



AUDIT COMMITTEE CHARTER

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1 Purpose

The role of the Audit Committee (**Committee**) is to provide independent and objective assurance and assistance to the Yarra City Council (**Council**) and its Chief Executive Officer on Council's risk management, control and compliance framework, and its external financial and performance accountability and responsibilities.

2 Authority

The Audit Committee is an Advisory Committee to Council, pursuant to the relevant provisions of the *Local Government Act 1989* (the Act).

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 authority. The Audit Committee does not have any management functions and is therefore independent of management.

The Council authorises the Audit Committee, within the scope of its role and responsibilities to:

- Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- Discuss any matters with the external or internal auditor, or other external parties (subject to confidentiality considerations);
- Request the attendance of any Council Officer (including the Chief Executive Officer), Councillors, and/or the internal and external auditors, at Audit Committee meetings;
- Request that Council Officers obtain external legal or other professional advice, as the Audit Committee considers necessary to meet its responsibilities, at Council's expense; and
- Require reports from Council Officers, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Council's financial reporting process.

3 Membership

The Audit Committee will consist of five members, comprising:

- The Mayor or an appointed alternative Councillor;
- One other Councillor; and
- Three independent members.

A Committee quorum shall be three members, of which one must be a Councillor.

The Chairperson of the Committee will be an independent member and will be appointed by the Audit Committee annually. The nomination for the position of Chairperson will be submitted to Council for approval.

The position of Acting Chairperson, when required, will be facilitated by Council's Director, Corporate, Finance & Business at the commencement of a Committee meeting by calling for nominations.

The Audit Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one member of the Audit Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

It is important that individual Audit Committee members are able to work collectively and make a strong contribution to Council's corporate governance culture.

Appointment of independent Audit Committee members will be made by Council, following a publicly advertised expression of interest process managed by the Chief Executive Officer (or delegate). The terms of appointment will be arranged to ensure an orderly rotation and continuity of membership.

Independent members will be eligible for extension or re-appointment after a formal review of their performance, such review to be undertaken by the Chief Executive Officer (or delegate) and referred to Council.

To ensure the ongoing independence and refresh the Committee with new ideas, the maximum term able to be served by an independent member is eight (8) years.

Councillor members will be appointed to the Audit Committee by the full Council on an annual basis, with Councillor appointees to be generally rotated after a minimum period of two years. The intent of the rotation system is to expose as many Councillors as possible to Audit Committee membership and proceedings.

No management staff may be appointed to the Audit Committee. However, the Chief Executive Officer shall be required to attend all meetings of the Committee. The Director Corporate Business & Financial Services and Chief Financial Officer will attend all meetings of the Committee in an advisory capacity unless otherwise advised by the Committee Chairperson. Other Council Officers may be requested to attend meetings of the Committee by the Chief Executive Officer and/or Audit Committee Chairperson.

Council's internal and external auditors cannot be appointed to the Audit Committee. The internal auditor will be required to attend and present at all relevant meetings of the Committee. The external auditor to attend all relevant meetings of the Committee, and also present to any meeting of the Committee on request.

4 Roles and Responsibilities

The Audit Committee's responsibilities include:

4.1 Risk Management

- Review management's risk management policy framework and procedures for effective identification and management of Council's strategic and operational risks, including fraud and corruption.

- Regularly review Council's Strategic Risk Register (and changes thereto) and reports on high/extreme operational risks, and management's actions to address such risks.
- Monitor the progress of any major legal and insurance matters facing the Council.

4.2 Internal Audit

- Review with management and the internal auditor, the Internal Audit Charter, activities, staffing, and operational structure of the internal audit function.
- Review the strategic internal audit approach to consider whether over a period of years, the internal audit program systematically addresses:
 - Internal controls over significant areas of risk including non-financial management control systems;
 - Internal controls over revenue, expenditure, assets and liabilities;
 - The efficiency, effectiveness and economy of significant Council programs and services which should also encompass services outsourced to external providers including shared service arrangements;
 - Compliance with regulations, policies, best practice guidelines and contractual arrangements; and
 - The introduction of improved audit tools that become mainstays of modern business.
- Review all internal audit scope documents and reports and provide advice to the Council and Chief Executive Officer on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice.
- Monitor management's implementation of internal audit recommendations.
- Periodically review the performance of internal audit and monitor the progress of the internal audit work program and the quality of audits.
- Review special internal audit reports and/or other relevant consultancies conducted by the internal auditor in addition to the internal audit program, and ensure the services are appropriate and do not jeopardise the independence of the internal auditor.
- Provide an opportunity, at least annually, for the Audit Committee to meet with the internal auditor without the presence of management to discuss any matters that the Committee or the internal auditor believes should be discussed privately.

4.3 Control Framework

- Review Council's overall framework and processes for design and implementation of internal control systems, and the mechanisms by which management monitors the effectiveness of controls.
- 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.

4.4 External Audit

- Review external auditor's proposed audit scopes and approach, including any reliance on internal auditor activity.
- Discuss with the external auditor issues arising from any audit, including any management letter issued by the auditor and monitor management's implementation of audit recommendations.
- Provide advice to the Council on action taken on significant issues raised in relevant external audit reports and better practice guides.
- Provide an opportunity, at least annually, for the Audit Committee to meet with the external auditors without the presence of management to discuss any matters that the Committee or the external auditors believe should be discussed privately.

4.5 Fraud & Corruption Prevention/Awareness

- Review the adequacy of Council's fraud and corruption prevention policies, procedures and plans, including fraud awareness programs and processes for reporting and investigations.
- Review the circumstances surrounding any instances of fraud or corruption and any identified internal control weaknesses, and monitor management's actions to address the issues.
- Provide advice to the Chief Executive Officer and Council in relation to the management and reporting of fraudulent or corrupt actions.

4.6 Legislative Compliance

- Determine whether Council has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and associated government policies.
- Review any regulatory reports submitted to the Council and monitor management's response to them.

4.7 External Accountability

- Review the financial statements and provide advice to the Council (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing and adoption by Council's delegates.
- The Review to address the clarity and completeness of disclosures in the year-end financial statements, including management attestation letter, and consider whether the disclosures made are set properly in context.
- Ensure that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls.
- Review annual performance statements against Council's stated performance objectives and outcomes.

4.8 Reporting Responsibilities

- Report annually to Council, describing the Audit Committee's responsibilities and how they were discharged during the period, and any other information considered pertinent or which is required by regulation. Additional updates may be appropriate should issues of concern arise.
- Attend and report at Councillor Briefings, twice a year, on the proceedings and outcomes of the Committee's activities and provide an opportunity for discussion between the Committee, other Councillors and Executive Officers regarding the Committee's activities, roles and responsibilities.
- After each meeting of the Audit Committee a brief report on 'business handled' will be prepared for Councillors and tabled under 'Confidential' business at the next Council Meeting.
- As required, report to the Chief Executive Officer or Council any other matter that the Committee deems is of sufficient importance.
- Monitor that open communication between the internal auditor, the external auditors, and Council occurs.

4.9 Other Responsibilities

- Review and evaluate any reports relevant to Council issued by any authority such as VAGO, the Victorian Ombudsman or Local Government & Compliance Inspectorate.
- Maintain a broad understanding of the legal requirements of the *Local Government Act 1989*. Contribute the time needed to study and understand the papers provided and:
 - Apply good analytical skills, objectivity and judgement; and
 - Express opinions frankly, ask questions that go to the fundamental core of the issue and ask for further material if required.
- Provide a written declaration of Conflicts of Interest annually and declare any conflicts of interest at the start of each Committee meeting or before discussion of the relevant agenda item or topic.
- Review and assess the adequacy of the Audit Committee Charter, biennially.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Audit Committee's performance annually, identifying areas for improvement and establishing action plans for addressing these.

5 Administrative Arrangements

5.1 Meetings

The Committee will ordinarily meet five times per year; four quarterly meetings (November, February, May and September) and one meeting to consider the Annual Financial Statements (August/September).

In addition, the Chairperson may call a special meeting and is required to call a meeting of the Committee within a reasonable time of being requested to do so by

any Committee Member, the Chief Executive Officer or the internal or external auditors.

An annual Audit Committee Agenda Plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all of the Audit Committee's responsibilities as detailed in this Charter.

5.2 Secretariat

The Chief Executive Officer (or delegate) will appoint an officer to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and shall be circulated to Committee members within a reasonable timeframe.

In addition, the Secretariat will:

- Maintain a record of when members' terms of appointment are due for possible renewal or termination;
- Ensure that appropriate appointment processes are initiated when required;
- Ensure that new members receive appropriate induction;
- Following each meeting, prepare the brief report on business handled for distribution to Councillors by Council's Audit Committee delegates; and
- Prepare Annual Report summarising the Audit Committee's work for the year past and circulate to Audit Committee members prior to presentation to Council.

5.3 Independent Members Remuneration

Remuneration will be paid to each independent member of the Audit Committee. Remuneration levels will be recommended by the CEO for Council approval from time to time and may be based on an annual fee with an additional amount paid to the chair, or a set fee per meeting, or another basis as appropriate.

5.4 Induction

All new Audit Committee members will receive induction material and training to ensure they are cognisant with the administrative environment, operational profile and risk management processes of Council.