



Audit & Risk Committee

Terms of Reference

PREAMBLE

A committee of Council may be established by resolution of the Council. A committee can assist the Council in the performance of its functions, to inquire into and report to the Council on matters, provide advice to the Council and to exercise, perform or discharge delegated powers, functions or duties.

Pursuant to Section 41(10) of the *Local Government Act 1999* the establishment of a committee does not derogate from the power of the Council to act in a matter.

1. Establishment of the Audit Committee

Pursuant to Sections 126 and 41 of the *Local Government Act 1999* the Council establishes a Committee to be known as the Audit & Risk Committee (referred to in these Terms of Reference as 'the committee').

2. Committee Objectives

The committee is established to assist in the co-ordination of relevant activities of management, the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.

The committee's role is to:

- (a) fulfill the role of Council's audit committee as required in Section 126 of the Local Government Act 1999.
- (b) assist the Council in reviewing the principal risks facing the Council, including those that threaten the Council's strategic directions.
- (c) assist in the effective management of financial and other risks and the protection of Council assets.
- (d) review developments and adequacy of principals, policies and practices of Financial Planning and Reporting, Corporate Governance, Risk Management and Internal Control and make recommendations to Council as appropriate.

3. Committee Activities

i) Financial Reporting

- (a) The committee shall monitor the integrity of the financial statements of the Council, including its annual financial report, reviewing significant financial reporting issues and judgments which they contain.
- (b) The committee shall review and challenge where necessary:
 - 1) the consistency of, and/or any changes to, accounting policies;
 - 2) the methods used to account for significant or unusual transactions where different approaches are possible;

- 3) whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- 4) the clarity of disclosure in the Council's financial reports and the context in which statements are made;
- 5) all material information presented with the financial statements, such as the operating and financial review (insofar as it relates to audit and risk management);
- 6) monitor the budgeting process and the process of review of actuals versus budget; and
- 7) monitor that budgets are aligned to the strategic management plans.

ii) Internal Controls and Risk Management Systems

The committee shall:

- (a) monitor the effectiveness of the Council's internal controls, audit and risk management systems.
- (b) review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.
- (c) receive reports on the activities of Strategic Risk and Internal Audit Work Program including the review of management's response to audits.
- (d) consider and make recommendations on the program of the internal controls and audit including the adequacy of resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- (e) at least annually, review the Council's risk register, risk strategy and mitigation measures.
- (f) provide comment to Council on the appropriateness of the risk framework, risk appetite and management of risks.
- (g) Review and provide advice to Council on any risk or governance audits undertaken.

Note: it is important that the Audit Committee understands the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the external auditors and by presentations by management on how business risks are identified and managed.

iii) Public Interest Disclosures

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

iv) Strategic Management Plans

The committee shall propose and provide information relevant to, a review of the Council's strategic management plans including the Annual Business Plan, and review and provide recommendations on the sustainability of Council's financial performance giving consideration to Council's financial indicators.

v) Internal Audit where Council does not have a separate internal audit function

The committee shall:

- (a) monitor and review the effectiveness of the Council's internal audit function and processes in the context of the Council's overall risk management systems;
- (b) consider and make recommendations 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.
- (c) review all reports on the Council's operations from the external auditors.
- (d) review and monitor management's responsiveness to the findings and recommendations of the internal auditor, and
- (e) where appropriate, meet the auditor without management being present, to discuss any issues arising from the internal audits carried out. In addition, the external auditor shall be given the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

vi) External Audit

The committee shall:

- (a) consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- (b) oversee Council's relationship with the external auditor including, but not limited to:
 - 1) recommend the approval of the external auditor's term of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - 2) monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- (c) the Committee shall meet the external auditor at least once a year, with or without management being present; to discuss the external auditors report and any issues arising from the audit;
- (d) review and make recommendations on the annual audit plan and in particular its consistency with the scope of the external audit engagement;

- (e) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 1) a discussion of any major issues which arose during the external audit;
 - 2) any accounting and audit judgments; and
 - 3) level of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
- (f) review any representation letter(s) requested by the external auditor before they are signed by management;

[Note that these representation letters are a standard practice of any audit and provide the auditor confirmation from management, (in particular the Chief Executive Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied].
- (g) review the subsequent audit management letter from the external auditor and management's proposed response, by the Council, to the external auditor's findings and recommendations in that audit management letter;

vii Major Project Reporting

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

vii Other matters

- (a) give due consideration to laws and regulations of the Local Government Act 1999
- (b) At least once a year, review its own performance, terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.
- (c) The committee may review and consider reports or recommendations from external agencies where an investigation or evaluation relates to the role of the committee.
- (d) Have access to reasonable resources in order to carry out its duties.
- (e) 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.

4. Membership:

The membership of the Audit & Risk Committee shall be at least three (3) elected members and one (1) Independent Member.

Members of the Committee are appointed by the Council.

The independent member of Committee shall have relevant experience.

Only members of the Committee are entitled to vote in Committee meetings.

Council officers may attend meetings in a non-voting capacity to brief members in relation to reports and field questions.

Council's external auditor may be invited to attend meetings to provide advice to the committee.

5. Presiding Member of the Committee

(a) The Presiding member is appointed by Council.

(b) The Presiding member shall preside at all meetings of the Committee and in the event of the Presiding Member being absent from a meeting, the members present shall appoint a member who shall preside for that meeting or until the Presiding Member is present.

6. Term of Office

Elected members are appointed for a 4 year term and this terminates at the end of each Council term.

The Independent Member will be appointed by Council and for the term of office determined by Council.

7. Reporting Arrangements

The committee reports and makes recommendations to the Council on any item on the committee agenda.

Appropriate officers will forward reports to the committee for consideration on matters that relate to the activities of the committee, including Council's financial reporting and sustainability, internal controls and risk management systems, public interest disclosure, and internal and external auditing processes.

8. Confidentiality

The confidential provisions of the *Local Government Act 1999* shall apply to ALL members of the committee. This in short means that those matters that are deemed to be 'confidential' (which includes the report discussions and any resulting decision) **must remain confidential**, and is not to be discussed outside the forum of the audit committee meeting, until the matter is discussed and determined by the Council. There are substantial penalties for breaches of confidentiality.

9. Delegated Authority

The committee has authority to seek any information it requires in order to perform its duties and to obtain, at the Council's expense, (after consultation with the Chief Executive Officer) outside legal or other professional advice on any matter within this Terms of Reference.

10. Conduct and Conflict of Interest of Committee Members

All members of the committee must comply with the Code of Conduct for Elected Members as per Section 63 (1) of the *Local Government Act 1999* and Chapter 5 Part 4 of the *Local Government Act 1999* relating to conduct and disclosure of interests.

Members of the committee must not make improper use of their position to gain (directly or indirectly) an advantage for themselves or another person closely associated with the member. Members must ensure there is no conflict between their private interests and their role as a public decision maker.

Committee members are required to declare any interest in any matter before the committee.

11. Meeting Times & Place

Committee meetings will be held at least four (4) times a year, in accordance with approved audit plan.

12. Quorum & Voting by Members

The quorum shall be 50% of the number of members, plus one (1).

Each member of the committee present at a relevant meeting must vote of any motion put at that meeting, including the Presiding Member.

13. Meeting Procedures

Meetings of the Audit Committee will be held in accordance with the requirements of:

- i) *Local Government Act 1999*
- ii) *Local Government (Procedures at Meetings) Regulations 2013*
- iii) *Council Policy - Code of Practice for Access to Council and Committee Meetings and Documents*
- iv) *Code of Conduct for Council Members*

14. Access and Documents

Pursuant to Section 87 of the *Local Government Act 1999* a minimum of three clear days' notice of the meeting, accompanied by the agenda, will be provided to members of the committee and the public. Hardcopy agendas will be provided in the Council chambers for access by members of the public in attendance.

Minutes will be available within five (5) clear days after a meeting in accordance with Section 91 of the *Local Government Act 1999* and will be provided to all members of the committee and placed on Council's website and a hardcopy placed in the Council Office, 29 Holland Street, Kingston SE.

Members of the public are able to attend all meetings of the committee, unless excluded from the meeting by the confidentiality provision of Section 90 of the *Local Government Act 1999*.

*NOTE: For the purposes of the calculation of **clear days** in relation to the giving of notice before a meeting, the day on which the notice is given, and the day on which the meeting occurs, will not be taken into account; and Saturdays, Sundays and public holidays will be taken into account. However, if a notice is given after 5pm on a day, the notice will be taken to have been given on the next day.*

15. Responsible Officer

Chief Executive Officer

17. Administrative Support

The Chief Executive Officer shall provide sufficient administrative support to the committee to adequately carry out its functions.

18. Sitting Fee

Council has approved sitting fees for meetings attended by the members of the Audit & Risk Committee. The sitting fees are as follows:

Chairperson –Member Allowances apply as determined by the Remuneration Tribunal.
Elected members – no sitting fee applies.

Independent Member - \$300 per meeting attended (includes travel).

19. Register of Interests

Audit & Risk Committee members are required to complete a Primary Return (Section 65) and Ordinary Return (Section 66) in accordance with section 72 of the Local Government Act 1999.

20. Adoption by Council

This terms of reference was adopted by Council at its meeting on 21 January 2020.