

# 109 Audit and Risk Committee

## Statutory Policy



### PURPOSE

The *Local Government Act 2009* requires the establishment of an efficient and effective internal audit function. To meet this requirement, Council has decided to institute the establishment of an Audit and Risk Committee (the Committee).

The purpose of these Terms of Reference is to outline the role, responsibilities, composition and operating guidelines of the committee, in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

### SCOPE

The main purpose of the Committee is to provide advisory services to Council in the effective performance of its responsibilities related to internal audit and risk management as prescribed under the *Local Government Act 2009*, the *Local Government Regulation 2012* and other relevant legislation, standards and requirement.

### POLICY STATEMENT

#### AUTHORITY AND INDEPENDENCE

The Committee has no executive powers. The Committee is a committee of North Burnett Regional Council (NBRC) and is directly responsible to NBRC in discharging its responsibilities. The Committee has the authority to:

- Conduct or authorise investigations into matters within its scope of responsibility;
- Access information, records and personnel of NBRC for such purpose;
- Request the attendance of any employee, including executive staff, at committee meetings;
- Conduct meetings with NBRC internal and external auditors, as necessary;
- Seek advice from external parties, as necessary.

#### DUTIES AND RESPONSIBILITIES

The Audit and Risk Committee's primary duties are:

- Provide reasonable assurance that NBRC's strategic objectives are realised and achieved through effective and efficient measures within the standard framework of internal control and risk management
- Oversee the internal audit and risk management functions to enhance NBRC's governance, internal control systems and decision making processes
- Monitor and review the integrity of financial documents
- Monitor the implementation of risk management plan and strategy to ascertain that control measures are adopted to manage significant operational risks
- Promote transparency, integrity and ethical conduct within NBRC
- Ensure that adequate resources are allocated for the efficient and effective performance of internal audit and risk management functions.

#### KEY RESPONSIBILITIES OF THE COMMITTEE RELATED TO

##### 1. External Audit

- Monitor or review NBRC's compliance with legislation regarding financial reporting;
- Review the appropriateness of significant assumptions made by management in preparing the financial statements;
- Review with management and the external auditors the results of the external audit and any significant issues identified;
- Review of management response to external auditor's recommendation and extent of implementation
- Ensure that agreed improvements identified via external audit are implemented in timely fashion.

## 2. Financial Statements

- Satisfy itself that the financial statements are supported by management and audit sign-off;
- Review the draft audited financial statements prior to approval by NBRC with focus on any external audit comments related to significant changes in accounting policies and procedures, departure from accounting standards or major audit adjustments
- Review the financial statements, recommend and provide advice to NBRC on the adoption of the audited financial statements taking into account audit recommendations and adjustments;
- Ensure there is a proper explanation for any unusual transactions or trends or variations from budget;
- Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

## 3. Internal Control

- Review through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control;
- Review through the internal and external audit function, whether relevant policies and procedures are in place and up to date, including those for the management and exercise of delegations, and whether they are complied with.

## 4. Internal Audit

- Review the budget, staffing and skills of the internal audit function;
- Review and approve the internal audit plan, its scope and progress, and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- Review the proposed internal audit plan for the coming year to ensure that it covers key risks and that there is coordination with the external auditor;

## 5. Risk Management

- Review the risk management framework for identifying, monitoring and managing significant business risks, including fraud;
- Satisfy itself that insurance arrangements are appropriate for the risk management framework, where appropriate;
- Liaise with management to ensure there is a common understanding of the key risks to NBRC with these risks being clearly documented in a risk register which will be regularly reviewed to ensure it remains timely;
- Assess and contribute to the audit planning processes relating to the risks and threats to NBRC;
- Review effectiveness of Council's processes for identifying and escalating risks, particularly strategic risks.

## MEMBERSHIP

- Members, including the Chair, are appointed by NBRC;
- The Chair will be appointed from the membership of the Committee;
- The Chair is to be independent from NBRC and possess sound communication and strong leadership skills in this field of endeavour;
- Membership of the Committee will consist of a minimum of three (3) and a maximum of six (6) as outlined in s210 of the *Local Government Regulation 2012*;
- A minimum of one (1) member will be external to Council.
- The Committee will strive to increase the number of independent members over time;
- A maximum of two (2) members will be Councillors of NBRC;
- At least one (1) member is to have significant experience and skills in financial / audit / risk matters;
- The term appointment is for three (3) years and can be extended for a further three (3) years subject to the composition and skill requirements of the Committee. The maximum term is six (6) years;
- Members are appointed on the basis of personal qualities and skills;
- Teleconferencing or skype attendance at Committee meeting/s will only be permitted if a member request is made (verbal and or written) to the Chair three (3) days prior to the Committee meeting and that a resolution is passed in the majority of members present, immediately after the opening of the meeting;

- Proxies are not permitted if the member is unable to attend the meeting.
- Member terms and conditions (including expected remuneration) will be disclosed in the Letter of Appointment.
- The NBRC's Chief Executive Officer (CEO), General Manager Corporate & Community, the Corporate Services Manager, Safety Advisor (Workplace Health and Safety) and any other relevant officer will be required to attend meetings and have no voting rights.
- A sub-committee may be formed, via resolution, for the specific review and monitoring of particular internal audit or risk projects.

## **MEETINGS**

- The Committee will meet at least four (4) times each financial year;
- The date, time and venue of the meeting will be set by the CEO in consultation with the Chair;
- The agenda will be prepared by Council's Corporate Services Section, under the guidance of the Corporate Services Manager and circulated to all Committee members and attendees at least three (3) days before the meeting.
- A special meeting may be called by the CEO if requested to do so by any Committee Member, the External Auditor and the Internal Auditor;
- The terms of reference also provide the opportunity for Committee Members to meet with Internal and/or External Auditors without management involvement.
- In the event the Chair is absent from a meeting of the Committee, Committee members shall appoint a member as Chair.

### **1. Quorum**

A quorum shall consist of three (3) members.

### **2. Administration**

- The Office of the CEO Section shall provide secretarial functions and prepare the Committee minutes;
- The Corporate Services Section will co-ordinate any written report/s about the matters reviewed during the meeting and corresponding committee recommendations;
- This report will be provided to the Committee during its next meeting;
- Minutes of the Committee meetings will be referred to the next meeting of NBRC for information and action as required.

## **ETHICAL CONDUCT**

- Committee members must exercise transparency, integrity, honesty, objectivity and ethical conduct in the fulfilment of their duties and responsibilities;
- Committee members must ensure confidentiality, exercise prudence, care and due diligence in the handling of NBRC information acquired in the course of their duties;
- Committee members must immediately declare to the Chair any interest that may represent a real, potential or apparent conflict of interest related to their committee membership. In case of a conflict of interest involving the Chair, declaration to the CEO is required;
- The declaration must be made on appointment to the Committee and in relation to specific agenda items at the outset of each Committee meeting and be updated as necessary.

## **TRAINING**

The Committee members will be provided formal and/or informal training necessary for the effective performance of their duties and responsibilities. Familiarisation of Council's operational environment, organisational practices and culture shall form part of members' training.

## **COMMITTEE EVALUATION**

- The Committee will conduct an annual self-assessment to evaluate its performance and ensure the efficient and effective achievement of objectives;
- The assessment will confirm that all duties and responsibilities indicated in these terms of reference have been performed.
- The Chair will take necessary action to ensure that enhancements and recommendations highlighted in the assessment are properly implemented.

## RELEVANT LAW

Local Government Act 2009  
Financial Accountability Act 2009  
Local Government Regulation 2012

## RELATED POLICIES AND PROCEDURES

110 Internal Audit Function  
213 Risk Management

[Doc ID 32956](#)  
[Doc ID 33169](#)

## RELATED FORMS

Nil

## DEFINITIONS

Nil

## APPROVAL

The Audit and Risk Committee approved this policy and Terms of Reference (TOR) on 6 August 2018.  
Council approved this policy and Terms of Reference (TOR) on 15 August 2018.

## REVIEW

These Terms of Reference will be reviewed every two years by Corporate Services Manager, Corporate and Community Services and is due for review in August 2020.

## REVISION HISTORY

Version	Meeting	Approval Date	History
1	General	8 April 2008	New policy
2	Policy and Planning	7 June 2011	Revised
3	Policy and Planning	2 October 2012	Revised
4	General	15 December 2015	Revised
5	General	15 August 2018	Revised