

**GO2 – Audit Committee Charter Review**

**GO2 Audit Committee Charter Review**

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TRIM 5374-2

**EXECUTIVE SUMMARY**

- Council last adopted an Audit Committee Charter on 18 August 2014.
- The objective of the Wollondilly Shire Council Audit Committee is to provide independent assurance and assistance to the Council on risk management, control, governance and external accountability responsibilities.
- The Audit Committee Charter sets out the Committee's objective, authority, composition and tenure, roles and responsibilities and reporting and administrative arrangements.
- 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 Committee does not have any management functions and is therefore independent of management.
- The purpose of this report is to present to Council, for consideration, a revised Audit Committee Charter and a table outlining changes along with a draft revised Charter as attached to this report.
- It is recommended the changes outlined in the report be endorsed by Council and the revised Audit Committee Charter be adopted.

**REPORT**

Council's Audit Committee charter was adopted by Council on 18 August 2014 following its standard review timeline.

The charter has once again been reviewed and the following changes have been incorporated.

These changes are highlighted below:

**3.2 Attendees (non-voting) - at the discretion of the committee**

- Reference to Directors (previously Deputy General Managers)
- Remove specific manager positions - (Manager Governance; Manager Infrastructure Planning).

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3.3 Invitees (non-voting) for specific Agenda items

- Representatives of the external auditor
- Other Managers/officers may attend by invitation as requested by the Committee.

The Committee may decide whether any of the attendees (refer 3.3) are required to attend or not attend any of the scheduled audit committee meetings.

6.8 Fees & Reimbursement of Expenses

Independent members of the Committee will receive payment of \$250 (ex GST) per meeting plus reimbursement of travel costs at rates commensurate with the rates allowed by the Australian Taxation Office (ATO) when claiming a deduction for the use of a private motor vehicle for work related purposes.

The changes in 3.2 and 3.3 reflect the council structural change and address who is required to attend the audit committee meetings. The Directors who attend audit committee meetings are aware of the matters to be discussed at the meeting and are able to address these matters. The Audit Committee still has the discretion to call on other Managers/officers to attend (or not attend) any of the scheduled audit committee meetings.

The change in 6.8 relates to an increase in the attendance fee. The Audit Committee was formed in 2010 and the meeting attendance fee was set at \$200. This amount has remained the same since this time and in keeping with line time value of money it is considered appropriate to increase the fee to \$250.00.

**CONSULTATION**

Executive  
Manager Financial Services

**FINANCIAL IMPLICATIONS**

The matter has no financial impact on Council's adopted budget or forward estimates.

**ATTACHMENTS**

1. Summary of Changes
2. Draft Audit Committee Charter

**RECOMMENDATION**

That Council endorse the changes outlined in the report and the revised Audit Committee Charter be adopted.

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Policy Changes table for Council Reports:

**SUMMARY OF CHANGES – AUDIT COMMITTEE CHARTER**

Location	Previous Wording	New Wording	Reasoning
Page 3 – Clause 3.2	Deputy General Managers	Directors	Deputy General Managers were replaced by Directors
Page 3 – Clause 3.2	<ul style="list-style-type: none"> <li>▪ Manager Governance</li> <li>▪ Manager Infrastructure Planning</li> </ul>	Nil	Removal of specific manager positions. Managers/staff will attend Audit Committee meetings as required.
Page 3 – Clause 3.3	<ul style="list-style-type: none"> <li>▪ Other officers may attend by invitation as requested by the Committee.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Other Managers/officers may attend by invitation as requested by the Committee</li> </ul>	Supports changes to Clause 3.2.
Page 7 – Clause 6.8	<p><u>6.8 Fees &amp; Reimbursement of Expenses</u></p> <p>Independent members of the Committee will receive payment of \$200 per meeting plus reimbursement of travel costs at rates commensurate with the rates allowed by the Australian Taxation Office (ATO) when claiming a deduction for the use of a private motor vehicle for work related purposes.</p>	<p><u>6.8 Fees &amp; Reimbursement of Expenses</u></p> <p>Independent members of the Committee will receive payment of \$250 (ex GST) per meeting plus reimbursement of travel costs at rates commensurate with the rates allowed by the Australian Taxation Office (ATO) when claiming a deduction for the use of a private motor vehicle for work related purposes.</p>	Increase in fee as this is the first since the Audit Committee was formed.

Governance

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# AUDIT COMMITTEE CHARTER

**WOLLONDILLY SHIRE COUNCIL**

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*Rural Living*

**Governance**

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**WOLLONDILLY SHIRE COUNCIL**

**AUDIT COMMITTEE CHARTER**

**1. Objective**

The objective of the Audit Committee (Committee) is to provide independent assurance and assistance to the Wollondilly Shire Council on risk management, control, governance, and external accountability responsibilities.

**2. Authority**

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

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or Councillor at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

**3. Composition and Tenure**

The Committee will consist of:

**3.1 Members (voting)**

- 2 Councillors
- Independent external member (not a member of the Council) - minimum of two (one of the Independent Members is to be the Chair)

**3.2 Attendees (non-voting) – at the discretion of the Committee**

- General Manager
- **Directors**
- Manager Financial Services (Responsible Accounting Officer)
- Internal Auditor

**3.3 Invitees (non-voting) for specific Agenda items**

- Representatives of the external auditor.
- Other **Managers/officers** may attend by invitation as requested by the Committee.

The independent external members will be appointed for a four year term after which they will be eligible for extension or re-appointment following a formal review of their performance.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Wollondilly Shire Council. At least one member of the Committee shall have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

The Committee may decide whether any of the attendees (refer **3.3**) are required to attend or not attend any of the scheduled audit committee meetings.



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**4. Role and Responsibilities**

The Committee has no executive powers, except those expressly provided by the Council.

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 General Manager as defined by the Local Government Act.

The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committee's responsibilities are:

**4.1 Risk Management**

- Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- Review the impact of the risk management framework on its control environment and insurance arrangements; and
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

**4.2 Control Framework**

- Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with;
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

**4.3 External Accountability**

- Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- To consider contentious financial reporting matters in conjunction with council's management and external auditors.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.

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- Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

**4.4 Legislative Compliance**

- Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

**4.5 Internal Audit**

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitor the implementation of internal audit recommendations by management.
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Periodically review the performance of Internal Audit.

**4.6 External Audit**

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

**4.7 Responsibilities of Members**

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Wollondilly Shire Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.



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**5. Reporting**

At the first Committee meeting after 30 June each year, Internal Audit will provide a performance report of:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators.
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.

The Committee may, at any time, consider 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 Chair of the Committee.

The Committee will report regularly, and at least annually, to the governing body of Council on the management of risk and internal controls.

**6. Administrative arrangements**

**6.1 Meetings**

The Committee will meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

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 Committee responsibilities as detailed in this Audit Committee Charter.

**6.2 Attendance at Meetings and Quorums**

A quorum will consist of a majority of Committee members, including at least one independent member. Meetings can be held in person, by telephone or by video conference.

The Internal Auditor (whether internally or externally appointed) will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request the Responsible Accounting Officer or any other employees to participate for certain agenda items, as well as the external auditor.

Subject to clause 3.2, the General Manager may attend each meeting but will permit the Committee to meet separately with each of the Internal Auditor and the External Auditor in the absence of management on at least one occasion per year.

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**6.3 Secretarial Support**

Secretarial support will be provided to the Committee. The secretarial support will be responsible for circulating the agenda and supporting papers at least one week before the meeting, as well as ensuring the minutes of the meetings are prepared and maintained.

Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

**6.4 Conflicts of Interest**

Councillors, Council staff and members of Council committees must comply with the applicable provisions of Council's code of conduct in carrying out the functions as Council officials. It is the personal responsibility of Council officials to comply with the standards in the code of conduct and regularly review their personal circumstances with this in mind.

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

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee.

**6.5 Induction**

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

**6.6 Assessment Arrangements**

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

**6.7 Review of Audit Committee Charter**

At least once every two years the Audit Committee will review this Audit Committee Charter. The Audit Committee will approve any changes to the Audit Committee Charter

**6.8 Fees & Reimbursement of Expenses**

Independent members of the Committee will receive payment of \$250 (ex GST) per meeting plus reimbursement of travel costs at rates commensurate with the rates allowed by the Australian Taxation Office (ATO) when claiming a deduction for the use of a private motor vehicle for work related purposes.

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**7. Relevance to Community Strategic Plan (CSP) Outcomes**

The Audit Committee provides assurance and assistance to Council on a range of governance matters and accordingly it aligns itself closely to "Accountable and Transparent Governance" strategies.

More specifically, the role and function of the Audit committee links directly with the Community Strategic Plan outcome of "GO2: Best Practice Governance – Be a leader in best practice local government governance".