

Audit Committee Charter

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The Audit Committee is an independent advisory Committee to Council. The primary objective of the Audit Committee is to assist Council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating the organisation's ethical development.

The Audit Committee is established to assist the co-ordination of relevant activities of management, the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.

As part of Council's governance obligations to its community, Council has constituted an Audit Committee to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines;
- the effectiveness of the internal audit function;
- the provision of an effective means of communication between the external auditor, internal audit, management and the Council.

Terms of Reference

2.1 General

- a. The Audit Committee is a formally appointed committee of the Council and is responsible to that body. The Audit Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent of management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

2.2 Membership

- b. The Audit Committee will comprise a minimum of three members – one Councillor and two external independent persons. Committees with a membership greater than three must include a majority of external independent persons. All members shall have full voting rights.
- c. External independent persons will have senior business or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements. The evaluation of potential members will be undertaken by the Mayor and Chief Executive Officer taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.
- d. Appointments of external persons shall be made by Council by way of a public advertisement and be for a maximum term of four years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives. This will occur with appointments of external persons occurring in July of years one and three of the Council term. This will ensure that at least one external person will have at least two years experience on the Committee at any given time.
- e. If the Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a Council meeting which is open to the public, if that member so requests.
- f. Remuneration will be paid to each independent member of the Committee (the basis may be an annual fee, with an additional amount paid to the Chairperson or a set fee per meeting, or another basis as appropriate).
- g. The Chairperson shall be appointed from the external members of the Committee by the Audit Committee subject to Council's approval. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external members present.

- h. A quorum shall be two for a Committee with the minimum membership of three. For Committees with membership greater than three, a quorum will be a majority of the Committee membership comprising at least equal representation of internal and external independent members.
- i. The Chief Executive Officer and internal auditor (whether a member of staff or contractor) should attend all meetings on an "as required" basis, except when the Committee chooses to meet in camera. Other members of Council or Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- j. Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings considering results of the external audit.
- k. Council shall provide secretarial and administrative support to the Committee.

2.3 Meetings

- l. The Committee shall meet at least quarterly.

A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in June to coincide with the approval of corporate plans, annual plans and budgets and in August to coincide with the finalisation of the financial statements and the draft annual report to the Minister.

Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee, internal or external auditor.

2.4 Reporting

- m. The Audit Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- n. The Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year.

2.5 Duties and Responsibilities

The audit committee will carry out the following responsibilities:

Financial Report and External Audit

- Review significant accounting practices and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.

- Review the annual financial report, and consider whether it is complete, consistent with information known to audit committee members, and reflects appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the audit committee under the Australian Auditing Standards.
- Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.
- Provide an opportunity for the audit committee to meet with the external auditors, to discuss any matters that the audit committee or the external auditors believe should be discussed privately.

Internal control and internal audit

- Understand the scope of internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function.
- Review and recommend the annual audit plan for approval by the LGE and all major changes to the plan.
- Monitor processes and practices to ensure that the independence of audit function is maintained.
- As part of the audit committee's annual assessment of performance, determine level of satisfaction with internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
- Provide an opportunity for the audit committee to meet with the internal auditor to discuss any matters that the audit committee or internal auditor believes should be discussed privately.

Risk management

- Monitor the systems and process via the LGE's risk profile to ensure that material operational risks to the LGE are dealt with appropriately.
- Monitor the process of review of the LGE's risk profile.
- Consider the adequacy of actions taken to ensure that the material business risks have been dealt with in a timely manner to mitigate exposures to the LGE.

Business continuity

- Monitor processes and practices of the LGE to ensure for effective business continuity.

Compliance

- Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Keep informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations and monitor management's response to these findings.
- Obtain regular updates from management about compliance matters.

Reporting responsibilities and other responsibilities

- Report regularly to the LGE about audit committee activities, issues, and related recommendations through circulation of minutes and annual report. Additional updates may be appropriate should issues of concern arise.

- Monitor that open communication between the internal auditor, the external auditors, and the LGE occurs.
- Report annually to stakeholders, describing the audit committee's composition, responsibilities and how they were discharged, and any other information required by regulation, including approval of non-audit services.
- Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure the LGE implements relevant recommendations.
- Perform other activities related to this charter as requested by the LGE.
- Review and assess the adequacy of the audit committee charter annually, requesting LGE approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the audit committee's performance annually.
- The Audit Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.
- The Audit Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.