

**Wangaratta Rural City Council**  
**Audit Advisory Committee Charter**  
**2015**

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# **Wangaratta Rural City Council**

## **Audit Advisory Committee Charter**

### **2015**

#### **PART 1 – INTRODUCTION**

##### **1 Title**

The advisory committee will be known as the "Audit Advisory Committee" (the Committee).

##### **2 Authorising Provision**

The Committee is an independent advisory committee to Council.

Council has constituted the Committee in accordance with Section 139 of the *Local Government Act 1989* (the Act) and as part of Council's governance obligations to its community.

##### **3 Objectives**

The objectives of the Committee are to:

- (a) assist Council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating the organisation's ethical development;
- (b) advise Council on how best to fulfil its responsibilities and facilitate decision making by providing a forum for improving communication between

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Council, senior management, finance, risk and compliance managers, internal auditors and external auditors with regard to—

- (i) internal and external reporting – financial and performance;
- (ii) risk management;
- (iii) internal and external audit; internal control framework;
- (iv) corporate governance and ethics; and
- (v) compliance with the Act.

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**4 Role**

- (1) The Committee is a formally appointed committee of Council and is responsible to that body. The 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.
- (2) The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

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- (3) The attributes of an effective Committee member include—
- (a) Shows good judgement and is balanced in their consideration of issues and takes a whole of entity perspective;
  - (b) Knows the business of the entity; understands the role of the committee and the expectations of Council; takes the time to understand changes that affect how the entity operates and its risks;
  - (c) Brings knowledge and expertise to bear in committee deliberations;
  - (d) Displays a constructive and positive attitude in dealings with other committee members, committee advisors and observers;
  - (e) Is a good communicator, builds effective networks and relationships while maintaining necessary confidences;
  - (f) Devotes sufficient time to committee business; and
  - (g) Displays independence of mind on committee deliberations and asks the ‘hard’ questions when necessary.

**5 Membership**

- (1) The Committee will comprise a minimum of five members – two Councillors and three external, independent persons. All members shall have full voting rights. All Committee members are expected to attend each meeting, in person or through teleconference or video conference.

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- (2) Appointments of external persons shall be made by Council by way of a public advertisement and be for a maximum term of three years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives. A sitting member is able to reapply and be appointed for subsequent terms. All reappointments following each independent member's second term must be publicly advertised.
- (3) The majority of external independent persons will have senior business or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements. The evaluation of potential members will be undertaken by the Mayor, member Councillor and Chief Executive Officer (CEO) taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.
- (4) If Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with an opportunity to be heard at a Council which is open to the public, if the member so requests.
- (5) Remuneration will be determined by Council and reviewed annually. Payment will be paid to each independent member of the Committee on a quarterly basis in arrears.

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- (6) The Chairperson shall be appointed from the external members of the Committee by the Committee subject to Council's approval. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external members present.
- (7) A quorum will be at least two independent members and at least one Councillor member.
- (8) The CEO and internal auditor (whether a member of staff or contractor) should attend all meetings, except when the Committee chooses to meet without management in attendance. Other members of Council or Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- (9) Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings considering the draft annual financial report and results of the external audit.
- (10) Council shall provide secretarial and administrative support to the Committee. Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- (11) Induction of new members – any prospective new committee members should be provided with a copy of the Committee's charter and with the following documentation—
  - (a) Council plan;
  - (b) Annual report;

- (c) Key financial reporting policies, including related-party issues;
- (d) Current council plan performance report; and
- (e) Minutes from the most recent Committee meeting.

## **6 Annual Agenda**

- (1) An annual agenda including schedule of meeting dates will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in June to coincide with the approval of Council Plans, annual plans and budgets and in August to coincide with the finalisation of the financial statements and the draft annual report to the Minister.
- (2) The Committee shall meet at least quarterly.
- (3) Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee, internal or external auditor.
- (4) All meetings of the Committee shall be conducted in accordance with Council's Local Law No. 3 of 2014 – Meeting Procedure (Administrators).

## **7 Reporting**

- (1) The Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of Council, including a report explaining
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any specific recommendations and key outcomes.

- (2) The Committee shall report annually to Council summarising the activities of the Committee during the previous financial year.

## **8 Duties and Responsibilities**

- (1) The following are the duties and responsibilities of the Committee in pursuing its Charter—
    - (a) Recommend to Council the appointment of the internal auditor.
    - (b) Review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses—
      - (i) internal controls over significant areas of risk, including non-financial management control systems;
      - (ii) internal controls over revenue, expenditure, assets and liability processes;
      - (iii) the efficiency, effectiveness and economy of significant Council programs; and
      - (iv) compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
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- (c) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO.
- (d) Review the level of resources allocated to internal audit and the scope of its authority.
- (e) Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- (f) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- (g) Critically 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 Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- (h) Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- (i) Assess whether management has taken steps to embed a culture that promotes

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- the proper use and management of public resources and is committed to ethical and lawful conduct.
- (j) Review the process undertaken in the development of the annual budget and long term financial plan.
  - (k) Review Council's draft annual financial report, focusing on—
    - (i) accounting policies and practices;
    - (ii) changes to accounting policies and practices;
    - (iii) the process used in making significant accounting estimates;
    - (iv) significant adjustments to the financial report (if any) arising from the audit process;
    - (v) compliance with accounting standards and other reporting requirements; and
    - (vi) significant variances from prior years.
  - (l) Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
  - (m) Discuss with the external auditor the scope of the audit and the planning of the audit.
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- (n) Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
  - (o) Review procurement practices against best practice and legislation and advise Council.
  - (p) Review the annual performance statement and recommend its adoption to Council.
  - (q) Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
  - (r) Identify and refer specific projects or investigations deemed necessary through the CEO, the internal auditor and Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
  - (s) Monitor the progress of any major lawsuits facing Council.
  - (t) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that is within the parameters of the Committee's terms of reference.
  - (u) The Committee in conjunction with Council and the CEO should develop the Committee's performance indicators.
  - (v) Review the most recent financial statements reported to Council.
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- (w) Review key policies impacting the effectiveness of Council's governance framework, including, for example, the Code of Ethics, Fraud Policy and Protected Disclosure Policy.
- (2) The Committee, through the CEO and following authorisation from Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

## **9 Review**

The Committee shall be subject to a periodic review, including a review by Council and the completion of a self-assessment program. The reviews should include the following—

- (1) Obtaining feedback on the committee's performance and operations from key people such as the external auditor, the internal auditor, and senior financial and other management staff.
- (2) Obtaining feedback from Council on the effectiveness of the committee.
- (3) Assessing the performance of the Committee against its terms of reference.
- (4) Assessing the contribution of individual committee members (review to be completed by the committee's chairperson) and the chairperson (review by committee members), for discussion with the Mayor.

### **PART 3 - GOVERNANCE**

#### **10 Insurances**

Council shall arrange and maintain a portfolio of insurances to cover all possible risks, including a Personal Accident Policy of committee members, a Voluntary Worker's Policy and an Indemnity Policy for Committee members.

#### **11 Register of Interests**

Committee members who are not Councillors are required to lodge Primary and Ordinary Returns as required by section 81 of the Act.

#### **12 Misuse of Position**

In accordance with section 76D of the Act as amended, members must not misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or to cause, or attempt to cause, detriment to Council or another person.

#### **13 Conflict of Interest**

- (1) In accordance with Section 79 of the Act, members are required to disclose all conflicts of interest and may not be eligible to vote on a matter or attend a meeting at which the subject of the conflict will be considered, depending on the nature of the conflict.
- (2) Members are expected to be aware of the provisions of the Act with regard to conflicts of interest and disclosure thereof.

PART 4 - ATTACHMENTS

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- (3) Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the member's appointment being terminated.

**14 Confidentiality**

- (1) All members are expected to be aware of their responsibilities with regard to the confidentiality of information about Council's affairs pursuant to Section 77 of the Act.
- (2) Failure to comply with the provisions of the Act with regard to confidentiality may result in the member's appointment being terminated.

**PART 4 - ATTACHMENTS**

Council has attached the following documents or copies of the document to this Charter.

Local Law No. 3 of 2014 – Meeting Procedure  
(Administrators) Local Law

**PART 5 - AUTHORISATION**

The Audit Advisory Committee Charter 2015 was authorised by the Wangaratta Rural City Council on 16 June 2015.

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Brendan McGrath

**CHIEF EXECUTIVE OFFICER**