



SOUTH GIPPSLAND SHIRE COUNCIL AUDIT COMMITTEE CHARTER

Policy Number	C08	Directorate	Corporate Services
Council Item No.	6.1	Department	Governance Services
Council Adoption Date	28 August 2019	Primary Author	Coordinator Risk
Revision Date	28 August 2023	Secondary Author	Senior Risk Officer

Goal

The primary objective of the Audit Committee is to assist South Gippsland Shire Council (Council) in the effective execution of its responsibilities for financial reporting, management of risk including Council's exposure to fraud, maintaining a reliable system of internal control, and facilitating Council's ethical conduct.

Role

The Audit Committee does not have any management functions. It is independent of management and performs its function with a high degree of objectivity. In undertaking this role the Audit Committee provides oversight of the following:

- Corporate governance;
- Management and governance of the use of data, information and knowledge;
- Internal and external reporting – financial and performance;
- Risk management including fraud prevention, business continuity planning and disaster recovery;
- Internal and external audit;
- Internal control framework; and
- Compliance with the Local Government Act 1989 and other applicable legislation and regulation, including the national competition policy.

Authority

The Audit Committee has the responsibility for advising Council on:

1. Seeking resolution on any disagreements between management and the external auditors on financial reporting, reviewing all auditing, planning and outcomes;
2. Seeking any information it requires from Councillors, and Council staff via the Chief Executive Officer and external parties; and
3. Formally meeting with Council staff, internal and external auditors as necessary.

Composition and Appointment of Members

The Audit Committee will comprise up to four members, namely one Councillor and up to three independent external members. The Mayor is an observer at meetings and has the right to speak. Members may serve a maximum of two consecutive terms of three years. A committee meeting requires a quorum of three members, including the Councillor member.

Council will appoint Audit Committee members, the Audit Committee Chair and



confirm the reappointment of an independent member for a second and final three year term.

The Chair of the Audit Committee must be one of the external independent members. The Chair must be appointed by Council for each calendar year, however, the Audit Committee shall make a recommendation to the Council regarding who the chair should be and the Term of Office of the chair. The term of the Chair is to be reviewed on an annual basis.

One Audit Committee member must be financially literate and evidenced by current CPA or Chartered Accountant accreditation.

Council is an equal opportunity employer and values diversity and gender equality. Council encourages applications for Audit Committee membership from a range of business and community disciplines and backgrounds.

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 by means of telephone or video conference.

The Chief Executive Officer 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 presented to Council for noting at the next appropriate open Council meeting.

The Audit Committee may meet in closed session, immediately prior to the commencement of the scheduled Audit Committee meetings (or during the meeting if required) with the internal auditor, external auditor or management in attendance if requested by the Committee.

Observer and Council Staff support and attendance at meetings

All Councillors, that are not current Audit Committee members, are able to attend Audit Committee meetings as observers.

The Audit Committee may invite other persons to attend its meetings if it determines that this is necessary for it to properly carry out its functions. However, determination to issue invitations will be considered in consultation with the Chief Executive Officer.

The Chief Executive Officer or his/her nominee/s will attend all meetings of the Audit Committee except that part of the meeting when the Committee meets in closed session, unless invited by the Committee.

The Chief Executive Officer will arrange for:

- Secretarial/administrative support to enable the proper functioning of the Audit Committee; and
- The attendance of staff as necessary to properly advise the Audit Committee, in particular in the consideration of Internal and External Audit Reports.



Meetings with Internal Auditor

There is an opportunity for the Audit Committee to meet the Internal Auditor at each meeting, without management present. It is usual for the Internal Auditor to attend Audit Committee meetings to present the report of Internal Audits.

Recruitment and Selection of Independent Members to the Audit Committee

The recruitment of Independent Members of the Audit Committee will generally follow the process for the recruitment of staff, and will provide for the following as a minimum:

- Advertising of the position in the metropolitan press, local press, Council notice board and Council website and through other mechanisms such as AICD and Women on Boards websites as considered necessary;
- Making available to potential applicants an information package containing the required skills and qualifications, Audit Committee Charter, Audit Policy, most recent annual report, forthcoming Audit program, three recent Audit Committee meeting reports, term of office, details of remuneration and Council contact person; and
- Appointment of the Mayor, Chief Executive Officer and Audit Committee Chair to assess applications, interview shortlisted candidates and recommend a preferred candidate to the Council for appointment. Members of the Audit Committee can only be appointed by Council.

Fees and Expenses

Council may pay a fee to a member of an audit committee who is not a Councillor or Administrator or member of Council staff.

The fee paid to members at the date of this Charter are:

Chair - \$1040.00 per meeting attended (including travel expenses)

Member - \$832.00 per meeting attended (including travel expenses)

The above fees are adjusted by the annual percentage increases made to Mayoral and Councillor Allowances as determined by the Minister for Local Government under section 73B of the Local Government Act 1989.

Induction

Immediately after appointment, new members of the Audit Committee will be inducted to the Committee. This will be arranged by the Chief Executive Officer.

Conflict of Interest, Confidentiality and Police Checks

Council members and independent members of the Audit Committee are required to comply with the Disclosure of Conflict of Interest provisions contained in section 79 of the Local Government Act 1989 and to lodge Primary and Ordinary returns as prescribed in section 81 of the Local Government Act 1989.

All Council members are obliged to keep all information declared confidential under sections 77 and 89 of the Local Government Act 1989. Independent members will be required to sign a Deed of Confidentiality committing them to maintain the confidentiality of information declared confidential under the Local Government Act 1989.



All members of the Audit Committee are required to undergo Police Checks prior to participating on the Committee.

Removal of members of the Audit Committee

Council has the power to remove members from the Audit Committee.

In the event that a member of the Committee is not physically present for any three (3) meetings in any twelve (12) month period, unless Council at an open meeting resolves otherwise, a vacancy occurs, and a position shall be filled following public advertising.

If Council proposes to remove a member for any reason, it must give public notice of its intention to do so and must afford the member an opportunity to be heard at a Council meeting which is open to the public if the member being removed desires.

Council will ensure that a performance review is conducted (as outlined below) and the principles of natural justice including the “no-bias” rule and the “hearing rule” are adhered to in relation to any recommendation to Council to remove any Committee member.

Support

To facilitate the operation of the Audit Committee, the Chief Executive Officer is responsible for providing secretariat services and officer advice in respect of matters before the Committee.

Responsibilities

The Audit Committee will carry out the following responsibilities:

1. Financial Report

Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory announcements and legislative changes, and understand their effect on the financial report.

Review the results of the audit with management and the external auditors, including any difficulties encountered.

Review the annual financial report, 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.

2. Internal control

Understand the scope of internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

3. Risk management

Monitor and provide advice regarding Council's risk management policies, framework, systems and processes to ensure that material risks are dealt with appropriately.

Monitor the process of review of Council's risk profile.



Consider the adequacy of actions taken to ensure that the material risks have been dealt with and opportunities maximised within a timely manner to mitigate Council's exposure and optimise the achievement of objectives.

Undertake an "Assurance Map" annually to ensure oversight of key risks to Council.

4. Business continuity

Monitor Council's processes and practices to ensure effective business continuity.

5. Internal audit

Review with management and the internal auditor the charter, activities, staffing and organisational structure of the internal audit function.

Review and approve the annual audit plan and all major changes to the plan.

Monitor processes and practices to ensure that the independence of the audit function is maintained.

As part of the Audit Committee's annual assessment of performance, determine the level of satisfaction with the internal audit function, having regard to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Provide advice to Council and Chief Executive Officer, on whether to exercise an extension to the Internal Audit Contract, in doing so consider the Internal Auditor's performance, Council's Procurement Policy and any relevant contractual terms.

The Chair will be consulted during the evaluation of any tender to appoint an Internal Auditor. The Audit Committee, following the tender evaluation, will receive a confidential briefing on the recommendation arising from the tender evaluation and provide advice regarding the recommendation to the Council and, if applicable, to the Council officer holding the financial delegation to award the contract.

Monitor that the internal auditor's annual plan is linked with and covers the material business risks, provide advice on audit scopes and reports and monitor the implementation of agreed actions arising from audits.

Provide an opportunity for the Audit Committee to meet the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.

6. 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 the external auditors, to discuss any matters that the Committee or the external auditors believe should be discussed privately.

7. Compliance

Review systems and processes to provide oversight on how effectively compliance with legislation and regulations is monitored and review the results of management's investigation and follow-up (including disciplinary action) of any instances 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 responsibilities

Report regularly to the Council about Audit Committee activities, issues, and related



recommendations through circulation of minutes. Additional updates may be appropriate should issues of concern arise.

Monitor that open communication between the internal auditor, the external auditors, and Council occurs.

Prepare an Annual Report, presented by the Committee Chair to Council, describing the Committee's composition, responsibilities, how they were discharged, achievement against objectives, and any other information required by regulation.

Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General, Ombudsman Victoria, Independent Broad-based Corruption Commission (or any other relevant authority) and ensure Council implements relevant recommendations.

Other responsibilities

Perform other activities related to this Charter as requested by Council.

Review and assess the adequacy of the Charter annually, requesting Council approval for proposed changes, and ensuring 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.

Conduct a review of Independent members' performance, at the discretion of / by the Mayor and Chief Executive Officer. Participate in an annual review of the effectiveness of the Audit Committee by Council and the Chief Executive Officer.

AUDIT COMMITTEE MEMBERSHIP – at the date of this Charter

Name of member	Status	Term
Homi Burjorjee	Independent member	First term commences 22 February 2017 and concludes 21 February 2020.
Mr Chris Badger	Independent Member	First term commences 1 December 2018 and concludes 30 November 2021
Dr John (AJ) Purcell	Independent member	Second and final term commenced 25 February 2018 and concludes 24 February 2021
Administrator Brown	Administrator	First term commences 28 August 2019 and concludes 27 October 2021