

## Audit Committee Charter

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## **1. Background**

- a) The Corporation's Audit Committee was established in 1998 as an Advisory Committee to the Whitehorse Manningham Regional Library Board (The Board). Whilst not required under the Local Government Act for Library Corporations, the Audit Committee was established as a matter of good governance.
- b) The Audit Committee Charter has been developed having regard to 'Audit Committee – A Guide to Good Practice for Local Government', January 2011 issued by the Minister of Local Government.

## **2. Purpose**

- a) The primary objective of the Audit Committee is to assist the Corporation and the Board in the effective conduct of its responsibilities and to achieve the Corporation's organisation objectives efficiently and effectively.
- b) The Audit Committee is an independent committee, which provides guidance to the Board and Corporation's senior management in respect of financial reporting, management of risk, maintaining a reliable system of internal controls, compliance with regulation, operation of good governance and facilitation of sound organisational ethics.

## **3. Authority**

- a) The Audit Committee is an independent advisory committee of the Corporation, formally appointed by the Board. The primary attributes of the Committee are its independence and objectivity in relation to management.
- b) The Committee is to provide appropriate advice and recommendations to the Board on matters relevant to the Committee's Charter in order to facilitate decision-making by the Board in relation to the discharge of its responsibilities.
- c) The Audit Committee does not have executive powers or financial responsibilities. The Committee must not assume any management functions.
- d) The Committee can choose at its discretion to meet in camera with the Internal and External Auditor.
- e) Within its scope of responsibilities the Audit Committee may seek information or obtain expert advice on matters of concern through the Chief Executive Officer.
- f) The Committee may recommend the instigation of special investigations to the Board.

## **4. Membership**

- a) The Audit Committee will comprise four members as follows:
  - Two independent members; and
  - Two (2) Councillors

- b) The Chief Executive Officer and Finance Manager are not members of the Committee, but should attend all meetings, except where the Committee chooses to meet in camera. Other Corporation staff may be required to attend meetings to provide information and advice when required.
- c) The Internal Auditor should attend all meetings, except when the Committee chooses to meet in camera.
- d) The External Auditor (as appointed by the Victorian Auditor General) should be invited to attend at the discretion of the Committee but should always attend meetings considering the draft annual financial report.

## **5. Terms of Appointment**

- a) The Board will appoint two Councillors annually to the Audit Committee each of whom must nominate a deputy to attend in their absence.
- b) The Board will appoint two independent members to the Committee, to be selected from an expression of interest process. The independent members should have the appropriate qualifications and experience required to undertake the duties and responsibilities outlined in Section 7. The appointment will be for a two year period with a possible two by two year extension which will be approved by the Board.
- c) The Board recognises the Victorian Local Government Women's Charter principles of gender equity, diversity and active citizenship. The Board encourages and welcomes participation of women on the Audit Committee.
- d) Remuneration will be paid to each independent member of the Audit Committee. Remuneration levels will be set by the Chief Executive Officer and will be based on a set fee per meeting. Annual increases to the remuneration of independent members will be limited to increases in the Consumer Price Index (CPI).
- e) The expiry time for independent members should preferably occur in a different period to each other and that of the externally contracted Internal Auditor to ensure, as far as possible, continuity of knowledge residing in the Committee.

## **6. Induction of New Members**

A new member will be provided with the following information, and where required a briefing, in the following areas:

- Business operations;
- The local government "industry", and the workings of the Regional Library Corporation;
- Financial Performance;
- Risk Management Program;
- Internal control system and current internal audit programs;
- Register of outstanding audit recommendations;
- Legal and Regulatory requirements;
- Accounting policies and procedures; and
- Matters previously provided to members relating to matters still before the Committee.

## **7. Duties and Responsibilities**

The following are the duties and responsibilities of the Audit Committee in pursuing its Charter.

### **7.1 Financial Reporting**

The Audit Committee will:

- a) Consider the appropriateness of the Corporation's accounting policies and practices, ensuring they are consistent with the applicable financial reporting framework.
- b) Review the Corporation's draft annual financial report focusing on;
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - significant accounting estimates and judgements and the process used in making those estimates and judgements;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements; and
  - any significant variances from prior years.
- c) Recommend adoption of the annual financial report to the Board. Review any significant changes that may arise subsequent to any such recommendation, but before the financials are signed.

### **7.2 External Audit**

The Audit Committee will:

- a) Discuss with the external auditor the scope and planning of the audit, and any issues arising from the audit, including any management letter issued by the auditor, and the resolution of such matters.
- b) Meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately.
- c) Review recommendations arising out of external audit reports within the scope of the Committee's Charter.
- d) Review and monitor management's response to the external auditor's findings and recommendations and their implementation.

### **7.3 Internal Audit**

The Audit Committee will:

- a) Review the scope of the strategic internal audit plan and the effectiveness of the function. The review should consider whether over a period of years the internal audit plan systematically addresses the following;
  - internal controls over significant areas of risk, including non-financial management control systems;

- the efficiency, effectiveness and economy of significant Corporation programs; and
  - compliance with regulations, policies and best practice guidelines.
- b) Review the appropriateness of special internal audit assignments undertaken by the internal audit at the request of the Board or Chief Executive Officer;
  - c) Review reports of internal audit and the extent to which the Corporation and management react to matters raised by internal audit;
  - d) Analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committees terms of reference. Review management's response to, and actions taken as a result of the issues raised;
  - e) Ensure there are no unjustified restrictions or limitations placed on the Internal Auditor;
  - f) Review on a biennial basis the performance of the Internal Auditor, and where performance is not considered satisfactory, discuss with the Corporation any recommendation for the appointment of a new Internal Auditor; and
  - g) Be party to the process of appointment of the Internal Auditor.

#### **7.4 Risk Management**

The Audit Committee will:

- a) Review the Corporation's Risk Management Policy and Framework and risk profile;
- b) Monitor the risk exposure of the Corporation by determining if management has appropriate risk management processes and internal controls and adequate management information systems;
- c) Receive status reports on the risk register and actions being taken to manage identified risks; and
- d) Monitor the effectiveness of the Corporation's business continuity processes and practices.

## **7.5    *Fraud Control***

The Audit Committee will:

- a) Monitor the effectiveness of the Corporation's fraud prevention and detection framework; and
- b) Monitor any action taken with respect to actual and suspected instances of fraud.

## **7.6    *Ethical and Statutory Compliance***

The Audit Committee will:

- a) Consider the effectiveness of the systems and processes for monitoring compliance with legislation and regulations;
- b) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- c) Keep informed of the findings of any examination by regulatory agencies and monitor management's response to such findings.

## **7.7    *Other Responsibilities***

The Audit Committee will:

- a) Perform other activities related to this Charter as required by the Board; and
- b) Undertake a self-assessment of the Committee's performance against the Charter on a biennial basis.

## **8.     *Meetings***

- a) The Audit Committee will meet, as a minimum, on two occasions each year, in March and August. Special meetings of the Committee may be convened as required by any two members of the Committee.
- b) One of the two independent members present at any meeting will chair the meetings of the committee.
- c) A quorum of any meeting will be two (2) members.
- d) The Chairperson of the Audit Committee shall have a casting vote on occasions where there is an equal number of votes on a matter.
- e) The Audit Committee may hold private meetings with Internal and External Auditors, if required.
- f) Due to the nature of work of the Audit Committee, meetings of the Committee are closed to the public.

- g) Members of the Audit Committee are expected to attend every meeting of the Committee. In their absence Councillors should nominate another attendee, either the other Councillor on the Board or a Senior Officer from their Council.
- h) A formal agenda for each meeting of the Committee will be prepared and distributed, together with any relevant reports and other documentation, prior to each meeting. The agenda will be distributed to the Committee members, internal and external auditors, the Chief Executive Officer and any other Corporation staff required to attend. Information of a confidential nature will be distributed to the Committee members and to selected staff.
- i) The agenda and accompanying material will be circulated to members of the Committee at least one week prior to any meeting of the Audit Committee, except for special meetings, which may be called at short notice. In such cases the agenda and support information will be forwarded as soon as is practicable.
- j) Minutes of the meeting will be prepared within one week of the meeting and circulated to committee members. The minutes will be approved at the following committee meeting.
- k) The preparation and distribution of the Audit Committee agenda and minutes will be the responsibility of the Finance Manager.

## **9. Conflict of Interest**

- a) All members of the Committee will be required to declare any conflicts of interest at the commencement of each meeting and prior to the consideration of the item at the meeting.
- b) Where a conflict of interest has been disclosed, the member will not be eligible to vote on a matter or attend the part of the meeting at which the subject of the conflict will be considered.
- c) Each independent member of the Committee is required to lodge a declaration of interest form on a bi-annual basis.

## **10. Insurance**

Members of the Committee shall be covered by the Corporation's insurance policies whilst engaged in the business of the Committee

## **11. Reporting**

- a) The Chief Executive Officer and Finance Manager will report to the Board on information about the audit process and the results of internal and external audits and any recommendations of the Audit Committee requiring the Corporation's action and/or the Board's approval.
- b) The Councillors on the committee shall be given an opportunity at least once a year to provide a verbal report to the Board on the issues and activities being addressed by the Audit Committee.

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

The Audit Committee Charter will be reviewed at least once every four years.