

Audit and Finance Committee

Terms of Reference

Membership

The committee shall be comprised of all eight (8) councillors but may appoint an independent member, if the committee decides it is necessary.

Role and responsibilities

The committee has no executive powers. The committee is directly responsible and accountable to the council for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the council rests with the Chief Executive.

Authority

The council authorises the committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including the Chief Executive, at committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the council's expense.

Objective

The objective of the Audit and Finance Committee (the committee) is to provide independent assurance and assistance to the council and the Chief Executive on council's financial risk, control and compliance framework, and its external accountability responsibilities.

Functions

1. Financial reporting

The committee will:

- a) Monitor and report the quarterly financial performance against budget; and
- b) Determine the means of reporting financial reporting to council and the public.

2. Risk management

The committee's responsibilities are to:

- a) review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the council's financial and business risks, including fraud;

- b) review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- c) review the effect of the council's risk management framework on its control environment and insurance arrangements;
- d) review whether a sound and effective approach has been followed in establishing council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically;
- e) review council's fraud control plan and satisfy itself that the council has appropriate processes and systems in place to capture and effectively investigate fraud-related information; and
- f) review and monitor the council's policies and practices relating to sensitive expenditure.

3. Internal audit

The committee's responsibilities are to:

- a) act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- b) review the internal audit coverage and annual work plan, ensure that the plan is based on the council's risk management plan, and recommend approval of the plan by the council and Chief Executive;
- c) advise the council on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- d) oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions;
- e) review all audit reports and provide advice to the council/Chief Executive on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- f) monitor management's implementation of the internal auditor's recommendations;
- g) review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place; and
- h) periodically review the performance and effectiveness of the internal auditor.

4. External audit

The committee's responsibilities are to:

- a) act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- b) provide input and feedback on the financial statements and the audit coverage proposed by the external auditor, and provide feedback on the audit services provided;
- c) review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations;

- d) oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions; and
- e) provide advice to the council on action taken on significant issues raised in relevant external audit reports and good practice guides.

5. External reporting/performance reporting

The committee will:

- a) review and recommend to council the adoption of the Annual Report and Summary Annual Report, focusing particularly on:
 - i. any changes in accounting policies and practices;
 - ii. major judgemental areas;
 - iii. significant adjustments resulting from audit;
 - iv. compliance with financial reporting and other applicable standards;
 - v. compliance with statutory requirements; and
 - vi. other reports prepared by management for release to stakeholders, such as any summary financial reports.
- b) to review six month, nine month and full year Statement of Service reporting, focusing particularly on:
 - i. ensuring reporting meets Auditor Guidance -4 – *The audit of service performance reports* to Local Government;
 - ii. the quality of the overall “story” the performance reporting tells;
 - iii. the reliability and accuracy of the reporting;
 - iv. the completeness of the reporting against the performance framework as outlined in the LTCCP; and
 - v. compliance with relevant legislation (in particular the Local Government Act 2002, Schedule 10).

6. Funding and Financial Policies

The committee will:

- a) review and recommend to the council any changes required to the funding and financial policies required under Section 102(4) of the Local Government Act (LGA) 2002. Funding and financial policies listed under Section 102(4) are as follows:
 - i. Revenue and Financing Policy;
 - ii. Treasury Management Policy; (incorporating Liability Management Policy and Investment Policy); and
 - iii. Policy on Financial Contributions.
- b) review and recommend to the council any changes to other financial policies required under LGA 2002, including, but not limited to the following:
 - i. Policy on Significance (LGA Section 90);
 - ii. Policy on the Appointment of Directors to Council Organisations (LGA Section 57);
 - iii. Charging Policy; and
 - iv. Rating Policies, including rates relief, policies on remissions and policies on postponement of rates on Maori freehold land (LGA s102(5)).

NB: The above listed policies may be adopted as part of the Long Term (formerly Council Community) Plan (LTP), however policies may be amended only as a formal amendment to the LTP (Section 102).

7. Investment functions

The committee will:

- a) undertake the investment functions referred to in the Treasury Management Policy adopted within the current LTP. These functions include:
 - i. to review the council's existing investment assets against the objectives set in the Treasury Management Policy, bringing in specialised expertise where applicable;
 - ii. to recommend to the council policies and strategies for undertaking its commercial activities;
 - iii. to oversee the administration of the council's commercial assets and forestry activities; and
 - iv. to consider and make recommendations to the council on property and forestry investment opportunities.

8. Legislative compliance

The committee's responsibilities are to:

- a) determine whether management has appropriately considered legal and compliance risks as part of council's risk assessment and management arrangements; and
- b) review the effectiveness of the system for monitoring council's compliance with relevant laws, regulations, and associated government policies.

9. Council Controlled Organisations

The committee will:

- a) liaise with all Council Controlled Organisations (CCOs), and Council Organisation's (COs) and their subsidiaries in accordance with the requirements of the LGA 2002, any relevant Trust Deeds, Constitution or other governance structures including:
 - i. to receive all Draft Statements of Intent (SOI) by 1 March each year;
 - ii. to consider Draft SOI and recommend to the council any comments to be provided on the Draft by 30 April each year;
 - iii. to receive all final SOI by 30 June each year;
 - iv. to monitor actual performance compared to key performance targets and other measures set out in the relevant LTP or Annual Plan; and
 - v. to review any Trust Deeds, Constitution or other governance structures of all CCOs and to recommend any changes to the council as appropriate.

In the case of the Northland Regional Council Community Trust, to recommend to council the appointment of Trustees in accordance with the provisions of the LGA (2002), the Council's Policy of the Appointment of Directors to Council Organisations and the Trust Deed.

Rule 3.1A of the First Schedule of the Trust Deed provides that the interview process to appoint Trustees shall include an invitation to all district councils to have a representative on the interviewing panel.

10. Budgets and quality assurance

The committee will:

- a) oversee the preparation of budgets from a governance perspective; and
- b) review quality assurance processes and practice to ensure adherence to statutory requirements and best practice.

11. Other

The committee will:

- a) have the authority to obtain any information it needs from any employee and/or external party;
- b) undertake such other functions as may be delegated by council from time to time;
- c) work with management to identify improvements in financial management practices; and
- d) co-opt a person as a member of the committee to assist with special projects, or it may recommend to council that additional members be appointed to the committee should it consider wider representation would be of assistance in performing its functions.

Delegated Authority – Power to Act

1. Does not have the powers of council to act in the following instances as specified by Clause 32 (1) of Schedule 7 of the Local Government Act 2002:
 - a) make a rate;
 - b) make a bylaw;
 - c) borrow money, or purchase or dispose of assets, other than in accordance with the current Long Term Plan or Annual Plan;
 - d) adopt a Long Term Plan, or Annual Plan or Annual Report;
 - e) appoint a Chief Executive; or
 - f) adopt policies required to be adopted and consulted on under this Act in association with a Long Term Plan or developed for the purpose of the Local Governance Statement.
2. Does have the ability to appoint subcommittees to deal with any matters of responsibility within the committee's Terms of Reference and areas of responsibility, and to make recommendations to the committee on such matters and provided the subcommittee shall not have power to act other than by a resolution of the committee with specific limitations where there is urgency or special circumstance.
3. Does have the ability to make decisions in accordance with the Terms of Reference.