



Audit Committee

Terms of Reference

PREAMBLE

A committee of council may be established by resolution of the council. A committee can assist the council in the performance of its functions, to inquire into and report to the council on matters, provide advice to the council and to exercise, perform or discharge delegated powers, functions or duties.

Pursuant to Section 41(10) of the *Local Government Act 1999* the establishment of a committee does not derogate from the power of the Council to act in a matter.

1. Establishment of the Audit Committee

Pursuant to Sections 126 and 41 of the *Local Government Act 1999* the council establishes a Committee to be known as the Audit Committee (referred to in these Terms of Reference as 'the committee').

2. Committee Objectives

To report and provide advice to council on its financial reporting and sustainability, internal controls and risk management systems, whistleblowing, and internal and external auditing processes.

3. Committee Activities

i) Financial Reporting

(a) 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.

(b) The committee shall review and challenge where necessary:

- 1) the consistency of, and/or any changes to, accounting policies;
- 2) the methods used to account for significant or unusual transactions where different approaches are possible;
- 3) whether the council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- 4) the clarity of disclosure in the council's financial reports and the context in which statements are made; and
- 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).

ii) Internal Controls and Risk Management Systems

The committee shall:

- (a) keep under review the effectiveness of the council's internal controls and risk management systems; and
- (b) review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

[Note: it is important that the Audit Committee understands 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.

iii) Whistleblowing

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.

iv) External Audit

The committee shall:

- (a) monitor and review the effectiveness of the council's financial function and processes in the context of the council's overall risk management systems;
- (b) 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 auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
- (c) oversee council's relationship with the external auditor including, but not limited to:
 - 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 are in appropriate to enable an adequate audit to be conducted;
 - 2) recommending the approval of the external auditor's term of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - 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 auditor, including the provision of any non-audit services;

- 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).
 - 5) monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 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 auditor on the Audit Committee's own internal quality procedures.
- (d) meet as needed with the external auditor.
- (e) review and make recommendations on the annual audit plan and in particular its consistency with the scope of the external audit engagement;
- (f) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- 1) a discussion of any major issues which arose during the external audit;
 - 2) any accounting and audit judgments; and
 - 3) level of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
- (g) review any representation letter(s) requested by the external auditor before they are signed by management;
- [Note that these representation letters are a standard practice of any audit and provide the auditor 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].
- (h) review the management letter and management's response to the external auditor's findings and recommendations;
- (j) give due consideration to laws and regulations of the Local Government Act 1999.

4. Membership:

The membership of the Audit Committee shall be at least three (3) elected members and one (1) Independent Member.

Council officers may attend meetings as observers only.

Council's external auditor may be invited to attend meetings to provide advice to the committee.

5. Presiding Member of the Committee

The chairperson is appointed by Council.

6. Term of Office

Elected members are appointed for a 4 year term and this terminates at the end of each council term.

The Independent Member will be appointed by council and for the term of office determined by council.

7. Reporting Arrangements

The committee reports and makes recommendations to the council on any item on the committee agenda.

Appropriate officers will forward reports to the committee for consideration on matters that relate to council's financial reporting and sustainability, internal controls and risk management systems, whistleblowing, and internal and external auditing processes.

8. Confidentiality

The confidential provisions of the *Local Government Act 1999* shall apply to ALL members of the committee. This in short means that those matters that are deemed to be 'confidential' (which includes the report discussions and any resulting decision) **must remain confidential**, and is not to be discussed outside the forum of the audit committee meeting, until the matter is discussed and determined by the council. There are substantial penalties for breaches of confidentiality.

9. Delegated Authority

The committee has authority to seek any information it requires in order to perform its duties and to obtain, at the council's expense, (after consultation with the Chief Executive Officer) outside legal or other professional advice on any matter within this Terms of Reference.

10. Conduct and Conflict of Interest of Committee Members

All members of the committee must comply with the Code of Conduct for Elected Members as per Section 63 (1) of the *Local Government Act 1999* and Chapter 5 Part 4 of the *Local Government Act 1999* relating to conduct and disclosure of interests.

Members of the committee must not make improper use of their position to gain (directly or indirectly) an advantage for themselves or another person closely associated with the member. Members must ensure there is no conflict between their private interests and their role as a public decision maker.

Committee members are required to declare any interest in any matter before the committee.

11. Meeting Times & Place

Committee meetings will be held on an as needs basis

12. Quorum & Voting by Members

The quorum shall be 50% of the number of members, plus one (1).

Each member of the committee present at a relevant meeting must vote of any motion put at that meeting, including the chairperson.

13. Meeting Procedures

Meetings of the Audit Committee will be held in accordance with:

- i) *Local Government Act 1999*
- ii) *Local Government (Procedures at Meetings) Regulations 2013*
- iii) *Council Policy - Code of Practice for Access to Council and Committee Meetings and Documents*
- iv) *Code of Conduct for Council Members*

14. Access and Documents

Pursuant to Section 87 of the *Local Government Act 1999* a minimum of three clear days' notice of the meeting, accompanied by the agenda, will be provided to members of the committee and the public. Hardcopy agendas will be provided in the council chambers for access by members of the public in attendance.

Minutes will be available within five (5) clear days after a meeting in accordance with Section 91 of the *Local Government Act 1999* and will be provided to all members of the committee and placed on council's website and a hardcopy placed in the council Office, 29 Holland Street, Kingston SE.

Members of the public are able to attend all meetings of the committee, unless excluded from the meeting by the confidentiality provision of Section 90 of the *Local Government Act 1999*.

*NOTE: For the purposes of the calculation of **clear days** in relation to the giving of notice before a meeting, the day on which the notice is given, and the day on which the meeting occurs, will not be taken into account; and Saturdays, Sundays and public holidays will be taken into account. However, if a notice is given after 5pm on a day, the notice will be taken to have been given on the next day.*

15. Responsible Officer

Chief Executive Officer

16. Liability and Insurance

Pursuant to Section 80 of the *Local Government Act 1999*, council must take out a policy of insurance insuring every member of the council, and a spouse, domestic partner or another person who may be accompanying a member of the council, against risks associated with the performance or discharge of official functions or duties by members.

Further, pursuant to Section 41(12) of the *Local Government Act 1999* no civil liability attaches to a member of a committee 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.

17. Administrative Support

The Chief Executive Officer shall provide sufficient administrative support to the committee to adequately carry out its functions.

The Committee shall:

- i) have access to reasonable resources in order to carry out its duties;
[Note that this is subject to any budget allocation being approved by council
- ii) 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.

18. Sitting Fee

Council has approved sitting fees for meetings attended by the members of the Audit Committee. The sitting fees are as follows:

Chairperson –Member Allowances apply as determined by the Remuneration Tribunal.
Elected members – no sitting fee applies.

Independent Member - \$300 per meeting attended (includes travel).

19. Adoption by Council

This terms of reference was adopted by Council at its meeting on 18 December 2018.