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## Audit Committee Charter

### February 2018

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## **I. Purpose**

The Audit Committee is an independent advisory Committee to the Bass Coast Shire Council, *pursuant to section 139(2) of the Local Government Act 1989 (the Act)*. The primary purpose of the Audit Committee is to provide advice to Council on:

- a) internal and external financial reporting;
- b) performance reporting;
- c) effective management of financial and other risks and the protection of Council assets;
- d) compliance with laws and regulations as well as use of best practice guidelines;
- e) the internal audit function;
- f) the provision of an effective means of communication between the external auditor, internal audit, management and the Council.

## **2. Authority**

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 authority. The Audit Committee does not have any management functions and is therefore independent of management.

In carrying out its role, the audit committee will:

- a) seek resolution on any disagreements between management and the external auditors on financial reporting;
- b) review all auditing, planning and outcomes;
- c) seek any information it requires from Councillors and Council staff via the Chief Executive Officer and external parties; and
- d) formally meet with Council staff, internal and external auditors as necessary.

## **3. Composition**

- a) The audit committee will consist of three independent members and at least two councillor members of which one must be the Mayor
- b) The Council will appoint audit committee members. The longest serving Independent Member will take on the Chair when the position becomes vacant, at the end of their term as Chair they will leave the Audit Committee.
- c) At least one audit committee member should be financially literate;
- d) Independent members can be appointed for one three year term, with the option of a second three year term. After two terms the position/s must be readvertised. An independent member may formally reapply for a third term, for an agreed period no longer than three years.
- e) At the end of an Independent Members' term an advert to attract a suitably qualified and experienced independent member will be placed in a widely circulating newspaper. The panel of selection for this position will consist of the Independent Chairperson, Mayor and Chief Executive Officer. The recommendation from the panel will be presented to the Council for approval.
- f) The term of each independent member be staggered to ensure continuity of the Audit Committee.

- g) Induction - all new Audit Committee members will receive induction material and training to ensure they are cognisant with the administrative environment, operational profile and risk management processes of Council.

#### **4. Meetings**

- a) The audit committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require;
- b) All audit committee members are expected to attend each meeting, in person or through teleconference or video conference;
- c) 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;
- d) In the event of a tied vote on any item, the Chair will be given a casting vote;
- e) Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials; and
- f) Minutes will be prepared.

#### **5. Responsibilities**

The audit committee will carry out the following responsibilities:

##### **5.1 Governance**

The audit committee provides advice to Council that will assist Council in fulfilling its corporate governance and oversight responsibilities

##### **5.2 Financial report**

- a) 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;
- b) Review with management and the external auditors the results of the audit, including any difficulties encountered;
- c) Review the annual financial report, and consider whether it is complete, consistent with information known to audit committee members, and reflects appropriate accounting principles; and
- d) Review with management and the external auditors all matters required to be communicated to the audit committee under the Australian Auditing Standards.

##### **5.3 Internal control.**

- a) Review Council's overall framework and processes for design and implementation of internal control systems, and the mechanisms by which management monitors the effectiveness of controls
- b) 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.

#### **5.4 Risk management**

- a) Monitor the management of Council's risk framework to ensure that the material operational risks to Council are dealt with appropriately;
- b) Monitor the process of review of Council's risk profile; and
- c) 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.

#### **5.5 Business continuity**

- a) Monitor processes and practices of Council to ensure for effective business continuity through an annual review of the Business Continuity Plan.

#### **5.6 Internal audit**

- a) Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function;
- b) Review and recommend the annual audit plan for approval by Council and all major changes to the plan;
- c) Monitor processes and practices to ensure that the independence of audit function is maintained;
- d) 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;
- e) Review the strategic internal audit approach to consider whether over a period of years, the internal audit program systematically addresses:
  - Internal controls over significant areas of risk including non-financial management control systems;
  - Internal controls over revenue, expenditure, assets and liabilities;
  - The efficiency, effectiveness and economy of significant Council programs and services which should also encompass services outsourced to external providers including shared service arrangements;
  - Compliance with regulations, policies, best practice guidelines and contractual arrangements
- f) Review all internal audit scope documents and reports and provide advice to the Council and Chief Executive Officer on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice.
- g) Monitor management's implementation of internal audit recommendations.
- h) 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.

#### **5.7 External audit**

- a) Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity; and

- b) 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.
- c) Discuss with the external auditor issues arising from any audit, including any management letter issued by the auditor and monitor management's implementation of audit recommendations.

### **5.8 Ethics and Compliance**

- a) 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;
- b) 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; and
- c) Obtain regular updates from management about compliance matters
- d) To monitor ethical standards and related party transactions of both Councillors and staff

### **5.9 Fraud and Corruption Prevention and Awareness**

- a) Review the adequacy of Council's fraud and corruption prevention policies, procedures and plans, including fraud awareness programs and processes for reporting and investigations.
- b) Review the circumstances surrounding any instances of fraud or corruption and any identified internal control weaknesses, and monitor management's actions to address the issues.
- c) Provide advice to the Chief Executive Officer and Council in relation to the management and reporting of fraudulent or corrupt actions.

### **5.10 Reporting responsibilities**

- a) Report regularly to 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;
- b) Monitor that open communication between the internal auditor, the external auditors and Council occurs.
- c) 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; and
- d) Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure Council implements relevant recommendations.

### **5.11 External Accountability**

- a) Review the financial statements and provide advice to the Council (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing and adoption by Council's delegates.

- b) The Review to address the clarity and completeness of disclosures in the year-end financial statements, including management attestation letter, and consider whether the disclosures made are set properly in context.
- c) Ensure that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls.
- d) Review annual performance statements against Council's stated performance objectives and outcomes.

**5.12 Other responsibilities**

- a) Perform other activities related to this charter as requested by Council;
- b) 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;
- c) Confirm annually that all responsibilities outlined in this charter have been carried out;
- d) Evaluate the audit committee's performance annually.