

1.0 Introduction

The Audit Committee is an advisory committee of council, established and governed in accordance with the *Local Government Act 2009* (The Act) and the Local Government Regulation 2012 (the Regulation), which require each local government to establish an Audit Committee (the Committee). Refer to section 105 of the Act and subdivision 2, Sections 208-211 of the Regulation.

It has no authority in itself and does not replace the management responsibilities of Executive Management, but rather acts as a source of independent advice to the Chief Executive Officer (CEO) and to council. The committee in no way diminishes management's responsibility to maintain an adequate governance and internal environment control system and manage risks.

2.0 Policy purpose

The Audit Committee Charter (the Charter) sets out the objectives, authority, responsibilities, membership, voting, appointment remuneration for external independent members, reporting and administrative arrangements associated with the audit committee of the Central Highlands Regional Council (Council).

3.0 Policy statement

The Committee has authority to review and make recommendations to council on any matters within its scope of responsibility as outlined in the Charter. In doing so the committee is empowered to:

- Seek any information it requires from management and staff and controlled entities, all of whom are required to cooperate with the committee's requests.
- Meet and discuss matters with council officers, internal auditors and external auditors as required.
- Seek resolution of any disagreements between management and auditors regarding audit matters and the financial statements
- Request the attendance of any employee, including the CEO, at formal meetings.

The Committee has the authority to conduct or authorise investigations into matters within its scope of responsibility.

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of council rests with the council and the CEO as defined by the Act.

4.0 Independence and access

As an advisory committee of council, the Committee is independent of management and does not have any executive powers, delegated responsibility or authority to implement actions over which management has responsibility. The committee needs to liaise closely with management and internal and external auditors to carry out its responsibilities.

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The Committee will be provided with adequate resources in order to fulfil its oversight responsibilities.

Whilst the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within council rest with management, the Committee exercises a monitoring, oversight, review and advisory role.

Requests for council officers, employees of business units and independent experts to attend an audit committee meeting or provide information will be undertaken through the Chief Executive Officer and be in accordance with council policies.

5.0 Membership and voting

Section 210 of the Regulation requires the membership of the Committee to consist of at least three and no more than six members and include:

at least one councillor but no more than two councillors nominated by council, and between one and four independent external members as determined by council.

Council may resolve from time to time to change the membership of the Committee.

The Committee will be comprised of four members who shall be determined by council as follows:

Two of the members will be councillors.
the other two members will be independent and external to Council.

The Committee chairperson (the chair) must be independent of council and will be nominated by council.

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

The Committee has the ability to co-opt any persons as advisors, from time to time or for a particular period, subject to reasonable budget limitations.

The four members of the Committee are each eligible to vote.

In the event of a tied vote, the chair may exercise a casting vote on any resolution.

The external auditor, internal auditor, advisors and ex officio attendees are non-voting observers.

The Mayor, CEO, General Manager Commercial and Corporate Services and Manager Governance, Information and Property are permanent invitees and are non-voting observers (the mayor may have voting privileges as an 'alternate' member as defined in section 266(1), (2) of the Regulation).

Other management and staff are invited to attend meetings as required.

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6.0 Appointment and remuneration for independent audit committee members

Councillor members will generally be appointed to the committee for the full council term unless otherwise determined by Council.

Independent external members will be recruited via a publicly advertised merit-based selection process.

The term of appointment for independent external members will be determined by council and is generally up to four years and may be extended for a further term subject to the composition and skill requirements of the committee. The maximum term being eight (8) years.

Appointments of external members to the Committee will be staggered to ensure appropriate continuity and succession planning.

External members may be recommended for appointment for subsequent terms following a review of their performance by the CEO and discussion with the chair of the Committee.

Remuneration of external independent members of the Committee is set by council in recognition of the skills and experience, time commitment and responsibilities assumed and required to fulfil the role. The chair will receive additional remuneration as determined by council in recognition of the additional time and responsibilities associated with this role.

External members are expected to maintain the necessary professional expertise to fulfil their role on the Committee.

7.0 Committee responsibilities

Section 211(b) of the Regulation, stipulates that the Committee must review each of the following matters:

- (i) the internal audit plan for the internal audit for the current financial year,
- (ii) the internal audit progress report for the internal audit for the preceding financial year including the recommendations in the report and the actions to which the recommendations relate,
- (iii) a draft of the local government's financial statements for the preceding financial year before the statements are certified and given to the auditor-general under section 212,
- (iv) the auditor-general's audit report and auditor-general's observation report about the local government's financial statements for the preceding financial year.

The above requirements are addressed within the following sections. In addition, the Committee will review, but is not necessarily limited to:

7.1 Financial statements and reporting

- Receive regular reports from management on the financial performance of the organisation.
- Monitor and assess progress against agreed financial statement preparation and auditing milestones.
- Review council's draft annual financial statements (including draft financial sustainability statements) prior to their provision to the external auditors.

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- Review with management and the external auditors any significant adjustments or changes between draft and final financial statements.
- Review council's final financial statements (including final financial sustainability statements) and provide advice to the CEO on whether appropriate action has been taken in response to audit recommendations and adjustments.
- Recommend the signing of the draft financial statements by the mayor and CEO.
- Review with management and external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- Satisfy itself about the adequacy of the key internal controls supporting the timeliness and integrity of council's financial statement preparation process.
- Consider the processes in place designed to ensure that financial information included in council's annual report is consistent with the signed financial statements.
- Review the draft annual report before release and consider the consistency of financial information being reported.
- Overview the process of preparation of annual financial statements of council's controlled entities.

7.2 Risk management

- Monitor whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of operational and strategic risks.
- Consider the impact of the risk management framework on council's control environment and insurance arrangements.
- Consider whether a sound and effective approach has been followed in establishing business continuity planning and disaster management arrangements.
- Consider risk and probity matter associated with significant procurement activities.
- Consider high and extreme strategic risks and implementation of treatment plans.

7.3 External audit activities

- Review the external auditor's proposed audit scope, approach and client strategy for the ensuing year.
- Review the external auditor's closing reports, long form audit reports and observation reports relating to council's interim and final audit and monitor management's responsiveness to external audit recommendations and the timeliness of implementation of agreed actions with particular emphasis given to recommendations where a significant deficiency has been identified.
- Provide input and feedback on financial statement and performance audit coverage proposed by external audit and provide feedback on audit services provided.
- Monitor the undertaking of QAO Performance Audits where council is a participant in that audit.
- Review Auditor-General observation reports issued to council's controlled entities and monitor management's responsiveness in addressing recommendations.
- As required, meet separately with the external auditors to discuss any matters that the committee or external auditors believe should be discussed.

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- Review the effectiveness of the annual audit, to ascertain whether emphasis is being placed on areas where the Committee, management or the auditors believe special attention is necessary.
- Review management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

7.4 Internal audit activities

- Review the effectiveness of the control environment established by management.
- Review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements in place and internal audit's independence is maintained.
- Review the annual internal audit plan to assess that it covers the material business risks of the council and monitor implementation of the internal audit plan and approve any changes thereto.
- Monitor the effectiveness and objectivity of the council's internal auditors.
- Review internal audit reports and provide advice to the CEO on significant issues identified in the audit reports and action to be taken.
- Monitor the implementation of internal audit recommendations by management.
- The Committee's responsibilities do not extend to managing the day-to-day activities of the internal audit function. This is a function which is carried out by the CEO.

7.5 Legislative and policy compliance

- Consider whether management has in place an overall compliance and accountability framework together with relevant policies and procedures which reflect legislative, regulatory and policy requirements, and that these are periodically reviewed and updated.
- Monitor the effectiveness of the system and structure for ensuring compliance with laws and regulations, with particular focus on the Act and other legislative requirements relevant to the Committee's areas of focus.
- Consider the effectiveness of the system for monitoring council's compliance with relevant laws, regulations and government policies.
- Review the findings of any examinations by external regulatory agencies, and any auditor observations.

7.6 Other matters

- Review the effectiveness, reliability and timeliness of management information being provided to council.
- Review policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues.

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8.0 Meetings, records and reporting structure

- The Committee will meet at least four times each financial year with authority to convene additional meetings as required to consider financial statement and annual planning matters.
- Meetings are closed to the public due to the sensitive nature of items that are considered by the Committee. Information disclosed to members of the Committee is confidential to the Committee.
- A quorum shall consist of two members, one of whom must be an independent member.
- The external auditors shall be given notice of all meetings and sent an agenda. The external auditors shall have the right to attend and speak.
- The internal auditors shall be given notice of all meetings and sent an agenda. The internal auditors shall have the right to attend and speak.
- The Governance section of the Commercial and Corporate Services department will provide secretarial functions to the meetings.
- The Committee chair has the right to meet with internal and/or external auditors without management being involved.
- The Committee's reports shall be presented at the next available general council meeting.

9.0 Attendance by audio link or audio-visual link

- The chair may allow members or auditors to take part in a meeting by audio link or audio-visual link. Virtual attendance by audio link or audio-visual link at an audit committee meeting is permitted but not preferred.
- Requests to attend by audio link or audio-visual link must be submitted to the chair at least three (3) days prior to the audit committee meeting and will generally be allowed by the chair.
- Where the chair has approved the audio link or audio-visual link arrangement, the attendee must be able to hear and be heard by each other person at the same time throughout the meeting.
- In considering a request for attendance at a committee meeting by audio link or audio-visual link, confidentiality and privacy matters need to be considered as this may pose a risk to council due to the nature of discussions.
- Any member participating in such fashion shall identify any and all persons present in the location from which the member is participating.
- Should the Chair attend by audio link or audio-visual link other than for the purpose of review of the annual financial statements, he/she shall appoint another member to conduct the meeting or postpone the meeting to another date.
- A register of attendance by audio link or audio-visual link will be recorded in the minutes of the meeting.

10.0 Conflicts of interest

Members are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee. The declaration must be made on appointment to the committee and in relation to specific agenda items at the outset of each committee meeting and be updated as necessary.

11.0 Induction

New members of the Committee will be provided with induction material to allow the members to familiarise themselves with the environment and to facilitate their understanding of its principal operations and activities, corporate practices and culture.

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12.0 Self-evaluation

The chair of the Committee, in consultation with the CEO, will initiate a review of the performance and achievements of the committee on an annual basis to ensure that it is meeting its objectives efficiently and effectively.

Where this evaluation highlights a need for enhancements to the role, operational processes or membership of the Committee, the chair should take action to ensure such enhancements are implemented.

13.0 Review of charter

Every two years, (or as necessary) due to council, legislative and regulatory changes, the Committee will review and confirm the appropriateness of the Audit Committee Charter.

The reviewed charter, with recommendations by the committee, will be submitted to the next general council meeting for consideration and adoption by council.

Strategic Link	Section 105 of the <i>Local Government Act 2009</i> and Subdivision 2, Sections 208-211 of the Local Government Regulation 2012
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