

AUDIT AND BUSINESS IMPROVEMENT COMMITTEE POLICY

ADMINISTRATIVE POLICY



1 Scope

This policy and the attached terms of reference applies to Councillors and external representatives appointed to the Rockhampton Regional Council's Audit and Business Improvement Committee.

2 Purpose

The purpose of this policy is to provide the framework in which Council's Audit and Business Improvement Committee operates.

3 Related Documents

3.1 Primary

Nil

3.2 Secondary

Local Government Act 2009

Local Government Regulation 2012

Councillor Acceptable Request Guidelines Policy

Internal Audit Charter Policy

4 Definitions

To assist in interpretation, the following definitions apply:

Audit and Business Improvement Committee	Audit committee – a requirement under section 105 of the <i>Local Government Act 2009</i> .
CAE	Chief Audit Executive The person in charge of the internal audit function responsible for internal audit activity and the Enterprise Risk Management function.
CEO	Chief Executive Officer A person who holds an appointment under section 194 of the <i>Local Government Act 2009</i> . This includes a person acting in this position.
Council	Rockhampton Regional Council
Internal Audit Charter	The Council adopted document that gives the internal audit function its authority/delegated authority (to perform audits and reviews of Council and operations including review of staff/management performance). This defines the parameters of the operation of the internal audit function in more detail.

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5 Policy Statement

Council is committed to an open and accountable system of governance. In accordance with section 105 of the *Local Government Act 2009*, Council must establish an audit committee which, in accordance with section 211(1)(a) of the *Local Government Regulation 2012*, must meet at least twice each financial year.

Council's audit committee is to be known as the Audit and Business Improvement Committee.

The Audit and Business Improvement Committee business will be conducted in accordance with the attached Terms of Reference and the relevant legislation.

6 Review Timelines

This policy is reviewed when any of the following occur:

- (a) The related information is amended or replaced; or
- (b) Other circumstances as determined from time to time by the Council.

7 Responsibilities

Sponsor	Chief Executive Officer
Business Owner	Deputy Chief Executive Officer
Policy Owner	Chief Audit Executive
Policy Quality Control	Legal and Governance



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Subject: Terms of Reference – Audit and Business Improvement Committee
File Ref: 8237

1 Establishment of the Audit and Business Improvement Committee

The Audit and Business Improvement Committee (committee) is established in accordance with section 105 of the *Local Government Act 2009*.

This committee, having no delegated authority, is a source of independent advice to Council and the CEO. It does not replace the responsibilities of executive management. Accordingly, the committee is not responsible for supervising the performance of officers and it is not to become involved in the day-to-day operations, management functions, or decision making of Council.

The committee can make recommendations to Council for consideration, or where the CEO has approval authority for an item under discussion, the committee can make recommendations directly to the CEO for consideration.

2 Purpose

The Audit and Business Improvement Committee is constituted under the *Local Government Act 2009*. It provides direction and leadership on the functional responsibilities detailed in paragraph 4 Duties and Responsibilities.

3 Objectives of the Committee

The overall objective of the committee is to assist Council and the CEO to discharge their duties by providing specialist high level advice, with respect to matters of financial reporting, corporate governance, risk and control and internal and external audit functions.

4 Duties and Responsibilities

The committee has a key role in strengthening the control environment and ascertaining the establishment of an appropriate ethical culture. The main responsibilities of the committee are to:

- (a) Monitor and review:
 - (i) The integrity of financial documents;
 - (ii) The internal audit function; and
 - (iii) The effectiveness and objectivity of the local government’s internal auditors.

This will be achieved by the following activities.

4.1 Financial Reporting

The financial reporting activities include:

- (a) Review with management and the external auditors the results of audit engagements, including any difficulties encountered, significant accounting and reporting issues, and recent professional and regulatory changes, and understand their impact on the financial statements.
- (b) Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets and investment plans.

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- (c) Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- (d) Review, for the preceding financial year, the draft Financial Statements, before the statement is certified, and the Auditor General's report about Council's financial statements and consider whether they are complete and consistent with the information known to the committee members.

4.2 Audit

The audit activities include:

- (a) Ascertain that the activities undertaken by the Internal Audit function are in accordance with relevant charters, international standards, professional practices etc. through the annual and periodic Quality Assurance and Improvement Program process.
- (b) Ascertain the objectivity and independence of both the internal and external audit functions.
- (c) Monitor cooperation levels of management with the relevant audit functions.
- (d) Monitor and review, providing input for consideration to, Internal and External Audit's annual risk-based plans, which may include providing possible areas for inclusion and input to the scope.
- (e) Review the results of the internal audit reports.
- (f) At least twice during the year, review and track the recommendations, and the actions in response, to address the results of the audit engagements and improve the control environment.
- (g) Review the progress report for the internal audit recommendations and actions for the preceding financial year.
- (h) Monitor and review results of periodic surveys undertaken on the effectiveness of Internal Audit.
- (i) The committee may meet with Internal and External Audit independent of management as determined necessary.

4.3 Other

Other activities include:

- (a) To obtain reasonable assurance with respect to Council's governance processes, the committee will monitor and provide advice on the processes and procedures established and maintained to ascertain they are operating as intended.
- (b) Consider the effectiveness of Council's control environment including information technology, security, and the status of any significant breaches.
- (c) Receive reports on all matters of significance arising from work performed by other providers.
- (d) Review the effectiveness of risk management through monitoring of the Enterprise Risk Management risk registers, and Fraud and Corruption Risk Checklist.
- (e) Ascertain that management has appropriate antifraud programs and controls in place and investigations are undertaken if fraud is detected.
- (f) Monitor the standard of corporate conduct, for example conflicts of interest, and take an interest in ethical considerations regarding Council policies and practices.
- (g) Monitor the quality and scope of Council's insurance cover.
- (h) Monitor significant litigation issues.
- (i) Review any other matters referred to it by the CEO.
- (j) The committee will self-assess annually and confirm that all responsibilities outlined in the Terms of Reference (this document) have been carried out.

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5 Composition and Membership

In accordance with section 210 of the *Local Government Regulation 2012*:

1. The audit committee of a local government must:
 - (a) consist of at least 3 and no more than 6 members; and
 - (b) include:
 - (i) 1, but no more than 2, councillors appointed by the local government; and
 - (ii) at least 1 member who has significant experience and skills in financial matters.
2. The chief executive officer can not be a member of the audit committee but can attend meetings of the committee.

The membership of the committee is to be as follows:

- (a) 2 Councillors; and
- (b) 3 independent external members with appropriate qualifications and experience.

5.1 Appointments

Councillors will be appointed by resolution to the committee for the full Council term unless otherwise determined by the Council.

Independent external members will be recruited through expressions of interest, publicly advertised, and appointed based on merit for a two year term. Council will appoint members to the committee by Council resolution. Upon completion of the term, the position would be declared vacant and expressions of interest may be sought. An outgoing external member may be re-appointed by the CEO without the position being declared vacant, however, the maximum period an external member can serve is for three consecutive terms being a maximum of six years.

In accordance with section 210(3) of the *Local Government Regulation 2012*, the local government must appoint one member of the audit committee as chairperson.

Best practice indicates the chairperson should be one of the independent external members. The committee will discuss and recommend to Council one member to be the chairperson. The appointment of the chairperson will be approved through formal Council resolution.

Council may appoint a Councillor to be an alternate member of the committee. An alternate member is a person who attends meetings of the committee and acts as a member of the committee only if another Council member of the committee is absent. Other elected members of Council may participate in committee meetings, however, will not be a member and will not have voting rights.

6 Role of Chairperson

The committee chairperson will assume overall responsibility for:

- (a) The good governance and order of the committee;
- (b) Providing assurance that the committee responsibilities as per the Terms of Reference (this document) have been met;
- (c) Acting as the chairperson of each committee meeting; and
- (d) Providing leadership in promoting and supporting appropriate committee culture.

7 Voting

Motions are decided on by a majority of the votes of the members present.

If the votes are equal, the chairperson will have a casting vote.

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8 Quorum

A quorum of the committee is a majority of its members. However, if the number of members is an even number, one half of the number is the quorum.

9 Meetings

The committee will meet at least twice each financial year in accordance with section 211 of the *Local Government Regulation 2012*. The CEO in conjunction with the CAE will determine the number of meetings, meeting dates and venue (i.e. a site or teleconference meeting).

Meetings, including reports, will be closed to the public, unless resolved by the committee.

The committee may invite others to attend. Invitees are not members of the committee and have no voting rights. Permanent invitees include:

- (a) Councillors;
- (b) General managers;
- (c) Chief Financial Officer;
- (d) Representatives from internal audit and risk management; and
- (e) Representatives from external audit.

9.1 Agendas for Meetings

The CEO and CAE will determine the agenda presented to a committee meeting.

At a minimum, the agenda will be distributed at least 2 working days before the meeting.

The agenda with attachments are designed for internal reporting purposes only and shall not be released to the general public.

The minutes of the committee meetings will be provided to Council as soon as practicable after each meeting and upon adoption by Council, extracts will be distributed to relevant officers for information and action.

9.2 Administrative Support

The CEO will make administrative arrangements so that an agenda, supported by the relevant explanatory documentation, is circulated to all committee members and any other invitees, as well as providing secretarial functions to the meetings and preparation of the minutes.

10 Access to Information

The committee has the authority to seek information it deems necessary to fulfil its duties and responsibilities. All requests are to be submitted through the CEO in line with the Councillor Acceptable Request Guidelines Policy.

EVAN PARDON

CHIEF EXECUTIVE OFFICER

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