

AUDIT COMMITTEE CHARTER

1. Purpose

The Audit Committee is an independent advisory Committee to Council. The primary objective of the Audit Committee is to provide Council with advice about the effective conduct of its responsibilities for risk, financial reporting, maintaining a reliable system of internal controls and facilitating the organisation's efficiency, effectiveness and accountability.

The Audit Committee is established to assist the co-ordination of relevant activities of the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.

As part of Council's governance obligations to its community, Council has established the Audit Committee to:

Facilitate:

- The enhancement of the credibility and objectivity of internal and external financial reporting.
- Effective management and protection of financial and other Council assets.
- Compliance with laws and regulations as well as use of best practice guidelines.
- Compliance with Council's policies, procedures and delegations.
- The enhancement and implementation of internal control systems.
- The effectiveness of the internal audit function.
- The provision of an effective means of communication between the external auditor, internal audit and the Council.
- The implementation of Councils risk management framework

Review:

- Financial performance.
- Governance.
- Major projects.
- Internal control and accountability of Council's operations.
- The acceptability, disclosure of and correct accounting treatment for significant transactions which are not part of the Council's normal course of business.
- Accounting policies.
- Strategic Organisational risks, Risk Appetite Statement and risk management.

2. Interpretation

For the purpose of this Charter:

- "Act" means the Local Government Act 1993.
- "Council" means the Hills Shire Council.
- "Member" means a voting member of the Committee duly appointed by Council.

2. Terms of Reference

General:

The Audit Committee is a committee of Council formed under s355 of the local Government Act 1993. The Audit Committee does not have executive powers or authority to implement actions in areas over which management has responsibility. It does not have any delegated financial responsibility but can request the General Manager to act if it has accepted recommendations from the Internal Auditor, where management has failed to act. The Audit Committee does not have any management functions and is, therefore, independent of management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter (and not subject to delegation) in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

3. Membership

- 3.1 The Audit Committee will be comprised of the Mayor, four (4) Councillors as determined by Council from time to time and three (3) community representatives.
- 3.2 The evaluation of potential community representatives will be undertaken by the Mayor and Deputy Mayor, taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.
- 3.3 Expressions of interest by possible community representatives will be by way of a public advertisement and be for a maximum term of the elected term of Council. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.
- 3.4 If the Council proposes to remove a community representative of the Committee, it must give written notice to the member of its intention to do so 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.
- 3.5 The Chairperson of the Audit Committee is the Mayor. In the absence of the nominated Chairperson, the meeting will appoint an acting Chairperson.
- 3.6 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.
- 3.7 Representatives of the external auditor will be invited to attend at the discretion of the Committee but **must** attend meetings considering the annual financial report and results of the external audit.
- 3.8 Council shall provide secretarial and administrative support to the Committee.

4. Meetings of the Committee

- 4.1 The Committee shall meet at least quarterly in a suitable meeting room on Council premises.

A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council and statutory reporting deadlines.

Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee, internal or external auditor, and the General Manager.

- 4.2 Meetings can be held in person, by telephone or by video conference but preferably face to face.
- 4.3 Where internal audit priorities change between meetings or new urgent issues arise and where it is not possible to schedule an additional meeting, The Audit Committee will be kept fully informed via email.
- 4.4 Meetings of the Audit Committee are closed meetings to be attended by only elected Committee members and other non-members as outlined in this document.
- 4.5 The General Manager shall assist the Audit Committee by preparing an agenda for a meeting of the committee at least 3 days before the meeting.

The agenda is to include all matters to be dealt with at the meeting and shall state;

- (i) All matters to be dealt with arising out of the proceedings of previous meetings of the committee, and
- (ii) Any matter or topic that the Chairperson proposes at the time the agenda is being prepared to be put at the meetings, and
- (iii) All matters, including matters that are subject to staff reports to the committee.

For the avoidance of any doubt, the agenda and business paper is not available to the public.

- 4.6 Notwithstanding (e) above the general order of business for an audit committee meeting shall be.
 - 1. Opening of the meeting
 - 2. Apologies and applications for leave of absence by committee members
 - 3. Confirmation of minutes
 - 4. Disclosure of interests.
 - 5. Reports to Committee.
 - 6. Internal Audit report
 - 7. General Managers expenses.
 - 8. Status reports
 - 9. Questions

Quorum

- 4.7 A quorum will consist of a majority of Committee members.
- 4.8 A meeting of the Committee must be adjourned if a quorum is not present within 15 minutes after the time designated for the holding of the meeting or at any time during the meeting. In either case, the meeting must be adjourned to a time, date and place fixed by the Chairperson, or in his or her absence, by the majority of the members present.
- 4.9 It must be recorded in the minutes the circumstances relating to the absence of a quorum (including the reasons for the absence of quorum) at or arising during a meeting, together with the names of the members present.
- 4.10 A voting member of the Committee shall no longer be a voting member of the Committee if they fail to attend three (3) consecutive meetings without a leave of absence being granted.

Chairperson to have precedence

- 4.11 The Chairperson is to have precedence over the control and management of the meeting.
- 4.12 The Chairperson may call any member to order whenever in the opinion of the Chairperson it is necessary to do so.

Attendance of non-members

- 4.13 The attendance of non-members is subject to the invitation of the Chair.
- 4.14 The Internal Auditor will be invited to attend each meeting unless requested to not to do so by the Chair.
- 4.15 The General Manager may attend each meeting but will permit the Committee to meet separately with the Internal Auditor and external Auditor in the absence of management on at least one occasion per year.

Procedure in Audit Committee meetings

- 4.16 Only matters on the agenda are to be dealt with at the meeting.
- 4.17 A motion can only be debated if it is moved and seconded by an attending voting member of the Committee.
- 4.18 Whenever the voting on a motion put to the committee is equal, the chairperson of the committee is to have a casting vote as well as the original vote.
- 4.19 Questions are permitted in relation to matters on the business paper however non-members of the committee are permitted to take the questions on notice.

Decision making

- 4.20 The Committee makes decisions by resolutions, which are to be recorded in the minutes.
- 4.21 Each member of the Committee shall be entitled to one vote only except in the case of equality in votes on a matter, the Chair has a casting vote.
- 4.22 For the purpose of clarity, The Internal Auditor, External Auditor, General Manager, members of Council staff including the CFO, are not voting members of the Committee.

Reporting

- 4.23 The Audit Committee shall, after every meeting, forward the minutes of that meeting to the next appropriate ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- 4.24 The Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year.
- 4.25 The Chair of the Committee will initiate a review of the performance of the committee at least once every two years. Such review will be conducted on a self-assessment basis with appropriate input from management and any other relevant stakeholder.

Confidentiality

4.26 Committee members will be bound by confidentiality requirements under Council's Code of conduct.

4.27 Members may be entrusted with highly sensitive information at times, as well as personal information. Committee members must maintain confidentiality at all times, displaying a high level of ethics and professionalism.

4.28 Any requests for disclosure of information relating to the Committee will be managed by Council's Public Officer having regard to the *Government Information (public Access) Act 2009* and the *Privacy and Personal Information Protections Act 1998*.

5. Duties and responsibilities

5.1 The following are the duties and responsibilities of the Audit Committee in pursuing its Charter:-

- (i) To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of time, the internal audit plan systematically addresses:-
 - Internal controls over significant areas of Council's operations, including non-financial management control systems;
 - Internal controls over revenue, expenditure, assets and liability processes;
 - The efficiency, effectiveness and accountability of Council programs;
 - Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements; and
 - Compliance with Council resolutions and delegations.
- (ii) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Audit Committee.
- (iii) Review the level of resources allocated to internal audit and the scope of its authority.
- (iv) Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- (v) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- (vi) Critically analyse and follow up any internal or external audit report that raises significant issues relating to compliance, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- (vii) Monitor the exposure of Council by determining if management has appropriate systems, processes and adequate information systems in place.
- (viii) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- (ix) Review Council's draft annual financial report, focusing on:-

- Accounting policies and practices;
 - Changes to accounting policies and practices;
 - The process used in making significant accounting estimates;
 - Significant adjustments to the financial report (if any) arising from the audit process;
 - Compliance with accounting standards and other reporting requirements;
 - Significant variances from prior years.
- (x) Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- (xi) Discuss with the external auditor significant issues arising from the annual external audit.
- (xii) Identify, refer and request specific projects or investigations deemed necessary through Council or the General Manager as appropriate. Oversee any subsequent investigation (where appropriate), including overseeing of the investigation of any suspected cases of fraud within the organisation.
- (xiii) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
- (xiv) The Audit Committee, in conjunction with Council and the Internal and External Auditors, should develop the Committee's performance indicators.
- (xv) The Audit Committee is to provide advice on risk management matters including risk appetite statement, review of strategic risks and the overall implementation of Council's risk management framework.

5.2 The Audit Committee, through the General Manager or following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern, subject to budget requirements.

Co-sourcing:

5.3 Subject to budget requirements, monitor, review and measure Internal Audit co-sourcing arrangements. Recommend to Council, when required, budget allocations for co-sourcing assignments.

6. Conflicts of Interest

6.1.1 Committee members must declare any conflict of interest and take appropriate action in accordance with the Code of Conduct at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

6.2 Independent members are deemed to be designated persons under Section 441 of The Act and will be required to complete a pecuniary interest return in accordance with Section 449 of The Act.

- 6.3 Annually, members will provide a list of other organisations with which they are involved. Any amendments to this list are to be as appropriate at the next meeting after a change occurs.
- 6.4 Where members or invitees at the Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the chair of the Committee.

7. Induction and Training

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities. It is a requirement that new independent members complete induction training.

8. Review of the Charter

The Council/Committee will review this Charter periodically to ensure it remains up-to-date with professional and legislative requirements. Where appropriate, recommendations will be made to Council to update the Charter.

Proposed amendments to the Charter can be effective only after approval by Council.

Revised: Ordinary Meeting of Council 28.11.2006
Ordinary Meeting of Council 14.07.2009
Ordinary Meeting of Council 16.09.2009
Ordinary Meeting of Council 26.11.2010
Ordinary Meeting of Council 09.04.2013
Ordinary Meeting of Council 13.03.2018
Ordinary Meeting of Council 09.02.2021