

	<b>TERMS OF REFERENCE</b> <b>Section 41 Audit Committee</b>
<b>File Number</b>	7.6.2
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## 1 Introduction

Council reaffirms the establishment of the Audit Committee directed by Section 126 of the *Local Government Act 1999*, established under Section 41 of the *Local Government Act 1999* and subject to the operation of Part 2 of the *Local Government (Procedures at Meetings) Regulations 2013*.

## 2 Membership

- 2.1 Members of the committee are appointed by the Council. The committee shall consist of at least one Independent Member with four additional members from the Elected Members of Council, one being the Mayor. The size of the committee shall be five members.
- 2.2 Independent Member of the committee shall have recent and relevant financial, risk management, internal audit experience.
- 2.3 Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by the *Local Government Act 1999* (the *Act*) not to vote, each member must vote on every matter that is before the committee for decision. However, other individuals such as Council's Executive Leadership and Administration Officers may attend any meeting as observers or be responsible for preparing papers for the committee. In accordance with the principles of open, transparent and informed decision making, committee meetings must be conducted in a place open to the public. The agenda and minutes of the committee meetings, subject to any items that are in-confidence under Section 90 of the *Act* and subsequently retained as confidential under Section 91 of the *Act*, are also required to be made available to the public.
- 2.4 Council's external auditors and internal auditors may be invited to attend meetings of the committee.
- 2.5 Appointments to the committee shall be for a period until the end of the term of the Council. Appointees may be reappointed by Council.
- 2.6 The Council shall appoint the Presiding Member of the committee

## 3. Secretarial Resources

- 3.1 The Chief Executive Officer shall provide sufficient administrative resources to the committee to enable it to adequately carry out its functions.



#### **4. Quorum**

4.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the committee plus one, which will include members attending by Telephone or electronic means. A duly convened meeting of the 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 the committee. A committee member may also attend by phone/video link under Regulation 16 of Meeting Procedures Regulations and this attendance will be included in the Quorum.

#### **5. Meetings Subject to the Regulations**

5.1 The Audit Committee proceedings are subject to the operation of Part 2 of the Local Government (Procedures at Meetings) Regulations 2013.

#### **6. Frequency of Meetings**

6.1 The committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required.

#### **7. Notice of Meetings**

7.1 Ordinary meetings of the committee will be held at times and places determined by Council or, subject to a decision of Council, the committee. A special meeting of the committee may be called in accordance with the Act.

7.2 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 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.

#### **8. Minutes of Meetings**

8.1 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 Local Government (Procedure at Meetings) Regulations 2013.

8.2 Minutes of committee meetings shall be circulated within five days after a meeting to all members of the committee and to all members of the Council and will (as appropriate) be available to the public.

#### **9. Role of the Committee**

##### **9.1 Financial reporting**

9.1.1 The committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.

9.1.2 The Committee shall review and challenge where necessary:

9.1.2.1 The consistency of, and/or changes to, accounting policies;

9.1.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;

9.1.2.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

9.1.2.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and

9.1.2.5 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).

## **10. Internal controls and risk management systems**

The Committee Shall:

10.1.1 Keep under review the effectiveness of the Council's internal controls and risk management systems; and

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

## **11. Risk Management Framework**

11.1 Review and endorse the Risk Management Framework

11.2 Ensure a framework is implemented and delivers a consistent approach to risk management by assigning authority, responsibility & accountability at appropriate levels within the organisation

11.3 Review reports from management and auditors and monitor that effective enterprise risk and opportunity management controls have been implemented

## **12. Major Project Reporting**

12.1 Review the financial status of Major Projects on a regular basis and recommend corrective action, if any, to Council for consideration.

## **13. Internal audit (if applicable, where a Council does not have a separate internal audit function)**

The committee shall:

13.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;

13.2 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;

13.3 Review all reports on the Council's operations from the internal auditors;

13.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

- 13.5 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.

#### **14. External Audit**

The committee shall:

- 14.1 Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 14.2 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;
- 14.3 Oversee Council’s relationship with the external auditor including, but not limited to:
- 14.3.1 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;
- 14.3.2 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;
- 14.3.3 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;
- 14.3.4 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);
- 14.3.5 monitoring the external auditor’s compliance with legislative requirements on the rotation of audit partners; and
- 14.3.6 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);
- 14.4 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;
- 14.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;

- 14.6 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
- 14.6.1 a discussion of any major issues which arose during the external audit;
  - 14.6.2 any accounting and audit judgements;
  - 14.6.3 levels of errors identified during the external audit; and
  - 14.6.4 The committee shall also review the effectiveness of the external audit.
- 14.7 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 14.8 Review the management letter and management's response to the external auditor's findings and recommendations.

## **15. Reporting Responsibilities**

- 15.1 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.

## **16. Whistle Blowing**

- 16.1 The committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

## **17 Code of Conduct**

- 17.1 All members shall abide with:-
- ) *Local Government Act* 1999 Section 62 (7) and associated Regulations
  - ) Code of Conduct for Elected Members
  - ) ICAC Act 2012

## **18 Delegations**

- 13.1 The committee has no delegated authority under Section 44 of the *Local Government Act* 1999.

## **19 Other Matters**

The committee shall

- 19.1 Have access to reasonable resources in order to carry out its duties;
- 19.2 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;
- 19.3 Give due consideration to laws and regulations of the *Local Government Act*, 1999;
- 19.4 Make recommendations on co-ordination of the internal and external auditors;

- 19.5 Oversee any investigation of activities which are within its terms of reference;
- 19.6 Oversee action to follow up on matters raised by the external auditors; and
- 19.7 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

<b>DATE</b>	<b>REVISION NO</b>	<b>REASON FOR AMENDMENT</b>
December 2010	Rev 01	Date Adopted by Council.
30 November 2012	Rev 02	Minor Amendments including control title box & document reference record.
21 October 2013	Rev 03	Annual Review.
10 November 2015	Rev 04	Annual Review post-election of new Council
31 October 2016	Rev 05	Annual Review, Amendments under Code of Conduct, Quorum, Delegations and Reporting Responsibilities.
6 November 2017	Rev 06	Annual Review.
30 October 2018	Rev 07	Annual Review.

