



SOUTH GIPPSLAND SHIRE COUNCIL AUDIT COMMITTEE CHARTER

Policy Number	C08	Directorate	Corporate Services
Council Item No.	8.1	Department	Governance Services
Council Adoption Date	22 February 2017	Primary Author	Luke Anthony
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Goal

The main goal of the Audit Committee is to assist Council in the effective conduct of its responsibilities for financial reporting, management of risk including Council's exposure to fraud, maintaining a reliable system of internal control; and facilitating Council's ethical development.

Role

The Audit Committee does not have any management functions. It is independent of management and capable of a high degree of objectivity in carrying out its duties. In undertaking this role the Audit Committee can provide oversight of the following:

- Corporate governance
- Information and communications (ICT) technology
- Management and governance of the use of data, information and knowledge
- Internal and external reporting – financial and performance
- Risk management including fraud prevention, business continuity planning and disaster recovery
- Internal and external audit
- Internal control framework
- Compliance with the Local Government Act 1989 and other applicable legislation and regulations, including national competition policy

Authority

The Audit Committee has the responsibility for advising South Gippsland Shire Council (Council) on:

1. Seeking resolution on any disagreements between management and the external auditors on financial reporting, reviewing all auditing, planning and outcomes;
2. Seeking any information it requires from Councillors, and Council staff via the Chief Executive Officer and external parties; and
3. Formally meeting with Council staff, internal and external auditors as necessary.



Composition

The Audit Committee will consist of up to five members, comprising two Councillors and a minimum of two and up to three members who must be independent. Independent members may serve a maximum of two terms of three years. A quorum is to consist of three members, one of whom must be a Councillor.

Council will appoint Audit Committee members, the Audit Committee Chair and confirm the reappointment of an independent member for a second and final three year term.

The Chair of the Audit Committee must be independent. He or she must be appointed by Council for each calendar year, however, the Audit Committee shall make a recommendation to the Council regarding who the chair should be and the Term of Office of the chair. The term of the Chair is to be reviewed on an annual basis.

One Audit Committee member must be financially literate and evidenced by CPA status or membership of the Institute of Chartered Accountants.

Meetings

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

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

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.

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

Minutes will be prepared.

The Audit Committee may meet in closed session immediately prior to the commencement of the scheduled Audit Committee meetings.

Observer and Council Staff support and attendance at meetings

All Councillors will have the opportunity to attend Audit Committee meetings as observers.

The Audit Committee may invite other persons to attend its meetings if it determines that this is necessary for it to properly carry out its functions. However, determination to issue invitations will be considered in consultation with the Chief Executive Officer.

The Chief Executive Officer or his/her nominee will attend all meetings of the Audit Committee except that part of the meeting when the Committee meets in closed session immediately prior to the meeting.



The Chief Executive Officer will arrange for:

- Secretarial/administrative support to enable the proper functioning of the Audit Committee; and
- The attendance of staff as necessary to properly advise the Audit Committee, in particular in the consideration of Internal Audit Reports and External Audit.

Meetings with Internal Auditor

There is an opportunity for the Audit Committee to meet the Internal Auditor at each meeting, without management present. It is usual for the Internal Auditor to attend Audit Committee meetings to present the report of Internal Audits.

Recruitment and Selection of Independent Members to the Audit Committee

The recruitment of Independent Members of the Audit Committee will generally follow the process for the recruitment of staff, and will provide for the following as a minimum:

- Preparation of a position description;
- Advertising of the position in the metropolitan press, local press, Council notice board and Council website;
- Making available to potential applicants an information package containing position description, required skills and qualifications, Audit Committee Charter, Audit Policy, most recent annual report, forthcoming Audit program, three recent Audit Committee meeting reports, term of office, details of remuneration and Council contact person; and
- Appointment of the Mayor, Chief Executive Officer and Audit Committee Chair to assess applications, interview shortlisted candidates and recommend a preferred candidate to the Council for appointment. Members of the Audit Committee can only be appointed by Council.

Fees and Expenses

Council may pay a fee to a member of an audit committee who is not a Councillor or member of Council staff.

The fee paid to members at the date of this Charter are:

Chair - \$1,000.00 per meeting attended (including travel expenses)

Member - \$800.00 per meeting attended (including travel expenses)

The above fees are adjusted by the annual percentage increases made to Mayoral and Councillor Allowances as determined by the Minister for Local Government under section 73B of the Local Government Act 1989.



Induction

Immediately after appointment, new members of the Audit Committee will be provided the opportunity to participate in an induction. This will be arranged by the Chief Executive Officer.

Conflict of Interest and Police Checks

Council members and independent members of the Audit Committee are required to comply with the Disclosure of Conflict provisions contained in section 79 of the Local Government Act 1989 and to lodge Primary and Ordinary returns as prescribed in section 81 of the Local Government Act 1989.

All members of the Audit Committee are required to undergo Police Checks prior to participating on the Committee.

Removal of members of the Audit Committee

Council has the power to remove members from the Audit Committee.

Support

To facilitate the operation of the Audit Committee, the Chief Executive Officer is responsible for providing secretariat services and officer advice in respect of matters before the Committee.

Responsibilities

The Audit Committee will carry out the following responsibilities:

1. Financial Report

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 the results of the audit with management and the external auditors, 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.

2. Internal control

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.



3. Risk management

Monitor systems and process via Council's risk profile to ensure that material operational risks to Council are dealt with appropriately.

Monitor the process of review of Council'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 Council's exposure.

Undertake an "Assurance Map" annually to ensure oversight of key risks to Council.

4. Business continuity

Monitor Council's processes and practices to ensure effective business continuity.

5. 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 Council and all major changes to the plan.

Monitor processes and practices to ensure that the independence of the audit function is maintained.

As part of the Audit Committee's annual assessment of performance, determine the level of satisfaction with the internal audit function, having regard to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Provide advice to Council and Chief Executive Officer, on whether to exercise an extension to the Internal Audit Contract, in doing so consider the Internal Auditor's performance, Council's Procurement Policy and any relevant contractual terms.

The Chair will be consulted during the evaluation of any tender to appoint an Internal Auditor. The Audit Committee, following the tender evaluation, will receive a confidential briefing on the recommendation arising from the tender evaluation and provide advice regarding the recommendation to the Council and, if applicable, to the Council officer holding the financial delegation to award the contract.

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 the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.

6. External audit

Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.

Provide an opportunity for the Audit Committee to meet the external auditors, to discuss any matters that the Committee or the external auditors believe should be discussed privately.

7. Compliance



Review systems and processes to provide oversight on how effectively compliance with legislation and regulations is monitored; and review the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

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. Obtain regular updates from management about compliance matters.

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 Council occurs.

Prepare an Annual Report describing the Committee's composition, responsibilities, how they were discharged, achievement against objectives 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 ensure Council implements relevant recommendations.

Other responsibilities

Perform other activities related to this Charter as requested by Council.

Review and assess the adequacy of the Charter annually, requesting Council approval for proposed changes, and ensuring appropriate disclosure as might be required by legislation or regulation.

Confirm annually that all responsibilities outlined in this Charter have been carried out. Evaluate the Audit Committee's performance annually.

Conduct an annual review of Independent members' performance.

Participate in an annual review of the effectiveness of the Audit Committee by Council and the Chief Executive Officer.

AUDIT COMMITTEE MEMBERSHIP – at the date of this Charter

Name of member	Status	Term
Homi Burjorjee	Independent member	First term commences 22 February 2017 and concludes 21 February 2020.
Dr Irene Irvine	Independent member	Second and final term commenced 1 December 2015 and concludes 30 November 2018
Dr John (AJ) Purcell	Independent member	First term commenced 25 February 2015 and concludes 24 February 2018



Councillor Argento	Mayor and Councillor	16 November 2016 – 1 November 2017
Councillor Brunt	Councillor	16 November 2016 – 1 November 2017

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