

**AUDIT & RISK COMMITTEE**

**CHARTER  
AND  
TERMS OF REFERENCE**

**August 2016**

Endorsed by the Board of Management 19<sup>th</sup> August 2016.

## **Audit & Risk Management Committee – Charter**

### **INTRODUCTION**

#### **1. ESTABLISHMENT**

- 1.1 Pursuant to clause 6.5 of the Legatus Group Charter (LGC) and the Schedule 2 (30) of the Local Government Act 1999 as amended (Act) the Legatus Group has established an Audit & Risk Committee to operate as an independent and objective advisory Committee to the Board.

#### **2. OBJECTIVES**

- 2.1 The primary objective of the Audit & Risk Committee is to protect and create value for the Board and the Constituent Council Members (Councils). It will provide advice and recommendations to the Board of Management (Board), contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls and governance processes.
- 2.2 As part of the Boards commitment to its Councils, the Board has constituted the Audit & Risk Committee to facilitate:
- 2.2.1 Reviewing the annual financial statements to ensure that they provide a timely and fair view of the state of affairs of Legatus Group; and liase with external auditors; and reviewing the adequacy of accounting, internal auditing, reporting and other financial management sytems and practices of Legatus Group on a regular basis.

#### **3. MEMBERSHIP**

- 3.1 The Committee will comprise of five (5) members nominated by the Board and approved by Councils.
- 3.1.1 must include two (2) professionally qualified officers, selected from staff of Councils.
- 3.1.2 must include at least one (1) person who is not a member of the Board and who is determined by Councils to have financial experience relevant to the functions of the Audit & Risk Committee;
- 3.1.3 may include elected members of Councils;
- 3.1.4 must have regard to the Act in performing their duties.
- 3.2 The term of the appointment of a Committee Member shall be be a term not exceeding two (2) years at the expiry of which such a member will be eligible for reappointment.

#### **4. BASIS FOR OPERATION**

- 4.1 The Audit & Risk Committee is a formally constituted Committee of the Board pursuant to clause 7.10 of the LGC and is responsible to the Board. The Committee

does not have any delegations or authority to implement actions in areas over which the Chief Executive Officer has responsibility. The Committee does not have any management functions and is therefore independent of management.

- 4.2 The Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Charter and Terms of Reference in order to facilitate decision-making by the Board in relation to the discharge of its responsibilities.
- 4.3 An Audit & Risk Committee Terms of Reference will outline the scope of the Committee's review activities. It will be appended to this Charter and adopted by the Board accordingly.
- 4.4 The Board or the Chief Executive Officer may refer any matter to the Committee within its Terms of Reference.
- 4.5 The Chairperson of the Committee shall be appointed by the Board.
- 4.6 A quorum shall be three members.
- 4.7 The Committee, through the Chief Executive Officer, may seek information or obtain expert advice on matters of concern within the scope of its responsibilities.
- 4.8 The Chief Executive Officer will attend all meetings on an ex-officio basis, except when the Committee chooses otherwise. Other Board Members or staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- 4.9 The Committee will review its performance on an annual basis to ensure the continuous improvement of its performance.
- 4.10 Representatives of the external auditor may be invited to attend meetings at the discretion of the Committee.
- 4.11 The Chief Executive Officer will ensure appropriate support is provided to Committee.

### **Meetings**

- 4.12 The Committee shall meet at least twice in a financial year period.
- 4.13 The Committee shall determine the time and place for the conduct of meetings.
- 4.14 The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the LGC.
- 4.15 Additional meetings shall be convened at the discretion of the Chairperson, or at the written request of the Board or any member of the Committee or external auditor

### **Reporting**

- 4.16 A copy of all agenda and reports forwarded to the Audit Committee will also be available to all Board Members for information prior to the conduct of the Audit Committee meeting.

- 4.17 The minutes of each Audit Committee Meeting will be available to committee members with five (5) working days, following which they will be distributed to the Board.
- 4.18 Where the Audit Committee makes a recommendation to the Board on a matter within the scope of its Terms of Reference, the matter will be listed as a separate agenda item for consideration by the Board at the next available Board meeting after having allowed for the review of the Audit Committee’s minutes by the Chair and Committee members and the preparation of a Board Report.
- 4.19 The Committee shall report annually to the Board summarising the activities of the Committee during the previous year.

### **Authority**

- 4.20 The Committee is authorised to seek any information it requires from any employee of the Legatus Group (after advising the CEO) in order to perform its duties.
- 4.21 The Committee is authorised, at Legatus Group expense, (after consultation with the CEO) to obtain outside legal or other professional advice on any matter within its terms of reference.

## **5. RESPONSIBILITIES / COMMITMENT**

### **Board**

- 5.1 Establish an Audit Committee to protect and create value for the Councils and to improve the Legatus Groups operations.
- 5.2 Adopt the Charter and Terms of Reference of the Audit & Risk Committee.
- 5.3 Receive and review reports from the Audit & Risk Committee and monitor that effective controls have been implemented.
- 5.4 Periodically review the effectiveness of the Audit Committee.

### **Audit & Risk Committee:**

- 5.5 Undertake all responsibilities as identified in the Audit & Risk Committee Charter and Terms of Reference with respect to financial management, risk management, internal controls, financial reporting and other accountability and governance processes
- 5.6 Report to the Board outcomes from Audit & Risk Committee meetings.
- 5.7 Make recommendations to the Board regarding any matter considered by the Committee.

### **Chief Executive Officer**

- 5.8 Ensure appropriate support is provided to the Audit & Risk Committee.

Adopted by the Board: 19<sup>th</sup> August 2016  
Next Review: 19<sup>th</sup> August 2017  
Previous Version: Nil

## **Audit & Risk Committee – Terms of Reference**

### **OBJECTIVES**

The primary objective of the Audit & Risk Committee is to protect and create value for the Legatus Board and Councils. It will provide advice and recommendations to the Board, contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls and governance processes through the following activities:

#### **1. EXTERNAL AUDIT**

- 1.1 Having regard to Clause 6.4 of the LGC, review and recommend for endorsement by the Board the engagement of the external auditor.
- 1.2 The terms of engagement and the audit fees for the external auditors prior to the commencement of each audit.
  - 1.2.2 The continued independence and objectivity of the external auditors and their compliance with all relevant requirements.
  - 1.2.3 The external auditor's proposed audit plan, approach and scope, including materiality levels.
- 1.3 Recommend to the Board, if considered appropriate, that the external auditor, or some other person suitably qualified in the circumstances, examine and report on any matter related to financial management, or the efficiency and economy with which the Legatus Group manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of the annual audit.

#### **2. FINANCIAL REPORTING AND PRUDENTIAL REQUIREMENTS**

- 2.1 Review the Legatus Groups annual financial statements to ensure that they present fairly the state of affairs of the Legatus Group, including focus on
  - 2.1.1 Accounting policies and practices and any changes to them
  - 2.1.2 The process used in making significant accounting estimates
  - 2.1.3 Significant adjustments to the financial report (if any) arising from the audit process
  - 2.1.4 Compliance with accounting standards and other reporting requirements
  - 2.1.5 Significant variances from prior years
  - 2.1.6 Management's representations attesting to the accuracy of the end of year financial statements, and any matters raised therein
  - 2.1.7 The external auditors summary management report detailing the results and significant findings from the audit and management responses

- 2.2 Recommend adoption of the annual financial statements to the Board. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 2.3 Review the recommendations of business cases developed by Management in association with significant activities or major projects. Such reviews should have regard to prudential management principles.
- 3. INTERNAL AUDIT, INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND COMPLIANCE**
  - 3.1 Monitor and provide advice in regards to:
    - 3.1.1 Any internal audit project or special assignments that may be undertaken from time to time as requested by the Board or the CEO
    - 3.1.2 The Legatus Groups risk management policies and systems.
    - 3.1.3 Internal controls over revenue, expenditure, assets and liability processes.
    - 3.1.4 The adequacy of internal controls over significant risks, including both financial and non-financial management control systems.
    - 3.1.5 The efficiency, effectiveness and economy of significant Legatus Groups programs and activities.
    - 3.1.6 Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 4. OTHER**
  - 4.1 Monitor ethical standards and conflicts of interest by determining whether the systems of control are adequate
  - 4.2 Address issues brought to the attention of the Committee, including responding to requests from the Board or the Chief Executive Officer for advice that are within the parameters of this Terms of Reference
  - 4.3 Make recommendations to the Board to amend these Terms of Reference if the Committee forms the opinion that such amendments are necessary to improve its performance.
  - 4.4 Review the Committee's performance on an annual basis using performance indicators developed for that purpose.

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