



AUDIT COMMITTEE CHARTER

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1. INTRODUCTION

The charter defines the responsibilities of the Audit Committee and explains the role of the Committee within Council.

2. PURPOSE

The primary objective of the Committee is to assist Council in fulfilling its oversight responsibilities relating to accounting and reporting requirements imposed under the *Local Government Act* and other relevant legislation.

These terms of reference set the principles and standards for the Audit Committee to:

- 2.1 Enhance the ability of Councillors to fulfil their legal responsibilities.
- 2.2 Add to the credibility and objectivity of financial reports.
- 2.3 Enhance the independence and effectiveness of the Council's Internal Audit Branch.
- 2.4 Oversee the application of appropriate accounting and disclosure policies and procedures.
- 2.5 Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities.
- 2.6 Provide a communication link between management, internal auditors/external auditors and Council.
- 2.7 Promote the need for public accountability of managers to Council, the ratepayers and other interested parties.
- 2.8 Support measures to improve governance, risk and internal controls.

3. AUTHORITY

The Audit Committee has the authority to conduct or authorise investigations into matters within its scope of responsibility.

4. INDEPENDENCE AND ACCESS

- 4.1 The Committee will need to liaise closely with management and internal and external auditors to carry out its responsibilities. Whilst the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within Council rests with management, the Audit Committee may exercise a monitoring and review role.
- 4.2 The Committee will have unrestricted access to all information, including documents and personnel, and have adequate resources in order to fulfil its oversight responsibilities.

5. MEMBERSHIP

The Committee will be composed of five Councillors with the Chairperson, Deputy Chairperson and the other members being determined by Council, to provide a balance of views and further, that the Committee have the ability to co-opt any persons as advisers, from time to time for a particular period.

The External Auditor, Advisors and Ex Officio members are non voting observers. The Chief Executive Officer (CEO), the Chief Financial Officer and the Internal Audit Manager should attend all meetings but are not members and have no voting rights. Other Council officers should attend as required by the Audit Committee.

6. RESPONSIBILITIES

The responsibilities of the Committee are:

6.1.External Audit Focus

- 6.1.1 Oversee Council compliance with the Local Government Act and Local Government Finance Standard requirements for financial reporting.
- 6.1.2 Review the scope of the total audit activities with the external auditors.
- 6.1.3 Review of effectiveness of the annual audit, to ascertain whether emphasis is being placed on areas where the committee, management or the auditors believe special attention is necessary.
- 6.1.4 Review management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.
- 6.1.5 Review the final draft financial statements prior to its approval by Council, taking on board any external audit comments. In particular the review should focus on:
 - (i) significant changes in accounting policies and practices
 - (ii) major judgmental areas
 - (iii) significant audit adjustments
 - (iv) proposed departures from accounting standards

6.2.Internal Audit Activities

- 6.2.1 Ascertain that the activities undertaken by the Internal Audit Branch are in accordance with the Internal Audit Branch Charter and the International Standards for the Professional Practice of Internal Auditing.
- 6.2.2 Review the internal audit's charter, resources and budget such that this charter maintains and enforces internal audit's independence from management.
- 6.2.3 Monitor whether the Internal Audit Branch, is receiving the co-operation of all levels of management; and in light of it's functions and activities, is viewed as a highly regarded function of Council.

- 6.2.4 Review the planning and scope of internal audit activities and assess the resultant recommendations and findings.
- 6.2.5 Assess whether all significant recommendations of the Internal Audit Branch have been properly implemented by management. Any reservations the Internal Audit Branch may have about control risk, and accounting and disclosure practices should be discussed by the Committee.
- 6.2.6 Review the Three Year and Annual Internal Audit Plans to assess that it covers the material business risks of the Council.
- 6.2.7 Monitor the extent of reliance on internal audit work by the external auditors to facilitate completeness of coverage and the effective use of audit resources.
- 6.2.8 Review and concur in the appointment and dismissal of the Internal Audit Manager (Chief Audit Executive – CAE).

The Audit Committee’s responsibilities do not extend to managing the day-to-day activities of Internal Audit Branch. This is a function which is carried out by the CEO.

6.3. Other Matters

- 6.3.1 Determine whether Council is receiving reliable and timely management information.
- 6.3.2 Review the proposed Annual Report of Council.
- 6.3.3 Review the effectiveness of the control environment established by management including computerised information system controls and security. This also includes a reviewing/monitoring role of the documentation of all policies and procedures.
- 6.3.4 Review the effectiveness of the risk assessment/management policies and processes. In particular monitoring that Council risk management activities is not limited to insurance coverage but includes active risk minimisation.

“To assist the Audit Committee with its review the Committee will be provided periodically with an overview of the status of the following risk issues including but not limited to:

- Council’s major policies with respect to risk assessment and risk management, to ensure that they embrace best practice standards
- Progress on evolving, implementing and testing the Business Continuity Plan
- Significant information systems breaches, concerns and improvements
- Significant litigation issues
- The quality of Council’s insurance cover, the cost of cover and other relevant insurance tender details (benchmarking with other councils will be relevant)
- The status in implementing Risk Registers throughout the organisation (benchmarking with other councils’ implementation program will be relevant)
- Significant risk incidents and their outcomes
- Emerging risk issues, including major projects

- 6.3.5 Review and recommend all significant accounting policy changes.
- 6.3.6 Monitor compliance with important regulations relevant to Council's activities including statutory regulations for any subsidiaries of Council.
- 6.3.7 Periodically review the Code of Conduct and recommend changes as appropriate.
- 6.3.8 Review policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues.
- 6.3.9 Ascertain whether fraud risks have been included in the assessment of the risk profile of Council.
- 6.3.10 Oversee management's efforts to create and maintain a strong internal control environment, including the design and implementation of antifraud strategies and programs.
- 6.3.11 Recommend special projects or investigations on any matter within its terms of reference.
- 6.3.12 Oversee how management is monitoring the effectiveness of its compliance and ethics program and making changes as necessary.
- 6.3.13 Review and recommend any necessary changes to the quality assurance policy.
- 6.3.14 Review and recommend as necessary to the Committee's Charter initially after 6 months and then at least every three years.

7. MEETINGS, RECORDS AND REPORTING STRUCTURE

- 7.1 The Committee shall meet at least two times a year. The CEO will set the date, time and place for the meetings. Before setting the date, time and place for a Committee meeting, the CEO must, if practicable, consult with the Chairperson of the Committee. In addition, the CEO will call a meeting if requested to do so by any Committee member, or the internal or external auditors.
- 7.2 A quorum shall consist of two members.
- 7.3 The external auditors shall be given notice of all meetings and sent an agenda. The external auditors shall have the right to attend and speak.
- 7.4 The Committee Branch shall prepare an agenda supported by necessary explanatory documentation and circulate it to the Audit Committee members, any other Council officer requested to attend and the external auditors, if practicable at least two (2) days before the day of the meeting.
- 7.5 The Committee Branch will provide secretarial functions to the meetings and prepare a Report of each meeting which will be provided to Audit Committee members, permanent attendees and external auditors one week after the meeting, at the latest.
- 7.6 The Report of the Audit Committee meeting will be presented to the next meeting of the City Management and Finance Committee for its consideration.
- 7.7 The Committee Branch will provide relevant extracts of the Report, upon its adoption by Council, to relevant officers for information and action.
- 7.8 Provide the opportunity for the Audit Committee members to meet with internal and/or external audit without management being involved.

8. TRAINING

- 8.1 New members of the Audit Committee will be provided with induction material to allow the members familiarise themselves with the environment and to facilitate their understanding of its principal operations and activities, corporate practices and culture.

9. SELF EVALUATION

- 9.1 At least annually, the audit committee should assess the performance and achievements of the committee for the previous period and ensure that it is meeting its objectives efficiently and effectively.
- 9.2 Confirm annually that all responsibilities outlined in this charter have been carried out.
- 9.3 Where this evaluation highlights a need for enhancements to the role, operational processes or membership of the committee, the chairperson should take action to ensure such enhancements are implemented.