

## TERMS OF REFERENCE

### Audit and Risk Committee

|   |                               |                          |
|---|-------------------------------|--------------------------|
|  | <b>Authorising Body</b>       | Mayor / Council          |
|   | <b>Status</b>                 | Standing Committee       |
|   | <b>Title</b>                  | Audit and Risk Committee |
|   | <b>Approval Date</b>          | 27 February 2020         |
|   | <b>Administrative Support</b> | Chief Executive Office   |

This document outlines the Terms of Reference for the Audit and Risk Committee.

The Chief Executive Officer (CE) will assign the Group Manager, Corporate Services (GMCS) to the Committee. The GMCS will be responsible for coordinating agendas and be the principal point of contact for committee members.

#### 1. Purpose

To assist the Council to discharge its responsibilities for:

- Monitoring the Council's external and internal audit process
- Recommend to Council an appropriate risk management strategy and monitor the effectiveness of that strategy
- Ensure the independence and effectiveness of Council's Internal Audit processes
- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities
- Provide a communication link between management, Internal auditors/external auditors and Council
- Support measures to improve internal controls

#### 2. Responsibilities

##### External Audit

- Engage with Council's external auditors regarding the external audit work programme and agree the terms and arrangements of the external audit
- Recommend to Council the terms and arrangements for the external audit programme
- Review of effectiveness of the annual audit and Long Term Plan audit
- Monitor management's response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented

##### Internal Control

Adopted by Council – 27.02.20

- Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities. This also includes a reviewing/monitoring role of the documentation of policies and procedures
- In conjunction with the CE be satisfied with the existence and quality of cost-effective internal control and risk management systems, the proper application of processes, and agree the scope of the annual internal audit work programme
- Monitor the delivery of the internal audit work programme
- Review the annual internal audit plans and assess whether resources available to internal audit are adequate to implement the plans, and
- Assess whether all significant recommendations of the internal audit have been properly implemented by management.

### **Other Matters**

- Review the effectiveness of the risk assessment/management policies and processes
- Review the effectiveness of the control environment established by management including computerised information systems controls and security. This also includes a review/monitoring role of the documentation of policies and procedures.
- Health and Safety.
- Review the process of the development of the financial strategy as required by the Long Term Plan. Monitor Councils treasury activities to ensure that it remains within policy limits, where there are good reasons to exceed policy, that this be recommended to Council; and
- Engage with internal and external auditors on any specific one-off audit assignments
- The Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Council.

### **3. Delegated Authority**

- The Audit and Risk Committee shall have delegated authority to approve the appointment of the internal auditor, risk management and internal audit programmes, audit engagement letters and letters of undertaking for audit functions, and additional services provided by the external auditor.
- The audit and risk committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and where appropriate, recommend action (s) to Council.

### **The audit and risk Committee can recommend to Council**

- Adoption, or non-adoption of completed financial and non-financial performance statements
- Governance policies associated with Councils financial, accounting, risk management, compliance and ethics programmes, and internal control functions
- Accounting treatments, changes in generally accepted accounting practice
- New accounting and reporting requirements

## **Power to delegate**

The audit and risk committee may not delegate any of its responsibilities, duties or powers.

### **4. Committee Meetings, records and reporting structure**

- The committee will meet at least quarterly in each financial year.
- One meeting must consider the draft annual report prior to adoption of the annual report by Council
- Minutes of the committee be presented to the Council for its consideration
- Report to the Council at least twice a year on the effectiveness of internal controls, risk management and financial reporting, noting any recommendations for improvement.
- A quorum of 50% plus one of the committee is required to conduct committee business.
- The committee will be attended by a representative of External Audit for one meeting each year

## **Role of Chair**

The role of Chair is key to achieving committee effectiveness, to achieve this;

- The chair should meet with the GMCS before each meeting to discuss and agree the business for the meeting.
- The Chair should take ownership of, and have final say in, the decisions about what business will be pursued at any particular meeting.
- The Chair should ensure that after each meeting appropriate reports (minutes) are prepared from the Audit and Risk Committee to the Council.
- Encourage good, open relationships between the Audit and Risk Committee, CE, GMCS and internal and external auditors.

## **Committee Membership**

- Independent Chair
- His Worship the Mayor
- Councillor Hart
- Councillor Neale
- Kw Madgwick
- Kw Tumahai

The Committee Chair will usually be the spokesperson on matters of public interest within the committee's scope of work. Some issues may be of such public interest that it is more appropriate for the Mayor to be the spokesperson. On technical matters or where the status is still at the staff proposal level, senior staff may be the appropriate spokesperson. Where necessary and practical the Mayor, Committee Chair and senior staff will confer to determine the most appropriate course of action for advising the public.

**The Terms of Reference were adopted by Council on the 27 February 2020.**