

CENTRAL TABLELANDS ALLIANCE (CTA) AUDIT COMMITTEE

Audit Committee Charter

1 Name

The Committee will be called the Central Tablelands Alliance (CTA) Audit Committee.

2 Status

Established by authority of the Lithgow and Oberon Councils on 20 Sept 2010
Minute 10-402

3 Purpose

The Audit Committee Charter sets out the role, composition, authority, responsibilities and operation for the CTA Audit Committee.

4 Objective

4.1 The main purpose and function of this Committee is to provide independent assurance and assistance to Councils on risk management, control, governance and external accountability responsibilities

4.2 In addition, the purpose and function of this Committee is to ensure that there is an adequate and effective system of internal control throughout Council and to assist in the operation and implementation of the Internal and External Audit Plans

5 Authority

The Councils authorise the Committee, within the scope of its role and responsibilities, to:

- i) Obtain any information it needs from any employee or external party (subject to their legal obligation to protect information)
- ii) Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations)
- iii) Request the attendance of any employee or councillor at Audit Committee meetings
- iv) Obtain external legal or other professional advice, as considered necessary to meet its responsibilities
- v) Appoint the representatives to the Committee, as per the parameters and procedures outlined in section 7 of this Charter

6 Role and Responsibilities

- i) The role of the Audit Committee is to oversight risk, compliance, external accountability and the internal control environment on behalf of Council
- ii) The Committee has no executive powers, except those expressly provided by the Council
- iii) In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Councils rest with the Council and the General Manager as defined by the Local Government Act
- iv) The responsibilities of the Committee may be revised or expanded by CTA Councils from time to time

Specifically, the Audit Committee's responsibilities are:

- 6.1 Risk Management – oversight CTA Councils' risk management arrangements and review whether or not:
 - i) Council complies with relevant risk management standards
 - ii) 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
 - iii) A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
 - iv) A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically
- 6.2 Control Framework - review whether or not:
 - i) Management has adequate and effective internal controls in place, including over external parties such as contractors and advisors
 - ii) Management has in place relevant policies and procedures, and if these are periodically reviewed and updated
 - iii) Appropriate processes are in place to assess if policies and procedures are complied with
 - iv) Appropriate policies and procedures are in place for the management and exercise of delegations
 - v) Management has taken steps to embed a culture which is committed to ethical and lawful behaviour
- 6.3 External Accountability:
 - i) Being satisfied that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls
 - ii) Reviewing the External Audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments
 - iii) Considering contentious financial reporting matters in conjunction with Council's management and External Auditors
 - iv) Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements
 - v) Being satisfied that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations
- 6.4 Legislative Compliance
 - i) Determine if management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements
 - ii) Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies

6.5 Internal Audit

- i) Act as a forum for communication between the Councils, General Managers, senior management, Internal Audit and External Audit
- ii) Review and authorise the annual and long-term Internal Audit Plan as developed by the Internal Auditor including consideration of the Risk Management Plan
- iii) Monitor the resources of the Internal Audit function and make recommendations to the General Managers to ensure that the Internal Audit function is sufficient and appropriate
- iv) Ensure and support the independence of the Internal Audit function
- v) Make recommendations for inclusion and/ or prioritising projects in the Internal Audit Plan/s
- vi) Make recommendations to commission audits of any kind, whether to be conducted by the Internal Auditor or otherwise
- vii) 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
- viii) Review and discuss the Internal Auditor's quarterly reports including:
 - YTD progress as per the Internal Audit Plan
 - Significant variations that have occurred from the Internal Audit Plan
 - Any specific concerns the Internal Auditor may have to discuss
- ix) Monitor the acceptance and implementation of Internal Audit recommendations by management
- x) Approve and periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- xi) Periodically review the performance of Internal Audit

6.6 External Audit

- i) Review the proposed audit scope and approach, with particular respect to coordination of audit effort with internal audit
- ii) Act as a forum for communication between the Council, General Manager, senior management, Internal and External Audit
- iii) 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
- iv) Review all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations
- v) Consider significant issues raised in relevant External Audit reports and better practice guides, and ensure appropriate action is taken

6.7 Responsibilities of Members

Members of the Committee are expected to:

- i) Understand the relevant legislative and regulatory requirements appropriate to Council
- ii) Contribute the time needed to study and understand the papers provided

- iii) Apply good analytical skills, objectivity and good judgment
- iv) Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry

7 Membership and Tenure of the Audit Committee

7.1 Skills and Experience

- i) The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council
 - ii) At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.
- III. Each Council will contribute \$25000 per annum to fund the expenses of the independent members appointed to the committee.
- IV. Each Independent member will be paid \$5000 per annum for attending the four committee meetings planned each year.
- V. Reasonable travel expenses of the independent members will be reimbursed by the CTA Councils.

7.2 Membership of the Committee is by virtue of the appointed position; no delegates of the members are permitted

7.3 The Audit Committee shall consist of:

i) Members (voting)

- One Councillor from each of the CTA Councils
- One Independent Chairperson external to the LGA's
- Two independent members with relevant experience external to the LGA's

ii) attendees (non-voting)

- General Managers
- Internal Auditor
- Directors of Corporate Services
- Representative of the External Auditor

iii) Invitees (non-voting) for specific Agenda

items

- Other officers may attend by invitation as requested by the Committee

7.4 Selection of Members

The selection criteria and process for the appointment of the independent external members (to the LGA's) shall ordinarily be as follows:

- i) The Committee shall seek nominations via media advertisement from persons interested in being appointed to the available position. All nominees who satisfy the conditions of this charter shall be eligible for appointment
- ii) The eligible persons will be interviewed by the General Managers of the LGA's , who shall make recommendations to the Committee

- iii) Following receipt of recommendations from the General Manager, the Committee may appoint the independent external members by:
 - Making a direct appointment based on merit; or
 - Determining the representative by the drawing of lots where there are suitable and complying nominations with equal merit
- iv) In the event of equal votes the Chair shall have the casting vote

7.5 Term of Office

- i) The independent external members will be appointed for the term of Council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

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Voting shall be undertaken in accordance with section 13 of this Charter, except that the independent external members seeking reappointment may not vote on the reappointment and will be deemed to be absent for the vote for the purpose of section 9 of this Charter.

This will mean that, if the external member seeking reappointment is usually the Chair, the other independent external member will become the Chair for the purpose of the vote.

- ii) The maximum number of terms an independent external member can sit on the committee without the need for further nominations is 2 terms

7.6 Vacancy

In the case of resignation from the committee by an independent external member, the committee is to appoint another independent external member as soon as is practicably possible in accordance with the process set out in 7.4, but no later than one month prior to the next meeting, so that there are always two independent external members on the committee.

8 Code of Conduct

All members of the Audit Committee are to abide by Council's Code of Conduct.

9 Chairperson

- i) An independent external member acts as Chair of the Committee for the full term of office; i.e. for the term of Council
- ii) In the case of resignation by the Chair, one of the other current serving independent external member will be appointed as Chair
- iii) In the absence of the appointed Chair, one of the other current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair
- iv) Note that this role is an administrative role only with no authority to act or direct action on behalf of the Committee/ Council

10 Quorum

A quorum will consist of a majority of Committee members, including at least two independent external members.

11 Proceedings

11.1 Meetings

- i) The Committee shall 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 as well as review and endorsement of the annual Internal Audit Plan
- ii) The need for any additional meetings will be decided by the Chair, although the other Committee members may make requests to the Chair for additional meetings
- iii) Meetings can be held in person, by telephone or by video conference
- iv) 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

NB 1: Where either Internal Audit Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Committee will be kept fully informed of all changes via email.

11.2 Attendance of Non-Members:

- i) The attendance of non-members is subject to invitation by the Chair
- ii) The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair

11.3 Venue

Committee meetings will be held on a rotating basis at CTA Councils.

11.4 Conflicts of Interest

- i) 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
- ii) 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

11.5 Minutes

- i) The Committee will appoint each CTA Council to provide secretariat support to the Committee on a rotating basis
- ii) The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained
- iii) Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held

11.6 Induction

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

12 Reporting

12.1 The Committee shall report at least annually to each CTA Council

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

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

12.3 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

13 Decision Making/Deliverables:

13.1 Decision Making/ Deliverables

- i) The Committee is expected to make decisions by consensus but if voting becomes necessary then the details of the vote are to be recorded in the minutes
- ii) Each member of the Committee shall be entitled to one vote only. In the case of an equality of votes on any issue the Chair shall have the casting vote

- iii) Between meetings the Chair may circulate to members by email specific proposals for adoption by the Committee. Members shall be given a set time – at least 5 (five) days – in which to reply to indicate their agreement with a particular proposal
- iv) A member's failure to respond within the timeframe given shall be taken as a vote against the proposal. Any decision taken by the Committee by email is to be noted and minuted at the commencement of the next meeting

NB: The Internal Auditor and the External Auditor representative are not voting members of the Committee.

13.2 Assessment of Committee Performance

- i) The Chair will initiate a review of the performance of the Audit Committee at least once every two years
- ii) 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
- iii) When reviewing the Committee's performance the Chair should be satisfied that an effective, comprehensive and complete service is being provided

14 Review of the Audit Committee Charter

- i) At least once every two years the Audit Committee will review this Audit Committee Charter to ensure it remains current and reflects the Committee's role and objectives
- ii) The Audit Committee will approve any changes to this Audit Committee Charter

Approved:

Audit Committee Meeting

Chair Audit
Committee