

AUDIT COMMITTEE CHARTER & POLICY



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1. AUDIT COMMITTEE CHARTER & POLICY

- 1.1 The Audit Committee Charter & Policy (Policy) relates to Katherine Town Council (Katherine Town Council).

2. COMMENCEMENT OF POLICY

- 2.1 This Policy will commence from 26/05/2015. It replaces all other policies, if any, relating to Audit Committees (whether written or not).

3. INTRODUCTION

The Northern Territory Local Government Act Accounting Regulations (Part 5, Section 10) requires Council to establish an Audit Committee as part of their internal control framework. Specifically the Regulations provide that an Audit Committee is to monitor compliance by Council to:

- Proper standards of financial management; and
- Regulations and the Accounting Standards.

4. ROLE OF THE AUDIT COMMITTEE

The Audit Committee is an independent advisory body established within Council under the regulations set by the Local Government Act. The Audit Committee provides an important independent role between Council and its management and between Council and its community. The Audit Committee has no authority to act independent of Council and can only act in areas covered by this charter and policy.

The Audit Committee plays a central role in independently reviewing Council's internal control processes and provides Elected Members with a level of assurance on the effectiveness of the Council's financial and corporate governance practices as well as compliance with legislative and regulatory requirements.

The Audit Committee can assist in identifying areas where changes are required to reduce the risk of Council's exposure to fraud or unauthorised transactions. The Audit Committee may also act as a conduit between Council and its auditors to help improve financial reporting, accountability and transparency within Council.

The role of the Audit Committee includes:

- Monitoring the effectiveness of the audit function and the implementation of audit recommendations.
- Providing an independent line of reporting by the auditor to Council.
- Reviewing compliance with legislative requirements, contracts, standards and best practice guidelines.
- Reviewing and recommending to Council the annual financial statements.
- Monitoring changes in accounting and reporting requirements.
- Reviewing policies relating to codes of conduct, conflicts of interest, misconduct, fraud and revenue.

5. AUDIT COMMITTEE ROLES AND RESPONSIBILITIES

The Audit Committee will play an active role in:

- Developing and maintaining a culture of accountability, transparency and integrity;
- Facilitating the integration of good financial and corporate governance practices into day-to-day business activities and processes;
- Promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards; and
- Promoting a culture of performance and achievement of outcomes.

6. AUDIT COMMITTEE MEMBERSHIP

Members of the Audit Committee are appointed by Council. Ideally the composition of the Audit Committee should comprise of a minimum of at least three (3) members. This includes a Chairperson, one (1) independent representative, one (1) Elected Member, Council's Chief Executive Officer and the Director of Corporate & Community Services.

Selection Process

Consideration should be given to the type of skills, personal attributes and practical experience each independent representative must have before being nominated. Factors to consider include:

- Level of understanding of Local Government and Council's operations;
- Level of knowledge and practical exposure on governance and financial management practices;
- Capacity to dedicate adequate time to the committee;
- Depth of knowledge of regulatory and legislative requirements; and
- Ability to maintain professional relationships particularly with Elected Members, staff and other stakeholders.

Refer to Katherine Town Council's Chairperson and Independent Representative responsibilities (Position Descriptions).

7. AUDIT COMMITTEE MEETINGS

The Audit Committee will convene a minimum of once in a twelve month period. Alternatively, a committee meeting can be convened when Council or the Chairperson so requests. In such situations, a minimum of seven days notice must be given unless it is an emergency meeting.

The meeting agenda and previous minutes are provided to committee members no less than seven calendar days prior to a scheduled meeting.

Meetings are conducted to allow a full and frank exchange of views while at the same time ensuring that a positive committee culture is maintained. A full set of minutes is to be kept.

In order to provide an even distribution of work over each financial year, the committee will adopt a twelve month calendar, which includes all scheduled committee meetings.

8. AUDIT COMMITTEE – ATTENDANCE AT MEETINGS AND QUORUMS

Attendance at committee meetings by members can be in person and/or via teleconference (Skype and/or FaceTime) and/or telephone. A quorum consists of no less than 50% of members. Audit Committee members should endeavour to attend at least 75% of scheduled meetings.

9. AUDIT COMMITTEE – TERM OF APPOINTMENT AND TERMINATION OF COMMITTEE MEMBERS

All Audit Committee members (other than Council staff) are appointed for a two year period. Audit Committee members, not being the Chairperson, cease being a member of the committee if they provide, in writing, a letter of resignation. The Chairperson, is an independent member, who is appointed by Council for a set period and can be terminated by Council subject to the appointment agreement.

10. AUDIT COMMITTEE - CONFLICT OF INTEREST

All committee members have a legal obligation to disclose to the committee, any material personal interest which relates to the business of Council. When an issue arises at a committee meeting, relating to such an interest, the Chairperson will advise the committee member of the following:

- Not attend the meeting while the matter is discussed and that they may not vote on such an issue, unless the non-conflicted members pass a resolution that the member may either remain for the discussion but not vote or remain for the discussion and vote.

The non-conflicted members will only pass such a resolution when they are strongly of the view that the nature of the conflict does not inhibit the conflicted member from making a decision in the best interest of Council. Members have an obligation to disclose to the committee any other interest which the member believes is appropriate to disclose in order to ensure there is no actual or perceived conflict of interest.

11. AUDIT COMMITTEE – AUTHORITY/DELEGATION/POWERS/LIMITATIONS

In order to be effective, the Audit Committee must remain independent from management and free from undue influence from Elected Members and Council staff. The Audit Committee is an advisory body and members of the Audit Committee cannot have any executive powers, management functions or delegated financial responsibility. It is important that Elected Members understand that the Audit Committee is established as an advisory body. It is the responsibility of Council, not the Audit Committee, to make decisions on how and what action/s will be taken on matters brought to the attention of Elected Members by the Audit Committee.

12. AUDIT COMMITTEE – REPORTING

The Audit Committee is responsible for reporting back to Council as per the following:

- Working with the Chief Executive Officer to ensure that appropriate strategic direction and goals are in place for the committee.
- Regularly reviewing Council's strategic direction and goals.
- Ensuring that an appropriate set of strategic internal controls are implemented and reviewed regularly.
- Reviewing activities including annual corporate budgets and long-term financial plans including operating budgets, capital expenditure budgets and cash flow budgets.
- Reviewing the progress and performance of Council in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis.
- The board complies with its reporting requirements under the relevant legislation and with any funding agreements.
- Regulatory compliance and accuracy in reporting are achieved.

13. AUDIT COMMITTEE – VOTING RIGHTS

Those individuals who are officially appointed to the Audit Committee have equal voting rights. Voting by proxy can occur through postal, email or fax received votes. Where a vote is taken and the result is undecided the Chairperson has the casting vote.

14. AUDIT COMMITTEE - REMUNERATION

Council will agree on the remuneration rate and conditions of the independent Chairperson and Independent Representative.

15. AUDIT COMMITTEE – SECRETARIAT SUPPORT

Council will ensure the Audit Committee members have access to the agenda, meeting papers and prior unapproved minutes no less than seven calendar days prior to a scheduled meeting. Council will provide secretariat support to the Audit Committee to ensure minutes and agendas are provided to committee members.

16. AUDIT COMMITTEE – PERFORMANCE AND REVIEW

Compliance

The Audit Committee is charged with overseeing, reviewing and ensuring the reliability and effectiveness of Katherine Town Council's compliance systems. As such, compliance is a continuous quality improvement system that is part of a proactive risk management strategy. To carry out its compliance function, the committee commits to the following:

- The Chairperson is responsible to manage the Audit Committee's compliance systems and reporting to Council on those systems.
- A Code of Conduct for Council ensures the highest of ethical standards and business behaviours are maintained.
- The committee complies with its reporting requirements under the relevant legislation and with any funding agreements.
- The board views compliance as an integral function and recognises that for the compliance system to succeed it must be championed by the Elected Members and Council management.

Risk Management

Risk management is a critical component of Katherine Town Council. The Chairperson is charged with implementing appropriate risk management systems within the Audit Committee. The risk management system at Katherine Town Council is based on the Australian Standard, AS/NZS ISO 31000. The primary objectives of the system are to ensure:

- All major sources of potential opportunity for and harm to Katherine Town Council both existing and potential are identified, analysed and treated appropriately;
- Business decisions throughout Katherine Town Council are to appropriately balance the risk and reward trade-off;
- Regulatory compliance and accuracy in reporting are achieved; and
- The Elected Members and staff understand the risk profile of Katherine Town Council.

Internal Controls

The Audit Committee has a process for review and authorisation to ensure the truthful and factual representation of the organisation's financial position and adherence to policies and procedures. This process includes:

- External audit;
- Internal audit;
- Review of the organisation's annual financial statements by an independent auditor.

Committee Evaluation

The committee recognises its responsibility to conduct regular evaluations of the performance of the committee and individual committee members. Annually, there is a performance evaluation of:

- The committee having regard to the requirements of this charter and the leading practice principles of good governance;
- The chairperson; and
- Individual committee member contribution to the committee.

The processes are regularly reviewed to ensure they meet contemporary good practice guidelines for committee assessment.

17. AUDIT COMMITTEE – CHARTER REVIEW AND AMENDMENTS

This charter and policy will be endorsed by Council. The charter and policy will be reviewed every twelve months or as deemed necessary by the Elected Members and the Chief Executive Officer.

18. KATHERINE TOWN COUNCIL CONTACT

- 18.1 Any questions about this Policy should be directed to Chief Executive Officer (08) 8972 5500.

VARIATIONS

Katherine Town Council reserves the right to vary, replace or terminate this Policy from time to time.

ASSOCIATED DOCUMENTS

- Code of Conduct
- Finance Policy . Fraud Protection
- Finance Policy . Revenue

POLICY VERSION AND REVISION INFORMATION

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| Policy Authorised by: Robert Jennings | Original issue: 25/05/2015 |
| Title: Chief Executive Officer | |
| Policy Maintained by: Alice Anastacio | Current version: 1 |
| Title: Corporate Services Executive Manager | |
| Review date: 25/05/2016 | |