



Audit Committee

TERMS OF REFERENCE

Version Control:

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| Version 1 | Adopted by Council | 13/1/2009 Res No. 188/2009 |
| Version 2 | Reviewed by Council | 14/9/2010 Res No. 035/2011 |
| Version 3 | Reviewed by Council 8 April 2014 | 8/4/2014 Res No. 321/2014 |
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Audit Committee

1 Title and Objectives

- 1.1 The Audit Committee is established pursuant to Section 41 (and for the purposes of Section 126) of the Local Government Act 1999, the Council establishes a committee to be known as the Audit Committee.

2. Role & Tasks

2.1 Financial Reporting

- 2.1.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.

- 2.1.2 The Committee shall review and challenge where necessary:

2.1.2.1 the consistency of, and/or changes to, accounting policies;

2.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

2.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;

2.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and

2.1.2.5 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 audit and risk management).

2.2 Internal Controls and Risk Management Systems

- 2.2.1 The Committee shall keep under review the effectiveness of the Council's internal controls and risk management systems.

- 2.2.2 The Committee shall review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

2.3 Internal Audit

- 2.3.1 The Committee shall monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

- 2.3.2 The Committee shall consider and make recommendation on 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.

2.4

External Audit

- 2.4.1 The Committee shall oversee Council's relationship with the external auditor including, but not limited to:
- 2.4.1.1 considering and making recommendations to the Council, in relation to the appointment, re- appointment and removal of the Council's external auditor;
 - 2.4.1.2 recommending the approval of the external auditor's remuneration whether fees or audit or non-audit services, and recommending whether the level of fees is appropriate to enable and adequate audit to be conducted;
 - 2.4.1.3 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;
 - 2.4.1.4 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;
 - 2.4.1.5 satisfying itself that there are not relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
 - 2.4.1.6 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 2.4.1.7 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);
- 2.4.2 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.
- 2.4.3 The Committee shall review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
- 2.4.4 The Committee shall review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- 2.4.4.1 a discussion of any major issues which arose during the external audit;
 - 2.4.2.2 any accounting and audit judgments; and

2.4.3.3 levels of errors identified during the external audit.

The Committee shall also review the effectiveness of the external audit.

2.4.5 The Committee shall review any representation letter(s) requested by the external auditor before they are signed by management.

2.4.6 The Committee shall review the management letter and management's response to the external auditor's findings and recommendations.

3. Membership

3.1 Pursuant to Sec 17. of the Local Government (Financial Management) Regulations 2011 the Committee shall consist of the Principal Member of Council (The Mayor), two (2) Elected Members of Council and one (1) independent member.

3.2 The position of Presiding Member of the Committee shall be determined and made by Council.

3.3 The independent member of the Committee shall have recent and relevant governance, financial management, internal audit and/or risk management experience in the management of large organizations.

3.4 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 a decision.

3.5 Individual members of the Council's administration staff, such as the Chief Executive officer, may attend any meeting as observers or be responsible for preparation of papers for the Committee. The Council's external auditor may also be invited to attend meetings of the Committee, as appropriate.

3a. Independent Member Sitting Fee

3a.1 The independent member shall be entitled to a sitting fee for each meeting attended for an amount determined by a resolution of Council.

3a.1.1 The amount of the sitting fee shall be reviewed and determined by Council on each occasion the committee is re-established pursuant to Clause 4.3

4. Appointment of Members

4.1 Members of the Committee are appointed by a resolution of the Council.

4.1.1 The independent member shall be appointed by Council following a call for expressions of interest published in a newspaper circulating in Council's area from interested persons.

4.2 All members of the Committee will hold office for the term of the Council and shall be eligible for reappointment to the Committee.

4.3 The Committee shall be re-established after each Council periodic election.

5. Authority

5.1 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.

5.2 The Audit Committee does not have executive powers and authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

5.3 The Audit Committee has no delegated authority to expend or commit Council funds.

6. Reporting to Council

6.1 The committee must report to Council after each meeting by way of providing a copy of its minutes to the next ordinary meeting of Council [refer Item 7.5.2].

6.2 The Presiding Member of the Committee must provide Council with an annual summary of business and activities by no later than 30 September of each year for inclusion in Council's Annual Report.

6.3 All identified civil liabilities and other risk management issues are to be reported to Council and Council's insurer Local Government Association Mutual Liability Scheme.

7. Meetings

7.1 Meetings of the Committee

The committee shall meet quarterly at a minimum and otherwise as determined by the committee or as requested by Council.

7.1.1 Ordinary Meetings of the Committee will be held at times and places determined by Council or, subject to a decision of Council, the Committee.

7.1.2 Meetings are to be held in accordance with Sec. (87)(88)(89)(90) of the LGA 1999 and the Local Government (Procedures at Meetings) Regulations 2000.

7.2 Notice of Meetings

A notice of meetings shall be provided to each Committee Member and public notification made pursuant to Sec. 87 of the LGA 1999.

7.3 Agendas

The meeting agenda shall be published in the format prescribed by Council pursuant to Sec. 88 of the LGA 1999.

7.4 Minutes

Minutes of meetings shall be kept and published in the format prescribed by Council pursuant to Sec. 91 of the LGA 1999.

7.4.1 Meeting minutes shall be distributed to committee members within 7 working days of the meeting and will be available at the following meeting of the committee.

7.4.2 Meeting minutes will be reported to Council at its next Ordinary Meeting.

7.5 Chairperson

The Presiding Member of the Committee shall assume the role of Chairperson for all meetings except where that person is an apology in which case the Committee will appoint a chairperson for that meeting.

7.6 Quorum

The quorum shall be 3 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.

8. Council Staff Support

8.1 The Committee shall have access to reasonable resources in order to carry out its duties. The Chief Executive shall provide administrative support to the Committee.

8.2 The Committee shall 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.

9. Performance Review

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

10. Liability of Members

10.1 No civil liability attaches to a member of a committee of Council for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge of the Member's or Committee's powers functions or duties.

10.2 All members of the committee shall be inducted as volunteers of Council and shall read, sign and abide by Council's Volunteer and WHS Policies.

11. Review of Terms of Reference

In addition to the requirements of Clause 9 the Committee may review the Terms of Reference from time to time and at any time, with proposed alterations or amendments presented to Council as a recommendation for consideration and adoption.