



TERMS OF REFERENCE

Finance & Risk Audit Committee

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Responsible Officer	Chief Executive Officer
Council File Reference	F16/286
Related Policies	Nil
Applicable Legislation	<i>Local Government Act, 1999</i> <i>Local Government (Procedures at Meetings) Regulations 2000</i>

1.0 Membership

- 1.1 Members of the Committee are appointed by the Council. The Committee shall consist of at least one independent member, Mayor and 3 Elected Members as nominated by Council.
- 1.2 Independent member(s) of the Committee shall have recent and relevant financial, risk management and corporate governance experience.
- 1.3 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. However other individuals (such as the Chief Executive Officer and Manager, Corporate Services, Senior Finance Officer) normally would attend any meeting as observers and/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 Section 90 of the Act 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 may be invited to attend meetings of the Committee.
- 1.5 That the independent member, is to be the Presiding Member of the Committee.

2.0 Secretarial resources

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

3.0 Quorum

3.1 The quorum necessary for the transaction of business shall be 50% of the number of members 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.

4.0 Frequency of meetings

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

5.0 Notice of meetings

5.1 Ordinary meetings of the Committee will be held at times and places determined by Council or, subject to a decision of Council, 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, 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.

6.0 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 (Procedures at Meetings) Regulations 2000*.

6.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be available to the public.

7.0 Role of the Committee

7.1 Financial reporting

7.1.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.

7.1.2 The Committee shall 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 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 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.

7.2 Internal controls and risk management systems

The Committee shall:

- 7.2.1 keep under review the effectiveness of the Council's internal controls and risk management systems; and
- 7.2.2 review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

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 recording or reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

7.4 External audit

The Committee shall:

- 7.4.1 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;
- 7.4.2 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;
- 7.4.3 oversee Council's relationship with the external auditor including, but not limited to:
 - 7.4.3.1 recommending the approval of the external auditor's remuneration, covering fees for both audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 7.4.3.2 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;
 - 7.4.3.3 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;
- 7.4.3.4 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);
- 7.4.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- 7.4.3.6 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);
- 7.4.4 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;
- 7.4.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 7.4.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - 7.4.6.1 a discussion of any major issues which arose during the external audit;
 - 7.4.6.2 any accounting and audit judgements; and
 - 7.4.6.3 levels of errors identified during the external audit.
- 7.4.7 review the effectiveness of the external audit
- 7.4.8 review any representation letter requested by the external auditor before they are signed by management;
- 7.4.9 review the subsequent audit management letter from the external auditor and management's proposed response, by the Council, to the external auditor's findings and recommendations in that audit management letter.

8.0 Reporting responsibilities

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

9.0 Other matters

The Committee shall:

- 9.1 have access to reasonable resources in order to carry out its duties;
- 9.2 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;
- 9.3 give due consideration to the Act and regulations made under the Act;
- 9.4 make recommendations on co-ordination of the external auditors;

- 9.5 oversee any investigation of activities which are within its terms of reference; and
- 9.6 oversee action to follow up on matters raised by the external auditors;
- 9.7 at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.