

Local Government Association of South Australia

Audit Committee Terms of Reference

[insert date of adoption]

1. Establishment

In accordance with clause 24.3 of the Local Government Association of South Australia Constitution and Rules (adopted **[insert date]**) (**Constitution**) the Board of Directors of the Local Government Association of South Australia (**LGA**) has resolved to establish a committee to discharge the functions of an audit committee as determined by the Board (**Audit Committee**).

2. Terms of Reference

- 2.1. These Terms of Reference set out the functions to be discharged by the Audit Committee.
- 2.2. The operation of the Terms of Reference may be altered by the Board of Directors either generally or in respect of specific circumstances by resolution. A resolution for the purposes of this clause 2.2 will be reported to the chairperson of the Audit Committee within 24 hours of the meeting of the Board of Directors at which the resolution was passed.
- 2.3. A capitalised term not defined in this document has the meaning provided for the term in the Constitution.

3. Status

The Audit Committee is a committee of the LGA and is responsible to the Board of Directors for the discharge of its functions.

4. Membership

- 4.1. The Audit Committee will comprise of:
 - 4.1.1. at least 2 independent members; and
 - 4.1.2. 1 Director (**Director Member**),
appointed by the Board of Directors.
- 4.2. The term of office for members of the Audit Committee will be:
 - 4.2.1. 3 years for independent members; and
 - 4.2.2. 2 years for the Director.
- 4.3. Each member of the Audit Committee must:
 - 4.3.1. undertake his or her role as a committee member honestly and act with reasonable care and diligence in the performance and discharge of functions and duties;
 - 4.3.2. not make improper use of information acquired by virtue of his or her position as a committee member to gain, directly or indirectly, an advantage for himself or herself or for another person or to cause detriment to the LGA;
 - 4.3.3. not make improper use of his or her position as a committee member to gain, directly or indirectly, an advantage for himself or herself or for another person or to cause detriment to the LGA; and
 - 4.3.4. not act in any matter where the committee member has a conflict of interest (provided that an interest shared in common with all or a substantial proportion of the members of the Audit Committee will not be an interest giving rise to a conflict of interest).

- 4.4. A member of the Audit Committee may be removed from the Audit Committee by the Board of Directors. The Board of Directors will provide an independent member with an opportunity to address the Board of Directors on his or her proposed removal from the Audit Committee prior to the Board of Directors resolving to remove the member from the Audit Committee.

5. Responsibilities

5.1. Board of Directors

5.1.1. The role of the Board of Directors is to oversee corporate governance of the LGA and provide strategic direction and leadership.

5.1.2. The duties of the Board of Directors include ensuring that:

- (a) the LGA acts in accordance with applicable laws and this Constitution;
- (b) the activities of the LGA are conducted efficiently and effectively and that the assets of the LGA are properly managed and maintained;
- (c) subject to any overriding fiduciary or other duty to maintain confidentiality, the affairs of the LGA are undertaken in an open and transparent manner; and
- (d) the LGA performs to its business plan and achieves or better the financial outcomes projected in its budget.

5.1.3. Consistent with this role and these duties the Board of Directors has appointed the Audit Committee to:

- (a) oversee the internal audit of the LGA's finances and activities; and
- (b) review and advise the Board on the external auditor's report.

5.1.4. The Board of Directors will not adopt the annual financial statements of the LGA, until the Audit Committee has been provided with an opportunity to review those statements in accordance with clause 6.2.1.

5.1.5. The Board of Directors or the Chief Executive may from time to time refer matters to the Audit Committee for consideration, including in relation to the financial affairs or performance of the LGA or the undertaking or proposed undertaking of any activity by the LGA or a subsidiary of the LGA.

5.1.6. The Board of Directors will receive, consider and respond to any report or recommendation provided to the Board of Directors by the Audit Committee.

5.1.7. The Board of Directors will periodically review the performance of the Audit Committee.

5.2. Audit Committee

5.2.1. The primary responsibility of the Audit Committee is to advise the Board of Directors on evaluating and improving the effectiveness of financial management, risk management, internal controls and governance processes.

5.2.2. The Audit Committee may, through the Chief Executive and at the LGA's expenses, seek external legal, financial or other advice on matters within its functions or concerning these Terms of Reference.

5.2.3. The Audit Committee will fulfil the committee's functions under these Terms of Reference in a timely, objective and professional manner.

5.3. Director Member

5.3.1. The Director Member will act as a conduit between the Audit Committee and the Board of Directors.

5.3.2. The Director Member will present any report of the Audit Committee to the Board of Directors and provide context for any recommendation of the Audit Committee.

5.3.3. The Director Member will provide a verbal report to the Board of Directors on key matters being considered by the Audit Committee at each Board of

Director's meeting at which the minutes of the Audit Committee are to be considered by the Board of Directors.

5.4. Chief Executive

- 5.4.1. The Chief Executive will make available to the Audit Committee information of the LGA which is relevant to the functions of the Audit Committee.
- 5.4.2. The Chief Executive will ensure that administrative support and other resources are made available to the Audit Committee to enable the committee to discharge its obligations under these Terms of Reference.
- 5.4.3. Resources made available to the Audit Committee will include resourcing by the LGA Office or external resources considered appropriate by the Chief Executive acting in consultation with the Audit Committee.

6. Functions of the Audit Committee

6.1. External Audit

- 6.1.1. The Audit Committee will recommend to the Board of Directors an external auditor to be appointed by the Board of Directors for the purposes of clause 34 of the Constitution.
- 6.1.2. The Audit Committee will review and advise the Board of Directors of the adequacy of:
 - (a) the terms of engagement and audit fees for the external auditor prior to the commencement of each audit;
 - (b) the independence and objectivity of the external auditor and its compliance with all relevant requirements; and
 - (c) the external auditor's proposed audit plan, approach and scope, including materiality levels.
- 6.1.3. The Audit Committee will meet with the external auditor without the presence of the Chief Executive or any staff of the LGA Office at least once each year to discuss the external audit process and outcomes.
- 6.1.4. Representatives of the external auditor must be invited to attend meetings of the Audit Committee at which the end of year financial report and outcomes of the external audit will be considered.
- 6.1.5. The Audit Committee may recommend to the Board of Directors that the external auditor or another appropriately qualified person examine and report on any matter related to financial management, risk management, internal controls and governance processes that would not otherwise be addressed as part of the annual external audit.

6.2. Financial reporting and prudential requirements

- 6.2.1. The Audit Committee will review the LGA's annual financial statements (and any significant amendment of the financial statements previously considered by the Audit Committee prior to adoption by the Board of Directors) to ensure that the statements present fairly the state of affairs of the LGA. The Audit Committee will include in its considerations:
 - (a) compliance with accounting standards, policies and practices and any other reporting requirements, and any changes in these since the last annual financial statement were compiled;
 - (b) the process used to make significant accounting estimates;
 - (c) significant adjustments to the financial reports (if any) arising from the external audit process;
 - (d) significant variance in the financial statements from prior years;
 - (e) trends which have become evident from the annual financial statements over the last 5 year period;

- (f) management representations attesting to the accuracy of the end of year financial statement and any significant matters evident from these statements; and
 - (g) the external auditor's summary management report detailing the results and significant findings from the audit and management responses.
- 6.2.2. The Audit Committee will provide a recommendation regarding the adoption of the financial statements to the Board of Directors, subject to any recommendation by the Audit Committee.
- 6.2.3. The Audit Committee will review the LGA's strategic management plans, annual business plans and budget and provide recommendations to the Board of Directors regarding actions which may be taken to enhance financial governance and sustainability.
- 6.2.4. The Audit Committee will review recommendations contained in business cases developed by, or for, the LGA Office in respect of significant activities or major projects. The Audit Committee will consider prudential management principles when undertaking a review for the purpose of this clause.

6.3. Internal audit, internal controls, risk management systems and compliance

The Audit Committee will monitor and advise the Board of Directors on:

- 6.3.1. any internal audit project or special assignments that may be undertaken from time to time as requested by the Board of Directors or the Chief Executive;
- 6.3.2. the LGA's risk management policies and systems;
- 6.3.3. internal controls over revenue, expenditure, assets and liability processes;
- 6.3.4. the adequacy of internal controls over significant risks, including both financial and non-financial management control systems;
- 6.3.5. the efficiency, effectiveness and sustainability of significant LGA programs and activities; and
- 6.3.6. compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.

6.4. Commercial activities and related entities

- 6.4.1. The Audit Committee will monitor and advise the Board of Directors on LGA subsidiaries and entities associated with the LGA, including:
- (a) LGCS Pty Ltd (trading as LGA Procurement)
 - (b) the South Australian Region Organisation of Councils;
 - (c) the Greater Adelaide Region Organisation of Councils;
 - (d) the Local Government Association Mutual Liability Scheme;
 - (e) the Local Government Association Workers Compensation Scheme; and
 - (f) the Local Government Research and Development Scheme.
- 6.4.2. The Audit Committee will include in its considerations for the purposes of clause 6.4.1:
- (a) service design, market testing and transitioning to new arrangements;
 - (b) the effectiveness and value of services offered by the LGA, subsidiaries and associated entities to the Members; and
 - (c) the ongoing adequacy of service models and governance arrangements in terms of achieving the local government sector's desired outcomes and creating value for Members.
- 6.4.3. The Audit Committee will monitor and advise the Board of Directors on significant activities of the LGA, including activities where the LGA is the conduit for State government funding to Members.

6.5. Other functions

The Audit Committee will:

- 6.5.1. determine whether the systems of control in respect of ethical standards and conflicts of interest are adequate;
- 6.5.2. address issues brought to the attention of the Audit Committee, including responding to requests for advice within these Terms of Reference from the Board of Directors or the Chief Executive; and
- 6.5.3. make recommendations to the Board of Directors on any matter relevant to these Terms of Reference.

7. Meetings

7.1. Resolution of the Board of Directors

Requirements under this clause 7 may be altered, supplemented or replaced by resolution of the Board of Directors.

7.2. Frequency of meetings and venue

- 7.2.1. The Audit Committee will:
 - (a) meet at least once each quarter at a venue and time determined by the committee and documented in an annual schedule of meetings; and
 - (b) consider holding at least 1 joint workshop with the Board of Directors each year.
- 7.2.2. Any member of the Audit Committee or the Board of Directors may convene additional meetings of the Audit Committee.
- 7.2.3. A meeting of the Audit Committee must be convened in response to a request by the external auditor to meet with the Audit Committee.

7.3. Chairperson

- 7.3.1. The chairperson of the Audit Committee will be an independent member of the committee appointed by the Board.
- 7.3.2. If the chairperson of the Audit Committee is absent from a meeting of the Audit Committee then the members attending the Audit Committee meeting will appoint a chairperson for the purposes of that meeting.

7.4. Meeting procedure

The Audit Committee will determine its own meeting practice, processes and procedures.

7.5. Attendance

- 7.5.1. Meetings of the Audit Committee will be closed to the public.
- 7.5.2. The Director member of the Audit Committee may send another Director as a proxy for him or her to any meeting of the Audit Committee.
- 7.5.3. The Chief Executive may attend all meetings of the Audit Committee on an ex officio basis, except as provided for in clause 6.1.3 or as otherwise determined by the Audit Committee.
- 7.5.4. The Audit Committee may invite any person to attend its meetings.

7.6. Minutes

- 7.6.1. Minutes will be kept of all Audit Committee meetings including a record of the actions of the Audit Committee.
- 7.6.2. Within 48 hours of an Audit Committee meeting, the chairperson will review and confirm the draft minutes. The draft minutes will then be circulated to the

Audit Committee members for comment and if necessary amendment before being certified as correct by the chairperson.

7.7. Quorum

A quorum for an Audit Committee meeting is 2 members, provided that a Director must be present at each Audit Committee meeting.

7.8. Performance assessment

The Audit Committee will assess its performance against these Terms of Reference annually.

7.9. Reporting

7.9.1. Any matter relevant to the corporate governance, financial management, risk management and process improvement of the LGA considered to be of significance to the corporate governance, strategic direction and leadership of the LGA will be reported by the Audit Committee to the Board as soon as practicable after the Audit Committee has become aware of and considered the matter. The Audit Committee will outline the nature of the matter highlighting any opportunities and risks for the LGA and endeavour to include recommendations in respect of the matter reported to the Board of Directors.

7.9.2. The Audit Committee will provide an annual report to the Board of Directors by 1 September each year summarising:

- (a) the discharge of the Audit Committee's responsibilities and function under these Terms of Reference;
- (b) the activities of the Audit Committee during the previous year;
- (c) issues referred to the Board of Directors during the previous year and whether or not the issue was resolved or addressed; and
- (d) issues being considered by the Audit Committee which have not been reported to the Board of Directors and the intended actions in respect of those matters.

8. Access to information

8.1.1. The Audit Committee is entitled, acting through the Chief Executive, to access any information or discuss matters with staff of the LGA Office.

8.1.2. A copy of the agenda for an Audit Committee meeting, reports to be considered by the Audit Committee and minutes of Audit Committee meetings certified under clause 7.6.2 will be available to all Directors.

8.1.3. Subject to confidentiality requirements as determined by the Board of Director or the Audit Committee, a copy of the Audit Committee agenda, reports and minutes certified under clause 7.6.2 will be published on the LGA website for review by Members.

9. Remuneration and Expenses

The Board of Directors will determine from time to time reasonable remuneration for the members of the Audit Committee. Expenses reasonably incurred in carrying out the role of a member of the Audit Committee will be reimbursed by the LGA.

10. Indemnity insurance

Independent members of the Audit Committee will be indemnified for civil liability claims by the Local Government Association Mutual Liability Scheme in accordance with the rules applying to that scheme from time to time. These rules are available at [\[insert link\]](#).