



Horsham Rural City
Council urban rural balance

AUDIT COMMITTEE CHARTER



This charter sets out the Audit Committee's objectives, authority and responsibilities, and is reviewed annually.

It is based on the Department of Planning & Development's guide to Good Practice for Local Government's model charter for Audit Committees.

(Adopted by resolution of Council 18 December 2017)



AUDIT COMMITTEE CHARTER

Purpose

To maintain an efficient and effective audit process, to ensure that risks (both financial and organisational) are adequately identified and managed and that effective controls are put in place to mitigate those risks.

The Committee's work is to be informed by the requirements of the *Local Government Act 1989* and best practice in audit governance principles and processes.

Authority

The audit committee is an advisory committee and has the responsibility for advising Council on:

- Seeking resolution on any disagreements between management and the external auditors on financial reporting.
- Seeking any information it requires from Council members, and Council staff via the Chief Executive and external parties.
- Formally meeting with Council staff, internal and external auditors as necessary.

Management Responsibility

It is the responsibility of management to:

- Keep the Committee informed regarding financial reporting, risk management and risk exposures of the organisation.
- Keep the Committee informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations in order that the Committee may monitor management's response to these findings.
- Facilitate, through the Chief Executive, the operation of the audit committee by providing secretariat services and officer attendance as required in respect of matters before the audit committee.
- To draft agenda in consultation with chair.

Composition

- The Council will appoint as members of the committee:
 - The Mayor and one other Councillor; and
 - Three independent members, one of whom will be appointed annually by Council as Chair of the committee.
- Independent members will be appointed for a period of three years on a rotational basis via a public call for Expressions of Interest during the second quarter of the financial year for appointment at Quarter 3 meeting.
- One of the independent audit committee members should be financially literate with relevant experience and/or qualifications.

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 and to have prepared for participation in the meeting.
- The Chief Executive 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 and reported to Council and the Audit Committee in a timely manner.
- Each meeting will require a quorum of at least three, two of which should be independent members.
- Ex-officio members / attendees: Chief Executive, Director Corporate Services, Finance Manager, HR & Risk Co-ordinator, External Auditor, Internal Auditor

Responsibilities

The audit committee will carry out the following responsibilities:

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 with management and the external auditors the results of any audits, including any difficulties encountered.
- Review the annual financial report and quarterly financial reports, 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 auditors' review of internal controls, and obtain reports on significant findings and recommendations, together with management's responses.

Risk Management

- Monitor the systems and process via the Council's risk profile to ensure that material operational risks to the Horsham Rural City Council are dealt with appropriately.
- Monitor the process of review of the 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 exposure.

Business Continuity

- Monitor processes and practices of the Council to ensure for effective business continuity.

Internal Audit

- To recommend to Council the appointment of the internal auditors.
- 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 Council and any major changes to the plan, ensuring that it links with the Councils Risk Management Strategy and key identified business risks.

- 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 and the performance of the internal auditors, having consideration of the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- 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.

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 with the external auditors, to discuss any matters that the audit committee or internal auditor believes should be discussed privately.
- Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure the Council implements relevant recommendations.

Compliance

- Review the systems and processes for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instance 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 and Communication 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 direct, open and complete communication between the internal auditor, the external auditors, and the Council occurs.
- Report annually to stakeholders through the Council's Annual Report, 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.

Other Responsibilities

- Perform other activities related to this charter as requested by the Council.
 - Review and assess the adequacy of the audit committee charter annually, requesting Council approval for proposed changes, and ensure 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.
- Conflict(s) of interest: it is the responsibility of an audit committee member to disclose a conflict of interest or the appearance of a conflict of interest to the committee in accordance with the Local Government Act and Councillors Code of Conduct.

Other Matters

Insurance

Members of the Committee are covered by the Council's insurance policies.

Expense Allowances for Members

External members of the committee will be offered a Committee Sitting Fee for carrying out their duties. The amount payable per meeting is to be set by Council.

External members will be reimbursed the cost of travel from outside the Horsham town boundaries in line with the Councillors re-imburements policy.

Orientation and Training

Audit committee members shall receive formal orientation training on the purpose and responsibilities of the committee and on Council's overall objectives. A process of continuing education shall be established.



MEETINGS SCHEDULED FOR:	Sept	Dec	March	June
Financial Report				
Review the significant accounting and reporting issues	✓			
Review the annual financial report	✓			
Review the results of the audit (VAGO)	✓			
Review communication required under Australian Auditing Standards	✓			
Internal Control				
Consider the effectiveness of HRCC's internal control system				✓
Review the internal control over financial reporting				✓
Risk Management				
Monitor the systems and processes for risk management			✓	
Review HRCC'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 Audit				
Review the internal audit function when the contract is renewed			✓	
Review and recommend the annual audit plan				✓
Review internal audit plan and ensure it is linked to the HRCC's risk profile				✓
Monitor satisfaction with internal audit service			✓	
Monitor processes and practices to ensure that independence of internal audit function			✓	
Provide an opportunity for the audit committee to meet with internal audit function	✓	✓	✓	✓
External Audit				
Note the external auditors' proposed audit scope and approach				✓
Consider external auditors' view on the control environment and management letters			✓	✓
Resolve any disagreement between management and the external auditors in financial reporting	✓			
Provide an opportunity for the audit committee to meet with external auditor without management	✓			
Compliance				
Obtain regular updates on compliance matters	✓	✓	✓	✓
Review the systems and processes for monitoring compliance with legislation and regulations		✓		
Be informed on how management monitors the effectiveness of its compliance and ethics program	✓	✓	✓	✓
Keep informed of the findings of any examinations by regulatory agencies	✓	✓	✓	✓

	Sept	Dec	March	June
Reporting Responsibilities				
Report regularly to HRCC	✓	✓	✓	✓
Monitor that open communication between the internal auditor, the external auditors and HRCC occurs		✓		
Report annually through Council's Annual Report		✓		
Consider the findings and recommendations of relevant Performance Audits	✓	✓	✓	✓
Assessment of Financial Information				
Review significant accounting and reporting issues	✓	✓	✓	✓
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		✓		
Review and discuss any reports concerning evidence of material violation of breaches of fiduciary duty	✓	✓	✓	✓
General				
Establish number of meetings for forthcoming year		✓		
Effectiveness of Secretariat support performance		✓		
Perform an assessment of the Committee's performance annually		✓		
Review and assess the adequacy of the audit committee charter annually		✓		
Confirm annually that all responsibilities outlined in this charter have been carried out		✓		
Membership Renewal – following Council elections		✓		
Review JMAPP Liability Audit			✓	
Committee Appointment		✓		
Chair Appointed by Council		✓		