



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

FINANCE, AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Reports to:	Council
Chairperson:	Cr Leigh Hay (appointed by the Mayor)
Membership:	Six councillors including the chair
Appointments 19-22:	Cr Leigh Hay, Cr Pam Colenso, Cr Garrick Emms, Cr Brian Jephson, Cr Brenda West and Cr Ross Vickery
Non-voting member:	One external independent member appointed by the Chair in consultation with the Mayor and Chief Executive. The independent member is not a voting member of the Committee.
Meeting Frequency:	Quarterly Extraordinary meetings may be held
Quorum:	Three members (half the members)

1. Purpose

The purpose of the Finance, Audit and Risk Committee is to provide independent assurance and assistance to the Council on SWDC's risk, control and compliance framework, and its external accountability responsibilities.

2. Delegations

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

3. Membership

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of SWDC. It is preferable that at least one member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

4. Role and responsibilities

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 SWDC rests with the Chief Executive.

4.1 Risk management

The Committee responsibilities are to:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of SWDC financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of SWDC's risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing SWDC's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- review SWDC's fraud control plan and satisfy itself that SWDC has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

4.2 Control framework

The Committees responsibilities are to:

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- consider how management identifies any required changes to the design or implementation of internal controls; and

- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 External accountability

The Committees responsibilities are to:

- review the financial statements and provide advice to the Council and Chief Executive (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chief Executive and Mayor;
- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and on the adequacy of the systems of internal controls;
- review the processes in place designed to ensure that financial information included in SWDC annual report is consistent with the signed financial statements;
- satisfy itself that SWDC has appropriate mechanisms in place to accurately report legislated service performance information;
- satisfy itself that SWDC has appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and
- satisfy itself that SWDC has a performance management framework that is linked to organisational objectives and outcomes.

4.4 Legislative compliance

The Committees responsibilities are to:

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

4.5 Internal audit

The Committees responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- review the internal audit coverage and annual work plan, ensure that the plan is based on SWDC's risk management plan, and recommend approval of the plan by the Council;
- advise the Council on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions;

- review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of the internal auditor's recommendations;
- review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place;

4.6 External audit

The Committees responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- 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;
- review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations;
- oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions: and
- provide advice to the Council and CEO on action taken on significant issues raised in relevant external audit reports and good practice guides.

4.7 Projects

- Review risk management plans for significant projects.

5. Administrative arrangements

5.1 Meetings

A special meeting may be held to review SWDC's annual report.

The Committee or members of will meet separately with both the internal and external auditors at least once a year.

5.2 Assessment arrangements

The chairperson of the Committee, in consultation with the Mayor and CEO, will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis unless otherwise determined by the Mayor with appropriate input sought from the Chief Executive, the internal and external auditors, management, and any other relevant stakeholders, as determined by the Mayor in discussion with the chairperson of the Committee.

5.3 Review of terms of reference

At least once every three years, the Committee will review their terms of reference. This review will include consultation with the Council and CEO. Any substantive changes to the terms of reference will be recommended by the Committee and formally approved by the Council.