

POLICY 2.16

Governance

Audit Committee – Terms of Reference

Version: 6 | Next Review: 2022



Policy Statement

The name of the Committee shall be 'The Audit Committee'.

This Committee is formed under provisions of Section 41 of the Local Government Act 1999.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Council. The Committee must consist of at least one independent member.

The membership of the Committee shall be five members consisting of:

- Two Elected Members
- Three Independent Members

- 1.2 Independent member(s) of the Committee shall have recent and relevant financial experience.

[Note that a person would not be considered independent if he or she was an employee or an Elected Member of that Council. Subject to any codes of conduct adopted by Councils, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.]

- 1.3 Only members of the Committee are entitled to vote in Committee meetings. However other individuals such as the Chief Executive Officer and Deputy Chief Executive Officer and if applicable the heads of risk, compliance and internal audit and representatives from the finance function may attend any meeting as observers or 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 the relevant legislative provisions, are also required to be made available to the public.

- 1.4 Council's external auditors may be invited to attend meetings of the Committee.

- 1.5 Appointments to the Committee shall be for a period of up to four years, or until the end of the term of the Council. Appointees may be reappointed by Council.

- 1.6 The Committee shall appoint the Committee Chair.

2. Secretarial resources

The Chief Executive Officer shall provide sufficient secretarial resources to the Committee to adequately carry out its functions.

3. Quorum

A quorum for meetings of the Audit Committee will be three members.

4. Frequency of meetings

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

5. Notice of meetings

- 5.1 Ordinary meetings of the Committee will be held at times and places appointed by Council or, subject to a decision of Council, or the Committee. A special meeting of the Committee shall be summoned by the Chief Executive Officer at the request of its Presiding Member or any two members of the Committee.
- 5.2 Unless otherwise agreed, 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 clear days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee are recorded.
- 6.2 The Chief Executive Officer shall include on the agenda the declaration by any Committee member, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and members of the Council.

7. Financial reporting

- 7.1 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.
- 7.2 The Committee shall review and challenge where necessary:
 - the consistency of, and/or any changes to, accounting policies;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - the clarity of disclosure in the Council’s financial reports and the context in which statements are made; and
 - 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).
- 7.3 The Committee shall monitor the quarterly budget review and provide appropriate recommendations to Council.

8. Internal controls and risk management systems

- The Committee shall;
- 8.1 keep under review the effectiveness of the Council’s internal controls and risk management systems; and
 - 8.2 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

[Note that 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

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presentations by management on how business risks are identified and managed.]

9. 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.

10. External audit

The Committee shall:

- 10.1 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 10.2 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 auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 10.3 oversee Council's relationship with the external auditor including, but not limited to:
 - 10.3.1 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;
 - 10.3.2 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;
 - 10.3.3 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 auditor, including the provision of any non-audit services;
 - 10.3.4 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);
 - 10.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 10.3.6 assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit committee's own internal quality procedures);
- 10.4 meet as needed with the external auditor. 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;
- 10.5 review and make recommendations on the annual audit plan and in particular its consistency with the scope of the external audit engagement;
- 10.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 10.6.1 a discussion of any major issues which arose during the external audit;
 - 10.6.2 any accounting and audit judgments; and
 - 10.6.3 levels of errors identified during the external audit. The Committee shall also review

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the effectiveness of the external audit.}

- 10.7 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 Deputy 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.];

- 10.8 review the management letter and management’s response to the external auditor’s findings and recommendations.

11. Reporting responsibilities

- 11.1 The minutes of the proceedings of the audit committee will be circulated to all Council Members. If requested by Council, the Committee Chair shall report to the Council either in writing as a Presiding Member’s report or verbally;
- 11.2 The minutes will also, after confirmation, be made available to the public;
- 11.3 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its charter where in its view action or improvement is needed.

12. Other matters

The Committee shall:

- 12.1 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];

- 12.2 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;
- 12.3 give due consideration to laws and regulations of the Local Government Act, 1999;
- 12.4 make recommendations on co-ordination of the internal and external auditors;
- 12.5 oversee any investigation of activities which are within its terms of reference;
- 12.6 oversee action to follow up on matters raised by the external auditors; and
- 12.7 at least once every two years, 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.

13. Authority

The Committee is authorised:

- 13.1 to seek any information it requires from any employee of the Council (after advising the Chief executive Officer) in order to perform its duties;
- 13.2 to obtain, at the Council’s expense, (after consultation with the Chief Executive Officer) outside legal or other professional advice on any matter within its terms of reference.

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14. Member Sitting Fees

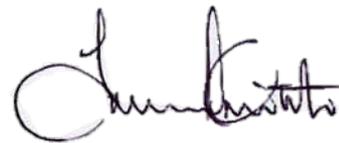
14.1 As per motion 10c/112011; the below sitting fees will be paid to External Audit Committee Members (excluding paid staff and elected members being able to claim travel reimbursement and Mr John Ewen who will be paid a retainer for his additional financial work)

\$50 (fifty dollars)

Strategic Link:
Delegation:

Documentation: Nil

Authority: Version 1 adopted by Council: 17/10/2006 {Motion Folio 305}
Version 2 adopted by Council: 15/11/2011 {Motion No 10c/112011}
Version 3 adopted by Council: 8/10/2013 {Motion No 10c/102013}
Version 3.1 adopted by Council: 13/1/2015 {Motion No 7c/012015}
Version 4 adopted by Council: 11/8/2015 {Motion No 6c/082015}
Reviewed by Council: 10/11/2015 {Motion No 7c/112015}
Reviewed by Committee: 11/12/2017
Version 5 adopted by Council 9/01/2018 {Motion 4c/012018}
Version 6 adopted by Council {Motion 10c/112018}



SIGNED:
Responsible Officer

Date: 15 / 11 / 2018

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