

Audit & Risk Committee Constitution

Office for the Mayor & CEO, Governance

Date adopted: 26 June 2019

Review date: 26 June 2020

1. Authority

The Audit & Risk Committee is established in accordance with s105 of the Local Government Act 2009, and s210 of the Local Government Regulation 2012, which require that local governments must establish an Audit Committee. This Constitution establishes the authority and responsibilities conferred on the Audit & Risk Committee (Committee) by Council and establishes the duties and responsibilities of the Committee.

The Committee does not have executive powers, unless delegated to it by Council, but in discharging its duties and responsibilities has the authority to:

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

2. Objectives

The primary objective of the Committee is to promote good corporate governance through the provision of independent assurance, oversight and advice to Council on matters relating to:

- Internal Audit
- External Audit
- Financial Statements and Reporting
- Risk Management
- Internal Controls
- Legislative and Organisational Compliance

3. Duties and Responsibilities

The Committee is directly responsible and accountable to Council for the exercise of its duties and responsibilities, which include, but are not limited to:

3.1 Local Government Act

i. Monitor and review:

- The integrity of the financial documents of Council;
- The internal audit function of Council;
- The effectiveness and objectivity of Council's internal auditors; and
- The effectiveness, independence and objectivity of Council's external auditors.

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- ii. Make recommendations to Council on matters that the Audit & Risk Committee consider need action or improvement.

3.2 Financial Statements

- i. Satisfy itself that the financial statements are supported by management and audit sign-off;
- ii. Review the financial statements, recommend and provide advice to Council on the adoption of the audited financial statements taking into account audit recommendations and adjustments;
- iii. Make recommendations to Council about matters that the Audit & Risk Committee considers need action or improvement;
- iv. Review the appropriateness of accounting policies;
- v. Review the appropriateness of significant assumptions made by management in preparing the financial statements;
- vi. Review the financial statements for compliance with prescribed accounting and other requirements;
- vii. Review, with management and the external auditors, the results of the external audit and any significant issues identified;
- viii. Ensure there is proper explanation for any unusual transactions or trends or variations from budget;
- ix. Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

3.3 Risk Management

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

3.4 Internal Control

- i. Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control;
- ii. Review, through the internal and external audit functions, 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.

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3.5 Performance Management

- i. Review Council's compliance with the performance reporting requirements of the Financial Administration and Audit Act 1977, the Financial Management Standard 1997 and the Annual Report Guidelines for Queensland Government Agencies;
- ii. Review whether performance management systems in place reflect Council's mission, goals and operational objectives;
- iii. Identify that the performance reporting and information uses appropriate benchmarks, targets and trend analysis.

3.6 Internal Audit

- i. Review the budget, staffing and skills of the internal audit function;
- ii. 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;
- iii. Review the proposed internal audit plan for the coming year to ensure that it covers key risks and that there is appropriate co-ordination with the external auditor;

3.7 External Audit

- i. Consult with external audit on the function's proposed audit strategy, audit plan and audit fees for the year;
- ii. Review the findings and recommendations of external audit and the response to them by management;
- iii. Ensure that there is no material overlap between the internal and external audit functions;
- iv. Review External Audit recommendations and monitor and review Management responses and implementation of agreed actions.

3.8 Compliance

- i. Determine whether management has considered legal and compliance risks as part of Council's risk assessment and management arrangements;
- ii. Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and government policies;
- iii. Review the findings of any examinations by regulatory agencies, and any auditor observations.

3.9 Reporting

- i. Submit quarterly reports to Council outlining relevant matters that have been considered by it as well as the committee's opinions, decisions and recommendations;
- ii. Circulate minutes of the committee meetings to Council, committee members and invited guests as appropriate;
- iii. Prepare an annual report to Council summarising the performance and achievements for the previous year. An interim program of the planned activities for the coming year also is to be provided.

4. Membership and Meetings

Membership of the Audit & Risk Committee will be in accordance with s210 of the Local Government Regulation.

4.1 Membership

- i. Members, including the Chair, are appointed by Council;
- ii. Membership of the committee will consist of a minimum of three and a maximum of six;
- iii. A minimum of one member will be external to Council;
- iv. A maximum of two (2) members will be Councillors of the Whitsunday Regional Council;
- v. At least one member will have 'financial expertise' as described in the Queensland Treasury publication, Audit Committee Guidelines – Improving Accountability and Performance 2008;
- vi. At least one member will have expertise in Local Government;
- vii. The term of appointment is for three years and can be extended for a further term subject to the composition and skill requirements of the committee. The maximum term is six years;
- viii. Members are appointed on the basis of personal qualities and skills and proxies are not permitted if the member is unable to attend meetings;
- ix. Member terms and conditions are to be disclosed in the Letter of Appointment.
- x. The appointed Independent External Member(s) will be paid a meeting attendance fee of \$1200 and have reasonable associated travel and accommodation costs reimbursed
- xi. The Chair of the Audit & Risk Committee will determine what is considered reasonable associated travel and accommodation costs, or if the costs are incurred by the Chair, the CEO of Council will make the determination.
- xii. The Chief Executive Officer may attend meetings of the Committee but cannot be a member.

4.2 Chairperson

- i. The Chair will be appointed by Council;
- ii. The Chair will possess sound communication and strong leadership skills;
- iii. The Chair must be an independent member of the Audit & Risk Committee.

4.3 Secretary

- i. A secretary/secretariat function will be appointed by the Chair to facilitate the committee's meetings and reporting duties;
- ii. The secretary, in consultation with the Chair, will prepare and send notices of meetings and agendas and accurately transcribe all decisions of the committee;
- iii. The secretary will table all correspondence, reports and other information relevant to the committee's activities and operations.

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4.4 Ethical Practices

- i. 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.

4.5 Meetings and Attendance

- i. The committee will meet at least four (4) times per annum and the schedule of meetings will be agreed in advance;
- ii. A quorum will consist of two members, one of whom must be an independent member.
- iii. Whitsunday Regional Council mandates that one (1) member from both the Internal and External Auditors must attend each Audit and Risk Committee meeting in person. The cost to attend is covered within the scheduled fees.

4.6 Meeting Agenda

- i. The Committee should determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats;
- ii. The agenda and relevant papers will be distributed to members at least five (5) working days before the meetings.

5. Relationships

5.1 Internal Audit

- i. 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 processes that ensure that Whitsunday Regional Council's internal audit function operates effectively, efficiently and economically.
- ii. The internal auditor will have a standing invitation to attend Committee meetings;

5.2 External Audit

- i. 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.
- ii. The Queensland Audit Office, or its appointed auditor, will have a standing invitation to attend Committee meetings.

5.3 Other Executive Management Committees

The Audit & Risk Committee shall liaise with the Chief Executive Officer as required, to ensure:

- i. That its statutory and operational responsibilities are met;
- ii. That there is no material overlap between the functions and duties of the groups;
- iii. Frank and meaningful interchange of information.

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6. Committee Activity Evaluation

- i. The Committee will undertake an annual self-assessment of its performance, for the previous twelve months, at the last meeting of the calendar year;
- ii. The Committee will provide a report of the annual review outcomes to Council;
- iii. At least once every four years the Committee will arrange for an external peer review of its operations and activities. The results of this review are to be provided directly to Council;
- iv. The Chair will provide each individual member with feedback on that person's contribution to the Committee's activities at least once during each member's term of office. This assessment will include a review of any training needs of the member.