

## Audit & Risk Committee

### Terms of reference

#### 1 Purpose

In line with the *Local Government (Audit) Regulations 1996* (Regulations), the purpose of the Audit & Risk Committee is to:

- Support council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and external audit functions and ethical accountability.
- Critically examine the audit and management reports from external audits, and ensure that the Town appropriately implements any actions.
- Receive and review reports prepared by the Chief Executive Officer in accordance with the Regulations, and present a report back to Council on its findings and recommendations.

#### 2 Role and Functions

The role of the Committee is to provide guidance and assistance to Council in fulfilling its governance and oversight responsibilities, in relation to the following key areas:

##### 2.1 Financial reporting

- (1) Make recommendations to Council on how to enhance credibility and objectivity in the Town's financial reporting
- (2) Review the Town's draft annual financial report, focusing on:
  - accounting policies and practices
  - changes to accounting policies and practices
  - the process used in making significant accounting estimates
  - significant adjustments to the financial report (if any) arising from the audit process
  - compliance with accounting standards and other reporting requirements
  - significant variances from prior years
- (3) Consider and recommend the Town's annual financial report to Council for adoption

##### 2.2 Internal Control

- (1) Review the Chief Executive Officer's report made under Regulation 17 of the Regulations, relating to systems and procedures concerning risk management, internal controls and legislative compliance, and:
  - a) Make recommendations to Council to address issues identified in the reviews
  - b) Oversee the implementation of recommendations arising from the reviews undertaken, once accepted by Council
- (2) Review the annual Compliance Audit Return and report to Council on the results of that review
- (3) Ensure continued compliance with relevant laws and regulations
- (4) Review policies of the Town relating to the scope of its duties, and report to Council on its findings and recommendations, as required

##### 2.3 Risk Management

- (1) Review whether the Town has an effective risk management system and report back to Council on its findings
- (2) Obtain and review regular risk reports, which identify key risks, the status and effectiveness of risk management systems, and report back to Council on any adverse trends identified, and any risks that need further attention
- (3) Ensure that fraud and misconduct risks have been identified and have an appropriate treatment plan

##### 2.4 External audit

- (1) Liaise with the appointed external auditor to ensure that Council can be satisfied with the performance of the local government in managing its financial affairs
- (2) Promote a more effective and efficient external audit process by providing an independent review of reports presented to the Committee and reporting to Council on the results of that review
- (3) Ensure that any recommendations arising from external audits that have been approved by Council are implemented



## 2.5 Internal Audit

- (1) help Council form an opinion on the local government's audit requirements by recommending courses of action which ensure that internal audit processes are appropriate, accountable and transparent
- (2) Review the scope of internal audits with input from the CEO and recommend an annual internal audit program to Council
- (3) review the appropriateness of special internal audit assignments undertaken by the internal auditor at the request of Council or the CEO
- (4) review the level of resources allocated to internal audit and the scope of its authority
- (5) review internal audit reports and make recommendations to Council on its results
- (6) oversee and monitor the implementation of internal audit recommendations

## 2 Delegation

- (1) This committee has no delegated authority and no authority to implement its recommendations without resolution of Council.
- (2) The Committee is a formally appointed committee of Council and is responsible to that body. The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility.
- (3) The Committee does not have any management functions and cannot involve itself in management processes or procedures, other than by making a recommendation to Council.

## 3 Membership

- (1) The Committee shall comprise at least four (4) and not more than six (6) members being:
  - a) Four (4) elected members with at least one member from each ward
  - b) up to two (2) independent persons appointed by Council, having the requisite skills and experience to serve as a member of the committee.
- (2) For the purpose of appointment of members under section 4(2)(b) requisite skills and experience may include:
  - a) experience auditing and/or accounting
  - b) legal, governance and risk management experience
  - c) experience in information technology; and/or
  - d) the management of a large public or private enterprise.
- (3) The CEO or their nominee is to be available to attend meetings to provide advice to the committee.
- (4) Appointments to the Committee will be for up to two-year terms, with membership coinciding with the local government election.

## 4 Quorum

The quorum for a committee meeting is set by section 5.19 of the *Local Government Act 1995*.

## 5 Meetings

- (1) The committee must elect a presiding member and deputy presiding member in accordance with section 5.12 and Schedule 2.3 of the *Local Government Act*.
- (2) A schedule of meetings will be developed and agreed to by the Committee.

## 6 Reporting

The committee shall report to Council by way of its minutes and any recommendations it may make.

## Council Endorsement

Ordinary Council Meeting of 21 April 2020