

Audit Committee Terms of Reference

1. Establishment

1.1 Resolution C8044 of 14 December 2010:

The Audit Committee of Council is established under Section 41 of the Local Government Act 1999 (the Act), for the purposes of Section 126 of the Act and in compliance with regulation 17 of the Local Government (Financial Management) Regulations 2011.

1.2 The Audit Committee does not have executive powers or authority to implement actions in areas which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent from management.

2. Objectives

2.1 The Audit Committee is established to assist 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.

2.2 As part of Council's Governance obligations to its community, Council has constituted an Audit Committee to facilitate:

2.2.1 the enhancement of the credibility and objectivity of internal and external financial reporting;

2.2.2 effective management of financial and other risks and the protection of Council assets;

2.2.3 compliance with laws and regulations as well as use of best practice and Governance guidelines;

2.2.4 the effectiveness of any audit functions; and

2.2.5 the provision of an effective means of communication between the external auditor, management and the Council.

3. Membership

3.1 Members of the Committee are appointed by the Council. The Committee shall be five of whom a majority shall be persons who are not members of Council ("the Independent Members").

3.2 Ideally, the non-Mayor Elected Member representative will have experience in business, legal, audit, risk management, governance or financial management.

3.3 That the Mayor, if not a member on an ex officio basis, is to be a member of the Audit Committee.

- 3.4 The Independent Members of the Committee must have recent and relevant financial, risk management, internal audit experience relevant to the functions of Council's Audit Committee as determined by Council.
- 3.5 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required (by the conflict of interest provisions in the Act) not to vote, each member must vote on every matter that is before the Committee for decision. The Presiding Member has a deliberative vote but does not, in the event of an equality of votes, have a casting vote.
- 3.6 All decisions of the Committee shall be made on the basis of a majority decision of the members present.
- 3.7 In the event of a tied vote the members have not made a decision, the question is neither carried nor lost. If a vote is tied the matter may be referred back to the Committee (either with or without additional information to inform the debate and decision making) or referred to Council for a resolution.
- 3.8 The Chief Executive Officer and other Council employees as directed by the Chief Executive Officer may attend any meeting as observers and/or be responsible for preparing papers for the Committee.
- 3.9 Council's external auditor may attend meetings where the interim and/or draft annual financial report and results are being considered. The external auditor must meet with the Committee, at least annually, without management being present; to discuss the Council's financial statements and any issues arising from their audits.
- 3.10 Council's internal auditors may also attend any meeting where any of the internal audit reports are being discussed but must meet with the Audit Committee at least annually , without management being present; to discuss the Council's internal audit plan and any issues arising from their audits.
- 3.11 Elected Member appointments to the Committee shall be for a period of twelve months from the date of appointment, or until the end of the term of the Council. Elected Members are eligible for reappointment at the end of their term.
- 3.12 Independent Members appointment to the Committee shall be for a period of three years from the date of appointment. To provide continuity, the terms of the Independent Members will overlap on a three-year rotation, with one Independent Member being sought, through an expression of interest and interview process, in November of each year. Independent Members are eligible for reappointment at the end of their term for a maximum of two consecutive terms.

4. Presiding Member

- 4.1 In November each year, following the appointment of an Independent Member, the Independent Members will be invited to provide Council with an Expression of Interest for the position of the Presiding Member.
- 4.2 The Presiding Member will be appointed by Council for a period of twelve months, unless agreed otherwise by Council. The period of twelve months will extend from the date of appointment, unless their term is due to expire within that period in which case the appointment will be until the date their appointment as

an Independent Member is due to expire. The outgoing Presiding Member will be eligible for reappointment to the position.

- 4.3 No Deputy Presiding Member will be elected and an Acting Presiding Member (Chair) will be nominated at the meeting should the Presiding Member be unable to attend.

5. Sitting Fees

- 5.1 The Independent Members are to be paid a sitting fee, per meeting attended, as determined by Council.
- 5.2 The annual allowance for an Independent Member who is the Presiding Member of the Audit Committee will be equal to one and a quarter (1.25) times the Independent Member sitting fee per meeting, as determined by Council.

6. Secretarial Resources

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

7. Quorum

- 7.1 The quorum for a meeting of the Audit Committee shall be three, of whom at least two must be independent members.

8. Frequency of Meetings

- 8.1 The Committee shall meet at 6.00pm on a day to be specified by the Audit Committee in February, April, June, August, October and November or as otherwise determined by Council (whether as the result of a motion upon notice in or an Officer's Report to Council).
- 8.2 The minutes of each meeting must specify the date and time of the next ordinary meeting of the Committee.
- 8.3 A special meeting of the Committee may be called in accordance with the Act.

9. Notice of Meetings

- 9.1 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 (3) clear days before the date of the meeting in accordance with Section 87 of the Act. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.

10. Minutes of Meetings

- 10.1 The Chief Executive Officer 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 2000.
- 10.2 Minutes of Committee meetings shall be circulated within five (5) days after a meeting to all members of the Committee and members of the Council (in accordance with Section 91(3) of the Act).
- 10.3 Detailed 'Meeting Procedure Protocols' have been included within Schedule 1 to this Terms of Reference.

11. Role of the Committee

The Committee is charged with enquiring into and making recommendations to the Council where necessary with respect of the following matters:

11.1 Financial Reporting and Sustainability

- 11.1.1 review the Annual Report including the Annual Financial Statements and application of accounting policies and provide opinion to the Council on whether they present fairly the state of affairs of Council;
- 11.1.2 review and make recommendations to the Council regarding the assumptions, financial ratios and financial targets in the Long Term Financial Plan;
- 11.1.3 provide commentary and advice on the financial sustainability of Council and any risks in relation to, and as part of the adoption of the Long Term Financial Plan, Annual Budget and periodic Budget Reviews;
- 11.1.4 review and provide recommendations and comment to the Council on Council's Asset Management Plans;
- 11.1.5 review and make recommendations to the Council regarding any other significant financial, accounting and reporting issues as deemed necessary by the Committee, Council or Administration;
- 11.1.6 consider and provide comment on the financial and risk related issues associated with any Council business referred to it by the Council for such comment; and
- 11.1.7 review and provide feedback on Council's key financial and risk management policies.

11.2 Internal Controls and Risk Management

The Committee shall:

- 11.2.1 monitor and review the performance and adequacy of Council's Risk Management Framework for identifying, monitoring and managing significant business risks;
- 11.2.2 monitor and review the effectiveness of Council's internal control environment; and
- 11.2.3 review and recommend the approval, where appropriate, of any material

to be included in the Annual Report concerning internal controls and risk management;

11.3 Internal Audit

The Committee shall:

- 11.3.1 monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 11.3.2 consider and make recommendation on the program of the internal audit function;
- 11.3.3 review all reports on the Council's operations as a result of the internal audit performed; and
- 11.3.4 review and monitor management's responsiveness to the findings and recommendations.

11.4 External Audit

The Committee shall:

- 11.4.1 oversee Council's engagement with the external auditor including, but not limited to, assessing the external auditor's qualifications and expertise, recommending the approval of the external auditor's remuneration and terms of engagement, assessing the external auditor's independence and objectivity and monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners;
- 11.4.2 consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 11.4.3 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement as well as the internal audit plan;
- 11.4.4 review the findings of the audit paying particular attention to any accounting and audit judgements, any adjusted or unadjusted differences and any other significant issues arising from the audit;
- 11.4.5 review any representation letter requested by the external auditor before they are signed by management; and
- 11.4.6 review Administration's response to reviews, recommendations and audit letters provided by the External Auditor.

11.5 Whistle blowing

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

11.6 Other Investigations

The Committee shall, when necessary, propose and review the exercise of Council's powers under Section 130A of the Local Government Act 1999, in relation to the conduct of Economy Audits that would not otherwise be addressed or included as part of an annual External Audit.

11.7 Regional Subsidiaries

In accordance with Section 126(4) of the Act, the functions of the Audit Committee include, 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.

12. Reporting Requirements

- 12.1 In accordance with Section 41(8) of the Act, the Committee shall after every meeting forward the minutes of that meeting to the next meeting of the Council.
- 12.2 The Committee shall make recommendations to the Council as it deems appropriate on any area within these Terms of Reference where in its view action or improvement is needed. The Presiding Member shall attend these meetings and talk on these matters, as and when required.
- 12.3 At least annually, the Presiding Member (and/or other Independent Members as appropriate) of the Audit Committee shall present to Council on the Audit Committee's view in relation to the key areas of responsibility under these Terms of Reference .
- 12.4 Audit Committee Independent Members attending Council will be paid a sitting fee for their attendance.
- 12.5 The Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year.

13. Conduct and Disclosure of Interests

- 13.1 Members of the Committee must comply with the conduct and conflict of interest provisions of the Act. In particular Sections 62 (general duties), 63 (code of conduct) and 73-74 (conflict of interest, members to disclose interests) must be adhered to.

14. Register of Interest

- 14.1 Section 64 of the Act (interpretation) applies to the members of the Committee.

15. Delegations

- 15.1 Council may delegate additional matters that are within the scope of these Terms of Reference to the Committee in accordance with Section 41 of the Act.

16. Reimbursement of Expenses

- 16.1 Reimbursement of Expenses incurred by members of the Committee will be paid in accordance with the Council's "Elected Members' Allowances and Benefits Policy".

17. Public Access to Meetings

- 17.1 In accordance with the principles of open, transparent and informed decision making Committee meetings must be conducted in a place open to the public. Members of the public are able to attend all meetings of the Committee, unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Act.

18. Public Access to Documents

- 18.1 Members of the public have access to all documents relating to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 91 of the Act.

19. Other Matters

The Committee shall:

- 19.1 Have access to reasonable resources in order to carry out its duties; (subject to any such budget allocation being approved by Council.)
- 19.2 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;
- 19.3 Give due consideration to the Act; and regulations made under the Act;
- 19.4 Oversee any investigation of activities which are within its terms of reference; and
- 19.5 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.

Document history

Date	Resolution number
14/12/2010	C8044
27/04/2011	C8220
22/11/2011	C8496
28/08/2012	C8840
10/12/2013	C9530
25/02/2014	C9600
11/03/2014	C9622
13/05/2014	C9709
24/11/2014	C9946
24/11/2015	C10457
28/11/2017	C11512