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1. Background

Wodonga Council has created, pursuant to S139 of the *Local Government Act 1989* (the Act), an Audit Committee of council.

Section 139 of the Act states:

Audit Committee

- (1) A Council must establish an Audit Committee.*
- (2) An Audit Committee is an advisory committee.*
- (3) An Audit Committee must be constituted in the prescribed manner.*
- (4) An Audit Committee has the functions and responsibilities prescribed for the purposes of this section.*
- (5) The Minister may make guidelines for the purposes of this section.*
- (6) Guidelines made under subsection (5) must be published in the Government Gazette.*
- (7) A council may pay a fee to a member of an Audit Committee who is not a Councillor or member of the council staff.*

2. Introduction

The Audit Committee is an independent advisory committee to the council. The primary objective of the Audit Committee is to assist the council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating the organisation's ethical development.

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

3. Objectives

As part of the council's governance obligations to its community, the council has constituted an Audit Committee to facilitate:

- The enhancement of the credibility and objectivity of internal and external financial reporting;

- Effective management of financial and other risks and the protection of the council assets;
- Compliance with laws and regulations as well as use of best practice guidelines;
- The effectiveness of the internal audit function; and,
- The provision of an effective means of communication between the external auditor, internal audit, management and the council.

4. General

- (a) The Audit Committee is a formally appointed advisory committee of the council and is responsible to that body. 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 financial responsibility.
- (b) The Audit Committee does not have any management functions and is therefore independent of management.
- (c) The committee's role is to report to the council and provide appropriate advice and recommendations on matters relevant to its charter in order to facilitate decision making by the council in relation to the discharge of its responsibilities.

5. Membership

- (a) The Audit Committee will comprise a minimum of four members – one councillor, and three external independent members, with the chairperson having a casting vote. All members shall have full voting rights.
- (b) The Mayor of the Wodonga Council will be an ex-officio member of the Audit Committee.
- (c) External independent persons will have senior business or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements. The evaluation of potential members will be undertaken by the Mayor and Chief Executive Officer 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 the council.
- (d) Appointments of external persons shall be made by the council by way of a public advertisement and be for a maximum term of three years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to the council's elected representatives.

- (e) If the council proposes to remove a member 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.
- (f) In addition, the council may remove a member of the committee if he/she fails to attend three (3) consecutive meetings without leave of the committee by resolution duly passed, or on the recommendation of the committee.
- (g) Remuneration will be paid to each independent member of the committee at a rate determined by the council.
- (h) The chairperson shall be appointed from the external members of the committee by the Audit Committee subject to the council's approval. In the absence of the appointed chairperson from a meeting, the meeting will appoint an acting chairperson from the external members present.
- (i) Members are expected to:
 - i. Contribute the time needed to study and understand the papers provided;
 - ii. Apply good analytical skills, objectivity and good judgment; and,
 - iii. Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.
- (j) New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.
- (k) The Director Business Services and internal auditor should attend all meetings, except when the committee chooses to meet in camera. Other members of the council or council staff may be invited to attend at the discretion of the committee to advise and provide information when required.
- (l) Representatives of the external auditor should be invited to attend at the discretion of the committee but must attend meetings considering the draft annual financial report and results of the external audit.
- (m) The council shall provide secretarial and administrative support to the committee.
- (n) All independent members of the Audit Committee shall sign a confidentiality agreement as shown in appendix A.
- (o) All persons nominated to serve on the Audit Committee must, within 30 days of becoming a member of the Audit Committee, submit a register of interests primary return to the Chief Executive Officer. Thereafter, all members of the Audit Committee must, within 40 days of 30 June and 31st December each year, submit a register of interests ordinary return.

If a member of the Audit Committee has a conflict of interest in any matter in which the Audit Committee is concerned, the member must

disclose the nature of that interest at the meeting at which the matter is discussed.

6. Authority

The Audit Committee, through the Chief Executive Officer and following authorisation from the council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

7. Meetings

- (a) The committee shall meet at least quarterly.
- (b) 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 reporting deadlines.
- (c) 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.
- (d) A quorum shall be three members.

8. Reporting

- (a) The Audit Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the council, including a report explaining any specific recommendations and key outcomes.
- (b) The committee shall report annually to the council summarising the activities of the committee during the previous financial year.

9. Duties and responsibilities

The following are the duties and responsibilities of the Audit Committee in pursuing its charter:

Financial reporting

- (a) Review the council's draft annual financial report, focusing on:
 - i. Accounting policies and practices;
 - ii. Changes to accounting policies and practices;
 - iii. The process used in making significant accounting estimates;
 - iv. Significant adjustments to the financial report (if any) arising from the audit process;
 - v. Compliance with accounting standards and other reporting requirements; and,
 - vi. Significant variances from prior years.

- (b) Recommend adoption of the annual financial report to the council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

Performance reporting

- (a) Review the annual performance statement and recommend its adoption to the council.
- (b) Review the council processes in place for the preparation of the annual performance statement and the inclusion of the statement in the annual report,

Risk management

- (a) Monitor the risk exposure of the council by determining if management has appropriate risk management processes and adequate management information systems.
- (b) Recommend to the council for approval the general risk management policies for the management of credit risk, interest rate risk, liquidity risk, and capital risk.
- (c) Review the process of developing and implementing the council fraud control arrangements and that the council has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
- (d) Review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the council.

Internal control

- (a) 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 years, the internal audit plan systematically addresses:
 - i. Internal controls over significant areas of risk, including non-financial management control systems;
 - ii. Internal controls over revenue, expenditure, assets and liability processes;
 - iii. The efficiency, effectiveness and economy of significant council programs; and,
 - iv. Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- (b) Recommend to the council an internal audit program for the financial year understanding the budget allocated towards internal audits by the council. The council shall approve the internal audit program.
- (c) Undertake special internal audit assignments undertaken by internal audit at the request of the council or the Chief Executive Officer.

- (d) Periodically review the performance of the internal audit.
- (e) Provide advice to the council on the appointment of the internal auditor.
- (f) Review reports of internal audit and the extent to which the council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- (g) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- (h) Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, 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.
- (i) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- (j) Monitor and review the control framework by determining whether systems of management are adequate with regard to:
 - i. An effective internal control framework;
 - ii. Relevant policies and procedures are in place, and that these are periodically reviewed and updated;
 - iii. Processes are in place to assess whether policies and procedures are complied with;
 - iv. The management and exercise of delegations;
 - v. How management identifies any required changes to the design or implementation of internal controls; and,
 - vi. Embedding a culture which is committed to ethical and lawful behaviour.
- (k) Review the effectiveness of the system for monitoring the council's compliance with relevant laws, regulations and associated government policies.
- (l) Monitor the effectiveness and efficiency of the information and communications technology to ensure it meets the compliance needs of internal and external audit and the council governance.
- (m) Discuss with the external auditor the scope of the audit and the planning of the audit.
- (n) Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
- (o) Review guidelines for the management of the council's treasury operations and monitor the activities of the Business Services group.

- (p) Review and recommend exposure management strategy within which the treasury management activities may be undertaken and review performance through monthly reporting processes.

Other functions

- (a) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, who may or may not approve the special project or investigation given consideration to the subject's relative importance and budget required to complete the task. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- (b) Address issues brought to the attention of the committee, including responding to requests from the council or the Chief Executive Officer for advice that are within the parameters of the committee's terms of reference.

10. Assessment and Review

- (a) The Chair of the committee, in consultation with the Mayor, will initiate a review of the performance of the committee at least once every three years. The review will be conducted on a self-assessment basis (unless otherwise determined by the council) with appropriate input sought from the council, the Chief Executive Officer, the internal and external auditors, management and any other relevant stakeholders, as determined by the council.
- (b) At least once every three years the committee will review this charter.
- (c) Any substantive changes to the charter will be recommended by the committee and formally submitted to the council for its consideration.

Title:	Audit Committee Charter
Reference No:	CC&M08/00003
Business Unit:	Business Services
Category:	Committee Charters & Local Laws
Version:	Three
Approved By:	Council resolution on September 21, 2015
Next Review:	September 21, 2018

Appendix A Audit Committee Confidentiality Agreement

This agreement is made the _____ day of
20__

between

and

I herewith agree that I must not, whether during or after my membership of the Wodonga City Council Internal Audit Committee, unless expressly authorised by the Chief Executive Officer or in accordance with law make any disclosure or use of:

- (i) any information or trade secrets of the council;
- (ii) the position of the council or of any councillor or council officer on any confidential matter; or
- (iii) any other information whatsoever, the disclosure of which may be detrimental to the interest of the council or of any other person who has provided it to the council on a confidential basis, unless I am required to disclose the information by law. I must use my best endeavours to prevent the improper publication or disclosure or use of any such information by anyone else.

The termination or expiry of my membership of the committee, for whatever reason, does not affect or derogate from my obligations of confidentiality set out above.

Signed by:

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xxxxxx
Audit Committee Member

Signed for and on behalf of Wodonga City Council:

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Patience Harrington
Chief Executive Officer