

# TERMS OF REFERENCE

## Audit and Risk Committee

Version: 1 | Next Review: 2025

### INTRODUCTION

The name of the Committee shall be 'The Audit and Risk Committee' (Committee).

This Committee is formed under provisions of Sections 41 and 126 of the *Local Government Act 1999* (the Act).

#### 1. MEMBERSHIP

1.1 Members of the Committee shall be appointed by the Council. The Committee must consist of at least three independent members.

The membership of the Committee shall be five members consisting of:

- One Independent Chair
- Two Elected Members
- Two Independent Members

1.2 Independent member(s) of the Committee must have skills, knowledge and experience relevant to the functions of the committee (as specified under section 126 of the Act), including in financial management, risk management, governance and any other prescribed matter.

Note that a person would not be considered independent if they are an employee or an Elected Member of that Council. Subject to any codes of conduct adopted by Councils, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.

1.3 Only members of the Committee are entitled to vote in Committee meetings. However other individuals such as the Chief Executive Officer and members of the Executive Leadership Team and other officers as required may attend any meeting as observers or be responsible for preparing papers for the Committee.

1.4 Council's external auditors may be invited to attend meetings of the Committee.

1.5 Appointments to the Committee shall be for a period of up to four years, or until the end of the term of the Council. Appointees may be reappointed by Council.

1.6 The Council shall appoint an Independent Committee Chair.

#### 2. RESOURCES

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

#### 3. QUORUM

A quorum for meetings of the Committee will be three members, with a minimum of two being Independent Members.

#### 4. FREQUENCY OF MEETINGS

The Committee shall meet at least four times per year at appropriate times in the reporting and audit cycle.

There must be at least one meeting of a council audit and risk committee in each quarter.

#### 5. NOTICE OF MEETINGS

5.1 Ordinary meetings of the Committee will be held at times and places appointed by Chief

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Executive Officer or, subject to a decision of Council, or the Committee. A special meeting of the Committee shall be summoned by the Chief Executive Officer at the request of its Presiding Member or any two members of the Committee.

- 5.2 Unless otherwise agreed, 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 three 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.
- 5.3 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 discussed in confidence under the relevant legislative provisions, are also required to be made available to the public.

### 6. MINUTES OF MEETINGS

- 6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee are recorded.
- 6.2 The Chief Executive Officer shall include on the agenda the declaration by any Committee member, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and members of the Council.

### 7. FINANCIAL REPORTING

- 7.1 The Committee shall review annual financial statements to ensure that they present fairly the state of affairs of the Council, and propose, and provide information relevant to, a review of the council's strategic management plans or annual business plan.
- 7.2 The Committee shall propose, and review, the exercise of powers under section 130A of the Act to examine and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of an annual audit and that is considered by the Council to be of such significance as to justify an examination.
- 7.3 The Committee shall liaise with the Council's auditor in accordance with any requirements prescribed by the *Local Government (Financial Management) Regulations 2011*.
- 7.4 The Committee shall monitor the quarterly budget review and provide appropriate recommendations to Council.
- 7.5 The Committee shall review and challenge where necessary:
  - the consistency of, and/or any changes to, accounting policies
  - the methods used to account for significant or unusual transactions where different approaches are possible
  - whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor

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- the clarity of disclosure in the Council’s financial reports and the context in which statements are made
- 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)

### 8. INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Committee shall:

- 8.1 Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
- 8.2 Monitor the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council’s auditor.
- 8.3 Provide oversight of the planning and scoping of the internal audit work plan and review and comment on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis.
- 8.4 Review and evaluate 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.
- 8.5 Review any prudential report obtained by the council under section 48(1) of the *Local Government Act 1999*.
- 8.6 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

Note that it is important that the Committee understand 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.

### 9. INFORMANT

The Committee shall review the Council’s arrangements for informants to confidentially raise concerns, about possible wrongdoing in public administration. The Committee shall ensure these arrangements are consistent with the requirements of the *Public Interest Disclosure Act 2018*.

### 10. EXTERNAL AUDIT

The Committee shall:

- 10.1 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.
- 10.2 Oversee Council’s relationship with the external auditor including, but not limited to:
  - 10.2.1 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.

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- 10.2.2 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.
- 10.2.3 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.
- 10.2.4 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).
- 10.2.5 monitoring the external auditor’s compliance with legislative requirements on the rotation of audit partners.
- 10.2.6 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).
- 10.3 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.
- 10.4 Review and make recommendations on the annual audit plan and in particular its consistency with the scope of the external audit engagement.
- 10.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - 10.5.1 a discussion of any major issues which arose during the external audit
  - 10.5.2 any accounting and audit judgments
  - 10.5.3 levels of errors identified during the external audit. The Committee shall also review the effectiveness of the external audit
- 10.6 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 Deputy 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.
- 10.7 Review the management letter and management’s response to the external auditor’s findings and recommendations.

## 11. REPORTING RESPONSIBILITIES

- 11.1 The Committee must provide a report to the council after each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting.
- 11.2 The Committee must provide an annual report to the Council on the work of the committee during the period to which the report relates.
- 11.3 The annual report of the Committee must be included in the Council’s annual report.
- 11.4 The Committee report will also, after confirmation, be made available to the public.

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11.5 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its charter where in its view action or improvement is needed.

### 12. OTHER MATTERS

The Committee shall:

12.1 have access to reasonable resources in order to carry out its duties.

Note that this is subject to any budget allocation being approved by Council.

12.2 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.

12.3 give due consideration to laws and regulations of the Act.

12.4 make recommendations on co-ordination of the internal and external auditors.

12.5 oversee any investigation of activities which are within its terms of reference.

12.6 oversee action to follow up on matters raised by the external auditors.

12.7 at least once every two years, 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.

### 13. AUTHORITY

The Committee is authorised:

13.1 to seek any information it requires from any employee of the Council (after advising the Chief Executive Officer) in order to perform its duties.

13.2 to obtain, at the Council's expense, (after consultation with the Chief Executive Officer) outside legal or other professional advice on any matter within its terms of reference.

### 14. MEMBERS SITTING FEES

14.1 As per motion 16c/22023 the below sitting fees will be paid to External Audit and Risk Committee Members:

- Independent Chair – \$1,000 per meeting
- Independent Members – \$750 per meeting

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Applicable Legislation	Section 41, 126 <i>Local Government Act 1999</i>

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