

	<b>District Council of Grant</b> <b>Audit Committee</b> <b>Terms of Reference</b>	Version Number:	1.0
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The District Council of Grant Audit Committee (herein after referred to as “the Committee”) was established by the District Council of Grant pursuant to Section 41 of the Local Government Act, 1999 on 19 March 2007.

## 1. Membership

- 1.1 Members of the committee are appointed by the Council. The committee shall consist of one independent member with four additional members from the Elected Members of Council. In the event that the Mayor is not a member of the Committee, Council appoints the Mayor as an ex officio.
- 1.2 The Independent member of the committee shall have recent and relevant financial, risk management and internal audit experience.
- 1.3 Proxy members may be appointed to the Audit Committee by the Council. When all members of the Audit Committee are present, proxy members attend in an observer capacity only. A proxy member will have a vote when a member of the Audit Committee is not present. It is the responsibility of the Committee Member to advise Council staff prior to the meeting if they will not be present so that staff can contact the proxy member.
- 1.4 Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by 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, Deputy Chief Executive Officer and if applicable other 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 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.
- 1.5 Council's external auditors may be invited to attend meetings of the committee.
- 1.6 Appointments to the committee shall be for a period of up to four (4) years. Appointees may be reappointed by Council.
- 1.7 The Council shall appoint the Presiding Member of the committee. (Note that the Principal Member or any other member of the Council may be the Presiding Member of the committee or an independent person may take this role).

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1.8 Remuneration will be paid to each independent member of the Committee to be set by Council from time to time. At a minimum, the remuneration paid to expert member will be reviewed within 12 months from the date of a Council (periodic) election.

## 2. Secretarial Resources

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

## 3. Quorum

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. Frequency of Meetings

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

## 5. 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 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.

## 6. 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 (Procedure at Meetings) Regulations 2000, with the exception of Part 2.

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.

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## 7. Role of 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:

- 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 judgements, 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).

### 7.2 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 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 presentations by management on how business risks are identified and managed.)

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### 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 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 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;
- 7.4.2 Oversee Council's relationship with the external auditor including, but not limited to:
- 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;
  - 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;
  - 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;
  - 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);
  - monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
  - 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);

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- 7.4.3 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;
- 7.4.4 Review and make recommendations on the annual audit plan, and in particular it's consistency with the scope of the external audit engagement;
- 7.4.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
- a discussion of any major issues which arose during the external audit;
  - any accounting and audit judgements; and
  - levels of errors identified during the external audit. The committee shall also review the effectiveness of the external audit.
- 7.4.6 Review any representation letter(s) requested by the external auditor before they are signed by the Chief Executive Officer; (Note that these representation letters are a standard practice of any audit and provide the auditor confirmation from management, 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);
- 7.4.7 Review the management letter and the Chief Executive Officer's response to the external auditor's findings and recommendations.

## 8. 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. Other Matters

9.1 The committee shall:

- 9.1.1 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);
- 9.1.2 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;

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- 9.1.3 give due consideration to laws and regulations of the Local Government Act, 1999;
- 9.1.4 oversee any investigation of activities which are within its terms of reference; and
- 9.1.5 oversee action to follow up on matters raised by the external auditors.

## 10. Authority

The Committee is appointed by the Council and has the authority to require any information it sees as relevant to its activities from any Councillor, manager, staff member, contractor or consultant, each of whom are required to respond to such enquiries. The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the CEO.

Action	Date	Minute Reference
Adopted by Council	19 March 2007	07069.2
Amended	18 May 2009	09134.2.4
Reviewed	15 February 2010	10006.1.5
Amended	21 March 2011	11071.1.2
Amended	18 March 2013	13030.2.6
Reviewed	3 March 2014	14026.1.2
Amended	16 March 2015	15035.1.2
Amended	18 April 2016	16043.1
Reviewed	3 April 2017	17044.1
Reviewed	4 April 2018	18049.1.4