

## 1 Membership

- 1.1 Members of the Committee are appointed by Council.
- 1.2 The Committee will consist of at least one independent member with at least one additional member from the Elected Members of Council, consistent with any Regulations<sup>1</sup>. The size of the committee shall be three (3) members.

The Mayor is an ex officio member of the committee.

- 1.3 Independent member(s)<sup>2</sup> of the Committee must meet at least one of the following minimum requirements for membership:
  - Have recent and relevant financial qualifications and/or experience in a relevant financial role
  - Working knowledge of risk management
  - Experience with internal or external auditing.
- 1.3 Only members of the Committee are entitled to vote (move and second) in committee meetings. Members of Council's staff may attend any meeting as observers and be responsible for preparing papers for the committee. 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 Section 90 of the Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 1.4 Council's external auditors shall be invited to attend a minimum of two (2) meetings of the Committee each financial year. Attendance is at the external auditor's discretion.
- 1.5 Appointments to the Committee shall be for a period of at least two years, reviewed at a common appointment date every two years. The common appointment date for existing appointees is 31 December. Appointees may be reappointed by Council.
- 1.6 Resignation of appointment must be in writing.
- 1.7 Members of the Committee, including the Presiding Member are appointed by Council.

## 2 Administrative Resources

The Chief Executive Officer shall provide sufficient administrative resources to the committee to enable it to adequately carry out its functions. This includes, but is not limited to:

- Adequate meeting space
- Adequate human resources to prepare agendas, reports minutes
- Connectivity for video conference, skype, internet connection, if required, etc.

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<sup>1</sup> Section 126(2) provides that an audit committee may include persons who are not members of Council.

<sup>2</sup> A person would not be considered independent if he or she was an Elected Member of that Council. Subject to any codes of conduct adopted by Council, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.

### **3 Quorum**

The quorum necessary for the transaction of business shall be 50% of the number of members<sup>3</sup> of the Committee plus one. 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.

### **4 Frequency of Meetings**

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

### **5 Notice of Meetings**

5.1 Ordinary meetings of the Committee will be held at times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

5.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the committee and known observers, no later than three (3) clear days before the date of the meeting.

### **6 Minutes of Meetings**

6.1 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 (Procedure at Meetings) Regulations 2013.

6.2 Minutes of the Committee meetings shall be circulated within seven (7) days after a meeting to all members of the Committee and made available to the public.

### **7 Role of the Committee**

#### **7.1 Financial reporting and management**

The Committee shall:

7.1.1 Monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.

7.1.2 Review and challenge where necessary:

7.1.2.1 The consistency of, and/or any changes to accounting policies.

7.1.2.2 The methods used to account for significant or unusual transactions where different approaches are possible.

7.1.2.3 The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditors.

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<sup>3</sup> Where calculating 50% results in a fraction, the fraction is dropped. For example, 3 divided by 1 equals 1.5; drop the fraction of 0.5 and the result is 1.

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

7.1.2.5 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 the audit and risk management).

7.1.3 Monitor the budgeting process and the process of review of actuals versus budget.

7.1.4 Monitor that budgets are aligned to the Strategic Management Plans.

## **7.2 Internal Controls and Risk Management Systems**

The Committee shall:

7.2.1 Monitor the effectiveness of the Council's internal controls and risk management systems; and

7.2.2 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.<sup>4</sup>

## **7.3 Whistle blowing**

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

## **7.4 Internal audit where Council does not have a separate internal audit function**

The Committee shall:

7.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

7.4.2 Consider and make recommendation on the program of 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.

7.4.3 Review all reports on the Council's operations from the external auditors<sup>5</sup>.

7.4.4 Review and monitor management's responsiveness to the findings and recommendations of the external auditors; and

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<sup>4</sup> It is important that the audit 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.

<sup>5</sup> Note that the reports to the audit committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.

7.4.5 Where appropriate, meet the auditor without management being present, to discuss any issues arising from the internal audits carried out. In addition, the external Auditor shall be given the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

## 7.5 External audit

The Committee shall:

7.5.1 Develop and implement a policy on the supply of the statutory audit and non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

7.5.2 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 external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

7.5.3 Oversee Council's relationship with the external auditors including, but not limited to:

7.5.3.1 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.

7.5.3.2 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.

7.5.3.3 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 external auditors, including the provision of any non-audit services.

7.5.3.4 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).

7.5.3.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners, and

7.5.3.6 Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).

7.5.3.7 Action(s) to follow up on matters raised by the external auditors.

7.5.4 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year (without management being present if requested) to discuss the external auditor's report and any issues arising from the audit.

7.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.

7.5.6 Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:

- A discussion of any major issues which arose during the external audit
- Any accounting and audit judgements, and
- Levels of errors identified during the external audit.

The Committee shall also review the overall effectiveness of the external auditor.

7.5.7 Review any representation letter(s) requested by the auditor before they are signed by management<sup>6</sup>.

7.5.8 Review the management letter and management's response to the external auditor's findings and recommendations.

## **8 Reporting responsibilities**

The Committee shall make whatever recommendations to Council it deems appropriate on any area within these Terms of Reference where in its view action or improvement is needed.

## **9 Other matters**

The Committee shall:

- 9.1 Have access to reasonable resources in order to carry out its duties<sup>7</sup>.
- 9.2 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.
- 9.3 Give due consideration to laws and regulations of the Local Government Act, 1999, including all amendments and revisions.
- 9.4 Oversee any investigation of activities within these Terms of Reference.
- 9.5 At least once per year, review its own performance; At least once every two years review its constitution and terms of reference, to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Sitting Fees for Audit Committee Members are set by Council.

Audit Committee Meeting 15 December 2017

Last Adopted Date: 16 August 2017

Adopted by Council: 16 January 2018

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<sup>6</sup> Note that these representation letters are a standard practice of any audit and provide the external auditors confirmation from management, (in particular the 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.

<sup>7</sup> Subject to any budget allocation being approved by Council.