1. Introduction

Section 105 of the Local Government Act 2009 requires Council to establish an audit committee to:

a) Monitor and review
   i. The integrity of financial documents; and
   ii. The internal audit function;
   iii. The effectiveness and objectivity of the local government’s internal auditors; and
   iv. Internal controls, performance and financial statements.

b) Make recommendations to the local government about any matters that the audit committee considers need action or improvement

Regardless of this legislative requirement, Council would still establish an Audit Committee as Council:

• is committed to strong governance; and
• believes that Audit Committees provide a vital part of any system of effective governance.

This Audit Committee Charter has been approved by Council and any amendments to this Charter are invalid unless approved by Council.

This Charter sets out the role, responsibilities, composition and operational guidelines of the Audit Committee.

2. Authority and Independence

The Audit Committee:

• is a committee of Council and is directly responsible to Council
• has no executive powers – it is an advisory committee

Audit Committee has the following authorities:

• Conduct or authorise investigations into matters within the scope of its authority
• Access information, records and Council officers for these purposes
• Request the attendance of any employee at committee meetings
• Conduct meetings with Council’s internal and external auditors as deemed necessary
• Seek advice from external parties as deemed necessary

3. Objectives, Roles and Key Responsibilities

The primary objective of the Audit Committee is to assist Council in fulfilling its corporate governance role and oversight of financial management and reporting responsibilities imposed under the Local Government Act 2009, the Local Government Regulations 2012 and other relevant legislation. The Audit Committee does not replace established management responsibilities within Council. Generally, Audit Committee will provide independent and professional assurance and assistance regarding Council’s risk management, internal audit, external audit and other compliance frameworks. More specifically the Audit Committee has the following key responsibilities:

Risk Management

• Review the risk management framework used to identify, monitor and manage significant risks, including fraud and corruption
• Satisfy itself that insurance arrangements are appropriate for the risk management framework
• Liaise with management to ensure there is a common understanding of Council’s key risks. These risks are to be clearly documented in a risk register which will be regularly reviewed.
• Assess and contribute to the (internal and external) audit planning processes
• Review the effectiveness of Council’s processes for identifying and escalating risks, especially strategic risks

**Internal Audit**

- Manage the performance, effectiveness and appointment of internal auditors
- Guide and approve the internal audit plan, its scope and any significant changes to it
- Monitor progress, including resolving any difficulties or restrictions on scope of activities or significant disagreements with management.
- Review internal audit findings and recommendations and associated management responses
- Review the implementation of internal audit recommendations by management
- Ensure there is no material overlap between internal and external audit

**Internal Control**

- Review, through the internal and external audit functions as required, the adequacy of the internal control structure and systems, including information technology security and control
- Review, through the internal and external audit functions as required, whether relevant and current policies and procedures are in place and whether they are being complied with
- Review, through the CEO and CFO, whether the internal financial controls are operating effectively and efficiently

**Performance Management**

- Review Council’s compliance with performance management and reporting requirements
- Review whether performance management systems reflect Council’s role/purpose and objectives as stated in its Corporate Plan and Operational Plan
- Identify that the performance reporting and information used by Council uses appropriate benchmarks, targets and trend analysis

**Financial Statements**

- Review, understand and assess the appropriateness of Council’s accounting policies
- Review, understand and assess the appropriateness of significant assumptions, critical judgements and estimates made by management and unusual transactions in the preparation of the financial statements
- Review, and sign off, the annual financial statements for compliance with prescribed requirements before the statements are provided to the external auditors
- Review, with management and external auditors, the results of the external audit
- Critically assess any unusual transactions and their disclosure in the financial statements
- Analyse the financial performance and financial position and seek explanation for significant trends or variations from budgets or forecasts
- Ensure that management provide assurance with respect to the accuracy and completeness of the financial statements

**External Audit**

- Consult with external audit on their proposed strategy, audit plan and audit fees for the year
- Review the external audit findings and recommendations and their respective management response
- Review the implementation of external audit recommendations

**Reporting**

- Ensure management include minutes of Audit Committee meetings to Council meetings
4. **Membership and Meetings**

**Membership**

The Audit Committee will comprise two Councillors and one external member.

- Ordinarily, the two Councillors will be the Mayor and one other Councillor selected by all councillors (selected by majority vote, should more than one councillor express an interest in being part of Audit Committee)
- Each member has full and equal voting rights
- The external member will have significant experience, skills and formal qualifications in financial and governance matters and will be Chairperson of the Audit Committee
- The appointment of the external member will be a decision of Council
- The chairperson is to be available to address Council on any concerns they, or Council, may have regarding matters associated with the Audit Committee
- Both of the Councillors on Audit Committee can appoint a proxy who can take their place at Audit Committee meetings
- The initial term of appointment is for the external member is three years and can be extended for a further term subject to the composition and skill requirements of the committee. The maximum term is six years.
- Members are required to act impartially, independently, professionally and objectively in the performance of the role
- Members must at all times act in the best interests of Council
- Members must not make any public comment or issue any information, in any form, concerning the Audit Committee, or any matter of interest to the Committee without the prior written authority of the CEO
- Members are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee. The declaration must be made on appointment to the committee and in relation to specific agenda items at the outset of each committee meeting, and be updated as necessary.
- Members should avoid voting on matters in which they have a real, potential or apparent conflict of interest. In such cases, the member’s proxy (or if unavailable, any other proxy) can take the member’s place in voting matters.
- Any other attendee at an Audit Committee meeting must declare any real, potential or apparent conflict of interest
- All declared conflicts of interest must be minuted

**Meetings**

- A quorum will consist of the Chairperson and at least two other members or their proxy
- Meetings are closed to the public although Councillors may attend as observers
- All matters discussed at Audit Committee meetings are confidential

- Provide an annual report to Council, no later than 31 October each year, on:
  a) a review of its Charter;
  b) the results of external audits conducted during the most recent financial year;
  c) internal audits conducted during the most recent financial year, and internal audits planned for the current financial year;
  d) a self-assessment of its performance during the most recent financial year, and its work plan for the current financial year; and
  e) any other matter that the Committee wants to bring to Council’s attention.
The Chairperson’s responsibilities include developing meeting agendas in conjunction with other members and other interested parties.

A secretary/secretariat function will be appointed by CEO to facilitate the Committee’s meetings and reporting duties.

The secretary, in consultation with the Chairperson, will prepare and send notices of meetings and agendas and accurately transcribe all decisions of the Committee.

Every effort will be made to circulate agendas and related papers at least 7 calendar days before each meeting.

The secretary will table all correspondence, reports and other information relevant to the Committee’s activities and operations.

The Committee will meet at least two times per year.

The Chairperson will endorse minutes of each meeting once he/she is satisfied that the minutes record the key points of the meeting.

Once endorsed, minutes will be presented to Council by the CEO.

The Chairperson can endorse the use of flying minutes should the need arise.

Members may attend by telephone, videoconference or similar.

The Committee may decide to hold a meeting, or part of a meeting, in private.

The Chairperson may require the CEO to arrange for various officers to attend meetings, or parts of meetings. This will often be the case where the results of an Internal Audit is being discussed and certain officers have specific working knowledge of the particular area under review.

5. Relationships

Internal Audit

- The committee will approve internal audit plans and oversee the performance of internal audit.
- The internal auditor will have a standing invitation to attend committee meetings, although the committee may decide to restrict this invitation to just the internal audit section of the meeting.

External Audit

- The committee has no power of direction over external audit but will act as a forum for the consideration of external audit findings and will ensure that such findings are balanced with the views of management.
- The external auditor will have a standing invitation to attend committee meetings, although the committee may decide to restrict this invitation to just the external audit part of the meetings.
- The external auditor may elect to attend only the external audit section of the meetings.

6. Other

The Audit Committee Charter will be reviewed annually to ensure it remains current and relevant. During these reviews Audit Committee will also consider whether the Committee is meeting its objectives efficiently and effectively.

Changes to the Audit Committee Charter are only valid if they are made in accordance with the requirements of Section 1 of the Charter. During this annual review, Audit Committee Members will provide written declarations to the CEO stating that they:

- do not have any conflicts of interests and/or material interests that would preclude them from being members of the committee; and
- have not had any such undeclared conflicts in the preceding year.
**AUDIT COMMITTEE CHARTER**

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