

# **Audit Committee Charter**

## **Purpose**

The Audit Committee is an independent advisory committee to Council, established to assist in the effective conduct of Council's responsibilities for good governance, the management of risk, financial reporting and maintenance of reliable systems and internal controls in order to facilitate the achievement of its organisational objectives in an efficient, effective and ethical manner.

The charter sets out the appropriate authority, composition, meeting requirements and responsibilities of the Audit Committee to ensure good practice and compliance with the requirements of the *Local Government Act 1989*, and is supported by Council's *Audit Committee Guidelines*.

## **Authority**

The audit committee has the responsibility for advising the Council on:

- seeking resolution on any disagreements between management and the external auditors on financial reporting
- reviewing all auditing, planning and outcomes
- seeking any information it requires from Councillors, and Council staff via the Chief Executive Officer and external parties
- formally meeting with Council staff, internal and external auditors as necessary.

## **Composition**

- The audit committee will consist of at least three members, the majority of whom must be independent.
- The Council will appoint audit committee members and the audit committee chair.
- The chair of the audit committee must be independent.
- At least one audit committee member should be financially literate.

## **Meetings**

- The audit committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- All audit committee members are expected to attend each meeting, in person or through teleconference or video conference.
- A quorum is a majority of the Committee membership.
- The Chief Executive Officer will facilitate the meetings of the audit committee and invite members of management, auditors or others to attend meetings to provide pertinent information, as necessary.
- Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- Minutes will be prepared.

## **Responsibilities**

The audit committee will carry out the following responsibilities:

### *Financial Report*

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental 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.

### *Internal control*

- 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.

#### *Risk management*

- Monitor the systems and process via the Council's risk profile to ensure that material operational risks to the Council are dealt with appropriately.
- Monitor the process of review of the Council'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 Council.

#### *Business continuity*

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

#### *Internal audit*

- Review with management the charter, activities, staffing, and organisational structure of the internal audit function.
- Review and recommend the annual audit plan for approval by the Council 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 annual plan is linked with and covers the material business risks.
- Provide an opportunity for the audit committee to meet with internal auditors to discuss any matters that the audit committee or internal auditor believes should be discussed privately.

#### *External audit*

- 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.

#### *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*

- Report regularly to the Council 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 internal auditors, the external auditors, and the Council 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 Council implements relevant recommendations.

#### *Other responsibilities*

- Perform other activities related to this charter as requested by the Council.
- Review and assess the adequacy of the audit committee charter annually, requesting Council 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.

## REVIEW HISTORY

DATE	REVIEW DETAILS	ACTION
Feb 2006	Reviewed by Audit Committee	Adopted by Council – April 2006
June 2008	Reviewed by Audit Committee	Adopted by Council – July 2008
June 2011	Reviewed in line with <i>Audit Committees – A Guide to Good Practice for Local Government</i> (LGV July 2011)	Adopted by Council – June 2011
April 2012	Reviewed by Audit Committee	Adopted by Council – April 2012
June 2013	Reviewed by Audit Committee	No change
June 2017	Reviewed by Audit Committee	No change
June 2018	Reviewed by Audit Committee	Small change to meeting schedule to be more flexible and expectation to attend meetings