

### 1. Establishment

The Audit and Risk Committee is established under Schedule 2, Part 2, Clause 30 of the *Local Government Act 1999*.

### 2. Membership

2.1. The SRWRA Board will determine and appoint the members of the Audit and Risk Committee after the Constituent Councils have nominated and approved the members.

2.2. The Audit and Risk Committee shall consist of four (4) members:

One (1) member who is a Board Member of SRWRA: and

Three (3) members who are not Board Members of SRWRA ('independent members').

2.3. The Audit and Risk Committee will have one deputy member who is a Board Member of SRWRA. The deputy member will deputise during any period of absence of the appointed Board Member appointed under clause 2.2.1.

2.4. Independent member(s) of the Audit and Risk Committee must have recent and relevant financial, risk management or internal Audit and Risk experience but must not be an employee of SRWRA or its Constituent Councils and must not be the Constituent Council's External Auditor or SRWRA's External Auditor.

2.5. The SRWRA Board shall appoint the Presiding Member of the Audit and Risk Committee.

### 3. Support and Remuneration

3.1 The Chief Executive Officer shall ensure that the Audit and Risk Committee has access to reasonable administrative resources in order to carry out its duties (subject to any budget allocation being approved by SRWRA).

3.2 The Audit and Risk Committee shall 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.

3.3 Remuneration will be paid to each independent member of the Audit and Risk Committee and will be set by SRWRA from time to time. The remuneration paid to the independent members will be reviewed on a 12-month basis and on the commencement of a new term and will consider factors such as benchmarking, performance assessment and market rate.

### 4. Meetings

4.1. The Audit and Risk Committee shall meet at least 4 times each year at least once per quarter at appropriate times in the budgeting and financial reporting cycle and otherwise as required.

4.2. Only members of the Committee are entitled to vote in Audit and Risk Committee meetings and unless required by legislation not to vote, each member must vote on every matter that is before the Audit and Risk Committee for decision.

4.3. The quorum necessary for the transaction of business shall be three (3) members, one of whom must be a SRWRA Board member. A duly convened meeting of the Audit and Risk Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by it.

- 4.4. If the Presiding Member of the Committee is absent from a meeting, an interim Presiding Member will be appointed from amongst the members present, with preference given to this being another independent member.
- 4.5. The Chief Executive Officer, SRWRA Staff approved by the Chief Executive Officer and any Board Members may attend any meeting as observers or be responsible for preparing papers for the Audit and Risk Committee and all are bound by the confidentiality provisions.
- 4.6. SRWRA's external auditor may be invited to attend meetings of the Audit and Risk Committee.
- 4.7. Ordinary meetings of the Audit and Risk Committee will be held at times and places determined by the Committee.
- 4.8. The Presiding Member may, by delivering a written request to the Chief Executive Officer, require a special meeting of the Audit and Risk Committee to be held. The request will only be valid if it is accompanied by the agenda for the special meeting. On receipt of the request the Chief Executive Officer shall send a notice of the special meeting to all Audit and Risk Committee members at least 24 hours prior to the commencement of the special meeting unless, in the opinion of the Chief Executive Officer, the matter is urgent whereupon only four hours' notice need be given.
- 4.9. Meetings of the Audit and Risk Committee will not be conducted in a place open to the public.
- 4.10. All documents presented to, received at, or derived from an Audit and Risk Committee meeting, including but not limited to:
  - 4.10.1. Agenda and minutes of an Audit and Risk Committee meeting
  - 4.10.2. Reports to the Audit and Risk Committee received at a meeting of the Audit and Risk Committee: and
  - 4.10.3. Recommendations and reports tabled with the Audit and Risk Committee, and recommendations made by the Committee for the consideration of the SRWRA Board, will remain confidential and not available for public inspection unless the Board otherwise resolves.
- 4.11. Notice of each ordinary meeting confirming the venue, time, and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Audit and Risk Committee, no later than 3 clear days before the date of the meeting. Supporting papers shall be sent to other attendees as deemed appropriate by the Chief Executive Officer.
- 4.12. The provisions of Part 2 of the Local Government (Procedures at Meetings) Regulations 2013 apply to the proceedings at and the conduct of all Audit and Risk Committee meetings unless resolved otherwise by the SRWRA Board.
- 4.13. Minutes of Audit and Risk Committee meetings shall be circulated within 5 business days after a meeting to all members of the Audit and Risk Committee and will (as appropriate) be available to the public.

### 5. Review

- 5.1 The Audit and Risk Committee shall, at least once per year after the end of the financial year, provide an overview of its performance and the Terms of Reference and provide a report to the SRWRA Board including any recommended changes it considers necessary.

### 6. Role of the committee

- 6.1 The Audit and Risk Committee has no authority to act independently of SRWRA. The scope of functions of the Audit and Risk Committee are set out at clauses 6.2 – 6.8 inclusive below. Subject to the operation of clause 6.9, the Audit and Risk Committee will develop an annual audit plan to identify the particular functions it will prioritise for the ensuing 12-month period.

The primary role of the Audit and Risk Committee is to provide independent assurance and recommendations to the SRWRA Board about actions in relation to governance, internal controls and risk management systems and internal and external audit services and programs.

#### 6.2 Financial reporting

The Audit and Risk Committee shall:

- 6.2.1 pursuant to Schedule 2 Part 2 Clause 30 (4) of the Act, review SRWRA's annual financial statements (whether before or after audit) to ensure that they provide a timely and fair view of the state of affairs of the SRWRA
- 6.2.2 monitor the integrity of the financial statements of SRWRA, including its annual report, reviewing significant financial reporting issues and judgements which they contain
- 6.2.3 review the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of SRWRA on a regular basis
- 6.2.4 liaise with the external auditor
- 6.2.5 review any prudential reporting required by the Authority under section 48 of the Local Government Act 1999

#### 6.3 Strategic Management Plans

The Audit and Risk Committee shall review and provide recommendations to SRWRA on the sustainability of SRWRA's financial performance, including proposals relating to debt management, funding, and other financial strategies contained in the strategic management plans and, in particular, the long-term financial plan.

#### 6.4 Internal controls and risk management systems

The Audit and Risk Committee shall:

- 6.4.1 review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the SRWRA on a regular basis:
- 6.4.2 review and assess the effectiveness of the SRWRA's internal controls and policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks, on a

regular basis

- 6.4.3 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

### 6.5 Public Interest Disclosure

The Audit and Risk Committee shall:

- 6.5.1 review SRWRA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- 6.5.2 ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.
- 6.5.3 establish and maintain a close working relationship with the SRWRA Responsible Officer to ensure that management has implemented operational internal controls and risk management systems.

### 6.6 Internal audit

The Audit and Risk Committee shall:

- 6.6.1. review and assess the need for SRWRA to establish an internal audit function.
- 6.6.2. Where an internal audit function is required, provide oversight of planning and scoping of the internal audit workplan and review and comment on reports provided by the person primarily responsible for the internal audit function.
- 6.6.3. monitor responsiveness to the recommendations for improvements based on previous audits and risk assessments, including those raised by the Authority's auditor.

### 6.7 External audit

The Audit and Risk Committee shall:

- 6.7.1 receive the external auditor's audit opinion with respect to SRWRA's audited financial statements and the external auditor's report on particular matters arising from the audit:
- 6.7.2 consider and make recommendations to the SRWRA Board, in relation to the appointment, re-appointment and removal of the SRWRA's external auditor:
- 6.7.3 investigate the issues leading to the resignation of an external auditor and report to SRWRA with any recommendations:
- 6.7.4 oversee SRWRA's relationship with the external auditor including, but not limited to:
  - 6.7.4.1 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:
  - 6.7.4.2 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:

- 6.7.4.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of SRWRA's relationship with the auditor, including the provision of any non-audit services:
- 6.7.4.4 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners:
- 6.7.4.5 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):
- 6.7.5 meet with the external auditor at least once per year, without management being present, to discuss the external auditor's report and any issues arising from the audit and otherwise as needed and in this regard will discuss:
  - 6.7.5.1 any major issues which arose during the external audit:
  - 6.7.5.2 any accounting and audit judgments; and
  - 6.7.5.3 levels of errors identified during the external audit:
- 6.7.6 review and make recommendations on the annual audit plan, and in particular, its consistency with the scope of the external audit engagement:
- 6.7.7 review any representation letter requested by the external auditor before it is signed by Administration; and
- 6.7.8 review the Interim Management letter and Administration's response to the external auditor's findings and recommendations.
- 6.8 Economy and efficiency audits

The Audit and Risk Committee may:

  - 6.8.1 propose, and review the exercise of powers set out at Section 130A of the Act (relating to 'economy and efficiency audits'); and
  - 6.8.2 receive a report prepared by the external auditor or other person appointed by SRWRA under Section 130A to examine any matter relating to financial management, or the efficiency and economy with which SRWRA manages or uses its resources to achieve its objectives.
- 6.9 In the course of its functions the Audit and Risk Committee will give priority to those items set out at clause 30(4) of Schedule 2 to the Local Government Act 1999 as more particularly identified at clauses 6.2.1, 6.2.3 and 6.2.4 of these Terms of Reference.
- 6.10 Annual Report

- 6.10.1 Provide an Annual Report to the Board on the work of the Committee during the period to which the report relates, for inclusion with the Authority's Annual Report for Constituent Councils.
- 6.10.2 In the process of preparing its Annual Report, the Committee will undertake an annual skills assessment, and self-review of its performance over the previous twelve months. The self-assessment is to be prepared following consultation with all Committee members. Results of the assessment are to be included in the Committee's Annual Report.

### 7. Reporting Responsibilities

The Audit and Risk Committee shall make whatever recommendations to the SRWRA Board it considers appropriate on any matter within its Terms of Reference where, in its view, action or improvement is needed.

### 8. Document History

Version No	Issue Date	Description of Change
1	Apr 2012	SRWRA Board Meeting – 2 April 2012 - New Document Adopted
2	Sep 2018	SRWRA Board Meeting – 17 September 2018 - Review – Update to SRWRA staffing references, update for currency of terminology
3	Sep 2020	SRWRA Board Meeting - 21 September 2020 - Review – Update of Local Government references, update to Audit and Risk Committee role, update to currency of terminology
4	Oct 2021	Review – Update to layout and currency of terminology.
5	Oct 2022	Review layout, legislative references, update role in financial reporting, prudential reporting and risk management  Name change from Audit Committee to Audit and Risk Committee
6	Nov 2024	Amendments to membership, support and remuneration, meetings and internal audit and annual reporting.
7	Nov 2025	Wording updated to broaden scope from debt levels to overall financial strategies and sustainability.