

CITY OF WHITEHORSE
AUDIT ADVISORY COMMITTEE CHARTER
(SEPTEMBER 2013)
REVIEWED & ENDORSED BY AAC
SEPTEMBER 2015 AND MARCH 2017

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1. INTRODUCTION & PURPOSE

A key objective of Council is to ensure effective corporate governance through the implementation and application of strong and appropriate internal policies, procedures and controls which encompass all areas of risk management, Council's control framework, its external accountability responsibilities, Council's compliance with legislation, its internal and external audit activities, and in particular the implementation of audit recommendations.

To assist in the ongoing achievement of this objective Council has established an Audit Advisory Committee, in accordance with the provisions of S139 of the Local Government Act 1989.

The key objective of the Audit Advisory Committee is to provide independent assurance and assistance to the Chief Executive Officer and the Council on the City's risk, control and compliance framework, and its external accountability and legislative compliance responsibilities.

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

The Audit Advisory Committee's key role is to report and provide appropriate advice and recommendations on matters relevant to its Charter in order to assist Council in certain decision making processes.

2. AUTHORITY

The Council authorises the Audit Advisory Committee, within the scope of its role and responsibilities to:

- (i) Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information).
- (ii) Discuss any matters with the external or internal auditor, or other external parties (subject to confidentiality considerations).
- (iii) Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at Council's expense.
- (iv) Undertake an independent review role for specific purposes, when requested to do so by the Council or Chief Executive Officer.
- (v) Perform activities within its role and responsibilities as described in this charter.

3. COMPOSITION AND TENURE

- (i) The Audit Committee will consist of four members, comprising two Councillors and two independent members
 - (ii) A committee quorum shall be two members, one Councillor and one independent member
 - (ii) The Chairperson of the Committee must be one of the independent members
 - (iv) The Chairperson shall be elected by Committee members annually, at the conclusion of the Committee's August meeting at which it receives Council's annual financial statements
 - (v) The members, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one member of the committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment
 - (vi) Appointment of Independent Members shall be made by way of public advertisement. The terms of appointment will be arranged to ensure an orderly rotation and continuity of membership
 - (vii) Independent members will be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, for a further two (2) three (3) year terms after a formal review of their performance, such review to be undertaken by the Chief Executive Officer with the two Councillor Audit Committee members, and final approval by Council.
 - (viii) The terms of Independent members will only be extended after the Chief Executive Officer determines that members have satisfied the following performance criteria - satisfactory contribution to Audit Committee discussions and deliberations; demonstrated preparation for all meetings (knowledge of agenda items and associated reports); demonstrated ability to raise pertinent issues and appropriately question auditors and officers; capacity to stay apprised of contemporary good governance, risk management and audit practice, and; satisfactory attendance of Audit Committee members.
 - (ix) In the event of a vacancy of an independent member arising prior to the expiration of an authorised term, Council shall publicly advertise for the position to be filled for the remainder of the current term.
 - (x) Independent members are to be remunerated in accordance with rates periodically set by Council resolution
 - (xii) Councillor members will be appointed to the Audit Advisory Committee by the full Council on an annual basis, with Councillor appointees to be generally rotated after a minimum period of two years. The intent of the rotation system is to expose as many Councillors as possible to Audit Committee membership and proceedings
 - (xiii) No management staff may be appointed to the Audit Committee; however, the Chief Executive Officer shall be required to attend all meetings of the Committee, unless otherwise directed by the Committee for reasons of specific confidentiality, or conflict of interest declarations etc. The General Manager Corporate Services and Manager Finance & Corporate Performance will attend all meetings of the Committee in an advisory capacity unless otherwise advised by the Committee Chairperson. Other Council staff may
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be requested to attend meetings of the Committee by the Chief Executive Officer or by the Committee in consultation with the Chief Executive Officer.

(xiv) Council's internal and external auditors cannot be appointed to the Audit Committee. The internal auditor will be required to attend and present at all meetings of the Committee. The external auditor may attend all meetings of the Committee, and must also present to any meeting of the Committee on request

4. ROLES AND RESPONSIBILITIES

The Audit Advisory Committee is an independent Advisory Committee of Council, which advises Council and management.

The Committee is directly responsible and accountable to Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the City rests with Council and the Chief Executive Officer.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time.

The charter of the Committee shall be formally reviewed every two years.

The Committee's responsibilities are detailed as follows:

4.1 Risk Management

(i) Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of strategic, operational, financial, fraud and business risks, including fraud

(ii) Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings

(iii) Review the impact of Council's risk management framework for its control environment and insurance arrangements

(iv) Review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically

(v) Review Council's fraud control plan and satisfy itself Council has appropriate processes and systems in place to capture and effectively investigate fraud related information

(vi) Review Council's Protected Disclosure procedures and satisfy itself that the procedures are in accordance with the guidelines promoted by the Independent Broad-based Anti-corruption Commission (IBAC)

(vii) Monitor through the Committee Chairperson the progress of any major lawsuits facing the Council, when, at the discretion of the Chief Executive Officer, lawsuits are considered to be significant enough, to have contingent liability ramifications for Council and to require reporting to the Audit Advisory Committee Chair.

(viii) Ensure that there is regular review and update of Council's risk profile

4.2 Control Framework

(i) Review whether Council's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective

- (ii) Review significant accounting and reporting issues, including complex or unusual transactions, recent accounting, professional and regulatory pronouncements or legislative changes, and understand their effect on Council's financial statements
- (iii) Review on a regular basis Council's financial and performance reporting, including the annual financial report and the annual performance statement and consider whether they are complete, consistent with information known to audit committee members, reflect appropriate accounting principles and performance reporting requirements and make appropriate recommendations where remedial action is required
- (iv) Monitor the implementation of any internal control recommendations made by the internal and external auditors and ensure that management have in place tracking systems to enable this occurring
- (v) Review whether Council has in place relevant policies and procedures, including officer delegations and that these are periodically reviewed and updated as required by legislation or Council policy
- (vi) Determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with
- (vii) Review whether appropriate policies and procedures are in place for the management and exercise of delegations
- (viii) Consider how Council identifies any required changes to the design or implementation of internal controls
- (ix) Review whether Council and senior management has taken steps to embed a culture which is committed to ethical and lawful behaviour, adding to the credibility of Council through adherence with ethical standards
- (x) Review and monitor the propriety of all Council's related party transactions and disclosures
- (xi) Consider commercial risks associated with any proposed entrepreneurial activities proposed by Council under Section 193 of the Local Government Act 1989
- (xii) Facilitate liaison between the internal and external auditors to promote compatibility to the extent appropriate between their audit programs

4.3 External Accountability

- (i) Review the financial statements and provide advice to the Council (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing and adoption by Council's delegates
 - (ii) Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls
 - (iii) Review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements
 - (iv) Satisfy itself that Council has a performance management framework that is linked to organisational objectives and outcomes
 - (v) Review annual performance statements against Council's stated performance objectives and outcomes.
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4.4 Compliance

- (i) Determine whether Council has appropriately considered legal and compliance risks as part of risk assessment and management arrangements
- (ii) Obtain regular updates from management about compliance matters
- (iii) Review the effectiveness of the systems for monitoring Council's compliance with relevant laws, regulations and associated government policies and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance
- (iv) Consider the findings and recommendations of relevant audits undertaken by the Victorian auditor General or other agencies and ensure that Council implements any relevant recommendations

4.5 Internal Audit

- (i) Act as a forum for communication between the Chief Executive Officer, senior management and internal and external audit
 - (ii) Review the internal audit coverage and annual work plan, ensure the plan is based on Council's risk management plan and any other matters brought to the Committee's attention by Council or the CEO, and recommend approval of the plan by the Chief Executive Officer to Council
 - (iii) Review the strategic internal audit approach to consider whether over a period of years, the internal audit program systematically addresses:
 - Internal controls over significant areas of risk including non-financial management control systems
 - Internal controls over revenue, expenditure, assets and liabilities
 - The efficiency, effectiveness and economy of significant Council programs and services
 - Compliance with regulations, policies best practice guidelines and contractual arrangements
 - (iv) Advise the Council and Chief Executive Officer on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
 - (v) Oversee the co-ordination of audit programs conducted by internal and external audit and other review functions
 - (vi) Receive and review all audit reports and provide advice to the Council and Chief Executive Officer on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice
 - (vii) Monitor management's implementation of internal audit recommendations
 - (viii) Review the internal audit charter and contract to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
 - (ix) Periodically review the performance of internal audit and monitor the progress of the internal audit work program
 - (x) Receive a report at each meeting from the internal auditors of progress made in achieving the annual audit plan
 - (xi) Review special internal audit reports and/or other relevant internal audit consultancies conducted in addition to the internal audit program
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- (xii) Review regularly non audit services provided by the auditors to ensure the services are appropriate and do not jeopardise the independence of the auditors
- (xiii) Meet with the internal auditors `in camera' to discuss special issues as required

4.6 External Audit

- (i) Act as a forum for communication between the Council, Chief Executive Officer, senior management and internal and external audit
- (ii) Review the external auditor's proposed audit scope, approach, understanding of the 'materiality' yardstick to be applied and coordination of external audit with internal audit activity
- (iii) Provide input and feedback on the Financial Statements and Performance Statement audit coverage proposed by external audit and provide feedback on the audit services provided
- (iv) Monitor Council compliance with accounting standards and other reporting requirements
- (v) Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
- (vi) Review the Annual Financial and Performance Statements and recommend its adoption to the Council
- (vii) Review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations
- (viii) Provide advice to the Council on action taken on significant issues raised in relevant external audit reports and better practice guides
- (ix) Enquire of the auditor if there have been any significant disagreements with management regarding accounting treatments and disclosures
- (x) Meet with the external auditors `in camera' to discuss special issues as required

4.7 Fraud Prevention/Awareness

Fraud Prevention and awareness programs are now key elements of organisational and risk management.

The Audit Advisory Committee will receive annual reports on Councils Fraud Prevention policies and procedures (fraud control program) including Fraud Awareness Programs.

Instances of proved fraud will be formally reported to the committee.

At the discretion of the CEO, matters of potential fraud may be verbally reported to the Committee Chairperson depending on their materiality and potential consequence.

The Audit Advisory Committee will:

- (i) Annually review the adequacy of Council's fraud control program, policies, systems and procedures
 - (ii) Review the adequacy and effectiveness of Council's Fraud Awareness programs
 - (iii) Review the circumstances surrounding any instances of fraud and identify any associated control weaknesses and advise on rectification of same
 - (iv) Provide advice to the Chief Executive Officer and Council in relation to the management and reporting of fraudulent actions
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(v) Oversee special investigations of alleged fraud when referred to it by either the Chief Executive Officer or of Council

(vi) Consider council's fraud risks and the status of associated risk assessments and actions

4.8 Service Best Value Reviews

The Audit Advisory Committee's responsibilities in relation to internal audit strategy and programs extends to ensuring reviews of the efficiency, effectiveness and economy of significant Council programs and services and compliance with Best Practice guidelines.

Council selectively undertakes Best Value Service Reviews to monitor the level of achievement of the Best Value Principles as prescribed within the Local Government Act.

The Audit Advisory Committee's responsibilities will incorporate reviewing the outcomes of all Best Value Service Reviews to monitor service standards against the following Best Value Principles:

(i) All services meet quality and cost standards

(ii) All services are responsive to local community needs

(iii) Each service is accessible to those for whom it is intended

(iv) Continuous improvement in the provision of services is achieved

(v) A program of regular consultation with the community in relation to the services provided by Council is developed

(vi) Achievements in relation to the Best Value Principles are reported to the community at least once a year

(vii) Additionally, the Audit Advisory Committee may review the other service efficiency reviews when such reviews are referred to it by either the Chief Executive Officer or by Council

4.9 Responsibilities of Members

Members of the committee are expected to understand and observe the legal requirements of the Local Government Act 1989. Members are also expected to:

(i) Contribute the time needed to study and understand the papers provided

(ii) Apply good analytical skills, objectivity and good judgement

(iii) Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry

4.10 Reporting

The committee will prepare and present in Council's annual report, a report on its operations and activities during the year. The report should include:

(i) A summary of the work the committee performed to fully discharge its responsibilities during the preceding year

- (ii) A summary of Council's progress in addressing the findings and recommendations made in internal, external and any other special audit reports
- (iii) An overall assessment of Council risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council
- (iv) Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended
- (v) Formal minutes of all meetings of the Committee will be prepared and will be reported to Council quarterly

The committee may, at any time, report to the Chief Executive Officer or Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Chief Executive.

The Chair of the Committee will additionally attend and report twice yearly at the Council's Strategic Planning Sessions. This report will summarise the key proceedings and outcomes of the Committee's activities, provide general commentary on key recommendations/observations received from the Auditor General and/or internal auditors, as well as provide opportunity for discussion and review of the audit program, litigation matters, fraud prevention and awareness program and service efficiency oversight reviews. Additionally it will provide a forum for discussion between the Committee Chairperson, Councillors and Executive Officers regarding any other audits or Best Value reviews as required.

Requests received for additional audits or Best Value reviews will be noted in the Strategic Planning Session minutes. The Chair of the Committee will present these matters to the next Audit Advisory Committee meeting, with decisions minuted and outcomes reported back to Council through the Quarterly Financial and Management report to Council.

5. ADMINISTRATIVE ARRANGEMENTS

5.1 Meetings

The committee will meet at least five times per year. A special meeting may be held to review Council's annual financial statements.

The Chair is required to call a meeting if requested to do so by the Council, the Chief Executive Officer, or another committee member.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the committee each year. The forward meeting plan will cover all of the Audit Committee's responsibilities as detailed in this charter.

5.2 Secretariat

The Chief Executive Officer will appoint an officer to provide secretariat support to the committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

5.3 Independent Members Remuneration

Remuneration will be paid to each independent member of the Audit Advisory Committee. Remuneration levels will be recommended by the CEO for Council approval periodically and may be based on an annual fee with an additional amount paid to the chair, or a set fee per meeting or another basis as appropriate.

5.4 Conflicts of Interest

Once a year Audit Committee members will provide written declarations to the Chief Executive Officer stating they do not have any conflicts of interest that would preclude them from being members of the committee.

Audit Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Audit Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from committee deliberations on the issue where a conflict of interest exists, in accordance with the definitions and prescriptions of the *Local Government Act 1989* – Part 4, Division 1A, Sections 76 to 79.

5.5 Induction

All new Audit Advisory Committee members will receive induction material and training to ensure they are cognisant with the administrative environment, operational profile and risk management processes of Council.

Such information may include but not be limited to:

- Audit Advisory Committee Charter
- Council Plan
- Annual Report (last three years)
- Annual Budget
- Agendas and Minutes of Audit Advisory Committee Meetings (last 12 months)
- Day to Day Operational Profile
- Business and Financial Risks and their Management
- Internal Control Systems
- Independent Broad-based Anti-corruption Commission (IBAC) and Protected Disclosure policies and procedures
- Accounting Policies and Procedures
- Related Party Profiles
- Summary of Legal and Regulatory Requirements
- Key Performance and Council Plan Indicators
- Councillor/Officer Codes of Behaviour

New members should meet key management personnel, including the Mayor, Chief Executive Officer, General Managers, Finance Manager and Risk Management Manager.

New members should also meet the external and internal auditors and obtain background on key audit issues and inherent and potential risks areas.

5.6 Performance Assessment

The Audit Advisory Committee will be subject to annual review involving both a review by the Council and the completion of a self-assessment program.

The Audit Advisory Committee in conjunction with Council and the Chief Executive Officer will develop the Audit Advisory Committee's performance indicators.

The reviews will minimally include the following:

- (i) Obtaining feedback on the Committee's performance and operations from key people such as the external auditor, the internal auditor, the Chief Executive Officer, General Manager Corporate Services and senior financial and other management staff
- (ii) An assessment of the performance of individual members
- (iii) An assessment of the Committee's operation for the year in respect to fulfilling its key roles and responsibilities
- (iv) An assessment of the adequacy of the Committee's twice yearly reporting to Council.

INTERNAL REVIEW

Audit Advisory Committee Charter to be reviewed every 2-3 years, or as required by the AAC.
