



23 February 2017

**AUDIT COMMITTEE
CHARTER
2013**

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1. PURPOSE

The Audit Committee is an independent advisory Committee to Council and is formed under Section 139 of the Local Government Act 1989.

2. OBJECTIVES

The primary objective of the Audit Committee is to assist Council in improving the quality and effectiveness of:

- 2.1 Councils internal and external financial reporting.
- 2.2 Management of financial processes, and internal controls.
- 2.3 Management of risks and the protection of Council assets.
- 2.4 Compliance with laws and regulations as well as use of best practice guidelines.
- 2.5 The Internal Audit function.
- 2.6 The communication between the External Auditor, Internal Audit, Management and the Council.

3. TERMS OF REFERENCE

3.1 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.
- (b) The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter.

3.2 Membership

- (a) The Audit Committee will comprise of five members – two (2) Councillors and three (3) external independent members.
- (b) Independent members will have senior management knowledge and experience, demonstrated commitment to local communities and/or be conversant with the financial and other reporting requirements.
- (c) The Mayor and Chief Executive Officer and Councillor Members of Audit Committee will recommend potential independent members to Council taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills.
- (d) The appointment of a Councillor to Audit Committee should be expected to run for a minimum of two (2) years.
- (e) Members will be provided with the opportunity to attend technical and professional development courses as appropriate.
- (f) The terms of the appointment should be arranged to ensure an orderly rotation

and continuity of membership despite changes to Council's elected representatives. A current member is able to reapply and be appointed for subsequent terms.

- (g) 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 outlining the reasons why, 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.
- (h) Remuneration will be paid to each independent member of the Committee. The fee will be reviewed and set by the Council on an annual basis in line with setting the Annual Budget.
- (i) The Chair shall be appointed by Council for a term of at least 12 months from the Independent members of the Committee. In the absence of the appointed Chair from a meeting, the meeting will appoint an acting Chair from the independent members present.
- (j) A quorum shall be a minimum of three (3) members, two (2) of which must be Independent members of the committee.
- (k) The internal auditor (whether a member of staff or contractor), Chief Executive Officer and Directors should attend all meetings wherever possible, 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.
- (l) Representatives of the External Auditor should be invited to attend at the discretion of the Committee but **must** address meetings considering the draft annual financial report and results of the external Audit.
- (m) Guests may be invited from time to time as appropriate.
- (n) When an extraordinary vacancy occurs, the replacement member will complete the term of the committee member which he/she has replaced. In the situation where the remaining term is less than 12 months, the Committee can apply to Council for leave of absence to extend the term.
- (o) Council shall provide secretarial and administrative support to the Committee.

3.3 Meetings

- (a) The Committee shall meet at least quarterly.
- (b) A schedule of meetings will be developed and agreed to by the members.
- (c) Additional meetings shall be convened at the discretion of the Chair or at the written request of any member of the Committee, internal or external auditor or CEO or Mayor.
- (d) Management including the Chief Executive Officer may be asked to leave meetings at any time. In addition, the agenda for each meeting shall include general business to allow members to raise other matters.
- (e) At one meeting per year, significant time will be set aside with non-officer members of the committee for the purpose of open discussion with the internal and/or external auditors.
- (f) An agenda will be issued one week before each meeting and will include relevant supporting documentation.

- (g) Minutes will be taken by an appointed Secretary and signed by the Chair.
- (h) Members will convey an apology for non attendance to Audit Committee meetings prior to the meeting taking place. A leave of absence may be granted. If more than three (3) meetings in a row are not attended without extenuating circumstances or prior notification, that member will be made redundant from the committee.
- (i) Meetings of the Audit Committee are not open to members of the Public and its proceedings are to be conducted in a confidential manner.
- (j) A schedule of an Annual Program of tasks will be developed and approved by the committee. The form of the schedule is shown in Appendix A.

3.4 Reporting

The Director of Corporate Services shall after every meeting of the Audit Committee forward the Minutes of that meeting to the next Ordinary Meeting of the Council, including a report explaining any specific recommendations, formal resolutions, and key outcomes.

The Chair of the Audit Committee will also provide Council with:

- (a) A summarized yearly report of the activities of the Committee for inclusion in the Council's Annual Report.
- (b) Other matters the Chair believes need to be reported to the Council.
- (c) The report is to be reviewed and authorized by the Chair prior to its inclusion in the Annual Report.

3.5 Duties and Responsibilities

(a) Risk Management

Review whether Management has in place a current and comprehensive Risk Management Framework and Strategy for effective identification and management of business and financial risks.

Review Council's Risk Register to satisfy itself that all risk identified as Extreme are appropriately managed and the Register is being reviewed and updated by Management in accordance with the Strategy.

(b) External Accountability

Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management review and sign-off by reviewing the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments, considering any contentious financial reporting matters in conjunction with the Council's management and external auditors and satisfying itself there is a performance management framework linked to organisational objectives and outcomes.

(c) Legislative Compliance

Determine whether management has appropriately considered legal and compliance risks as part of risk register and has appropriate strategies in place to manage these

risks and receive a report at each meeting on any relevant new Legislation or Government Policy changes.

(d) Internal Audit

Set the Internal Audit work program, to review whether appropriate internal controls are in place. Consider the adequacy of internal audit resources, review all audit reports and consider significant issues identified in audit reports and action taken on issues raised. Monitor the implementation of internal audit recommendations by management and periodically review the performance of Internal Audit.

(e) External Audit

Provide input and feedback on the external audit plan, review all external audit reports, monitor the implementation of audit recommendations by management and consider significant issues raised in relevant external audit reports and better practice guides and ensure appropriate action is taken.

3.6 Induction of New Members

New members of Audit Committee will be provided with an induction package, including a copy of the Charter and be briefed where required in the following areas:

- (a) Council operations
- (b) The local government “industry”
- (c) Financial performance
- (d) Risk Management Framework
- (e) Current internal audit program
- (f) Register of outstanding audit recommendations
- (g) Legal and Regulatory requirements
- (h) New members will meet with key management and internal and external auditors as soon as practical.
- (i) Minutes of last 4 Audit Committee Issues and a briefing of any issues of significance arising from the Minutes.

3.7 Rights to Obtain Information

- (a) The Committee may obtain information from any employee and any relevant external party via the Chief Executive Officer.
- (b) The Committee will have right of access to the Chief Executive Officer at any time.
- (c) The Committee may recommend the instigation of special investigations to the Council.
- (d) Members of the Audit Committee must treat information received confidentially and respect the requirements of the Privacy Act.
- (e) Members of the Audit Committee will not directly or indirectly release or make available to any person information relating to the work or discussions of the

Committee except in accordance with any direction of the Council.

3.8 Evaluating Performance

The Audit Committee will evaluate its own performance, on an annual basis.

3.9 Dispute Resolution

In situations where a dispute arises between any member of the Audit Committee and officers of Council, the Chair of the Audit Committee will have the opportunity to raise the grievance with the Mayor. The Mayor will have the discretion to resolve the dispute in accordance with Councils dispute resolution Policy by convening a meeting with the disputing parties. The CEO will follow dispute resolution in accordance with Policy.

3.10 Insurance

Members of the committee are covered by Council's insurance policies.

3.11 Conflict of Interest

- (a) In accordance with Section 79 of the Local Government Act 1989 as amended (the Act), members of the Audit Committee are required to disclose all Conflicts of Interest and may not be eligible to vote on a matter or attend a meeting at which the subject of the conflict will be considered, depending on the nature of the conflict. Members of the Audit Committee are expected to be aware of the provisions of the Act with regard to conflicts of interest and disclosure thereof. Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the member's appointment being terminated.
- (b) Ordinary Returns will be submitted by members every 6 months in line with Section 79 of the Local Government Act.

4. APPROVAL

The Audit Committee Charter was approved by Council on 19 March 2013.

Adopted by the Audit Committee & Council:

| | | | |
|----------------|---|----------------|------------------------------|
| Signed: | | Signed: | |
| Print: | | Print: | |
| Title: | Mayor Swan Hill Rural City Council | Title: | Chair-Audit Committee |
| Date: | | Date: | |

(APPENDIX A)
AUDIT COMMITTEE ANNUAL PROGRAM

| Item | February | May | September | December |
|---|--------------------|--------------------|--------------------|--------------------|
| Department Presentation | X | X | | X |
| Review of Internal Audit Reports | X | X | X | X |
| Review of Financial Statements | | | X | |
| Review of Risk Register | X | X | X | X |
| Review Quarterly Financial Report | X | X | | X |
| Review of Audit Committee Performance | | X | | |
| Internal Audit Forward Program | X | | | |
| External Audit Strategy | | X | | |
| Significant Legislative changes | X | X | X | X |
| Frauds and Breaches of Law reports | X | X | X | X |
| External Audit Interim Management Letter | | X | | |
| External Audit Final Management Letter | | | Draft | Final |
| Annual Report of Audit Committee Activities | | Draft | Final | |
| Topic items | As Required | As Required | As Required | As Required |
| General Business | X | X | X | x |
| Review of Performance of Internal Auditor | | | | X |
| Review Risk Management Framework | X | | | |

APPENDIX (B)

TERMS OF APPOINTMENT

The current committee members' terms of appointment are as follows:

| | |
|-------------------|---|
| Mr Rod Saville | (2 year term) appointment expires on 18 November 2018 |
| Mr Robert Jardine | (3 year term) appointment expires on 19 December 2020 |
| Cr Ann Young | (2 year term) appointment expires on 15 November 2018 |
| Cr Lea Johnson | (2 year term) appointment expires on 15 November 2018 |

The current Chair and term of position is as follows:

| | |
|-------------------|--|
| Mr Warren Pollock | (3 year term) appointment expires 21 August 2019 |
|-------------------|--|