



# **Terms of Reference**

## **Audit Committee**

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Version 12	Post-election Meeting - 29 April 2020 (20/616)	General Meeting - 13 May 2020 (20/620)	A19960735

**1. Head of Power**

This Audit Committee (**Committee**) Terms of Reference has been designed to assist Moreton Bay Regional Council (**Council**) in fulfilling its corporate governance role and oversight of financial management and reporting responsibilities imposed under the *Local Government Act 2009* (**Act**), the *Local Government Regulation 2012* (**Regulation**), and other relevant legislation.

**2. Establishment**

The Committee is established in accordance with s.105 of the Act and ss. 208-211 of the Regulation.

Pursuant to s.265 of the Regulation, the Committee is an advisory committee to Council and has no decision-making powers. It acts as a source of independent advice to Council and to the Chief Executive Officer (**CEO**) on governance, risk management, accountability and audit-related matters.

These Terms of Reference set the principles and standards for the Committee and explains the role of the Committee within Council.

**3. Purpose**

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

The Audit Committee is an internal governance process which is intended to contribute to the improved performance of the organisation.

**4. Roles and Responsibilities of the Audit Committee**

The role of the Committee is to assist Council and the CEO to discharge their responsibilities imposed under the Act and other relevant legislation, which includes the requirement to monitor and review the:

- Integrity of financial documents
- Internal Audit function
- Effectiveness and objectivity of Council's Internal Auditors and External Audit, and
- Effectiveness of Council's internal controls.

The Committee's roles and responsibilities also include:

**Control and Policies**

- Evaluate and monitor the integrity, adequacy and effectiveness of finance, administrative and operating systems, policies and procedures through communication with, and reports from management, External and Internal Audit.
- Monitor the standard of corporate governance and ethical considerations.
- Monitor compliance with statutory, regulatory and policy obligations.
- Review the effective operation of an accounting and financial control and risk environment.
- Review the Internal Audit Plan for the current financial year.
- Review the progress of the Internal Audit Plan and the implementation of recommendations. With respect to audit recommendations, Internal Audit will follow up each recommendation when the implementation date falls due.

***Financial Reporting***

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review proposed asset valuation methodology and the final annual asset valuation report.
- Review with management and the External Auditors the results of the audit, including any difficulties encountered.
- Review the annual financial report, and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles, standards and regulatory requirements.
- Review with management and the External Auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards.
- Review any legal matters which could significantly impact the financial statements.

***Internal and External Audit***

- Oversee Council's External Audit and consider audit findings and management's response to the External Auditor's management letter.
- Endorse Internal Audit plans.
- Review the audit plans of the Internal and External Auditors and the extent to which planned audit scope can be relied upon to detect weaknesses in internal control, risk, fraud or other illegal acts.
- Review Internal Audit reports and findings.
- Review the status of the follow up and the implementation of recommendations made by Internal and External Auditors.

***Risk Management***

- Monitor Council's Enterprise Risk Management (**ERM**) strategies, policies and procedures.
- Advise on the management of Council's strategic risks. The Committee may identify specific risks for more detailed review and discussion.
- Provide an effective oversight function to ensure that fraud and corruption control objectives are being met in relation to the mitigation of fraud and corruption risks.
- Seek assurance from those in attendance at meetings and from information presented at meetings that the implementation of the Operational Plan continues to focus on the adequacy and effectiveness of internal controls and the minimisation of risk.

***Fraud & Corruption Control***

- Review the process of developing and implementing Council's Fraud and Corruption Control Framework and satisfy itself that Council has appropriate processes and systems in place to detect, capture and effectively respond to fraud related information.
- Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in Council.

**5. Member Responsibilities**

Members of the Committee are expected to understand and observe the legal requirements of the Act and Regulation.

Members are expected to at all times:

- Act in the best interests of Council;
- Apply good analytical skills, objectivity and good judgement;
- Maintain confidentiality of information and documentation considered by the Committee;
- Express opinions constructively and openly, raise issues that relate to the Committee's responsibilities;
- Contribute the necessary time required to review the agenda papers prior to attending meetings; and
- To refrain from making any public comment or issuing any information in any form, concerning matters of the Audit Committee or matters of interest to the Committee.

**6. Composition**

Section 210 of the Regulation specifies that the Committee must consist of at least three (3) and no more than six (6) members; and must include one (1), but no more than two (2) Councillors.

The members, taken collectively, will have a broad range of skills and experience relevant to the Committee's responsibilities. At least one (1) member will have significant accounting or related financial management experience with an understanding of accounting and auditing standards.

To improve the level of independence and objectivity, at least two (2) suitably qualified independent external members will be appointed to the Committee under terms and conditions resolved by Council from time to time, with one (1) of them appointed as the Chairperson of the Committee.

Whilst the CEO is not a member of the Committee they should attend meetings of the Committee.

**7. Terms of Membership*****Councillors***

- Councillor members will be appointed to the Committee for the full Council term unless otherwise removed by a resolution of full Council or acceptance of a resignation.
- In the event of a Councillor resigning their position on the Committee, the full Council will nominate a Councillor to fill the vacant position.

***Independent External Members***

- Appointment of external members will be made via a public advertisement; an evaluation of candidates and a recommendation for appointment put to Council, or as otherwise determined by Council. External members may not be Council employees or contractors.
- External members shall be appointed with staggered terms of up to four (4) years to ensure continuity.
- The evaluation of potential external members will be undertaken by the Mayor or a nominated Councillor and the CEO, taking account of the qualifications and experience of the candidates.
- Remuneration will be paid to each external member.
- External members may be re-appointed; however, they must reapply and follow the selection process.

**Committee**

- If the Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a Council meeting which is open to the public, if that member so requests.
- The Chairperson shall be appointed by Council.

**8. Independence and Ethical Standards**

- Members must act and make decisions with an open and enquiring mind from their perspective as a Committee member safeguarding the interests of Council.
- Members must act independently.
- Members of the Committee must, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to Council.

**9. Confidentiality**

The Committee members are responsible and accountable for maintaining the confidentiality of the information they receive during the conduct of their function.

**10. Quorum**

Section 211(2) of the Regulation requires a quorum of at least half the number of members of the Committee and either the Chairperson shall preside or if the Chairperson is absent, the member chosen by the members present as Chairperson for the meeting presides.

**11. Meetings and Reporting**

- The dates and times of regular meetings of the Committee will be fixed by resolution of Council and may be amended from time to time by resolution.
- As an indicative guide the Committee should meet at least quarterly with meetings arranged to coincide with relevant Council deadlines, for example, to coincide with the approval of corporate plans, annual plans and budgets, to coincide with engagement of the External Auditors and the finalisation of the financial statements.
- Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee, Internal or External Auditor.
- The CEO and the Principal Internal Auditor shall attend all meetings, except when the Committee chooses to meet in camera. Other members of Council or Council employees may be invited to attend where appropriate at the discretion of the Committee to advise and provide information when required.
- Representatives of the External Auditor should be invited to attend at the discretion of the Committee but **must** attend meetings considering the draft Annual Financial Report and results of the External Audit.
- Due to the confidential nature of information and the high level of independence of Internal and External Audit, Committee meetings may be closed in accordance with s.275 of the Regulation.
- If considered beneficial by the Chairperson of the Committee, additional meetings may be held with Internal or External Audit, with or without observers present.  
  
The Chairperson would hold the meetings when considered appropriate. These meetings would be in addition to the normal Committee meetings.
- Appendix 'A' - Standing Agenda Items.

**Administrative Support**

The CEO's office shall provide administrative support to the Committee.

This support shall include:

- Preparation and distribution of the agenda and any attachments and other material to the Committee, all other Councillors, the External Auditors and relevant stakeholders prior to the Meetings, in accordance with s.277 of the Regulation.
- Pursuant to s.272 (7) of the Regulation, the Committee is exempted from the requirement to keep minutes of its proceedings as the function of the Committee is to advise or recommend.

**Access by Committee**

The Committee shall be supplied with information it requires from the CEO or any Council employee delegated by the CEO.

Requests for Council employees and independent experts to attend a Committee meeting to provide information shall be approved by the CEO or a Director.

The Committee is authorised to obtain independent professional advice where considered necessary, following consultation with the CEO and Council.

**Reporting Requirements**

Sections 211(1)(c) and 211(4) of the Regulation requires a written report about the matters reviewed at a Committee meeting and the Committee's recommendations about the matters to be presented by the CEO at the next Council meeting for consideration and adoption.

Internal and External Audit may be requested to address Council to provide detailed explanation of the issues reported or raised within the Committee meetings. It is imperative that the independence of audit is not compromised or seen to be compromised.

To maintain this high level of independence, it may be necessary to resolve that the Council meeting be closed (in terms of s.275 of the Regulation) when Internal or External Audit addresses Council.

After the Council meeting, the adopted report is to be circulated to all Committee members.

**12. Relationships****Internal Audit**

The Committee will act as a forum for Internal Audit and oversee its planning, monitoring and reporting processes. This process will form part of the governance process that ensures that Council's Internal Audit function operates effectively, efficiently and economically.

**External Audit**

The Committee has no power of direction over External Audit or the manner in which the External Audit is planned or undertaken, but will act as a forum for the consideration of External Audit findings and will ensure that they are balanced with the views of management.

**13. Induction of New Members**

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

New members will receive relevant information and briefings upon their appointment to assist them to understand and meet their responsibilities under this Terms of Reference. Further training may be available if required.



**14. Performance Review and Assessment**

The Chairperson of the Committee, will initiate a review of the performance of the Committee at least every two (2) years.

A Committee self-assessment questionnaire will be used to facilitate this review with appropriate input sought from the CEO, Committee members, the EMT, Internal Audit and any other relevant stakeholders.

The Principal Internal Auditor will assist the Chairperson with the administration of the self-assessment questionnaire.

Any need for enhancements to the role, operational processes or membership of the Committee, will be recommended to Council for adoption.

**15. Conflicts of Interest**

Committee members are required to provide written declarations declaring any actual, perceived or potential conflicts of interest they may have in relation to their responsibilities.

As they arise between meetings, or at the beginning of each Committee meeting, members are required to declare any new or changed actual, perceived or potential conflicts of interest that may apply to specific matters on the meeting agenda.

Where required, the members will be excused from the meeting or from the Committees consideration of the relevant agenda item(s). Details of actual, perceived or potential conflicts of interest declared by members and action taken will be appropriately recorded.

**16. Professional Indemnity Insurance**

Committee members are provided with professional indemnity insurance as part of Council's Broad Form Liability Cover - Qld Local Government Mutual Liability Pool.

**17. Review of the Terms of Reference**

This Terms of Reference will be reviewed at least annually. This review will include consultation with the Chairperson and the CEO.

Any substantive changes to the Terms of Reference will be formally adopted by the Council on the recommendation of the Committee.

**18. Legislation referenced in the Terms of Reference**

*Local Government Act 2009*

*Local Government Regulation 2012*

*Auditor-General Act 2009*

**APPENDIX 'A' - STANDING AGENDA ITEMS**

<b>Agenda Item</b>	<b>Topic</b>	<b>Speaker / Presenter</b>
1	Welcome and Apologies	Chairperson
2	Actual, Perceived or Potential Conflict of Interest Declarations	Chairperson
3	Significant Organisation and System Matters	CEO
4	Enterprise Risk Management Activities Update	Risk Owner
5	Financial Reporting – <i>including YTD budget versus actual</i>	Accounting Services Manager
6	External Auditor Report	External Audit
7	Internal Audit Overview, Reports & Follow-Up Actions	Internal Audit
8	General Business	Committee
9	Next Audit Committee Meeting	Chairperson
10	Close	Chairperson