



Audit Committee Charter

1 Purpose

- (1) An Advisory Committee appointed, pursuant to section 139 of the *Local Government Act 1989* to assist Council in fulfilling its responsibilities relating to risk management and financial management, control and reporting.

2 Authority

- (1) The audit committee has the responsibility for advising the Darebin City Council on:
 - (a) Seeking resolution on any disagreements between management and the external auditors on financial reporting
 - (b) Reviewing all auditing, planning and outcomes
 - (c) Seeking any information it requires from Darebin City Council members, and Darebin City Council staff via the Chief Executive Officer and external parties
 - (d) Formally meeting with Darebin City Council staff, internal and external auditors as necessary.

3 Composition

- (1) The audit committee consists of five members, made up of two Councillors and three external members.
- (2) A quorum of three members (including one or more Councillors) will be necessary to transact business of the committee.
- (3) The 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) The 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, the Darebin City Council shall determine a mechanism for filling those vacancies.

4 Chairperson

- (1) The audit committee will appoint a Chair and Deputy Chair for a twelve month term each Council year.
- (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 Deputy Chair.
- (5) The Chair, and in their absence, the Deputy Chair, will preside over meetings of the audit committee.

5 Meetings

- (1) The audit committee will meet at least four times a year, with authority 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) Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- (5) Minutes will be prepared.

6 Responsibilities

- (1) The audit committee has the following financial reporting responsibilities:
 - (a) 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.
 - (b) Review with management and the external auditors the results of the audit, including any difficulties encountered.
 - (c) Review the annual financial report, and consider whether it is complete, consistent with information known to audit committee members, and reflects 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) The audit committee has the following internal control responsibilities:
 - (a) 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.
 - (b) Monitor related party transactions by determining whether the systems of control are adequate.
- (3) The audit committee has the following risk management responsibilities:
 - (a) Monitor the systems and process via the Darebin City Council's risk profile to ensure that material operational risks to the Darebin City Council are dealt with appropriately.

- (b) Monitor the process of review of the Darebin City Council's risk profile.
 - (c) Consider the adequacy of actions taken to ensure that the material business risks have been dealt with in a timely manner to mitigate exposures to the Darebin City Council.
- (4) The audit committee has the following business continuity responsibilities:
- (a) Monitor processes and practices of the Darebin City Council to ensure for effective business continuity.
- (5) The audit committee has the following internal audit responsibilities:
- (a) Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function.
 - (b) Review and recommend the annual audit plan for approval by the Darebin City Council and all major changes to the plan.
 - (c) Monitor processes and practices to ensure that the appropriateness and independence of internal audit function is maintained.
 - (d) As part of the audit committee's annual assessment of performance, determine level of satisfaction with internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
 - (e) Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
 - (f) 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.
- (6) The audit committee has the following external audit responsibilities:
- (a) Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.
 - (b) Provide an opportunity for the audit committee to meet with the external auditors, to discuss any matters that the audit committee or the external auditors believe should be discussed privately.
- (7) The audit committee has the following compliance responsibilities:
- (a) 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 (including disciplinary action) of any instances of non-compliance.
 - (b) 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.
 - (c) Oversee the investigation of any suspected cases of fraud within the organisation.
 - (d) Obtain regular updates from management about compliance matters.

- (8) The audit committee has the following reporting responsibilities
- (a) Report regularly to the Darebin City Council about audit committee activities, issues, and related recommendations to a subsequent meeting of Council.
 - (b) Attend two Council Briefings per year in August and November to report on financial and other relevant matters.
 - (c) Monitor that open communication between the internal auditor, the external auditors, and the Darebin City Council occurs.
 - (d) Prepare a report for inclusion in the Annual Report of the Darebin City Council 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.
 - (e) Consider the findings and recommendations of relevant performance audits undertaken by the Victorian Auditor-General and to ensure the Darebin City Council implements relevant recommendations.
- (9) The audit committee has the following other responsibilities
- (a) Lodge Primary and Ordinary Returns in accordance with the *Local Government Act 1989*.
 - (b) Perform other activities related to this charter as requested by the Darebin City Council.
 - (c) Review and assess the adequacy of the audit committee charter annually, requesting Darebin City Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
 - (d) Confirm annually that all responsibilities outlined in this charter have been carried out.
 - (e) Evaluate the audit committee's performance annually using a self-assessment tool.

7 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 a 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.
 - (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.

8 Support

- (1) To facilitate the operation of the audit committee, the Chief Executive Officer or their delegate has responsibility to provide:
 - (a) Information and any necessary training for members in relation to their responsibilities under the *Local Government Act 1989*.
 - (b) Officer advice in respect of matters before the audit committee.
 - (c) Secretariat and logistical support to the audit committee.