

## 1. Establishment of Audit and Risk Committee

Pursuant to Sections 41 and 126 of the Local Government Act 1999, the Council establishes an Advisory Committee to be known as the Audit and Risk Committee ("the Committee").

- 1.1 The Committee does not have executive powers and authority to implement actions in areas over which management has responsibility and does not have delegated financial responsibility.
- 1.2 The Committee does not have any management responsibilities and is therefore independent of management.
- 1.3 The purpose of the Committee is to:
  - 1.3.1 to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters
  - 1.3.2 The principal functions and extent of authority for the Committee are set out in Section 126(4) of the Local Government Act as follows:
    - 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
    - monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor; and
    - providing oversight of planning and scoping of the internal audit work plan and reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis.
    - proposing and reviewing the exercise of powers under section 130A; and
    - liaising with the council's auditor in accordance with any requirements prescribed by the regulations; and
    - reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
    - providing oversight of planning and scoping of the internal audit working plan and
    - reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;
    - reviewing and evaluating the effectiveness of 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, and
    - reviewing any report obtained by the council under section 48(1) and
    - performing any other function determined by the council or prescribed by the regulations.

- 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 auditors – internal and external;

## **2. Membership**

Membership of the Committee will be as follows:

- 2.1 Members of the Committee are appointed by the Council.
- 2.2 The Committee shall consist of five members, being an independent Chair, two Elected Members and two independent community/professional representatives.
- 2.3 The independent Chairperson shall have a strong background in Local Government financial management preferably with previous experience on Audit Committees and appropriate experience and/or qualifications in Accounting/Economics and/or recent and relevant risk management, legal, audit and governance portfolios.
- 2.4 The two independent community/professional members will have complimentary background experience to the independent Chair.
- 2.5 Independent member(s) of the Committee shall have recent and relevant financial, risk management, internal audit, governance etc experience.
- 2.6 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.
- 2.7 The Chief Executive Officer will attend Committee meetings with General Managers and ensure the attendance of staff members who have prepared reports for consideration as observers.
- 2.8 The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are required to be made available to the public.
- 2.9 Council's external and internal auditors may be invited to attend meetings of the Committee.
- 2.10 Appointments to the Committee shall be for a period of 4 years, with the ability to renominate
- 2.11 The Council shall appoint the Presiding Member of the Committee who will be independent of Council and have qualifications as outlined in point 2.1.
- 2.12 The Committee shall appoint an Acting Presiding Member, as required, to cover the absence of the Presiding Member.

## **3. Remuneration of Independent Members**

The independent Chair of the Committee is entitled to a payment for meeting attendance negotiated with the Chief Executive Officer and approved by Council.

## **4. Secretarial Resources**

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

## **5. Quorum**

The quorum necessary for the transaction of business as set by Council shall be three members of the Committee. 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.

## **6. Frequency of Meetings**

- 6.1 The Committee shall meet at least four times a year, at appropriate times in the reporting and audit cycle and otherwise as required.
- 6.2 The Chair of the Committee and Chief Executive Officer may agree to vary the set dates of the Committee, if required.

## **7. Notice of Meetings**

- 7.1 Ordinary meetings of the Committee will be held at times and places agreed by Council or, subject to a decision of 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 or his nominee 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 (Procedures at Meetings) Regulations 2013.
- 8.2 The minutes of the Committee meeting will be presented to Council for endorsement at its next available meeting.
- 8.3 Minutes of the 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 any 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

9.1.2.5 all material information presented with the financial statements, such as operating and financial review and the corporate governance statement insofar as it relates to strategy, risk management and audit.

9.1.2.6 review of asset management plans

9.1.2.7 review of long term financial plans

**9.2 Internal Controls and Risk Management Systems**

9.2.1 keep under review the effectiveness of the Council's internal controls and risk and strategy management systems

9.2.2 review and recommend the approval, where appropriate of statements to be included in the Annual Report concerning internal controls and risk management

**9.3 Public Interest Disclosure**

9.3.1 The Audit Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrong doings in financial reporting and other matters.

9.3.2 The Audit Committee shall ensure these arrangements allow independent investigations of such matters and appropriate action follow up.

**10. Internal Audit**

The Committee shall:

10.1 monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk and strategy management system

10.2 consider and make recommendations on the program of the Internal Audit function and the adequacy of resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

10.3 receive Executive Summary reports on all Internal Audit projects. The Audit Committee will review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.

10.4 meet with the Internal Audit partner at least once a year, without management being present, to discuss any issues arising from the Internal Audits carried out during the year. In addition, the Internal Audit partner shall be given the right of direct access to the Mayor and Presiding Member of the Audit Committee.

10.5 monitor and review the selection process of the Internal Auditor. Appointment of the Internal Auditor is the responsibility of management. If the Internal Auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and decide whether any action is required.

## 11. External Audit

The Committee shall:

- 11.1 review and monitor Council policy on the supply of non-audit services by the External Auditor, taking into account any relevant ethical guidance on the matter
- 11.2 consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of Council's External Auditor. The Committee shall oversee the selection process for new auditors and if any auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 11.3 oversee Council's relationship with the External Auditor, including but not limited to:
  - 11.3.1 recommending the approval of the External Auditor's remuneration, the fees for audit or non-audit services and recommending whether the level of fees is appropriate to enable an adequate audit to be concluded.
  - 11.3.2 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.
  - 11.3.3 assessing the External Auditor's independence and objectivity in 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.
  - 11.3.4 satisfying itself that there are no relationship (such as family, employment, investment, financial or business) between the External Auditor and the Council (other than in the ordinary course of business).
  - 11.3.5 monitoring the External Auditor's compliance with legislative requirements on the rotation of audit partners
  - 11.3.6 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.
  - 11.3.7 meet the External Auditor as needed and at least once a year without management being present to discuss the External Auditor's report and any issues arising from the audit.
  - 11.3.8 review and make recommendations on the annual audit plan, and in particular, its consistency with the scope of the external audit arrangement.
  - 11.3.9 review the findings of the audit with the External Auditor. This shall include, but not be limited to, the following:
    - 11.3.9.1 discussion of any major issues which arise during the external audit
    - 11.3.9.2 any accounting and audit judgements
    - 11.3.9.3 levels of errors identified during the external audit

11.3.10 review any representation letters and standard practice of any audit and provide the auditor confirmation from management (in particular the Chief Financial 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.

11.3.11 review the management letter and management's response to the External Auditor's findings and recommendations

## **12. Reporting**

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. The Independent Chair will report to Council annually or as required.

## **13. Other Matters**

The Committee shall:

- 13.1 have access to reasonable resources in order to carry out its duties in line with annual budget allocations
- 13.2 be provided with appropriate and timely training both in the form of an induction program for new members and on an ongoing basis for all members
- 13.3 give due consideration to laws and regulations of the Act(s)
- 13.4 make recommendations on co-ordination of the Internal and External Auditors
- 13.5 oversee any investigation or activities which are within its terms of reference
- 13.6 oversee an action to follow up on matters raised by the External Auditors
- 13.7 at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Council for approval.

### **Reference Documents:**

- Local Government Act 1999 and associated Regulations
- Public Interest Disclosure Act 2018
- ICAC Act 2012

### **Policy Documents:**

- Elected Members Behavioural Management Framework
- Independent S41 Committee members Behavioural Management Policy
- Access to Council meetings, Council Committees & Council Documents – Code of Practice
- Council Committees Policy
- Good Governance Framework
- Risk Management Framework
- Public Interest Disclosure Guideline

### **Review**

Biennially or as required by Legislation, Council or Audit and Risk Committee