



Audit & Risk Committee

Terms of Reference

<i>Responsible Officer/s</i>	Chief Finance Officer
<i>Relevant Legislation / Documents</i>	Section 126 (1) of the Local Government Act 1999
<i>Adopted</i>	June 2007
<i>Reviewed</i>	September 2023
<i>Next Review</i>	September 2025

A. Purpose

Pursuant to Section 41 and Section 126 of the Local Government Act 1999 (the Act) the Council establishes a Committee to be known as the Audit & Risk Committee (the Committee) for the purpose of:

- Providing independent assurance, advice, and oversight to Council on matters relating to accounting, financial management, internal controls, audit, legislative compliance, risk management, good governance and reporting practices; and
- ensuring effective communication between the Council, Administration and External and Internal Auditors in accordance with the Act and other relevant legislation.

B. Function of the Committee

The functions of the Audit and Risk Committee include:

- reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
- proposing and reviewing, the exercise of powers under Section 130A; and
- if the Council has exempted a subsidiary from the requirement to have an audit committee, the functions that would, apart from the exemption, have been performed by the subsidiary's audit committee; and
- liaising with the Council's auditor;

- reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
- reviewing the adequacy of Council's work, health and safety and Injury management systems and reporting mechanisms; and monitoring and reviewing Council's business risk identification and management practices

C. Role of the Committee

The role of the Audit and Risk Committee include:

1 Financial Reporting:

- 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.
- 1.2 The Committee shall review and provide advice to Council on any report of prudential issues obtained by the Council, before the Council makes a decision on the report, as per Section 48(1);
- 1.3 The Committee shall review and challenge where necessary:
 - 1.3.1 the consistency of, and/or any changes to accounting policies;
 - 1.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 1.3.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 1.3.4 the extent to which the Council has addressed the recommendations of audits and risk assessments, including those raised by the Council's auditor;
 - 1.3.5 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
 - 1.3.6 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)

2 Internal controls and risk management systems:

The Committee shall:

- 2.1 keep under review the effectiveness of the Council's internal controls and risk management systems, including policies, systems and procedures for the identification and management of strategic, financial and operational risks and
- 2.2 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

3 Public Interest Disclosure Act responsibilities:

The Committee shall:

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

4 Internal Audit:

The Committee shall:

- 4.1 monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 4.2 oversee the planning and scoping of the internal audit work plan;
- 4.3 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.
- 4.4 review all reports on the Council's audit operations from the internal auditors at least on a quarterly basis;
- 4.5 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 4.6 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.

5 External Audit:

The Committee shall:

- 5.1 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;
- 5.2 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;
- 5.3 oversee Council's relationship with the external auditor including, but not limited to:
 - 5.3.1 recommending the approval of the external auditor's remuneration, whether fees for audit on non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 5.3.2 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;
 - 5.3.3 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;
 - 5.3.4 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);
 - 5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 5.3.6 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);

- 5.4 meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, on a confidential basis, to discuss the external auditor's report and any issues arising from the audit in circumstances where;
 - 5.4.1 a majority of the Committee members are present; and
 - 5.4.2 no members or employees of the Council are present (other than members of the Committee);
- 5.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 5.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 5.6.1 a discussion of any major issues which arose during the external audit;
 - 5.6.2 any accounting and audit judgements; and
 - 5.6.3 levels of errors identified during the external audit. The Committee shall also review the effectiveness of the external audit.
- 5.7 review any representation letter(s) requested by the external auditor before they are signed by management; and,
- 5.8 review the management letter and management's response to the external auditor's findings and recommendations.

6 Reporting responsibilities:

- 6.1 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; and
- 6.2 The Committee shall provide an annual report to the Council on the work of the Committee undertaken during the preceding financial year. The Council must ensure that it is included in its annual report for that financial year.

7 Annual Business Plan and Budget:

- 7.1 The Committee shall review the Annual Business Plan and Budget prior to Public Consultation as required by the Local Government Act, and formal adoption by Council, to ensure that the Annual Business Plan and Budget:
 - 7.1.1 is prepared in accordance with the requirements of the Local Government Act and Regulations;
 - 7.1.2 integrates with Council's Long Term Financial Management Plan and Asset Management Plan, to ensure that the goals, objectives and strategies of the "Plans" are being met; and
 - 7.1.3 integrates with Council's Strategic Plan in so far as it is developed in accordance with Council's Corporate Objectives and Strategies.
- 7.2 The Committee shall review the Annual Business Plan and Budget Quarterly Review prior to adoption by Council.

D. Membership

The members of the committee shall be appointed or removed by resolution of Council and may consist of or include persons who are not members of the Council and shall consist of

- Three Independent Members
- Two Elected Members

Members of the Committee must collectively have skills, knowledge and experience relevant to the functions of the Committee, including in financial management, risk management, governance and audit.

Members of the committee shall hold office for a period up to four (4) years, or until the end of the term of Council. Appointees may be reappointed by Council.

The Presiding Member of the committee shall be appointed by the Council and shall be an external independent member.

Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the committee for decision. Council staff members may attend any meeting as observers or be responsible for preparing reports for the committee.

No additional allowance will be paid to an elected member representative over and above the allowance already received by the elected member in accordance with the Local Government (Members Allowances and Benefits) regulations 1999.

E. Duties

Duties of the Presiding Officer

The duties of the Presiding Officer of the committee are:

- to preside at meetings of the committee
- preserve order at meetings so that the business may be conducted in due form and with propriety
- upon confirmation of the minutes, sign them in the presence of the meeting
- responsibility to the Council for the proper observance of these Terms of Reference
- if requested, to provide advice to the Executive Officer between committee meetings on the implementation of the decisions of the committee
- to act as the principal spokesperson of the committee

Duties of Members for the Committee

Members are expected to:

- act honestly and within the law at all times
- act in good faith and not for improper or ulterior motives
- act in a reasonable, just and non-discriminatory manner
- undertake their role with reasonable care and diligence
- conduct their ongoing relationship with fellow Council members, Council employees and the public with respect, courtesy and sensitivity
- use information in a careful and prudent manner.

F. Conduct and Disclosures of Interests

Members of the Committee must comply with the conflict-of-interest provisions of the Local Government Act 1999, in particular Sections 62 (general duties), 63 (code of conduct) and 73-74 (conflict of interest, members to disclose interests) must be adhered to

Members of the Committee must comply with the Code of Conduct for Council Members and Chapter 5 Part 4 of the Local Government Act 1999 relating to Conduct and Disclosure of Interests

The provisions of section 68 of the Local Government Act 1999 will apply to members of the committee.

G. Meeting Procedures

The Committee shall conduct its meetings in accordance with Part 2 and Part 3 of the Local Government (Procedures at Meetings) Regulations 2013 and Council's Code of Practice as applicable

The committee shall meet at least once in each quarter, and otherwise as required.

A notice of meeting and agenda shall be provided to each committee member at least 3 clear days before each meeting.

Special Meetings may be held at any time, at the request of the Presiding Member of the Committee or at least three members of the committee.

A quorum for a meeting of the committee shall consist of three (3) members of the committee.

All decisions of the committee shall be made on the basis of a majority decision of the members present

All resolutions of the committee shall act as recommendations to Council, subject to the committee being granted delegated authority to act according to Council policy and procedures in designated matters, or where Council has previously approved a course of action.

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

All members of the committee who are present at a meeting shall have a deliberative vote.

The Presiding Member shall also have a casting vote if required.

All meetings of the committee are open to the public

H. Reporting and Accountability

Administration support will be provided by the Council. Council will provide an Executive Officer of the committee.

Minutes and Agendas of the Committee will be provided to Council for each meeting and made available on Council's website.

Where a particular matter requires a specific resolution or the attention of the Council, the minutes will adequately reflect a recommendation to be considered by Council.

After each meeting the Committee shall also provide to Council:

- A report that summarises the work of the Committee during the period preceding the meeting and the outcomes of the meeting; and
- The current version of the Committee's work program

The Committee shall annually review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

In reviewing its performance, the Committee will have regard to:

- The achievement of the Committee's role and Terms of Reference.
- The Committee's decision-making process, the timeliness, quality and quantity of information received.
- The relationship with the Council, Administration, and other members of the Committee.
- The involvement and attendance by members

I. Review and Amendments

Council may at any time amend or alter these terms of reference by resolution of the Council. The committee shall at least biannually, review these Terms of Reference to ensure that they properly reflect the role and function of the committee

J. Document history and version control

Date	Version	Authorisation	Amendment Details
15/06/2007	1.0	Council Meeting	First version
17/04/2015	2.0	Council Meeting	Council specified the application of part 2 of the Local Government (Procedures at Meetings) Regulations 2013, Calling and Preparation of Council and Committee Meetings to this committee.
14/12/2018	3.0	Council Meeting	Council determined to add one (1) proxy elected member to the membership of the committee.
20/09/2023	4.0	Council Meeting	Update with New Regulations including change in membership