE AND RESPONSIBILITIES OF MEMBERS

The role of a Committee Member is to:

- Participate in the deliberations of the Committee, with regard to the business which is before it;
- Be mindful of the objectives and policies of the Authority as they relate to the business of the Committee;
- Give due consideration to laws and regulations of the Local Government Act 1999;
- Participate in induction and ongoing training as required;
- Be aware of the Committee resources and budget, and the need for efficiency and effectiveness in the activities for which the Committee has been established;
- Be well informed on issues before the Committee; to prepare adequately for meetings and seek additional information if required;
- Be mindful of the potential for a Conflict of Interest to occur through participation on the Committee and to declare such Interests as and when they arise; and
- Observe confidentiality when it is required.

7. FUNCTIONS

7.1 Financial reporting:

- 7.1.1 The committee shall monitor the integrity of the financial statements of the Authority, including its annual report, reviewing significant financial reporting issues and judgments which they contain.
- 7.1.2 The committee shall review and challenge where necessary:
 - 7.1.2.1 the consistency of, and/or any changes to, accounting policies;
 - 7.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 7.1.2.3 whether the Authority has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - 7.1.2.4 the clarity of disclosure in the Authority's financial reports and the context in which statements are made; and
 - 7.1.2.5 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).

7.2 Internal controls and risk management systems:

The Committee shall:

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

7.3 External Audit:

The committee shall:

- 7.3.1 consider and make recommendations to the Authority Board, in relation to the appointment, re-appointment and removal of the Authority'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;
- 7.3.2 oversee the Authority's relationship with the external auditor including, but not limited to:
 - 7.3.2.1 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;
 - 7.3.2.2 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;
 - 7.3.2.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of the Authority's relationship with the auditor, including the provision of any non-audit services;
 - 7.3.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Authority (other than in the ordinary course of business);
 - 7.3.2.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 7.3.2.6 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);

Audit & Risk Committee – Terms of Reference

- 7.3.3 meet as needed with the external auditor. The committee shall meet the external auditor at least once a year, without the Authority Executive Officer being present; to discuss the external auditor's report and any issues arising from the audit;
- 7.3.4 review and monitor the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
- 7.3.4.1 discussion of any major issues which arose during the external audit;
- 7.3.4.2 any accounting and audit judgments; and
- 7.3.4.3 levels of errors identified during the external audit;
- The committee shall also review the effectiveness of the external audit.
- 7.3.5 review any representation letter(s) requested by the external auditor before they are signed;
- 7.3.6 review the management letter and management's response to the external auditor's findings and recommendations.

8. MEETINGS

- 8.1 Ordinary meetings: The Committee shall meet at least three times per year at appropriate times in the budgeting and reporting cycle:
- March: Budget, Business Plan and long term financial forecast
 - September: Annual financial statements
 - November: Review of effectiveness of risk management framework, internal controls, financial management practices and reporting.

- 8.2 Special Meetings - may be called by the Chairperson or by at least two members of the Committee at any time.

- 8.3 Notice of Meetings - Ordinary meetings of the Committee will be held at times and places determined by the Committee. A Special Meeting of the Committee may be called in accordance with the Act.

Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three (3) clear days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.

A minimum of four hours' notice shall be given for any Special Meetings of the Committee.

A copy of the notice of meeting, agenda and accompanying reports shall be placed on public exhibition at the Constituent Council Offices as soon as practicable after the time that the notice of the meeting is given to members of the Committee.

- 8.4 Minutes shall be kept of all meetings of the Committee.

Each Committee member shall receive a copy of the minutes within five business days of the meeting of the Committee.

The minutes shall be confirmed at the next regular meeting with or without amendments.

One copy of all minutes shall be supplied to the Authority Board before its next meeting following that of the Committee. Resolutions of the Committee are to be presented to a formal meeting of Authority Board for endorsement before they can be enacted.

A copy of the minutes shall be placed on public exhibition at the Constituent Council Offices within five business days of the meeting of the Committee.

- 8.5 A quorum of the Committee shall constitute three members, one of whom shall be an Authority Board Member.

- 8.6 The procedures and protocols to be observed at the Committee meetings shall be as provided in Part 3 of the Local Government (Procedures at Meetings) Regulations 2013, unless varied by these Terms of Reference.

9. VOTING

- 9.1 A question arising for decision at a meeting of the Committee will be decided by a majority of the votes cast by the members present at the meeting and entitled to vote on the question.
- 9.2 Each member of the Committee present at any meeting shall have one vote on any matter.
- 9.3 The Chairperson or Acting Chairperson shall have a deliberative vote only.
- 9.4 Each member present at a meeting of the Committee must vote on all questions arising for a decision at that meeting.

10. CONFLICT OF INTEREST

Section 73-75 of the Local Government Act 1999 refer to conflict of interest provisions.

Committee members need to be aware of the circumstances under which a conflict of interest may arise and declare that interest to the membership present at the meeting.

11. COMMITTEE RESOURCES

- 11.1 The Authority Executive Officer shall provide support to and attend Committee meetings. Other invited guests may attend meetings as required.
- 11.2 The Authority Executive Officer will provide administrative / secretarial support as required.

12. REPORTING

- 12.1 The Committee shall supply to the Authority Board a copy of all Committee minutes pursuant to clause 6.4, and the Chairperson (or other member in their absence) shall draw to the attention of the Board any significant issues when the minutes are presented.
- 12.2 The Committee's yearly activities shall be reported in Authority's Annual Report.
- 12.3 The committee shall make whatever recommendations to the Authority it deems appropriate on any area within its terms of reference where in its view action or improvement is needed.

13. PUBLIC ACCESS

- 13.1 Meetings of the Committee shall be held in public.
- 13.2 The Committee may resolve to exclude the Public from attendance at the meeting if it is considered necessary to receive, discuss or consider in confidence any information or matter listed in Section 90, subsection (3) of the Local Government Act 1999.
- 13.3 Minutes, Agendas, Reports and Documents produced by the Committee may be inspected at the Constituent Council Offices by arrangement.

14. LIABILITY OF MEMBERS

In accordance with Section 41 (12) of the Local Government Act 1999, no civil liability attaches to a member of the Committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the member's or Committee's powers, functions or duties.

15. REVIEW

- 15.1 The Committee shall at least once a year, review its own performance in line with the purpose for establishing the Committee; and review its Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Authority for approval.
- 15.2 These Terms of Reference shall be reviewed by the Authority annually.

Document History

| VERSION | DOCUMENT | ACTION | DATE |
|----------------|------------------|----------------------------|------------------|
| 1.0 | Approved version | FRAC Authority endorsement | 28 July 2017 |
| 2.0 | Approved version | FRAC Authority endorsement | 14 February 2019 |
| 3.0 | Approved version | FRAC Authority endorsement | 11 February 2020 |

