



# Terms of Reference

## Audit and Risk Committee

~~9 October 2018~~

Updated for 19 March 2020 Audit & Risk Committee Meeting Review

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## Preamble

*A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district...*

Local Government Act 2002, s14 (g)

The Local Government Act 2002 requires a local authority to manage its revenue, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

The aim of the Audit and Risk Committee (the Committee) is to assist and advise the Waimate District Council in its responsibility for risk management, Council's control and compliance framework and its external accountability responsibilities, thereby giving give assurance to Elected Members, management and the public that Council processes operate in an efficient and effective manner, ~~and ensure the integrity of all transactions.~~

## Purpose

- 1 The purpose of the Committee is to assist the Council to discharge its responsibilities and provide independent observations on:
  - 1.1 the robustness of risk management systems, processes and practices;
  - 1.2 the robustness of the internal control framework;
  - 1.3 the independence and adequacy of internal and external audit functions;
  - 1.4 the integrity and appropriateness of internal and external reporting and accountability arrangements, including performance reporting;
  - 1.5 compliance with applicable laws, regulations, standards and best practice guidelines;
  - 1.6 the establishment and maintenance of controls to safeguard Council's financial and non-financial assets; and
  - 1.7 the governance framework and processes.
- 2 The Committee reports and recommends directly to Council.
- ~~31 The Committee also has responsibility for overseeing the investigation of possible irregularities, including allegations of fraud.~~
- ~~41 The Committee is also responsible for maintaining and considering its own effectiveness, and must ensure that there are robust processes in place to ensure effective communication with both Council and management.~~
- ~~51 The Committee has limited delegation from Council and it will largely operate as an advisory committee to Council. The Committee will not assume any management functions or make decisions that are the statutory responsibility of the Chief Executive.~~

**Commented [TS1]:** Moved these points from Purpose to General Responsibilities. 'Overseeing the Investigation' does not align with Council's Fraud Policy.

## Membership

63 Within 40 days of the Local Government Triennial Election, Council will establish and appoint the Committee and its members, including the appointment of a non-elected (external appointee) as Chairperson or the reconfirmation of a Chairperson appointed for a term beyond the Triennial Election.

74 The Committee membership will be the external appointee (as Chairperson), the Mayor and up to three appointed members.

85 The Committee members should bring to the Committee:

8-15.1 the ability to act independently and objectively;

8-25.2 the ability to ask relevant and pertinent questions and evaluate the answers;

8-35.3 the ability to work constructively with management to achieve improvements;

8-45.4 an appreciation of Council's culture and values, and a determination to uphold these;

8-55.5 a proactive approach to ~~providing feedback on advising Council and the Chief Executive of~~ matters that require further attention;

8-65.6 business acumen; and

8-75.7 appropriate diligence, time, effort and commitment.

96 The external appointee should have the following experience:

9-16.1 financial reporting;

9-26.2 broad governance experience;

9-36.3 familiarity with risk management disciplines (identification, evaluation and management);

9-46.4 understanding of internal control and assurance frameworks;

9-56.5 a good understanding of the roles of internal and external audit;

9-66.6 industry or sector expertise; and

9-76.7 the ability to explain technical matters in their field of expertise to other members.

107 The Chief Executive ~~and senior staff~~ may attend Committee meetings, however, the Chief Executive ~~and senior staff are~~ not ~~a~~-members of the Committee.

## Responsibilities

### Risk Management and Internal Controls

418 The Committee will:

- 41.18.1 understand the key operational business activities of Council and the significant risks associated with each of the activities;
- 41.28.2 recommend to Council the Risk Management Policy and any amendments;
- 41.38.3 recommend to Council an appropriate level of risk tolerance after an assessment of risks;
- 41.48.4 review whether management has in place a current and comprehensive risk management framework (including likelihood and consequences) and associated procedures for effective identification and management of Council's significant risks;
- 8.5 consider whether appropriate action is being taken by management to mitigate Council's significant risks;
- 41.58.6 Review Council's insurance arrangements and monitor insurance claims;
- 41.68.7 enquire as to steps management has taken to ensure the organisation's culture is one of commitment to workplace safety, probity and ethical behaviour; ~~and~~
- 8.8 monitor major project reports to ensure transparency of financial management and achievement of project objectives and provide assurance that there are robust processes in place to manage project risks appropriately; ~~and~~;
- 41.78.9 Review requests for budgets to be carried forward to the following financial year.

**Commented [TS2]:** Included insurance as this is a key risk mitigation measure.

**Commented [TS3]:** In order for the committee to consider the rationale and any risk related to achieving the budgeted activity forecast.

### External Audit

429 The Committee, in conjunction with the Chief Executive, will:

- 42.19.1 engage and confirm with the external auditor the terms of the auditor's appointment and engagement, including the nature and scope of the audit, timetable and fees;
- 42.29.2 develop a relationship with, and liaise with, the external auditor;
- 42.39.3 discuss issues arising from the interim and final audit reports, and any matters the external auditor may wish to discuss;
- 42.49.4 receive the external audit report(s) and monitor the implementation by management of any significant issues and recommendations made by the external auditor;
- 42.59.5 conduct a session with the external auditor to discuss any matters that the auditor wishes to bring to the Committee's attention and/or any issues of independence; and
- 42.69.6 review reports from any other external audits (including IANZ and NZTA) and/or reports relating to Council's performance, of a financial, risk mitigation or compliance nature, that are undertaken.

## Internal Audit

4310 The Committee will:

- 43.410.1 monitor management's approach to maintaining an effective internal control framework that is sound and effective;
- 43.210.2 monitor existing corporate policies and to recommend, where necessary, the formulation of new policies as to prohibit unethical, questionable or illegal activities further enhance the elements of transparency and accountability in organisational practices;
- 43.310.3 approve the internal audit programme and determine the appointment of any assistance required to implement the programme having regard to risk, independence and expertise;
- 43.410.4 monitor the delivery and implementation of the internal audit work programme and audit process; and
- 43.510.5 receive the internal audit report and monitor the implementation by management of any significant issues and recommendations made by the internal auditor.

## Compliance with Legislation, Standards and Best Practice Guidelines

4411 The Committee will review the effectiveness of the system for monitoring Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards and sector best practice guidelines.

## General

4512 Oversee special investigations which fall within the Committee's scope of purpose.

~~13 The Committee also has responsibility for overseeing the investigation of possible irregularities, including allegations of fraud, is to be informed by the Chief Executive as to any investigation of any alleged fraudulent activity.~~

~~14 The Committee may review and make recommendations on other any relevant reports prepared by management management for public distribution for release, such as summary annual reports.~~

~~4615 The committee may review policy relating to Treasury, published Financial Statements and accounting standards of Council.~~

~~16 The Committee will take a mediation role between management and the external audit team if necessary to achieve a conclusion in any reportable matter.~~

~~17 The Committee is also responsible for maintaining and considering its own effectiveness, and must ensure that there are robust processes in place to ensure effective communication with both Council and management.~~

**Commented [TS4]:** This does not align with Council's Fraud Policy. Updated to reflect.

**Commented [TS5]:** Removed as deemed unnecessary. See point 20.

18 The Committee has limited delegation from Council and it will largely operate as an advisory committee to Council. The Committee will not assume any management functions or make decisions that are the statutory responsibility of the Chief Executive.

## Meetings

### Quorum

1719 A quorum of members of the Committee shall be three, however one of the three members must be the Chairperson, or in the absence of the Chairperson, another member of the Committee delegated to act as Chair by the Chairperson.

### Frequency

1820 The Committee will meet at least four times each year having regard to Council's reporting and audit cycle. Additional meetings may be held as determined by the Chairperson in order for the Committee to fulfil its duties and responsibilities.

### Meetings with External Auditor

1921 The Committee will work at "arms-length" to the office of the Chief Executive and is able to meet with the external auditor without management present.

### Standing Orders

2022 The Committee will abide by the Waimate District Council Standing Orders.

## Delegations from Council

2123 The Committee has delegated authority to:

21.123.1 engage and confirm with the external auditor the terms of the auditor's appointment and engagement, including the nature and scope of the audit and timetable;

21.223.2 approve the appointment of any internal auditor, internal audit programmes, audit engagement letters and letters of undertaking for audit functions;

21.323.3 approve additional services provided by the external auditor;

21.423.4 approve, coordinate and monitor special investigations;

21.523.5 seek independent advice within budget; and

21.623.6 seek any information it requires from the Chief Executive who will co-operate with any reasonable request made by the Committee.

2224 The Audit and Risk Committee does not have any financial delegations.

2325 The Committee may not delegate any of its responsibilities, duties or powers.

## Reporting Procedures

2426 The Committee shall maintain direct lines of communication with the external auditors, the Chief Executive and the Corporate Services Group Manager. The Chief Executive and Corporate Services Group Manager are responsible for drawing to the Committee's immediate attention any matter of significance that relates to Council's financial condition, any breakdown in internal controls, any area of immediate and significant risk or any event of fraud.

2527 The Committee shall be provided with copies of reports from all correspondence between the external auditor to and management and staff regarding the audit process.

2628 After each Committee meeting the Chairperson shall prepare a report to Council for the next available Ordinary Meeting of Council.

## Review of the Committee

2729 Council, in collaboration with the Committee, will every three years~~12 months~~ review the performance of the Committee, including a review of the Terms of Reference at the commencement of the new triennium,~~including a review of the Terms of Reference.~~

2830 The Terms of Reference will be approved by Council.

**Commented [TS6]:** Suggested that this review takes place triennially.

## Publication Details

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