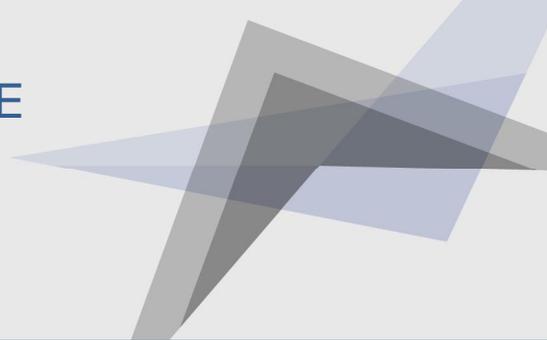


AUDIT COMMITTEE CHARTER – APRIL 2018



Name of Committee:	Audit Committee
Introduction:	<p>The Audit Committee has been established by the Council as an independent advisory Committee to the Council.</p> <p>The primary objective of the Audit Committee is to assist Council in the effective conduct of its responsibilities for financial reporting, management of risk, business continuity, maintaining a reliable system of internal controls and facilitating the organisation’s ethical development and to monitor and advise Council on the standard of financial control, risk management and corporate governance.</p> <p>The Audit Committee’s Charter is not restricted to financial matters only and will in its work plan consider all of Council’s Operational Areas; Information Systems and Technology; People; and Processes.</p>
Extent of Authority:	<p>The Audit Committee is a formally appointed committee of the Council and is responsible to that body. It is responsible for discharging its responsibilities under this Charter, which has been approved by Council. The Committee is to regularly report to Council and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.</p> <p>The Audit Committee does not have:</p> <ul style="list-style-type: none"> • executive powers; • authority to implement actions in areas over which management has responsibility; • any delegated financial responsibility; and • any management functions and is therefore independent of management. <p>The Audit Committee can choose at its discretion to meet in camera with the Internal and External Auditor.</p> <p>Within the scope of its responsibilities the Audit Committee may seek information or obtain expert advice on matters of concern through the Chief Executive Officer including access to other Committees of Council if required.</p>
Purpose and Role of Committee:	<p>As part of Council’s governance obligations to its community, Council has constituted an Audit Committee to facilitate:</p> <ul style="list-style-type: none"> • the enhancement of the credibility and objectivity of internal and external financial reporting; • effective management of Council’s strategic risks and the protection and control of Council assets; • monitoring of Council’s Business Continuity Plans and processes; • the efficiency and effectiveness of significant Council Programmes; • compliance with laws and regulations as well as use of best practice guidelines;



	<ul style="list-style-type: none"> • to monitor, review and advise the Council on the standard of financial control, risk management and corporate governance; and • the effectiveness of the audit functions.
<p>Membership:</p>	<p>The Audit Committee will comprise five members:</p> <ul style="list-style-type: none"> • the current Mayor; • one other Councillor nominated by Council; and • three external independent persons. <p>Council may nominate an alternate member to substitute for either of the two Councillors. All members shall have full voting rights.</p> <p>Appointments of external persons shall be made by Council by way of a public advertisement and be for a maximum term of three years. Members will be eligible for reappointment by Council on the recommendation of the Chief Executive Officer.</p> <p>The terms of the appointment should be, as far as practical, arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.</p> <p>If the Council proposes to remove a member of the Audit Committee prior to the expiry of their term of appointment, 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 meeting of Councillors if that member so requests.</p> <p>Members of the Audit Committee are covered by Council's Directors and Officers Insurance Policy while undertaking the role.</p> <p>Remuneration by way of an annual fee determined by Council will be paid to each independent member of the Audit Committee and indexed annually by the Melbourne All Groups CPI adjusted annually on 1 July.</p> <p>Members are expected to understand and observe the legal requirements of the Local Government Act 1989 and to:</p> <ul style="list-style-type: none"> • contribute the time needed to understand the papers provided; • apply good analytical skills; • objectivity; • enterprise and judgement ; and • express opinions frankly, ask questions that go the core of the issue and pursue independent lines of enquiry.
<p>Appointment Process:</p>	<p>The evaluation of potential members will be undertaken by a member of the Audit Committee (preferably the Chairperson), the Chief Executive Officer and the General Manager, Corporate Services.</p> <p>External independent persons will have demonstrated senior business or financial management and reporting knowledge and experience. The selection panel will take into account the experience of candidates against the selection criteria and a recommendation for appointment put to Council.</p> <p>The selection criteria that candidates will be assessed against will include:</p>



	<ul style="list-style-type: none"> • financial analytical skills; • knowledge of Audit and Governance Framework • demonstrated Strategic Skills including but not limited to: financial acumen; information technology; governance standards; and organizational risk management • alignment of values • capacity to Undertake role; and • freedom from any perceived or real conflicts of interest.
<p>Chairperson:</p>	<p>The Chairperson shall be appointed from the external independent members of the Audit Committee by Council on the recommendation of the Chief Executive Officer. The chairperson must not be either a Councillor or member of Council staff. Further, the Chairperson must have demonstrated suitable qualifications demonstrated by the selection criteria above (S139 (2A)). In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external independent members present. The Chairperson may require any report prepared by the Audit Committee to be listed on the agenda for the next Ordinary Meeting of the Council (S139 (6A)).</p> <p>In the absence of the appointed Chairperson, the meeting will appoint an acting Chairperson from the external independent members present.</p>
<p>Quorum:</p>	<p>A quorum shall be a simple majority of the members with at least one Councillor present.</p>
<p>Conflict of Interest:</p>	<p>The nature of independence with regard to an external independent person is a person with no operating responsibilities within the City of Kingston management structure nor any association with the City of Kingston.</p> <p>Associations refer to commitments and provision of paid services to the City of Kingston. Association does not refer to the receipt of remuneration paid to independent members of this committee.</p> <p>Being a ratepayer of the City of Kingston does not, of itself, give rise to a conflict of interest. The overriding principle is to have the Audit Committee approach its tasks objectively, to maintain its independence and also to be seen to be independent.</p> <p>The Chair will call for a declaration of conflict of interest at each meeting pursuant to S79 of the Local Government Act.</p>
<p>Confidentiality and Disclosure:</p>	<p>Information not publicly available contained in agenda papers as well as information provided as a result of the Audit Committee's deliberations must be maintained as confidential.</p> <p>The information should not be disclosed outside of the Audit Committee membership or Council.</p>
<p>Meetings:</p>	<p>Due to the nature of the work of the Audit Committee and the potential sensitivity of the material being considered the meetings of the Audit Committee are closed to the public.</p> <p>The Chief Executive Officer should attend all meetings except where the Audit Committee believes the matter should be discussed privately. Other officers to attend all meetings in an advisory capacity include General Manager Corporate Services and Manager Finance & Corporate Performance.</p>



The Internal Auditor should attend all meetings except where the Audit Committee believes the matter should be discussed privately. Other members of Council can attend the Audit Committee.

Other Council staff may be invited to attend at the discretion of the Chief Executive Officer and / or the Chairperson of the Audit Committee to advise and provide information when required.

Representatives of the external auditor may be invited to attend all meetings however they must attend meetings considering the draft annual financial statements and results of the external audit.

Council shall provide secretarial and administrative support to the Audit Committee. Agenda documents will be provided at least 4 days in advance of the meeting.

The Audit Committee shall meet at least quarterly and hold a special meeting to consider the draft annual financial statements and the results of the external audit of Council.

The schedule of meetings will be developed and agreed to by the members each year.

Additional meetings shall be convened at the discretion of the Chairperson or the Chief Executive Officer

Responsibilities of the Audit Committee

Financial Reporting:

Review and understand Council's draft annual Financial Statements and Performance Statement 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;
- controls over related party transactions;
- significant variances from prior years; and
- complex or unusual transactions

To understand their effect on the reports and consider whether they are complete and consistent with information known to the Audit Committee.

Make a recommendation to adopt the annual Financial Report and Performance Statement to Council.

Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

Review with management and the external auditors all matters required to be communicated to the Audit Committee under the Australian Auditing Standards.



<p>Internal Control:</p>	<p>Understand the scope of internal and external auditors' review of internal controls over Council operational areas, financial and performance reporting, and obtain reports on significant findings and recommendations, together with management's responses</p>
<p>Risk Management:</p>	<p>Review the strategic risk exposures of Council each year through consideration of whether management has appropriate risk management processes and adequate management information systems in place to deal with those risks appropriately</p> <p>Consider the adequacy of actions taken to ensure that the strategic risk exposures have been dealt with in a timely manner to mitigate exposures to the Council.</p>
<p>Business Continuity and Disaster Recover:</p>	<p>Monitor processes and practices to ensure effective business continuity plans are in place and tested by Council for key areas of Council.</p>
<p>Internal Audit:</p>	<p>To review the scope of the internal audit plan. This review should consider whether, over a period of years the internal audit plan systematically addresses:</p> <ul style="list-style-type: none"> • internal controls over strategic risks identified by Council, including non-financial management control systems and databases used for the production of performance reporting and statements; • internal controls over revenue, expenditure, assets and liability processes; • the efficiency, effectiveness and compliance of significant Council programs, services and activities; and • compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements. <p>Review the appropriateness of special Internal Audit assignments undertaken by Internal Audit at the request of Council or Chief Executive Officer.</p> <p>Review the level of resources allocated to internal audit.</p> <p>Review reports of internal audit and the extent to which Council and management respond to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.</p> <p>Identify and refer specific projects for investigations deemed necessary through the Chief Executive Officer. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.</p> <p>Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.</p> <p>Monitor processes and practices to ensure that the independence of audit function is maintained.</p> <p>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.</p>



<p>External Audit:</p>	<p>Recognising that the External Auditor is either the Victorian Auditor General's Office or a contractor appointed by the Victorian Auditor General the Audit Committee is responsible to:</p> <p>Discuss with the external auditor the scope of the audit and the planning of the audit including the extent of any reliance on the activities of the Internal Auditor.</p> <p>Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters. Such discussions may be held in camera at the discretion of the Audit Committee.</p>
<p>Compliance:</p>	<p>Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up of any instances of non-compliance.</p> <p>Keep informed of the findings of any examinations by agencies such as Victorian Auditor General's Office, the Ombudsman's Office; the Local Government Inspectorate; Independent Broad-Based Anti-Corruption Commission (IBAC) and Council's auditors' observations and monitor management's response to these findings.</p> <p>Obtain regular updates from management about compliance matters.</p>
<p>Ethical Behaviour/ Fraud Control</p>	<p>The Audit Committee will, as part of the cyclical Annual Audit Plan, review Council's Fraud Prevention Policy and Procedures. Instances of known or suspected fraud will be promptly reported to the Audit Committee.</p>
<p>Reporting Responsibilities</p>	<p>The Audit Committee shall at every meeting consider and approve minutes and a summary of that meeting. The Audit Committee shall forward a summary of each meeting to Councillors.</p> <p>Other matters or reports by the Committee for submission to Council shall be forwarded to the next available Ordinary meeting of the Council.</p> <p>The Committee via the Chairperson shall report annually to the Council summarising the activities of the Committee during the previous financial year and Council's progress in addressing the findings and recommendations made in internal/external or other audit reports.</p>
<p>Other Responsibilities</p>	<p>Review the scope of its authority including the Audit Committee Charter every two years.</p> <p>Monitor the progress of any major lawsuits claim or contingency facing the Council which could have a material effect on Council's financial position or reputation.</p> <p>Address issues brought to the attention of the Committee, including responding to requests from Council for advice that is within the parameters of the Committee's terms of reference.</p>