

## **POLICY MANUAL**

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### **Audit Charter (Terms of Reference) (July 2018)**

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#### **Background**

Section 7.1A of the *Local Government Act* requires each local government to appoint an Audit Committee comprising of at least 3 persons.

Included in the responsibilities of the Committee, as set out by the Regulations are the following:

- a. The development of a process for appointment of an external auditor.
- b. The recommendation of an appointment of an external auditor to the Council.

Additionally, the Audit Committee may recommend to the Council good management practices and guidelines relating to financial control and (generally) matters covered by part 6 (Financial Management) of the *Local Government Act*.

#### **Comment**

Although it is possible for the Council to delegate functions to the Audit Committee, it is generally considered good governance practice to have the Committee operate in a review and recommendation role to allow input of independent opinion on Council actions and policies from a risk management and probity perspective.

The scope of activity for the Audit Committee can be changed from time to time.

#### **Scope of Activity – Audit Committee**

1. Recommending adoption of an audit charter
2. Recommending appointment of an external auditor
3. Review of statutory documents
  - Annual budget
  - Statutory budget review 1 January – 30 March (yearly)
  - Annual financial statement
  - Compliance audit
4. Review of statutory processes
  - Quarterly financial reporting format
  - Annual financial reporting format
5. Review of guidelines and policies relating to *Local Government Act* part 6
  - Purchasing Policy
  - Investment Policy
  - Procurement Policy
  - Payment of Accounts & Security of Payments Policy

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- Credit Card Policy
- Records Management Policy
- Financial Management – Significant Accounting Policies

The Council has adopted the following as the Audit Charter Terms of Reference for the Audit Committee.

#### **1. Objectives of Audit Committee**

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The Committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of local government's financial accounting systems and compliance with legislation.

The Committee is to facilitate:

- The credibility and objectivity of internal and external financial reporting.
- Effective management of financial and other risks and the protection of Council assets.
- Compliance with laws and regulations as well as use of best practice guidelines relative to auditing.
- The coordination of the internal audit function with the external audit.
- The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

#### **2. Powers of the Audit Committee**

The Committee is a formally appointed Committee of Council and is responsible to that body. The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and cannot involve itself in management processes or procedures.

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The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

#### **3. Membership**

The Committee will consist of a minimum of five members.

The CEO and employees are not members of the Committee.

The CEO or his/her nominee is to attend all meetings to provide advice and guidance to the Committee.

The local government shall provide secretarial and administrative support to the Committee.

#### **4. Meetings**

The Committee shall meet at least three times in each calendar year.

At least one meeting per annum is required to meet with the external auditor.

Additional meetings shall be convened at the discretion of the presiding person.

#### **5. Reporting**

Reports and recommendations of each Committee shall be presented to the next ordinary meeting of the Council.

#### **6. Duties and Responsibilities**

The duties and responsibilities of the Committee will be to:

- a) Provide guidance and assistance to the Council as to the carrying out the functions of the local government in relation to audits.
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor.
- c) Develop and recommend to Council:
  - A list of those matters to be audited; and
  - The scope of the audit to be undertaken.

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- d) Recommend to Council the person or persons to be appointed as auditor.
- e) Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include:
  - The objectives of the audit.
  - The scope of the audit.
  - A plan of the audit.
  - Details of the remuneration and expenses to be paid to the auditor.
  - The method to be used by the local government to communicate with, and supply information to, the auditor.
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions.
- g) Liaise with the CEO to ensure that the local government does everything in its power to:
  - Assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - Ensure that audits are conducted successfully and expeditiously.
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters and:
  - Determine if any matters raised require action to be taken by the local government; and
  - Ensure that appropriate action is taken in respect of those matters.
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.
- j) Review the scope of the audit plan and program and its effectiveness.
- k) Review the appropriateness of special internal audit assignments undertaken at the request of Council or CEO.
- l) Review reports of any special internal audits by monitoring the implementation of recommendations made by the audit and reviewing the extent to which Council and management reacts to matters raised.
- m) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.

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- n) Review the local government's draft annual financial report, focusing 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.
- o) Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
- p) 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.
- q) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference following authorisation from the Council.
- r) Review the Statutory Compliance Return and make a recommendation on its adoption to Council.

This Audit Charter (Terms of Reference) is authorised by the Chief Executive Officer on 16 August 2018.

Signature: 

Name: JOHN ANTHONY ARIAS

Date: 16 August 2018