

DAREBIN CITY COUNCIL

AUDIT COMMITTEE CHARTER

1 Purpose

The Audit Committee is an advisory committee established in accordance with section 139 of the *Local Government Act 1989* to assist Darebin City Council in fulfilling its responsibilities relating to external financial and performance reporting, risk and financial management, corporate governance and internal control systems.

2 Responsibilities

The Audit Committee has the following responsibilities.

- (1) Financial reporting:
 - (a) review significant accounting and reporting issues, including complex or unusual transactions and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report
 - (b) review the results of the annual external audit in conjunction with management and the external auditors, including any difficulties encountered
 - (c) review the annual financial report and performance report, and consider whether the reports are complete, consistent with information known to Audit Committee members and reflect appropriate accounting principles, and make a formal recommendation to Council
 - (d) review with management and the external auditors all matters required to be communicated to the Audit Committee under the Australian Auditing Standards
- (2) Internal controls:
 - (a) review whether management's approach to maintaining an effective internal control framework is sound and effective
 - (b) consider the scope of the internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses
 - (c) determine whether systems of control are adequate to monitor related party transactions
- (3) Risk management:
 - (a) review the risk management framework annually
 - (b) monitor the systems and process that are in place to manage strategic and operational risks
 - (c) monitor the process of review of Council's risk profile

- (d) consider the adequacy of actions taken to ensure that material risks have been dealt with in a timely manner to minimise exposures
 - (e) receive reports on the annual renewal of the insurance program and provide advice on strategic reviews of insurance program
 - (f) monitor the effectiveness of business continuity planning and processes, including whether business continuity and disaster recovery plans have been regularly updated and tested
- (4) Internal audit:
- (a) review and endorse the three-year rolling and annual internal audit plans, and any major changes to the plans, and ensure that the plans are aligned with Council's risk profile
 - (b) receive internal audit reports and provide advice to Council on significant issues raised and associated actions, including the identification of good practice
 - (c) monitor the implementation of agreed management actions
 - (d) monitor processes and practices to ensure that the appropriateness and independence of the internal audit function is maintained
 - (e) monitor the performance of the internal audit provider, taking into consideration the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing
 - (f) ensure that opportunities are provided for the internal auditor to meet in-camera with the Audit Committee, as required
- (5) External audit:
- (a) note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity
 - (b) ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted on in a timely manner
 - (c) provide advice on the resolution of any disagreements between management and the external auditors on financial reporting
 - (d) ensure that opportunities are provided for the external auditor to meet in-camera with the Audit Committee, as required
 - (e) consider the findings and recommendations of relevant performance audits undertaken by the Victorian Auditor-General and monitor the implementation of accepted recommendations
- (6) Compliance:
- (a) review the effectiveness of the systems and processes that monitor compliance with legislation and regulations
 - (b) monitor the implementation of actions associated with identified instances of non-compliance
 - (c) receive reports on the findings of any examinations by regulatory agencies and monitor management's response to these findings
 - (d) receive reports on any suspected cases of fraud within the organisation and monitor the effectiveness of the management response

- (e) receive regular updates from management about compliance matters

3 Composition

- (1) The Audit Committee consists of five members, made up of two Councillors and three external members.
- (2) A quorum of a least a majority of current committee members (including at least one Councillor) will be necessary to transact the business of the committee.
- (3) Darebin City Council will appoint Audit Committee members. The external members appointed by Council are to be natural persons with an appropriate balance of local government regulatory knowledge, finance, audit or management experience.
- (4) The external members are to be appointed for a two-year term, with an option for a further two-year term by mutual consent.
- (5) Darebin City Council may adjust the initial period of appointment to allow for mid-term appointments and to avoid situations where all external member terms expire within close proximity of each other. This initial period of appointment must be more than one year, and no more than three years.
- (6) Where vacancies exist, Darebin City Council shall determine a mechanism for filling those vacancies.

4 Member Responsibilities

- (1) Committee members are required to lodge primary and ordinary returns in accordance with the *Local Government Act 1989*, within the timeframes requested by Darebin City Council.
- (2) Committee members may be requested to perform other activities related to this charter.

5 Chairperson

- (1) The Audit Committee will appoint a Chair and Deputy Chair for a 12-month term.
- (2) The Chair and Deputy Chair will be external members.
- (3) The election of the Chair shall take place in accordance with the process for the election of the Mayor under the Darebin City Council Governance Local Law.
- (4) The election of the Deputy Chair shall follow the election of the Chair and shall take place in accordance with the process for the election of the Chair.
- (5) The Chair, and in their absence, the Deputy Chair, will preside over meetings of the Audit Committee.

6 Fees

- (1) Council will pay a fee to all external committee members under section 139(7) of the *Local Government Act 1989*, with the amount determined by Council, taking into account an assessment of the market and the recommendation of the Chief Executive Officer.

- (2) Fees will consist of a member fee (paid to all external committee members) and a Chairperson fee (paid to the Chairperson, in addition to the member fee).
- (3) The member fee:
 - (a) will be paid to all external committee members immediately following the scheduled committee meeting for each quarter
 - (b) will not be paid to committee members absent from the meeting without leave from the committee.
- (4) The Chairperson fee:
 - (a) will be paid to the Chairperson of the Audit Committee immediately following the scheduled committee meeting for each quarter
 - (b) will be paid in addition to the member fee
 - (c) will be paid irrespective of attendance at the meeting; however, in accordance with Clause 6(3)(b), the member fee will not be paid if the Chairperson is absent from the meeting without leave from the committee
 - (d) will not be paid to an external committee member holding the role of acting or temporary Chairperson.
- (5) Council does not have to pay a member fee or Chairperson fee to a committee member who does not want to receive a fee.

7 Meetings

- (1) The Audit Committee will meet at least four times a year, with the ability to convene additional meetings, as circumstances require.
- (2) All Audit Committee members are expected to attend each meeting, in person or through teleconference or video conference.
- (3) The Chief Executive Officer or their delegate will facilitate the meetings of the Audit Committee and invite whomever is necessary for the orderly and effective conduct of committee business to attend meetings to provide pertinent information, as necessary.
- (4) Officers will prepare meeting agendas, which will be provided at least five days in advance to members, along with appropriate briefing materials.
- (5) Officers will prepare meeting minutes, which will be presented to the committee for confirmation at the following meeting.

8 Support

To facilitate the operation of the Audit Committee, the Chief Executive Officer or their delegate has responsibility to provide:

- (a) any necessary training for members in relation to their responsibilities under the *Local Government Act 1989*
- (b) any information required by the Audit Committee to enact its responsibilities under this charter
- (c) officer advice in respect of matters before the Audit Committee
- (d) formal meetings with Council staff, the internal auditors or the external auditors as requested by the Audit Committee, in accordance with the execution of its responsibilities under this charter
- (e) secretariat and logistical support to the Audit Committee.

9 Reporting

- (1) Officers will prepare six-monthly reports on Audit Committee activities, issues, and related recommendations, for presentation to a meeting of Council.
- (2) Committee members will attend Council briefings as required, to report on financial and other relevant matters.
- (3) Officers will prepare a report for inclusion in the Darebin City Council 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.

10 Review

The Audit Committee will review and assess the adequacy of its charter annually, taking into account any relevant legislative requirements. The Audit Committee Charter will be approved by Council.

11 Self-Assessment

Audit Committee members will complete an annual self-assessment to evaluate the committee's performance, as well as the performance of the internal and external auditors, and to confirm that the committee has met its responsibilities under the charter.