



# **Indigo Shire Council**

## **Audit Committee Charter**

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## **1.0 Purpose**

The purpose of the Audit Committee is that of an advisory committee created under s139 of the Local Government Act that assists Council to fulfil its finance, risk and assurance responsibilities.

## **2.0 Objectives**

The Committee aims to provide Council with an independent and objective perspective on the identification and management of risks across all areas of Council business. To achieve this the Committee aims to deliver on the following objectives:

- 2.1** Oversee Council's reporting and monitoring of internal control frameworks, financial management, risk management and performance reporting.
- 2.2** Support Council to make considered decisions, which reflect a culture of integrity, transparency and robust governance processes.
- 2.3** Guide Council in ensuring the independence of the internal and external auditor and the quality of internal and external financial and non-financial reporting.
- 2.4** Provide a forum for open communication between Council and the internal and external auditors.
- 2.5** Support Council in meeting its compliance obligations.

## **3.0 Authority**

The Committee fulfils its legislated responsibilities under s139 of the Local Government Act by supporting Council in:

- 3.1** Seeking resolution on any disagreements between management and the external auditors on financial reporting.
- 3.2** Reviewing and pre-approve all auditing planning and outcomes.
- 3.3** Seeking any information, the Committee requires from Council members and Staff via the CEO and external parties. Formally meeting with Council staff, internal and external auditors as necessary.
- 3.4** Formally meeting with Council staff, internal and external auditors or external counsel as necessary.

## **4.0 Composition**

- 4.1** The Committee will consist of at least five members, being two Councillors and at least three independent members.
- 4.2** Council will appoint the Committee members.
- 4.3** The Chair of the Committee must be independent.

- 4.4 Committee members should have qualifications and/or experience in finance and/or risk management and/or business management.
- 4.5 The Chief Executive Officer, Director Corporate Services, Finance Manager & Coordinator Governance & Risk are required to attend all meetings, but do not have voting rights. Other members of Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- 4.6 Other Councillors may attend meetings at their discretion, but do not have voting rights.

**Independent Members**

- 4.7 Council will appoint independent members following a public advertisement and recruitment process in line with Council's Recruitment Policy.
- 4.8 The evaluation of all candidates will be undertaken by a recruitment panel at a minimum including the CEO and Committee Chair (or delegated independent member if the Chair is unavailable). A recommendation for appointment of a candidate will be put to Council for decision.
- 4.9 Members are appointed for a maximum term of 3 years, ideally one position is advertised and recruited each year. In cases where multiple member's terms expire (or retire) in the same year, a 2-year term may be offered to one or more members to ensure continuity in Committee knowledge of Council business.
- 4.10 Retiring members are eligible for re-appointment for a further term (to a maximum of 3 terms) by participating in the public recruitment process.
- 4.11 Council may invite a retiring member for a 4<sup>th</sup> and final term to enable Committee knowledge retention, if all other independent Committee members have joined the Committee within the last 12 months.
- 4.12 Each member must sign a confidentiality agreement on appointment.
- 4.13 Each member must sign and agree to abide by the relevant sections of the Councillor Code of Conduct on appointment.
- 4.14 The CEO will provide independent members appointed to the Committee with an overview of Council's operating environment.
- 4.15 In the event of an independent member standing for election to any Council, or otherwise losing their independent status they will be deemed to have automatically resigned from the Committee.
- 4.16 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.

#### **Audit Committee Chair**

**4.17** The Chairperson shall be appointed by the Committee from the independent members. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the independent members present.

**4.18** The Chairperson shall be rotated annually amongst the independent members.

### **5.0 Meetings**

**5.1** All Committee meetings are to be conducted in accordance with Council's Local Law No.3

**5.2** The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

**5.3** Committee members are expected to attend each meeting, in person or through teleconference or video conference

**5.4** The CEO will facilitate the meetings of the Committee and invite members of management, auditors or others to attend meetings to provide pertinent information as necessary

**5.5** All Committee meetings are designated as confidential and held in camera.

**5.6** Out of session resolutions can be called for by email.

**5.7** Out of session resolutions require a majority vote within 5 working days of the request, no response within this time will be considered a vote in favour of the resolution.

**5.8** Minutes are confidential.

#### **Attendance**

**5.9** A quorum shall consist of a majority of voting members of the Committee.

**5.10** The Committee can invite members of management, Auditors or others to attend meetings and provide pertinent information, as necessary.

**5.11** The Committee can hold private meetings with Council's Internal or External Auditors as necessary.

#### **Administrative Support**

**5.12** Meeting agendas will be prepared and provided at least four business days in advance to members, along with appropriate briefing materials

**5.13** Minutes will be prepared and circulated.

## **6.0 Responsibilities**

The Committee pursues its objectives by satisfying the following activities:

### **Financial Report**

**6.1** Review significant accounting and reporting issues and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effects on the financial reports.

**6.2** Review with management and the external auditors the results of the audit, including any difficulties encountered.

**6.3** Review the annual financial report, and consider whether it is complete, consistent with information known to audit committee members, and reflects appropriate accounting principles.

**6.4** Review with management and the external auditors all matter required to be communicated to the Committee under the Australian Auditing Standards.

**6.5** Receive and review regular financial reports.

### **Internal Control**

**6.6** Understand the scope of internal and external auditors and their respective review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with managements responses.

### **Risk Management**

**6.7** Monitor Council's Risk Management systems and process to ensure that material operational risks to Council are dealt with appropriately.

**6.8** Monitor the process of review of Council's risk assessment & management.

**6.9** 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 Council.

### **Business Continuity**

**6.10** Monitor processes and practices of Council to ensure effective business continuity.

### **Internal Audit**

**6.11** Review with management and the internal auditor the charter, activities, resources of the internal audit function.

- 6.12 Review and recommend the annual plan for approval by Council and all major changes to the plan.
- 6.13 Monitor processes and practices to ensure that the independence of internal audit function is maintained.
- 6.14 As part of the Committees 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*.
- 6.15 Ensure the internal auditor's annual plan is linked with and covers the material business risks.
- 6.16 Provide an opportunity for the Committee to meet with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.

#### **External Audit**

- 6.17 Note the external auditors proposed audit scope and approach, including any reliance on internal auditor activity.
- 6.18 Provide an opportunity for the Committee to meet with the external auditors, to discuss any matters that the Committee or the external auditors believe should be discussed privately.

#### **Compliance**

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

#### **Reporting**

- 6.22 Chairperson to report to Council about Committee activities, issues and related recommendations through circulation of minutes and annual report. Additional updates may be appropriate should issues of concern arise.
- 6.23 Ensure open communication between the internal auditor, the external auditors and Council occurs.
- 6.24 Receive consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure Council implements relevant recommendations.

#### **Other Responsibilities**

- 6.25 Perform other activities related to this charter as requested by Council.

- 6.26 Review and assess the adequacy of the Committee charter biennially requesting Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
- 6.27 Confirm annually that all responsibilities outlines in this charter have been carried out.
- 6.28 Evaluate the Committee's performance annually.

## **7.0 Remuneration of Members**

- 7.1 Section 139(7) of the *Local Government Act 1989 (The Act)* allows Council, at its discretion, to pay a fee to independent member of an audit committee.
- 7.2 Remuneration will be paid to each independent member of the Committee as a set fee per meeting.
- 7.3 The Chair is to be paid a higher fee per meeting than other independent members.
- 7.4 Council, at its discretion, will set the fee amount through resolution.
- 7.5 The fee amount will be reviewed by Council every two years or as needed.

## **8.0 Liability**

- 8.1 Members of the Committee are covered by Council's insurance policies while engaged in the business of the Committee.

## **9.0 Conflict of Interest**

- 9.1 Section 139(A) of the Act subject's members of the Committee to the provisions of sections 76D & 79 of the Act.
- 9.2 If a Councillor or member of the Committee has a direct or indirect pecuniary interest in any proposed contract with the Council or in any other matter in which the Council is concerned which is to be or likely to be considered or discussed at a meeting of the Committee, the Councillor or member must advise and act in accordance with section 79 of the Act.
- 9.3 The Committees agenda shall include a standing item for members to declare any conflicts of interest.
- 9.4 All Committee members must notify Council in writing if their independent status in relation to Council business changes.
- 9.5 All Committee members must submit a primary return, or ordinary return, declaring any pecuniary interests in the prescribed form to the Chief Executive Officer in accordance with section 81 of the Act.

**9.6** Members of the Committee must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in sections 77A, 77B, 78, 78A, 78B, 78C and 78D of the Act.