



City of  
Greater Geraldton  
a vibrant future



# AUDIT COMMITTEE CHARTER

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## **1. Audit Committee Charter**

1.1 The Audit Committee is appointed by Council pursuant to Section 7.1A (1) of the Local Government Act. The main purpose of the Audit Committee is to assist Council in discharging its oversight responsibilities in relation to the following matters:

- Financial reporting process to ensure balance, transparency and integrity of published financial information;
- The effectiveness of the City's internal control and risk management systems;
- The effectiveness of the internal audit function;
- The independent external audit process including assessing the performance of the external auditor;
- The City's process for monitoring compliance with legislation and regulation and policies affecting financial reporting;
- Key policies impacting the effectiveness of the City's governance framework, including the Code of Ethics, Fraud Policy, Whistleblower Policy etc.

1.2 In performing its duties, the Audit Committee will maintain effective working relationships with Council, management and the external and internal auditors. To perform their roles effectively, each Audit Committee member is expected to develop and maintain their skills and knowledge, including their understanding of the Audit Committees responsibilities and of the City's business, operations and risks.

1.3 The Audit Committee is responsible to Council for its performance.

## **2. Authority**

2.1 The Audit Committee is an independent advisory committee of Council. The Audit Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and is therefore independent of management.

2.2 The Committee's role is to 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.

## **3. Membership**

3.1 The Audit Committee will comprise five members as follows:

- Four Councillors
- Two external independent persons.

3.2 All members will have equal voting rights on all matters considered by the Audit Committee, unless a member is unable to vote due to a conflict of interest.

- 3.3 The following requirements will apply to members and the appointment thereof:
- 3.3.1 Each member shall have the skills and experience appropriate to the City's business;
  - 3.3.2 Each member shall be financially literate and at least one independent member must have accounting or business expertise;
  - 3.3.3 The appointment of independent members shall be made by Council following a public advertisement process. The evaluation of potential members shall be undertaken by the Mayor, a Councillor who is preferably a member of the Audit Committee and the Chief Executive Officer and would take into account the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills to matters which come before the Audit Committee. A recommendation for membership will be put to Council for approval.
  - 3.3.4 External members shall be appointed for a two (2) year term and are eligible to be reappointed after the expiry of their terms. The terms of appointment shall be aligned to the biennial council election cycle.
  - 3.3.5 If the Council proposes to remove a member of the Audit Committee before expiry of the full 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 Council meeting which is open to the public, if that member so requests.
  - 3.3.6 The Chairperson shall be appointed by Council on the recommendation of the Chief Executive Officer. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the members present.
  - 3.3.9 A quorum shall be a simple majority of the members.
  - 3.3.10 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in closed meeting. Other members of Council or Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
  - 3.3.11 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must be invited to attend meetings considering the draft annual financial report and results of the external audit.
  - 3.3.12 The City shall provide secretarial and administrative support to the Committee.

#### **4. Conflicts of Interest**

- 4.1 In accordance with Division 6 of the Local Government Act as amended (the Act), members of the Audit Committee are required to disclose all conflicts of interest and may not be eligible to vote on a matter or attend a meeting at which the subject of the conflict will be considered, depending on the nature of the conflict. Members of the Audit Committee are expected to be aware of the provisions of the Act with regard to conflicts of interest and disclosure thereof. Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the member's appointment being terminated.

#### **5. Meetings**

- 5.1 Audit Committee members and councillors are entitled to attend meetings. The Audit Committee may invite (or require) such other persons to its meetings, as it deems necessary. It is anticipated that the Chief Executive Officer and the Director Corporate Services are likely to be invited to all meetings of the Audit Committee.
- 5.2 The external and internal auditors should be invited to make presentations to the Audit Committee as appropriate.
- 5.3 Meetings shall be held not less than four (4) times per annum and timing should be set to ensure that the Audit Committee can properly discharge its responsibilities pursuant to this Charter.
- 5.4 Special meetings may be convened as required. The secretary will convene a meeting at the request of the Chairperson, a member and the external and internal auditors.
- 5.5 The secretary shall circulate the agenda and supporting documentation to members of the Audit Committee one week prior to the meeting.
- 5.6 Members of the Audit Committee are expected to attend every meeting of the Audit Committee.
- 5.7 The Audit Committee will meet at least once annually with the external auditors without management present.

#### **6. Roles and Responsibilities**

##### *Internal Control*

- 6.1 The Audit Committee will evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- 6.2 The Audit Committee will understand the internal control systems implemented by management for approval of transactions and the recording and processing of financial data.
- 6.3 The Audit Committee will understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- 6.4 The Audit Committee will evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the external and internal auditors have been implemented by management.

- 6.5 The Audit Committee will consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems failure or to protect against computer fraud or misuse.

*Financial Reporting*

- 6.6 The Audit Committee will gain an understanding of the areas of greatest financial risk and how these are being managed.
- 6.7 The Audit Committee will review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 6.8 The Audit Committee will meet with management and the external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit.
- 6.9 The Audit Committee will ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies are discussed with the external auditor.
- 6.10 The Audit Committee will recommend adoption of the annual financial report to Council and review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

*Matters Referred to the Audit Committee by Council*

- 6.11 The Audit Committee will address matters referred to the Audit Committee for consideration, including matters referred to it by Council that are within the Audit Committee's terms of reference.

*Compliance with Laws and Regulations*

- 6.12 The Audit Committee will review the effectiveness of the system for monitoring compliance with laws and regulations and the follow up of any fraudulent acts or non-compliance.
- 6.13 The Audit Committee will obtain regular updates from management and Council's legal advisors regarding compliance matters that may have a material impact on Council's financial statements or compliance policies.
- 6.14 The Audit Committee will be satisfied that all regulatory compliance matters, related to Council's business, have been considered in the preparation of the financial statements.

*Working with Auditors – External Audit*

- 6.15 The Audit Committee will review on an annual basis the performance of the external auditors.
- 6.16 The Audit Committee will review the external auditor's proposed audit scope and approach each year in light of Council's present circumstances and changes in regulatory and other requirements.
- 6.17 The Audit Committee will discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- 6.18 The Audit Committee will ensure that significant findings and recommendations made by the external auditor and management's proposed response are received, discussed and appropriately acted upon.

6.19 The Audit Committee will discuss with the external auditor the appropriateness of accounting policies applied in the City's financial statements and whether they are considered as aggressive, balanced or conservative.

6.20 The Audit Committee will meet separately with the external auditor to discuss any matters that the Audit Committee or auditor believe should be discussed privately. The Committee will ensure that the auditor has access to the Audit Committee's Chairperson when required.

*Working with Auditors – Internal Audit*

6.21 The Audit Committee will review the scope of the internal audit plan and the effectiveness of the function, evaluating whether the plan addresses the following issues:

- The effectiveness of internal controls over significant areas of risk, including non-financial management control systems.
- The effectiveness of internal controls over key processes relating to revenue, expenditure, assets and liabilities.
- The efficiency and effectiveness of significant City programmes.
- The compliance with legislation, policies, best practice guidelines and contractual arrangements.

6.22 The Audit Committee will review the appropriateness of special internal audit assignments undertaken at the request the Chief Executive Officer and whether the outcomes of such assignments have been implemented.

6.23 The Audit Committee will ensure that significant findings and recommendations made by the internal auditor, and management's proposed responses are received, discussed and appropriately acted upon.

6.24 The Audit Committee will meet separately with the internal auditor to discuss any matters that the Audit Committee or the auditor should be discussed privately.

6.25 The Audit Committee will monitor the effectiveness of liaison between the external and internal auditors to ensure the City's audit functions as a whole are operating effectively and efficiently with a minimum of duplicated audit effort.

## **7. Access to Expert Advice**

7.1 The Audit Committee, through the Chief Executive Officer and within the scope of its terms of reference, may seek information or obtain expert advice on matters of concern.

## **8. Reporting**

8.1 The Audit Committee shall forward the minutes of meetings to the next ordinary meeting of the Council.

8.2 The Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year.

## **9. Evaluating Performance**

9.1 The Audit Committee should evaluate its own performance, both of individual members and collectively, on an annual basis.

## **10. Review of the Audit Committee Charter**

10.1 The Audit Committee should review the Audit Committee Charter annually and agree on any changes which are to then be approved at the next ordinary meeting of Council

## **11. Confidentiality**

- 11.1 All Audit Committee members are expected to be aware of their responsibilities with regard to the confidentiality of information about Council's affairs. Failure to comply with the responsibilities with regard to confidentiality may result in the member's appointment being terminated.