

Document Control	
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Responsible Position	Corporate Services Director
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## What is an Audit Committee?

An Audit Committee is an advisory committee of council, established in accordance with the *Local Government Act 2009* and *Local Government Regulation 2012* to:

- (a) Monitor and review –
  - The integrity of financial documents, and
  - The internal audit function, and
  - The effectiveness and objectivity of the local government’s external auditors; and
- (b) Make recommendations to council about any matters that the Audit Committee considers need action or improvement.

The objective of the Audit Committee is to promote good corporate governance through the provision of independent assurance, oversight and advice to council and the chief executive officer on matters relating to fraud and corruption control, risk management, internal control, governance, compliance, audit, financial statement preparation and financial reporting.

## How will the Audit Committee help councillors to undertake their legislative role?

The Audit Committee will provide oversight, monitoring, review, and advisory activities in the following areas:

- Risk management
- Internal controls
- Financial reporting
- Performance management framework
- Internal audit function
- External audit function
- Legislative and regulatory compliance

The operations of the Audit Committee do not diminish the statutory duties and responsibilities imposed on councillors under the *Local Government Act 2009* and the *Local Government Regulation 2012*.

**Other Responsibilities of the Committee include:****External Audit**

- Monitor or review council's compliance with legislation regarding financial reporting; and
- Review the draft general purpose financial statement and financial sustainability statement
- Review the audited financial statements prior to approval by council with focus on the external auditor's audit report, including any external audit comments related to significant changes in accounting policies and procedures, departure from accounting standards or major audit adjustments.
- Review of management response to external auditor's recommendation and extent of implementation (assessing the policies and procedures adopted by management to address these matters).
- Review other reports e.g., briefing papers.

**Internal Audit**

- Review through internal audit, the adequacy of the internal control structure and systems, including information technology security and control.
- Oversee the internal audit functions to enhance council's governance, internal control systems and processes.
- Ensure that adequate resources are allocated for the efficient and effective performance of internal audit functions.
- Review the internal audit progress report, the significant internal audit recommendations and monitor management's response and corresponding implementation.
- Monitor the extent of external auditor's reliance on internal audit work to facilitate completeness of audit coverage and maximization of resources
- Assess and monitor the effectiveness, independence, and objectivity of internal audit.

Pursuant to section 211(1)(b) of the *Local Government Regulation 2012*, the Audit Committee must review each of the following matters:

- (a) The internal audit plan for the internal audit for the current financial year,
- (b) The internal audit progress report for the internal audit for the preceding financial year including the recommendations in the report and the actions to which the recommendations relate,
- (c) A draft of the local government's financial statements for the preceding financial year before the statements are certified and given to the auditor-general under section 212 of the *Local Government Regulation 2012*, and
- (d) The auditor-general's audit report and auditor-general's observation report about the local government's financial statements for the preceding financial year.

Further, pursuant to section 211(3) of the *Local Government Regulation 2012* the Audit Committee may, for performing its functions under subsection 211(1)(b), seek information or advice from the person who has carried out the internal audit.

**Duties and Responsibilities****Audit Committee Member**

- Contribute to the assessment and improvement of council's governance processes, including its systems of internal control, risk management and internal audit activities,
- Prepare for, attend, and contribute as appropriate to audit committee meetings,
- Review key areas of risk to council including internal controls, external reporting and compliance requirements, governance, and probity,
- Review the activities of external and internal audit and provide guidance and direction as required,

- Be proactive in respect to any matters that would compromise the objectivity or independence of the internal audit function,
- 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,
- Raise any issues related to a conflict of interest with the chair as soon as possible,
- Not disclose, make improper use, or take advantage of any restricted information that they may have access to as a member of the committee,
- Act in an ethical manner in consideration of issues and the provision of advice to council, and
- Act in accordance with these Terms of Reference.

## Chairperson

In addition to the duties and responsibilities as an audit committee member, the audit committee chairperson shall:

- Provide leadership and direction to the Audit Committee including providing meeting structure, professionalism, and efficiency,
- Encourage the participation of other members,
- Ensure effective communication between the Audit Committee, chief executive officer, executive management team, internal and external auditors, and
- Ensure the independence and objectivity of the Audit Committee and internal audit functions are maintained.

## Committee Composition

The membership of the committee will comprise of two (2) Councillors and up to four (4) external members, appointed by Council. Council will appoint one of the external members of the Audit Committee as Chairperson.

The external committee members shall have relevant tertiary qualifications and are current members of a professional body in Australia, with experience in accounting, audit, or another relevant area.

Council can at any time appoint a stand-in or replacement councillor member to the Audit Committee. A proxy is not permitted if an external member is unable to attend meetings.

Whilst not committee members, the chief executive officer, director corporate services and internal auditor are required to attend meetings as permanent attendees with no voting rights.

The committee may invite other council officers or council's external auditors to attend meetings as necessary.

## Tenure of the Committee

The Audit Committee is established for the term of the current council, unless dissolved earlier by council resolution.

## Terms of Membership

Councillors will be appointed to the committee for the term of the council unless otherwise removed by a resolution of council or acceptance of a resignation. A councillor seeking to resign from the committee must provide a written request to the council. In the event of a councillor resigning his/her position on the committee, the council will nominate a councillor to fill the vacant position.

A councillor's membership of the committee will automatically expire concurrent with the end of their term on council. Councillors are eligible for reappointment by council upon being re-elected.

External members are generally appointed for the term of the current council, unless otherwise removed by a resolution of council or acceptance of a resignation. A councillor seeking to resign from the committee must provide a written request to the council. In the event of a councillor resigning his/her position on the committee, the council will nominate a councillor to fill the vacant position.

A councillor's membership on the committee will automatically expire concurrent with the end of their term on council. Councillors are eligible for re-appointment by council upon being re-elected.

An external committee member may, by notice in writing addressed to the council, resign his/her office as a member.

Council may remove a member from the committee if a member is unable or unwilling to operate within these Terms of Reference and any relevant policy, procedure or guidelines of Maranoa Regional Council.

External members' membership will expire at the expiry of the council term. The new council will invite expressions of interest for membership of the Audit Committee at which a former external member can re-apply.

Remuneration will be paid to each external member as determined by council.

If any member of the committee is absent for three (3) consecutive meetings without having obtained a leave of absence from the committee, the member's continued membership of that committee will be referred to the council for determination.

## **Administrative Support**

The Chief Executive Officer shall provide administrative resources to the committee.

The Executive Services Officer will be responsible for:

- Preparation and distribution of the agenda and any attachments and other material to the committee, within 5 days prior to the scheduled meeting; and
- Preparation of a written report about matters reviewed at the meeting and the committee's recommendations about the matters, as required. Pursuant to section 272(7) of the *Local Government Regulation 2012*, the Audit Committee is exempted from the requirement to keep formal minutes of its proceedings as the function of the Audit Committee is to advise or recommend only.

The Audit Committee may request additional resources to be allocated by the council, subject to agreement with and satisfaction of the chief executive officer, that the resources are reasonable, available and will be applied to tasks designed to achieve a specified objective. All such requests will be appropriately recorded and recommended in the committee report.

## **Quorum**

In accordance with section 211(2) of the *Local Government Regulation 2012*, a quorum will be at least half of the number of members, of which one must be an external member of the committee.

## **Meeting Procedures**

Unless otherwise provided in these Terms of Reference, the Audit Committee will adopt meeting procedures in accordance with section 270 of the *Local Government Regulation 2012*.

## Voting

In accordance with section 270 of the *Local Government Regulation 2012*:

- Voting at a meeting must be open and questions decided by the majority of the votes of the members present, however if the votes are equal, the member presiding (chairperson) has the casting vote.
- Each member of the Audit Committee present has a vote on each question to be decided.
- If a member fails to vote, the member is taken to have voted in the negative.

## Other

Non-members may, with the permission of the chair, address the Audit Committee on any item of business listed on the agenda however, a non-member will not vote on any matter at an audit committee meeting.

## Frequency of Meetings

Audit committee meetings shall be held at a minimum two times in each financial year. The date, time and venue of the meeting will be set by the chief executive officer in consultation with the committee chairperson.

As an indicative guide, the meetings should be arranged to coincide with relevant council deadlines e.g. to coincide with the requirement for the Audit Committee to review the draft financial statements.

The committee shall recommend to council if additional meetings are required in order to fulfil their duties.

## Reporting

The Audit Committee shall submit a summary of its activities for inclusion in the council's annual report.

## Attendance

In accordance with the 'Code of Conduct for Councillors in Queensland', councillors will attend and participate meaningfully in all committee meetings to assist them in fulfilling their roles other than in exceptional circumstances and/or where prior leave is given.

Council will include records of attendance at audit committees (both whole and part) through its annual report each year.

## Teleconferencing

Where practical or necessary, councillors or employees participating in a committee meeting may be via the use of a telephone, video conferencing equipment or other means of instant communication that allows a person to take part in discussions as they happen.

Those participating in a committee meeting via teleconference must ensure they are in a place that maintains the confidentiality of the committee meeting discussions, without others present – where applicable in accordance with the confidentiality procedure.

## Conflicts of Interest & Material Personal Interests

Section 175A to section 175J (inclusive) of the *Local Government Act 2009* apply with respect to councillors' obligations at formal meetings of council (including any of its committees) – refer attachment A for all sections.

Specific reference is made to section 175I which relevantly states:

- (1) This section applies to a councillor who has a material personal interest, real conflict of interest or perceived conflict of interest in a matter, other than an ordinary business matter.
- (2) The councillor must not influence, or attempt to influence, another councillor to vote on the matter in a particular way at a meeting of the local government or any of its committees. Maximum penalty – 200 penalty units or 2 years imprisonment.
- (3) The councillor must not influence, or attempt to influence, a local government employee or a contractor of the local government who is authorised to decide or otherwise deal with the matter to do so in a particular way. Maximum penalty – 200 penalty units or 2 years imprisonment.

To avoid being in breach of either subsection (2) or (3) of section 175I, if a councillor is aware that they have a conflict of interest or material personal interest in an item to be discussed at a standing committee, that councillor will declare that interest to all persons present and then deal with the interest by leaving the briefing whilst that particular item is discussed.

A member has a conflict of interest in an issue if there is a conflict between the members private interest and the public interest that may lead to advice or a recommendation that is contrary to the public interest. Audit committee members shall absent themselves from meetings when a conflict of interest agenda item is raised. The member will remain absent from the meeting until the agenda item has been appropriately addressed by the committee.

Council officers must abide by council's code of conduct and disclosures in relation to conflicts of interest (conflicts of interest, gifts and benefits and prescribed personal interests).

### **Modification of Terms of Reference**

The Terms of Reference may be amended from time to time by resolution at a council meeting.

### **Related Documents**

Confidentiality Procedure – Template adopted by Maranoa Regional Council – 22 April 2020 (OM/04.2020/06) applies to committee meetings.