

AUDIT & STRATEGIC FINANCE COMMITTEE

TERMS OF REFERENCE

1 Background

1.1 The Audit and Strategic Finance Committee is a formally appointed Committee of Council and is responsible to that body. The Audit and Strategic Finance Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Audit and Strategic Finance Committee does not have any management functions and is therefore independent of management.

2. Objectives

2.1 As part of Council's governance obligations to its community, Council has constituted an Audit and Strategic Finance Committee to facilitate:

2.1.1 the enhancement of the credibility and objectivity of internal and external financial reporting;

2.1.2 effective management of financial and other risks and the protection of Council assets;

2.1.3 compliance with laws and regulations as well as use of best practice guidelines;

2.1.4 the effectiveness of the internal audit function;

2.1.5 the provision of an effective means of communication between the external auditor, internal audit, management and the Council.

2.2 The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

3. Membership

3.1 Members of the Committee are to be appointed in accordance with sections 7.1A of the Local Government Act 1995. The Audit and Strategic Finance Committee will consist of three or more elected members of Council, and one external independent person.

3.2 All members will have full voting rights.

- 3.3 The members of the Committee are to elect a presiding member from amongst themselves in accordance with section 5.12 of the Act, with the exception that an external member cannot be the presiding member.
- 3.4 Appointment of external persons shall be for a maximum term of two years endorsed by Council following a public advertisement. Members will be eligible for reappointment. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.
- 3.5 External persons will have senior business or financial management/reporting knowledge, and experience and be conversant with financial, and/or risk management and other reporting requirements. The evaluation and selection of potential members will be reviewed and endorsed by the CEO and the Committee presiding member. This will take into consideration the candidate's work experience and their likely ability to apply appropriate analytical, strategic financial and management skills, and a recommendation for appointment put to Council. The nature of independence with regard to an external independent person is a person with no operating responsibilities with the City. Associations refer to commitment and paid services to the City, directly or indirectly, for example sporting clubs, regional committees and participation on other Council committees. The exclusion does not include ratepayers. The objective of the concept is to have the committee approach its tasks objectively, to maintain its independence and also to be seen to be independent.
- 3.6 The City will reimburse the independent member for expenses which are to be determined by Council. In accordance with 5.11 tenure of membership of the committee continues until: (a) the person no longer holds the office by virtue of which the person became a member, (b) the person resigns from membership of the committee, or (c) the committee is disbanded.
- 3.7 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera. Other members of Council or Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- 3.8 Representatives of the external auditor should be invited to attend at the discretion of the Committee but **must** attend meetings considering the draft annual financial report and results of the external audit.
- 3.9 Council shall provide secretarial and administrative support to the Committee.

4. Meetings

- 4.1 The Committee shall meet in accordance with the attached 'Audit Committee Calendar', as a minimum.
- 4.2 Additional meetings shall be convened:
 - 4.2.1 at the discretion of the Presiding Member;
 - 4.2.2 in accordance with Council's Standing Orders; or,
 - 4.2.3 at the request of the internal or external auditor.
- 4.3 As a minimum, meetings will be arranged to coincide with the finalisation of the financial statements and the draft annual report to the Minister.

5. Reporting

- 5.1 The Audit and Strategic Finance Committee shall after every meeting forward the Minutes of that meeting to the next practicable ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.

6. Duties and Responsibilities

- 6.1 The following are the duties and responsibilities of the Audit Committee:
 - 6.1.1 To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems;
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.**(Internal Audit)**
 - 6.1.2 Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer **(Internal Audit)**
 - 6.1.3 Review the level of resources allocated to internal audit and the scope of its authority. **(Internal Audit)**

- 6.1.4** Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit. **(Internal Audit)**
- 6.1.5** Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems. **(Internal Audit)**
- 6.1.6** Review tendering arrangements and advise Council. **(Internal Audit)**
- 6.1.7** Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators. **(Internal Audit)**
- 6.1.8** Identify, initiate and/or refer, investigations or specific audit projects that are considered necessary, to the Internal Auditor (through the CEO) and/or the Council. Oversee any subsequent investigation, including overseeing the investigation of all suspected cases of fraud within the organisation. **(Internal Audit)**
- 6.1.9** Monitor the progress of any major lawsuits facing the Council. **(Internal Audit)**
- 6.1.10** Review Council's draft annual financial report, focussing 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. **(External Audit)**
- 6.1.11** Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed. **(External Audit)**
- 6.1.12** Discuss with the external auditor the scope of the audit and the planning of the audit. **(External Audit)**
- 6.1.13** Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. **(External Audit)**

- 6.1.14 Review the annual performance statement and recommend its adoption to Council. **(External Audit)**
 - 6.1.15 Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs. **(Internal/External Audit)**
 - 6.1.16 Critically analyse and follow-up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's Terms of Reference. Review management's response to, and actions taken as a result of the issues raised. **(Internal/External Audit)**
 - 6.1.17 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's Terms of Reference. **(Internal/External Audit)**
 - 6.1.18 Provide guidance and assistance to Council in the development of a process to be used to select and appoint a person to be an auditor. **(Internal/External Audit)**
 - 6.1.19 Provide recommendations to Council regarding all matters related to the management of Council's cash and real property assets. **(Internal/External Audit)**.
- 6.2 The Audit and Strategic Finance Committee, following authorisation from Council and through the Chief Executive Officer, and within the scope of its responsibilities, may seek information or obtain expert advice in relation to matters of concern.

AUDIT & STRATEGIC FINANCE COMMITTEE CALENDAR

MARCH

1. To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems;
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements. **(Internal Audit)**
2. Review the level of resources allocated to internal audit and the scope of its authority. **(Internal Audit)**
3. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs. **(Internal/External Audit)**
4. Critically analyse and follow-up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's Terms of Reference. Review management's response to, and actions taken as a result of the issues raised. **(Internal/External Audit)**
5. Provide guidance and assistance to Council in the development of a process to be used to select and appoint a person to be an auditor. **(Internal/External Audit)**

NOTE: This will be required when tenders for audit services are being prepared.

JULY

1. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit. **(Internal Audit)**

NOVEMBER

1. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. **(External Audit)**

NOTE: This is in regard to the external audit.

1. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems. **(Internal Audit)**
2. Review tendering arrangements and advise Council. **(Internal Audit)**
3. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators. **(Internal Audit)**
4. Identify, initiate and/or refer, investigations or specific audit projects that are considered necessary, to the Internal Auditor (through the CEO) and/or the Council. Oversee any subsequent investigation, including overseeing the investigation of all suspected cases of fraud within the organisation. **(Internal Audit)**
5. Monitor the progress of any major lawsuits facing the Council. **(Internal Audit)**
6. Review Council's draft annual financial report, focussing 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. **(External Audit)**
7. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed. **(External Audit)**
8. Discuss with the external auditor the scope of the audit and the planning of the audit. **(External Audit)**
9. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. **(External Audit)**
10. Review the annual performance statement and recommend its adoption to Council. **(External Audit)**
12. Consider all matters related to the management of Council's Cash and Real Property Assets. **(Internal/External Audit)**

AT ANY MEETING

Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's Terms of Reference. **(Internal/External Audit)**

The Audit Committee, following authorisation from Council and through the Chief Executive Officer, and within the scope of its responsibilities, may seek information or obtain expert advice in relation to matters of concern.

Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer. **(Internal Audit)**