

1. Intent

The Audit, Risk and Improvement Committee (the Committee) is an advisory committee of Council, established and governed in accordance with the *Local Government Act 2009* (the LG Act) and the *Local Government Regulation 2012* (the LG Reg), which require each large local government to establish an Audit Committee.

This Terms of Reference sets out the objective, role, authority, membership, tenure, reporting and other requirements that apply to and govern the Committee for Tablelands Regional Council (TRC), in accordance with the legislative requirements.

2. Scope

This Terms of Reference apply to Councillors, Committee members, and officers of TRC.

The Committee has no line-management or delegated or financial authority and does not replace the responsibilities of executive management, but acts as a source of independent advice to the Council and the Chief Executive Officer (CEO) on matters that fall within the committee's area of responsibility.

3. Establishment of the Committee

The Committee is established:

- as an advisory committee of Council, in accordance with section 264(b) of the LG Reg,
- to satisfy the requirement under section 105 of the LG Act that each large local government must have an Audit Committee, and
- in accordance with sections 208-211 of the LG Reg.

The Committee does not replace or replicate established management responsibilities or delegations, the responsibilities of other executive management members within TRC, or the reporting lines and responsibilities of either internal audit or external audit functions.

4. Authority

The Committee is directly responsible to Council and has the authority to review and make recommendations on matters within its scope of responsibility and in accordance with the LG Act and the LG Reg. In doing so, the Committee has the authority to:

- Through the CEO, seek any information it requires from TRC officers for such purposes
- Conduct or authorise investigation into matters within its scope of responsibility.
- Request the attendance of any TRC officer at Committee meetings.
- Conduct meetings with internal and external audits, as necessary.
- Seek advice from external parties, as necessary.

5. Responsibilities of the Committee

The responsibilities of the Committee are to review and provide advice to Council and the CEO in the following areas:

Internal Audit

- Ensure the independence and effectiveness of Council's internal audit function.
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- Evaluate the quality and effectiveness of the Internal Audit function, particularly with respect to planning, monitoring and reporting.
- Review and endorse internal audit plans for the coming year to ensure that it covers key risks to TRC.
- Review the findings and recommendations of internal audits and the responses of management to them.
- Monitor the implementation of management actions to ensure satisfactory and timely resolution of findings reported by internal audit.
- Review the effectiveness of actions taken to address internal audit recommendations by management.
- Monitor the performance and effectiveness of internal audit services where they are outsourced.
- Ensure there is no material overlap between the internal and external audit functions.
- Periodically review these Terms of Reference to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.

External Audit

- Review the scope of audit activities with the external auditors and provide input and feedback regarding the external auditor's proposed audit strategy and audit plan, including financial statements.
- Review the effectiveness of the annual external audit.
- Review the findings and recommendations of external audit (including performance audits) and management responses to the external audit report findings.
- Review the implementation of external audit recommendations accepted by management, and where issues remain unresolved, ensure that satisfactory progress is being made to mitigate the risk/s associated with audit findings.

Financial Statements and Reporting

- Review the appropriateness of accounting policies adopted by Council.
- Review significant accounting and reporting issues, including complex or unusual transactions, significant assumptions and judgements made by management, and recent professional and regulatory pronouncements and understand their impact on assets, liabilities, income and expenses included in the financial statements.
- Review TRC's final draft financial statements and consider whether it is complete, consistent with information known to Committee members and reflects appropriate accounting principles, standards and regulatory requirements, prior to recommending signing and submission to the Auditor General under section 212 of the LG Reg.
- With management and the External Auditors, review all matters required to be communicated to the Committee under generally accepted auditing standards.
- Analyse Council's financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Review the Auditor-General's audit report and observations about TRC's financial statements. The review should focus on, but not be limited to:
 - Consideration of appropriateness of accounting and financial management policies and principles
 - Significant changes in accounting policies and practices
 - Major judgemental areas

- Significant audit adjustments
- Proposed departures from accounting standards
- Significant variances and major balances.

Risk Management

- Review and agree with management TRC's risk appetite and ensure there are appropriate processes for identifying and responding to risks in accordance with the risk appetite.
- Review the Enterprise Risk Management Framework for effective identification, monitoring and management of significant enterprise risks, including fraud.
- Be informed about TRC's risk profile, as well as the effectiveness of TRC's processes for identifying and escalating key strategic and operational risks, including fraud.
- Provide guidance in the development and implementation of risk management systems.
- Review approach in developing strategic risk management plans for major projects or undertakings.
- Review approach in establishing business continuity planning arrangements, including testing disaster recovery plans.
- Satisfy itself that insurance arrangements are appropriate for TRC.
- Liaise with the Executive Leadership Team to ensure there is a common understanding of the key risks to TRC. These risks will be clearly documented in a Corporate Risk Register which will be regularly reviewed to ensure it remains up to date.

Fraud and Corruption Control

- Review the process of developing and implementing TRC's fraud and corruption control arrangements and satisfy itself that TRC has appropriate processes and systems in place to detect, capture and effectively investigate or 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 at TRC.

Internal Controls

- Evaluate and monitor the integrity, adequacy and effectiveness of finance, administrative and operating systems, policies and procedures through communication with, and reports from management, internal and external audit.
- Through the internal and external audit functions, review 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.
- Encourage and support a culture of good governance, performance measurement, sound internal controls and continuous improvement at all levels within Council.
- Report any matter that the Committee considers should be brought to the attention of Council.
- Undertake any tasks or actions Council authorises provided these do not impinge on the Committee's independence.
- Review continuous improvement initiatives.

Legislative and Policy Compliance

- Determine whether the Executive Leadership Team has considered legal and compliance risks as part of TRC's risk assessment and management arrangements.

- Monitor existing corporate policies and recommend for consideration any new corporate policies necessary to prohibit unethical, questionable or illegal activities.
- Review the effectiveness of the system for monitoring TRC's compliance with relevant laws, regulations and policies.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

6. Responsibility of members of the Committee

Members of the Committee are expected to understand and observe the legal requirements of the LG Act and LG Reg. Members are expected at all times to:

- Act in the best interests of TRC
- Apply good analytical skills, objectiveness and good judgement
- Maintain confidentiality of information and documentation considered by the Committee
- Express opinions constructively and openly, raise issues that relate to the Committees' responsibilities and
- Contribute the necessary time required to review the agenda reports prior to attending meetings.

7. Purpose

Section 105 of the LG Act requires the Committee to:

- Monitor and review the:
 - Integrity of financial documents
 - Internal audit function
 - Effectiveness and objectivity of the TRC's internal auditors, and
- Make recommendations to Council about any matters that the Committee considers need action or improvement.

8. Membership

Membership is based on the requirements set out in section 210 of the LG Reg. The Committee will comprise:

- Two TRC Councillors or their delegate.
- One independent external representative with significant experience and skills in financial matters who is not a TRC employee or contractor, who will act as the Committee's chairperson.
- Five non-voting Council officer representatives:
 - Secretary (Executive Assistant)
 - CEO
 - General Manager Community & Corporate Services
 - Manager Finance
 - Coordinator Legal & Governance.

The Committee may seek the advice of persons with a specialist knowledge and invite them to attend a meeting.

The Mayor or Councillors may also attend meetings.

9. Appointments and Tenure

The Committee is required as an ongoing operational requirement. Councillors will be appointed to the Committee by Council for the full Councillor term.

The independent external representative will be appointed for a maximum 4 year term, following an evaluation of candidates through a publicly advertised, merit-based Expression of Interest process and recommendation endorsed by Council resolution. The evaluation of candidates for the independent external representative position will be undertaken by the Mayor or a nominated Councillor and the CEO. The independent external representative may be re-appointed, however they must reapply and follow the selection process and can serve a maximum of 2 consecutive terms.

Remuneration for the independent external representative is set by the CEO on a per meeting basis, in recognition of the skills and experience, time commitment and responsibilities required to fulfil the role.

If a Committee member's performance is determined to be unacceptable or if their conduct (including conflicts of interest) is unacceptable to Council, their appointment may be terminated by Council.

If a member should choose to resign from the Committee, they will be expected to give at least one month's notice, unless circumstances have changed in a way that makes it appropriate for the member to resign immediately.

10. Meetings

In accordance with section 211 of the LG Reg, the Committee shall meet at least twice each financial year, and in accordance with the agreed reporting schedule, at a time and location convenient to members of the Committee.

Additional meetings may be convened to enable the consideration of annual audited financial statements or specific issues as required.

Due to the confidential nature of information and the high level of independence of internal and external audit, Committee meetings are conducted in closed session.

The independent external representative will preside as chairperson at each meeting of the Committee.

In accordance with section 211 of the LG Reg, a quorum will consist of 2 members, one of whom must be the independent external representative.

Each member of the Committee will be entitled to one vote only.

The agenda and relevant reports will be distributed to members at least 5 business days prior to the meeting.

11. Independence and Access

Whilst the primary responsibility for audit, financial reporting, enterprise risk management, internal control and compliance rests with management, the Committee exercises a monitoring, oversight and review role.

The Committee will have access to all information, documents and personnel, and have adequate resources, in order to fulfil its oversight responsibilities.

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.

The Committee is free to meet with internal and external audit without management present at any time.

Internal audit and external audit can access the Committee without management present at any time.

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

12. Reporting

Pursuant to section 211 of the LG Reg, the Committee (through the CEO) must present a report about the matters considered at the meeting and the Committee's recommendations to the next scheduled Council meeting for consideration and adoption.

13. 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 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.

Where required, members will be excused from the meeting or from the Committee's 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 in the Committee's minutes.

14. Evaluation of performance

The Committee will undertake an annual self-assessment of its performance against the Terms of Reference prior to the end of each calendar year, to ensure that it is meeting its objectives efficiently and effectively.

15. Professional Indemnity

Committee members are provided with professional indemnity insurance as part of TRC's Broad Form Liability Cover by the Queensland Local Government Mutual Liability Pool.

16. Responsibility

Council is responsible for the adoption, amendment and repeal of the Terms of Reference and the Chief Executive Officer is responsible for the development and amendment of any associated procedures and guidelines.

17. Review

It is the responsibility of the Chief Executive Officer and the Audit, Risk and Improvement Committee to monitor the adequacy of the Terms of Reference and recommend appropriate changes. This Terms of Reference will be formally reviewed every three years or as otherwise required.

This Terms of Reference is to remain in force until otherwise amended/repealed by resolution of Council.