

Audit and Risk Committee Terms of Reference

Local Government Act 2009

1. Background

Council has established and operates an Audit and Risk Committee which meets the requirements of Section 208 of the *Local Government Regulation 2012* and Section 105(2) of the *Local Government Act 2009*. To complement the scope areas in the legislation, the Committee objectives will also include risk management and governance.

2. Purpose

This Audit and Risk Committee Terms of Reference sets out the objective, role, authority, responsibilities, membership, tenure, reporting and other requirements that apply to and govern the Audit and Risk Committee of the Townsville City Council (Committee), in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

3. Role of the Committee

The Audit and Risk Committee provides an independent forum where representatives of Council, independent external specialists and management work together to fulfill specific governance responsibilities as set out in this Terms of Reference.

The Audit and Risk Committee plays a key role in assisting Council to fulfill its responsibilities in relation to a number of areas including, financial reporting, internal control systems, significant risk management, legislative compliance, and audit functions.

The Audit and Risk Committee is an advisory body only and must keep Council informed of its activities.

The Audit and Risk Committee does not diminish management or a Councillor's individual or overall responsibilities.

Council intends to improve its activities and has included in the Terms of Reference an obligation for the Committee to develop its own skills for this purpose.

4. Authority

The Audit and Risk Committee has no line of authority; however, the Committee has full right of access to all levels of management through the Chief Executive Officer and the Senior Internal Auditor to support functional reporting requirements and enable recommendations to be made to Council about any matters that the Committee considers need action or improvement.

At all times the Audit and Risk Committee is to maintain its independence from the day-to-day operations of the Council.

5. Composition of the Committee

The membership of the Committee will comprise no more than two (2) Councillors nominated by Council and up to two (2) external members (one being the Independent Chair of the Committee).

In accordance with section 210 of the *Local Government Regulation 2012*, at least one member of the Committee will have significant experience and skills in financial matters.

Council has determined that an 'alternate' member maybe appointed to the Committee. An **alternate member** of a Committee is a person who attends meetings of the Committee and acts as a member of the Committee only if another member of the Committee is absent from the meeting of the Committee.

While not members of the Committee, the Chief Executive Officer, Lead Governance, Risk & Compliance and Senior Internal Auditor will be permanent invitees to open sessions of the Audit and Risk Committee. Other Council staff may be invited by the Audit and Risk Committee Chair to attend open sessions to provide information or expertise, or to speak to reports to the Committee.

6. Objectives

The main objectives of the Audit and Risk Committee are to:

- monitor and review:
 1. the integrity of financial documents;
 2. the internal audit function;
 3. the effectiveness and objectivity of the internal auditors; the independence and objectivity of external auditors; and,
 4. the progress of audit items actions.
- make recommendations to Council about any matters that the Audit and Risk Committee considers need action or improvement.
- assess and contribute to the Council's processes related to the identification and oversight of significant risks (those risks that are rated high and extreme and strategic risks) and threats, taking into account the environment, financial and other frameworks through which the Council operates;
- evaluate the quality and facilitate the practical discharge of the internal audit function, particularly in the areas of planning, monitoring and reporting;

The Audit and Risk Committee will, having regard to the systems and processes available within the Council, be pro-active with a view to pre-empting issues that may arise.

7. Scope of the Committee

The scope of the Audit and Risk Committee includes but is not limited to the following aspects of the Council's activities:

- Performance management governance
- Financial compliance

- Internal audit
- External audit
- Risk management and control measures
- Legal and legislative compliance
- Sustainability considerations including economic, environmental, social and governance
- Referrals by Council
- Self-development of the Audit and Risk Committee and,
- Self-assessment of the Audit and Risk Committee.

Furthermore, the Audit and Risk Committee in accordance with section 211(1)(b) of the *Local Government Regulation 2012* must review each of the following:

1. the internal audit plan for the current financial year;
2. the internal audit progress report and the actions to which recommendations relate;
3. the draft financial statements for the preceding financial year before the statement is certified and given to the Auditor General for auditing under section 212; and,
4. the Auditor General's audit report and the Auditor General's observation report about the local government's financial statements for the preceding financial year.

From time to time, the Committee will focus its attention on matters referred to it by Council within its scope of responsibility.

8. Responsibilities of Committee Members

Audit and Risk Committee Members:

- contribute to the assessment and improvement of Council's corporate governance processes, including its systems of internal control, risk management and internal audit activities are required to prepare for, attend and contribute as appropriate to all Audit and Risk Committee meetings;
- are to review significant areas of risk to Council including internal controls, external reporting and compliance requirements, governance and probity;
- should review the activities of external and internal audit and provide guidance and direction as required;
- should be proactive in respect to any matters that would compromise the objectivity or independence of the Internal Audit Unit;
- should periodically engage with the Internal Audit Unit and the External Auditor independent of management;
- are responsible for reviewing and approving the Internal Audit policy, charter and plans;
- should ensure that recommendations, in relation to significant risk items, arising from audit sources are followed up and implemented appropriately (reasons should be obtained from management for inappropriate and untimely implementation);
- should verify minutes of meetings as an accurate record of Audit and Risk Committee meetings; and,
- will refrain from making any public comment or issuing any information in any form, concerning matters of the Audit and Risk Committee or matters of interest to the Committee, unless agreed by the Committee.

Chairperson:

In addition to the duties and responsibilities as an Audit and Risk Committee member, the Committee Chairperson shall:

- provide leadership and direction to the Audit and Risk Committee including providing meeting structure, professionalism and efficiency;
- ensure effective communication between the Audit and Risk Committee, Chief Executive Officer, management, External Audit, Internal Audit; and,
- ensure the independence and objectivity of the Audit and Risk Committee and Internal Audit functions are maintained.

9. Self Development of the Committee

The Council acknowledges the importance of fostering the self-development of Committee members to enhance skills and maintain their competence. Consequently, the Council commits to granting internal committee members reasonable access to technical and professional development opportunities, enabling them to stay abreast of legislative changes, accounting standards and other pertinent matters. External members are expected to independently uphold their own professional self-development prerequisites.

10. Assessment of the Committee

Each calendar year the Audit and Risk Committee shall undergo a self-assessment process to ensure all the functions and business of the Committee is being dealt with in an efficient and effective manner.

The assessment process shall include but not be restricted to time of meetings, length of meetings, attendance at meetings, location of meetings, content of meetings, results of recommendations on matters discussed, achievements and satisfaction rating of members.

11. Term of Membership

The composition of the Audit and Risk Committee shall be in accordance with section 210 of the *Local Government Regulations 2012*. Council may alter the Committee's membership.

A Councillor's membership of the Committee will automatically expire concurrent with the end of their term on Council. Councillors are eligible for re-appointment upon being re-elected.

The terms and conditions of the independent members shall be determined by Council on appointment and may be extended or terminated at Council's discretion in accordance with the terms and conditions of the agreement.

12. Meetings

Committee meetings shall be held at least twice in each financial year. Additional meetings shall be held at the request of Council or at the request of the Audit and Risk Committee Chair.

A set agenda aligned with the annual work plan will be prepared and include an action items list, a closed session for Committee members and auditors only and supporting reports which will be distributed to Committee members five (5) business days prior to the meeting, unless all members agree to less notice. Any required key contributors, internal or external, will be invited to attend

meetings at the request of the Chair. Members may participate in a meeting by telephone or videoconference.

Urgent agenda items can be managed by convening a Special meeting or by flying minute.

Three voting members constitute a quorum. If the Chair is absent the members present shall elect a person to preside at the meeting. The person presiding at any meeting shall have a casting vote.

The Committee reserves the right to meet with only voting members in attendance.

Proceedings of the meetings shall be minuted and signed by the Chair when confirmed.

The Council Secretariat is responsible for, recording all proceedings, attending to meeting arrangements, distributing minutes of all meetings and record keeping practices. The Audit and Risk Committee will be administratively managed by the Legal Services Governance Risk and Compliance section.

13. Access to Information

The Audit and Risk Committee shall have access to the necessary information to enable it to carry out its responsibilities under these Terms of Reference.

The Chief Executive Officer will ensure management and staff cooperate fully with the Audit and Risk Committee.

With the approval of Council, or if within the approved budget, external experts may be consulted if considered necessary for independent advice and to assist the Audit and Risk Committee to carry out its duties.

14. Reporting Requirements

The Chief Executive Officer will submit to Council a copy of the meeting report of each Audit and Risk Committee meeting.

The Audit and Risk Committee Chair shall prepare an annual report to Council of the calendar year, which:

- summarises its activities and achievements;
- assesses the committee's performance;
- comments on its compliance with its Terms of Reference; and,
- outlines the proposed activities for the following year.

15. Confidentiality

All matters discussed at Audit and Risk Committee meetings together with any material provided to members of the Committee is of a confidential nature.

All members of the Audit and Risk Committee are to refrain from making public comment or issuing any information, in any form, concerning the Committee or the matters of interest to the Committee.

The Council resolves that all meetings of the Audit and Risk Committee are to be closed meetings.

All agendas, reports, minutes and other proceedings of the Audit and Risk Committee are to be considered and held confidential by Councillor's and staff until otherwise determined by Council.

16. Conflicts of Interest

Committee members are required to declare any interests that could constitute a real, potential or perceived conflict of interest with respect to participation on the Committee.

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.

Audit and Risk Committee members shall absent themselves from meetings when a conflict of interest is raised. The member will remain absent from the meeting until the agenda item has been appropriately addressed by the Committee.

17. Review

The Committee shall review these Terms of Reference annually or when related legislation is amended or other circumstances as determined by Council. Recommended changes are made to the Council for adoption.

18. Annual Work Plan

Key Responsibilities	Terms of Reference Alignment	Area of Assistance	Considerations and Objectives	Proposed Outcome	Period to be Completed Guidance				
					March Quarter	June Quarter	September Quarter	December Quarter	No set meeting
Audit Committee	S7, S10, S12, S14, S15 and S17	Audit Committee Governance (Legal Services)	Annual self-assessment survey of committee members	Inform			<input checked="" type="checkbox"/>		
			Closed meeting with auditors	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
			Annual Report to Council by Chair	Report	<input checked="" type="checkbox"/>				
			Audit Committee Terms of Reference and Policy review	Endorse			<input checked="" type="checkbox"/>		
Monitor and Review Internal Audit	S6, S7 and S8	Internal Audit	Internal Audit 3 Year Strategic Work Plan review	Endorse	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
			Annual Internal Audit Work Plan review	Endorse	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
			Internal Audit report (including progress report, scoping documents and completed project reports)	Review	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
			Internal Audit Manual review confirmation	Inform			<input checked="" type="checkbox"/>		
			Internal Audit declarations (ethics, independence)	Inform	<input checked="" type="checkbox"/>				
			External Quality Assessment (at least 5 yearly)	Review					<input checked="" type="checkbox"/>
	Annual report on Internal Audit (includes annual declarations)	Inform					<input checked="" type="checkbox"/>		
	S7 and S8	Audit Committee	Annual Internal Audit customer survey	Review	<input checked="" type="checkbox"/>				
		Annual Internal Audit Charter and Policy review	Endorse				<input checked="" type="checkbox"/>		
Monitor and Review External Audit	S6 and S7	Financial Services (QAO)	External Audit client strategy	Inform	<input checked="" type="checkbox"/>				
			Interim management report	Review	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
			Final management report	Review				<input checked="" type="checkbox"/>	
			Quarterly report from QAO	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
	Other Assurance	Self-Insurance - WH&S and Workers' Compensation Audit Reports (2 yearly)	Inform	<input checked="" type="checkbox"/>					
Risk Management	S6, S7 and S8	Governance (Legal Services)	Consolidated key risk indicators report (risk appetite metrics, strategic risk and operational risk)	Inform			<input checked="" type="checkbox"/>		

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					March Quarter	June Quarter	September Quarter	December Quarter	No set meeting	
		Audit Committee	Risk Management report	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
			Risk Appetite Statement	Endorse				<input checked="" type="checkbox"/>		
Governance	S6 (4), S7 and S8	Governance (Legal Services)	Governance and Compliance report	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
			Corporate Governance Framework (2 yearly)	Endorse			<input checked="" type="checkbox"/>			
			Audit issues progress report (internal and external audit actions)	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Financial Reporting	S6 (1) and S7	Financial Services	Annual Budget and Operational Plan review	Inform			<input checked="" type="checkbox"/>			
			Budget variance reports (BVRs)	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
			Treasury report	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
			Financial reporting timetable	Inform	<input checked="" type="checkbox"/>					
			Key accounting position papers	Review		<input checked="" type="checkbox"/>				
			Annual asset valuation report	Review		<input checked="" type="checkbox"/>				
			Shell Financial Statements	Review		<input checked="" type="checkbox"/>				
			Draft Financial Statements	Review				<input checked="" type="checkbox"/>		
			Final Financial Statements	Endorse					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Operational Reporting	S6 and S7	Governance (Legal Services)	Townsville City Council Annual report	Inform				<input checked="" type="checkbox"/>		
		Governance (Legal Services)	Stolen items reporting	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
		Customer and Digital Services	Cyber Security and dashboard reporting	Inform	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			
		CEO	CEO verbal update	Inform	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
<i>Items per meeting</i>					20	16	18	19	2	