

# TERMS OF REFERENCE

## CORPORATE SERVICES

### CORPORATE GOVERNANCE



## AUDIT COMMITTEE TERMS OF REFERENCE>>

### 1. BACKGROUND>>

Council has resolved to adopt a policy to establish an Audit Committee in accordance with Section 157 *Local Government (Finance, Plans & Reporting) Regulation 2010* and Section 105 of the *Local Government Act 2009*.

### 2. PURPOSE>>

The Audit Committee provides an independent forum where representatives of council, independent specialists and management work together to fulfill specific governance responsibilities as set out in the Terms of Reference.

The Audit Committee is an internal governance process, which is intended to contribute to the improved performance of the organisation. It plays a key role in assisting council to fulfill its governance and oversight responsibilities in relation to a number of areas including, financial reporting, internal control systems, risk management, legal and regulatory compliance and audit functions.

The Audit Committee is an advisory body only and must keep council informed of its activities.

The Audit Committee does not diminish management or Councillor's overall responsibilities.

Council intends to work progressively towards the achievement of better practice in a local government environment, and has included in the Terms of Reference an obligation for the committee to develop its own skills for this purpose.

### 3. AUTHORITY>>

The Audit Committee reports to council through the Corporate Governance Committee.

The Audit Committee is an advisory body only and has no line of authority; however the committee has full right of access to all levels of management through the Chief Executive Officer.

This Terms of Reference sets out the specific responsibilities as defined in the Act and Regulations delegated by the council to the Audit Committee.

At all times the Audit Committee is to maintain its independence from the day-to-day operations of the council.

### 4. COMPOSITION OF COMMITTEE>>

The membership of the committee will comprise two Councillors nominated by council and up to two external members (one being the Independent Chair of the committee).

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Council may appoint an 'alternate' member as provided for in Section 63 of the *Local Government (Operations) Regulation 2010*. An **alternate member** of a committee is a person who attends meetings of the committee and acts as a member of the committee only if another member of the committee is absent from the meeting of the committee.

#### 5. ELIGIBILITY OF INDEPENDENT MEMBERS>>

Consideration will be given to the following desirable requirements in appointing the independent members:

- Demonstrated experience in auditing large complex entities;
- Membership of a large entities audit committee;
- Current qualifications as a Chartered Accountant (CA), Certified Practising Accountant (CPA) or Certified Internal Auditor (CIA);
- Background relating to large public sector entities; and/or
- Demonstrated experience in areas deemed relevant by the Committee in consultation with the Chief Executive Officer, for example broad governance areas such as asset management, legal, risk management and/or ethics and including an understanding of the Local Government sector.

#### 7. OBJECTIVES>>

The main objectives of the Audit Committee are to:

- monitor and review:
  - (1) the integrity of financial documents; and
  - (2) the internal audit function; and
  - (3) the effectiveness and objectivity of the internal auditors; and
  - (4) the effectiveness, independence and objectivity of external auditors.
- Make recommendations to council about any matters that the Audit Committee considers need action or improvement.

In addition the Audit Committee shall:

- assess and contribute to the council's processes related to the identification of risks and threats, taking into account the environment, financial and other frameworks through which the council operates;
- monitor, oversee and enhance the council's corporate governance, including its systems of internal control, risk management, legal and regulatory compliance;

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- evaluate the quality and facilitate the practical discharge of the internal audit function, particularly in the areas of planning, monitoring and reporting; and
- consider the council's financial and operational reporting.

The Audit Committee will, having regard to the systems and processes available within the council, be pro-active with a view to pre-empting issues that may arise.

## 8. SCOPE OF THE AUDIT COMMITTEE >>

The scope of the Audit Committee includes but is not limited to the following aspects of the council's activities:

- Governance processes
- Financial compliance
- Information, communication and technology management
- Internal controls
- Internal audit
- External audit
- Risk management
- Legal and legislative compliance
- Referrals by Council
- Self development of the Audit Committee
- Self assessment of the Audit Committee
- Efficiencies and corporate performance, and
- Asset management governance.

Furthermore the Audit Committee must review each of the following:

- (1) the internal audit plan for internal audit for the current financial year;
- (2) the internal audit progress report and the actions to which recommendations relate;
- (3) the draft financial statements for the preceding financial year before the statement is certified under Section 161(2) and given to the Auditor General for auditing; and
- (4) the Auditor General's report.

From time to time the Committee will focus its attention on matters referred to it by council within its scope of responsibility.

## 9. DUTIES AND RESPONSIBILITIES>>

### AUDIT COMMITTEE MEMBER:

- contributes to the assessment and improvement of council's corporate governance processes, including its systems of internal control, risk management and internal audit activities;

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- is required to prepare for, attend and contribute as appropriate to all Audit Committee meetings;
- is to review key areas of risk to council including internal controls, external reporting and compliance requirements, governance and probity;
- should review the activities of external and internal audit and provide guidance and direction as required;
- should be consulted in respect to any matters that would compromise the objectivity or independence of the Internal Audit Unit;
- should periodically engage with the Internal Audit Unit and the external Auditor independent of management;
- is responsible for reviewing and approving the Internal Audit policy, charter and plans;
- should ensure that all recommendations arising from audit sources are followed up and implemented appropriately (reasons should be obtained from management for inappropriate implementation);
- should verify minutes of meetings as an accurate record of Audit Committee meetings; and
- will refrain from making any public comment or issuing any information in any form, concerning matters of the Audit Committee or matters of interest to the Committee.

#### CHAIRPERSON:

In addition to the duties and responsibilities as an Audit Committee member, the Audit Committee Chairperson shall:

- provide leadership and direction to the Audit Committee including providing meeting structure, professionalism and efficiency;
- ensure effective communication between the Audit Committee, Chief Executive Officer, management, QAO and council; and
- ensure the independence and objectivity of the Audit Committee and Internal Audit functions are maintained.

#### 10. SELF DEVELOPMENT OF THE COMMITTEE >>

Council accepts that professional development of committee members is necessary to skill the committee and to maintain its competence. Accordingly, council will give committee members reasonable access to technical and professional development events to help them keep up to date with legislative, accounting and other relevant issues.

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#### 11. SELF ASSESSMENT OF THE COMMITTEE AND REVIEW COMMITTEE TERMS OF REFERENCE >>

- At the first Meeting of each calendar year the Audit Committee shall undergo a self-assessment process to ensure all the functions and business of the Committee is being dealt with in an efficient and effective manner.
- The assessment process shall include but not be restricted to time of meetings, length of meetings, attendance at meetings, location of meetings, content of meetings, results of recommendations on matters discussed, achievements and satisfaction rating of members.
- The Committee shall review these Terms of Reference at the first meeting of each calendar year and recommend changes to the council for adoption.

#### 12. TERM OF MEMBERSHIP>>

The composition of the Audit Committee shall be in accordance with the Local Government (Finance, Plans & Reporting) Regulations 2010. Council may alter the Committee's membership.

A Councillor's membership of the Committee will automatically expire concurrent with the end of their term on council. Councillors are eligible for re-appointment upon being re-elected.

The terms and conditions of the independent members shall be determined by council on appointment.

#### 13. MEETINGS>>

Committee meetings shall be held at least four times in each financial year. Additional meetings shall be held at the request of council or at the request of the Audit Committee Chair.

A set agenda will be prepared by the Chief Executive Officer and include supporting business papers and will be distributed to committee members seven (7) clear business days prior to the meeting, unless all members agree to less notice.

Members may participate in a meeting by telephone or videoconference.

Urgent agenda items can be managed by convening a Special meeting or by flying minute.

Two voting members constitute a quorum. If the Chair is absent the members present shall elect a person to preside at the meeting. The person presiding at any meeting shall have a casting vote.

The Committee reserves the right to meet with only voting members in attendance.

Proceedings of the meetings shall be minuted and signed by the Chair when confirmed. The Executive Support Officer is responsible for, recording all proceedings, attending to meeting arrangements, distributing minutes of all meetings and record keeping practices.

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#### 14. ACCESS>>

The Audit Committee shall have access to the necessary information to enable it to carry out its responsibilities under these Terms of Reference.

The Chief Executive Officer will ensure management and staff cooperate fully with the Audit Committee.

With the approval of Council, or if within the approved budget, external experts may be consulted if considered necessary for independent advice and to assist the Audit Committee to carry out its duties.

#### 15. REPORTING REQUIREMENTS>>

The Chief Executive Officer will submit to Council a copy of the meeting report of each Audit Committee meeting.

The Audit Committee Chair shall prepare an annual report to council, which:

- summarises its activities and achievements;
- assesses the committee's performance;
- comments on its compliance with its Terms of Reference; and
- outlines the proposed activities for the following year.

#### 16. CONFIDENTIALITY>>

The Audit Committee's role of analysing and recommending improvements to the council's financial reporting, risk management, compliance and internal control systems makes the business of the Committee highly confidential.

Public discussion of that business would prejudice the interests of the council.

Therefore the council resolves that all meetings of the Audit Committee are to be closed meetings pursuant to section 72(1)(h) of the *Local Government (Operations) Regulation 2010*.

All agendas, reports, minutes and other proceedings of the Audit Committee are to be considered and held confidential by Councillors and staff until council otherwise decides.

#### 17. CONFLICTS OF INTEREST>>

Audit Committee members shall absent themselves from meetings when a conflict of interest agenda item is raised. The member will remain absent from the meeting until the agenda item has been appropriately addressed by the Committee.

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