

# F.01-A Audit Committee Charter

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- 1 OBJECTIVE ..... 1**
- 2 SCOPE ..... 1**
- 3 STATEMENT..... 1**
  - 3.1 Legislative Mandate .....1
  - 3.2 ROLE .....1
  - 3.3 DUTIES AND RESPONSIBILITIES .....2
  - 3.4 MEMBERSHIP AND MEETINGS .....4
  - 3.5 RELATIONSHIPS .....5
  - 3.6 EVALUATION OF COMMITTEE ACTIVITIES .....5
  - 3.7 REVIEW OF THE CHARTER .....5
  - 3.8 APPROVAL OF THE CHARTER .....5
- 4 DEFINITIONS..... 5**
- 5 RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS..... 5**

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- CEO            Chief Executive Officer
- MCCS        Manager Corporate & Community Services
- MES         Manager Engineering Services
- MFS         Manager Financial Services

## 1 OBJECTIVE

This charter sets out the objectives, authority, responsibilities, reporting and administrative arrangements associated with the Audit Committee.

The primary objective of the Audit Committee is to contribute to the improved performance of Council through the provision of independent assurance, oversight and advice to Council and the Chief Executive Officer on matters relating to risk management, internal control, governance, compliance, audit, financial statement preparation and financial reporting.

## 2 SCOPE

The scope of the Audit Committee includes but is not limited to the following aspects of Council's operations and activities:

- Governance processes
- Financial compliance
- Integrity of financial documents
- Internal controls
- Internal and External Audit
- Risk management
- Legal and legislative requirements
- Asset management
- Operating performance and efficiencies

## 3 STATEMENT

### 3.1 LEGISLATIVE MANDATE

The Audit Committee is an advisory Committee as determined by the Local Government Act 2009. As an advisory committee of Council, the Audit Committee is independent of management and does not have any executive powers, delegated responsibility or authority to implement action.

The Audit Committee has authority to review and make recommendations to Council on any matters within its scope of responsibility. In doing so the Audit Committee has the authority to seek information it requires and has full right of access to all levels of management through the Chief Executive Officer.

### 3.2 ROLE

The role of the committee is to provide independent assurance and assistance to the Chief Executive Officer of Council on:

- The risk, control and compliance frameworks.
- Council's external accountability responsibilities.

The committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within Council, or the reporting lines and responsibilities of either internal audit or external audit functions.

The committee will provide prompt and constructive reports on its findings directly to the Chief Executive Officer, particularly when issues are identified that could present a material risk or threat to Council.

### 3.3 DUTIES AND RESPONSIBILITIES

The committee is directly responsible and accountable to the Chief Executive Officer for the exercise of its duties and responsibilities. In carrying out its duties and responsibilities, the committee must at all times recognise that primary responsibility for management of Council rests with the Chief Executive Officer.

The audit committee's duties and responsibilities are to:

#### 3.3.1 FINANCIAL STATEMENTS

- Review the appropriateness of accounting policies adopted by Council and ensure the accounting policies adopted are relevant to Council and its specific circumstances.
- Review the appropriateness of significant assumptions and critical judgements made by management, particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.
- Review the financial statements for compliance with prescribed accounting and other requirements.
- Review, with management and the external auditors, the results of the external audit and any significant issues identified.
- Exercise scepticism by questioning and seeking full and adequate explanations for any unusual transactions and their presentation in the financial statements.
- Analyse the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

#### 3.3.2 RISK MANAGEMENT

- Review the risk management framework for identifying, monitoring and managing significant risks, including fraud.
- Satisfy itself that insurance arrangements are appropriate for the risk management framework, where appropriate.
- Liaise with management to ensure there is a common understanding of the key risks to Council. These risks will be clearly documented in a risk register which will be regularly reviewed to ensure it remains up-to-date.
- Assess and contribute to the audit planning processes relating to the risks and threats to Council.
- Review the effectiveness of Council's processes for identifying and escalating risks, particularly strategic risks.

#### 3.3.3 INTERNAL CONTROL

- Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
- Review, through the internal and external audit functions, whether relevant policies and procedures are in place and up-to-date, including those for the management and exercise of delegations, and whether they are complied with.
- Review, through the Manager Financial Services, whether the financial internal controls are operating efficiently, effectively and economically.

### 3.3.4 PERFORMANCE MANAGEMENT

- Review Council's compliance with the performance management and reporting requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and the Annual Report Requirements for Queensland Local Governments.
- Review whether performance management systems in place reflect Council's role/purpose and objectives as stated in its Corporate Plan.
- Identify that the performance reporting and information uses appropriate benchmarks, targets and trend analysis.

### 3.3.5 INTERNAL AUDIT

- Review the budget, staffing and skills of the internal audit function.
- Review and approve the internal audit plan, its scope and progress, and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- Review the proposed internal audit annual plan to ensure they cover key risks and that there is appropriate co-ordination with the external auditor.
- Review the findings and recommendations of internal audit and the response to them by management.
- Review the implementation of internal audit recommendations accepted by management.
- Ensure that there is no material overlap between the internal and external audit functions.

### 3.3.6 EXTERNAL AUDIT

- Consult with external audit on the function's proposed audit strategy, audit plan and audit fees for the year.
- Review the findings and recommendations of external audit (including from performance audits) and the response to them by management.
- Review responses provided by management to ensure they are in line with Council's risk management framework.
- Review the implementation of external audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with audit's findings.

### 3.3.7 COMPLIANCE

- Determine whether management has considered legal and compliance risks as part of Council's risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and government policies.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

### 3.3.8 REPORTING

- Submit reports to the Chief Executive Officer outlining relevant matters that have been considered by it as well as the committee's opinions, decisions and recommendations.
- Circulate minutes of the committee meetings to the Chief Executive officer, committee members and invited guests as appropriate.

- Prepare an annual report to the Chief Executive Officer summarising the performance and achievements for the previous year. An interim program of the planned activities for the coming year is also to be provided.
- Submit a summary of its activities for inclusion in Council's Annual Report.

### **3.4 MEMBERSHIP AND MEETINGS**

#### **3.4.1 MEMBERSHIP**

- Members, including the Chair, are appointed by the Chief Executive Officer.
- Membership of the committee will consist of a minimum of three and a maximum of six.
- At least one, but not more than two members must be Councillors.
- A minimum of one member will be external to Council.
- At least one member will have significant experience and skills in financial matters.
- The Chief Executive Officer cannot be a member of the committee but would ordinarily be present at meetings.
- The term of appointment is for 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 appointed on the basis of personal qualities and skills and proxies are not permitted if the member is unable to attend meetings.
- Member terms and conditions are to be disclosed in the Letter of Appointment.

#### **3.4.2 CHAIR**

- The Chair will be a Councillor nominate by Council.
- The Chair will possess sound communication and strong leadership skills.

#### **3.4.3 SECRETARY**

- A secretary/secretariat function will be appointed by the Chief Executive Officer to facilitate the committee's meetings and reporting duties.
- The secretary, in consultation with the Chair, will prepare and send notices of meetings and agendas and accurately transcribe all decisions of the committee.
- The secretary will table all correspondence, reports and other information relevant to the committee's activities and operations.

#### **3.4.4 ETHICAL PRACTICES**

- 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.

#### **3.4.5 MEETINGS AND ATTENDANCE**

- The committee will meet four times per year and the schedule of meetings will be agreed in advance.
- A quorum will consist of two members.

### 3.4.6 MEETING AGENDA

- The committee should determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats.
- The agenda and relevant papers will be distributed to members prior to the meetings.

## 3.5 RELATIONSHIPS

### 3.5.1 INTERNAL AUDIT

- The committee will act as a forum for internal audit and oversee its planning, monitoring and reporting processes. This process will form part of the governance processes that ensure that Council's internal audit function operates effectively, efficiently and economically.
- The internal auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with internal audit as required.

### 3.5.2 EXTERNAL AUDIT

- The committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken, but will act as a forum for the consideration of external audit findings and will ensure that they are balanced with the views of management.
- The external auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with external audit at least twice per year, if required.

## 3.6 EVALUATION OF COMMITTEE ACTIVITIES

- The committee will undertake an annual self assessment of its performance for the previous twelve months at the ..... meeting.
- The committee will provide a report of the annual review outcomes to the Chief Executive Officer.

## 3.7 REVIEW OF THE CHARTER

- The charter will be reviewed annually by the committee to ensure it remains consistent with the committee's authority, objectives and responsibilities.
- All amendments to the charter will be discussed and approved by the Chief Executive Officer.

## 3.8 APPROVAL OF THE CHARTER

Council's audit committee charter is endorsed by the Chair of the committee and approved by the Chief Executive Officer.

## 4 DEFINITIONS

Nil

## 5 RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS

*Local Government Act 2009*

*Local Government Regulation 2012*

IX #	Details
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91107	F.01 Audit Committee Policy
91109	F.02 Internal Audit Policy