

MITCHELL SHIRE COUNCIL



AUDIT COMMITTEE CHARTER

This Charter has been approved by Council and is based on the Department of Planning and Community Development's Audit Committees - Guide to Good Practice for Local Government. This model has been adapted to suit the Mitchell Shire context.

1. Purpose

The Audit Committee is an advisory committee to Council and has responsibility for advising Council on issues involving:

- External financial reporting
- Internal and external audit
- Internal control and risk management
- Compliance and ethics
- Fraud prevention
- Corporate governance

The Audit Committee will carry out its work bearing in mind Council's desire to operate in an ethical environment with good governance practices.

2. Authority

Council delegates its authority to the Committee, as defined in its responsibilities detailed in this Charter.

The Committee has the authority to:

- Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- Discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- Request the attendance of any employee, including the CEO, at committee meetings; and
- Obtain external legal or other professional advice, as considered necessary.

3. Composition

Council will appoint as members of the Audit Committee:

- A minimum of three independent members, one of whom will be appointed as the Chair
- Two Councillors

The members, taken collectively, will have a broad range of skills and experience relevant to a complex business environment and the operations of a growth Council. At least two independent members of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

The Chair will be appointed annually by Council after the adoption of the Annual Accounts and presentation of the Audit Committee's annual report to Council.

External members receive payment as set by Council.

Council will appoint Independent Members for a maximum term of three years. Appointments will be scheduled to facilitate continuity of the Committee and the term of no more than one Independent Member should cease within any one year.

Independent Members will be appointed by Council following public advertisement of the position. At the end of their term of appointment, after a formal review of their performance, Independent Members may, at the discretion of Council, be reappointed for one further term without requirement to advertise.

If an Independent Member resigns or is removed from the Committee prior to the expiry of their term of appointment, Council shall appoint a replacement following advertisement of the position. The selected replacement member shall be initially appointed for the period of the member's term only.

4. Meetings

To facilitate the operation of the Audit Committee, the Chief Executive Officer has responsibility to provide secretariat services and officer advice in respect of matters before the Audit Committee. The Chief Executive Officer will facilitate the meetings of the Audit Committee and invite members of management, auditors and others to attend meetings and to provide pertinent information, as necessary.

The Audit Committee will meet at least four times a year, in August, November, February and May, with authority to convene additional meetings, should circumstances require. Meetings of the Audit Committee are confidential meetings.

All Audit Committee members are expected to attend each meeting, in person or through teleconference or video conference.

The Audit Committee may seek a private meeting with Council, the Chief Executive Officer, or with Council's internal or external auditors at any time on matters that are within the scope of this Charter.

5. Meeting Procedure

A quorum for any meeting will be three members, comprising at least two independent members and one Councillor. Quorum must be maintained else the meeting will conclude for lack of quorum.

Committee members shall observe Council's meeting procedures in respect to the conduct of meetings.

Section 139(4A) of the *Local Government Act*, 1989 states that members of Audit Committees must comply with conflict of interest rules as if they were a member of a special committee.

The Agenda for the Audit Committee is drawn from the Audit Committee's annual work plan which allows for effective coverage of the Roles and Responsibilities outlined below. Attachment 1 outlines the annual work program.

The Audit Committee may review and amend its annual work program as required to fulfil its responsibilities. The amended work program must be reported to Council.

Meeting Agendas will be prepared and provided at least one week in advance to members along with appropriate briefing materials.

Minutes will be prepared in accordance with Local Law No. 4.

6. Reporting to Council

Following each meeting of the Audit Committee, the meeting Minutes will be presented to Council providing information on the meeting and its outcomes. Audit Committee Minutes will be designated confidential. The Audit Committee will also provide an annual report on its operations to Council.

The Audit Committee Chair may seek a private meeting with Council at any time should they feel there is a particular issue within the roles and responsibilities of the Committee that warrants the particular attention of the Council.

7. Responsibilities of Members

Members of the Committee are expected to understand and observe the requirements of the *Local Government Act 1989*. Members are also expected to:

- Contribute the time needed to review and understand the papers provided;
- Apply good analytical skills, objectivity and good judgment;
- Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue further follow up where appropriate, and
- At all times treat other members and attendees of the Audit Committee with the appropriate level of respect and professional courtesy.

8. Role of the Audit Committee

The Audit Committee is responsible for the following:

Financial Reporting

- 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 auditor's 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 Shire of Mitchell's risk profile to ensure that material operational risks to the Shire are dealt with appropriately.
- Monitor the process of review of the Shire'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 LGE.

Business Continuity

- Seek assurance that the Shire has in place systems and processes for effective business continuity.

Internal audit

- Review with management and the internal auditor the Charter, activities, staffing, and organisational structure of the internal audit function.
- Review and recommend the annual audit plan for approval by the Shire 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 Auditor's *International Standards for the Professional Practice of Internal Auditing*.
- Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
- 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.

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 the internal auditor, 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 Shire implements relevant recommendations.

WORKS PROGRAM

	Item required for meeting
	Item may be required for meeting
	Item not required for meeting

MEETING SCHEDULED FOR	November	February	May	September
Responsibilities	Item Req.	Item Req.	Item Req.	Item Req.

Financial Report								
Review significant accounting and reporting issues								
Review the annual financial report including Performance Statement								
New review attestations required								
Review the results of the audit								
Review communication required under Australian Auditing Standards								

Assessment of Financial Information								
Review Long Term Financial Plan								
Review significant accounting and reporting issues								
Review quarterly financial report								
Periodically compare actual outcomes, achievement of milestones and other KPIs as compared with the Council Plan, Annual Report and Budget - strategic indicators for monitoring the achievement of the strategic objectives								

	Item required for meeting
	Item may be required for meeting
	Item not required for meeting

MEETING SCHEDULED FOR	November	February	May	September
Responsibilities	Item Req.	Item Req.	Item Req.	Item Req.

Risk Management							
Monitor the systems and processes for risk management							
Review the LGE's risk profile							
Material business risks – consider adequacy of mitigation actions							
Monitor effectiveness of business continuity planning							
Review any reports concerning evidence of material violation or breaches of fiduciary duty							
Review any instance of fraud or possible illegal acts							

Internal Control							
Consider the effectiveness of the LGE's internal control system							
Review the internal control over financial reporting							

	Item required for meeting
	Item may be required for meeting
	Item not required for meeting

MEETING SCHEDULED FOR	November	February	May	September
Responsibilities	Item Req.	Item Req.	Item Req.	Item Req.

<i>Internal Audit</i>				
Review the internal audit function and KPIs				
Review and recommend the Annual Audit Plan				
Review Internal Audit Plan and ensure it is linked to the LGE's risk profile				
Review internal audit activity				
Monitor processes and practices to ensure the independence of internal audit function				
Provide an opportunity for the Audit Committee to meet with the Internal Auditor without management				
Review outstanding audit actions				

<i>External Audit</i>				
Note the External Auditor's proposed audit scope and approach				
Consider the External Auditor's view on the control environment and management letters				
Resolve any disagreement between management and the External Auditor in financial reporting				
Provide an opportunity for the Audit Committee to meet with the External Auditor without management				
Consider VAGO's Performance Audits and Management Response				

	Item required for meeting
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	Item may be required for meeting
	Item not required for meeting

MEETING SCHEDULED FOR	November	February	May	September
<i>Responsibilities</i>	Item Req.	Item Req.	Item Req.	Item Req.

<i>Compliance</i>								
<i>Obtain regular updates on compliance matters</i>								
<i>Review the systems and processes for monitoring compliance with legislation and regulations</i>								
<i>Be informed on how management monitors the effectiveness of its compliance and ethics program</i>								
<i>Keep informed of the findings of any examinations by regulatory agencies</i>								
<i>Review whistleblower arrangements and reports</i>								

<i>Reporting Responsibilities</i>								
<i>Report regularly to the Council</i>								
<i>Monitor that open communication between the Internal Auditor, the External Auditor and the LGE occurs</i>								
<i>Report annually to Council</i>								
<i>Consider the findings and recommendations of relevant Performance Audits</i>								

	Item required for meeting
	Item may be required for meeting
	Item not required for meeting

MEETING SCHEDULED FOR	November	February	May	September
<i>Responsibilities</i>	Item Req.	Item Req.	Item Req.	Item Req.

<i>General</i>							
<i>Establish timing of meetings for forthcoming year</i>							
<i>Review effectiveness of Secretariat support</i>							
<i>Perform an assessment of the Committee's performance</i>							
<i>Review and assess the adequacy of the Audit Committee Charter</i>							
<i>Confirm annually that all responsibilities outlined in this Charter have been carried out</i>							