

# DISTRICT COUNCIL OF LOWER EYRE PENINSULA

## Audit Committee Terms of Reference

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*“Working with our Rural & Coastal Communities”*



# TERMS OF REFERENCE: AUDIT COMMITTEE

Version No:	1.3
Issued:	March 2019
Next Review:	March 2021

Responsibility:	Governance
Minutes reference:	
Related Policies/Procedures/Codes:	Code of Conduct – Elected Members Code of Conduct – Employees
Review Frequency:	Biennially

## 1 Title: Audit Committee

## 2 Membership

- 2.1 Members of the Committee are appointed by the Council. The Committee shall consist of at least one independent member and at least one member from the Elected Members of Council. The minimum size of the Committee shall be three members.
- 2.2 The Principal Member of the Council shall be a member of the Committee.
- 2.3 Independent member(s) of the Committee shall have relevant administrative and business skills and experience.
- 2.4 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 if applicable Corporate Services / Finance staff) may 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 Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 2.5 Council's external auditor (currently Dean Newbery & Partners) may be invited to attend meetings of the Committee.
- 2.6 Appointments to the Committee from among the Elected Members of Council shall be until the end of the term of the Council. Independent member(s) of the Committee shall be appointed for a period of four years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council.
- 2.7 The Audit Committee shall appoint the Presiding Member of the Committee. An Elected Member of Council or an Independent Member of the Committee may be the presiding member of the Audit Committee.



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## 3 Secretarial resources

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

## 4 Quorum

4.1 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.

## 5 Frequency of meetings

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

## 6 Notice of meetings

6.1 Ordinary meetings of the Committee will be held at times and places determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

6.2 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 3 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.

## 7 Minutes of meetings

7.1 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 (Procedure at Meetings) Regulations 2013.

7.2 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.



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## 8 Role of the Committee:

### 8.1 Financial reporting

8.1.1 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.

8.1.2 The Committee shall review and challenge where necessary:

8.1.2.1 the consistency of, and/or any changes to, accounting policies;

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and

8.1.2.5 all material information presented with the financial statements.

### 8.2 Internal controls and risk management systems

The Committee shall:

8.2.1 keep under review the effectiveness of the Council's internal controls and risk management systems; and

8.2.2 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 internal and external auditors and by presentations by management on how business risks are identified and managed].



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## 8 Role of the Committee (cont'd):

### 8.3 Whistle blowing

8.3.1 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.

### 8.4 Internal audit (if applicable, where a Council does not have a separate internal audit function)

The Committee shall:

8.4.1 monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;

8.4.2 consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

[Note that this may include the review of the areas that have been identified for review and the frequency of review. The Committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.

### 8.5 External audit

The Committee shall:

8.5.1 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;

8.5.2 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;

(continued):



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### 8 Role of the Committee (cont'd):

- 8.5.3 oversee Council's relationship with the external auditor including, but not limited to:
- 8.5.3.1 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;
  - 8.5.3.2 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;
  - 8.5.3.3 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;
  - 8.5.3.4 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);
  - 8.5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
  - 8.5.3.6 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);
- 8.5.4 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;
- 8.5.5 review and make recommendations on the annual audit plan, and in particular it's consistency with the scope of the external audit engagement;

(continued):

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## 8 Role of the Committee (cont'd):

8.5.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:

8.5.6.1 a discussion of any major issues which arose during the external audit;

8.5.6.2 any accounting and audit judgements; and

8.5.6.3 levels of errors identified during the external audit.

8.5.7 review the effectiveness of the external audit.

8.5.8 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 Senior Corporate Services 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.];

8.5.8 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.

## 9 Reporting responsibilities

9.1 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.



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## 10 Other matters

The Committee shall:

- 10.1 have access to reasonable resources in order to carry out its duties (subject to any budget allocation being approved by Council);
- 10.2 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;
- 10.3 give due consideration to the Act and regulations made under the Act;
- 10.4 make recommendations on co-ordination of the internal and external auditors;
- 10.5 oversee any investigation of activities which are within its terms of reference;
- 10.6 oversee action to follow up on matters raised by the external auditors; and
- 10.7 at least biennially, 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.

## 11. Sitting Fee

Members of the Audit Committee, excluding Councillors and staff, shall be paid a sitting fee of \$40.00 per meeting attended including training arranged for the Audit Committee.

SIGNED: .....

CEO  
Date:

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Mayor, DCLEP  
Date: