

# **AUDIT, FINANCE AND RISK COMMITTEE**

## **TERMS OF REFERENCE**

Adopted by Council 11 April 2019  
Amended by Council 11 December 2020  
Amended by Council 29 April 2021

### **1. MEMBERSHIP AND QUORUM**

a) The Committee shall consist of

- ~~at least five Councillors and at least one Tumu Taiao Mana Whenua member;~~ six Councillors; and
- at least one independent member (that is, a member who is neither a Councillor nor a staff member, appointed to the role by the Council).

Council can appoint additional members for a period of time when their appointment is deemed necessary for the Committee to discharge its function.

The quorum shall be three members.

### **2. OBJECTIVES**

The objectives of the Committee are to assist the Council to provide oversight of:

- a) financial and non-financial reporting including strategic performance management and operational performance,
- b) risk management (including cash and investment management),
- c) internal control systems including compliance with laws and regulation,
- d) satisfying itself about the existence and quality of cost-effective internal control and risk management systems, and the proper application of processes; and
- e) the external audit process, including:
  - monitoring the Council's external and internal audit process;
  - engaging with Council's external auditors regarding the external audit work programme and agreeing the terms and arrangements of the external audit;
  - reviewing the effectiveness of the annual audit and 10-year plan audit;
  - monitoring management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

### **3. ATTENDANCE AT MEETINGS**

- a) Unless otherwise requested the Chief Executive and the Director of Finance and Corporate Services are to attend meetings.
- b) Other parties, including other members of the Council, may be invited to attend by the Committee to assist the Committee in its work.

- c) The public are welcome to attend any meeting of the Committee, except for any part of a meeting where the public are excluded for the reasons set out in the Local Government Official Information and Meeting Act.
- d) External Auditors may attend meetings during the year.
- e) External Auditors (or Internal Auditors) may request a special meeting, if they consider this to be necessary.

#### **4. DELEGATED POWERS**

The Committee is authorised by the Council to:

- a) review matters within its Term of Reference,
- b) seek information that it requires, within its terms of reference, from the Chief Executive who is required to co-operate with appropriate requests made by the Committee,
- c) request access to outside legal or independent professional advice should it consider this necessary to meet the objectives set out in its terms of reference. Such independent advisors may attend meetings if so requested,
- d) undertake other such matters of a financial nature that the Committee may from time to time deem important; and
- e) make recommendations to the Council on matters outside of the Committee's delegated powers.

#### **5. RESPONSIBILITIES**

Responsibilities of the Committee shall be:

##### **5.1 Financial Reporting including Strategic/Operational Performance Management**

- a) Review the Annual Report, the draft financial statements and groups of activities prior to being finalised by the External Auditor.
- b) Consider any changes in accounting policies, standards or reporting requirements requiring Council approval.
- c) Review financial and non-financial results during the year and the progress towards the achievement of strategic priorities and levels of service (these measures and targets are subject to audit under the Local Government Act).
- d) Review the cost effectiveness of major programmes in delivering Environment Canterbury's contribution to strategic priorities and levels of service.
- e) Review the contributions from Government and other organisations. The Council's role is facilitating contributions from those organisations to achieve strategic priorities and levels of service in partnership with Environment Canterbury.
- f) To set criteria and review portfolio budgets, early in the budget cycle, to understand the reasons behind budget decisions and to ensure that budget proposals have been systematically and rigorously analysed, and to make

recommendations that expenditure is required to meet strategic priorities.

- g) Receive and review reports on the performance of other Council commercial activities, including properties leased or rented to external parties.
- h) Consider matters relating to rating and other funding.
- i) Maintain an overview of our financial reserves policy to deal with unexpected financial contingencies.
- j) Maintain overview of contingent liabilities.

## **5.2 Risk Management (including cash and investment management)**

- a) To review the risk management process to ensure the system for identifying, assessing, monitoring, mitigating and reporting strategic risks and key operational risks is adequate.
- b) To ensure risk management is integrated into strategic and operational management as business as usual.
- c) Appoint and review at least three yearly the Funds Manager contract in regard to the management of investment funds and as a result of that review, to determine that the contract may be extended or retendered.
- d) Review the performance of the investment portfolio, annually.
- e) Maintain an overview of overdue debt management.
- f) Maintain an overview of risk associated with Council-controlled trading organisations, if any exist.

## **5.3 Internal control systems including compliance with laws and regulation**

- a) Consider any matters referred to it by an internal audit function.
- b) Review the proposed Annual Programme for the Internal Audit and recommend to Council.
- c) Satisfy itself about the existence and quality of cost-effective internal control systems and the proper application of procedures.
- d) Act on suspected or actual fraud and ensure failings or weaknesses that are identified from any review of internal controls have been, or are being, remedied.

## **5.4 External Audit**

- a) The Auditor-General is the appointed External Auditor, in accordance with section 29B of the Public Finance Act 1989. The Committee must ensure it complies with both the Public Finance Act 1989 and Public Audit Act 2001. The Auditor-General is also auditor of all Council-Controlled Organisations, per section 70 of the Local Government Act 2002.
- b) Ensure that the provision of non-audit services by the External Auditors does not impair the auditors independence or objectivity.
- c) Discuss with the External Auditor, the nature and scope of the audit and review the Auditor's quality control procedures and changes in regulatory or

other requirements.

- d) Review the External Auditor's management letter, ensuring that management's responses are adequate.
- e) Consider other matters referred to the Committee by the Council.

## **6. REPORTING PROCEDURES**

- a) The Committee shall be accountable to the Council, in relation to the Committee's activities and responsibilities.
- b) The Committee shall review the Terms of Reference periodically or as circumstances require.
- c) The appointment of 'other appointee' (refer 1(b)) to the membership of the Committee shall be a decision of the Council.