

---

## Internal Audit Committee Charter

### 1 Name

The Committee will be called the Warrumbungle Shire Council Internal Audit Committee.

### 2 Status

Established by resolution of Council on 15 November 2018.

### 3 Purpose

The Audit Committee Charter sets out the authority, composition, roles and responsibilities, reporting, and administration for the Audit Committee.

### 4 Objective

The objective of this Committee is to provide independent assurance and assistance to Council on risk management, control, governance, and external accountability responsibilities.

### 5 Authority

The Council authorises 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 subject to the concurrence of the General Manager.

### 6 Composition and Tenure

The Committee will consist of:-

#### Members (voting):-

- One Councillor (excluding the Mayor)
- Two Independent External Members (one with financial expertise, and one of which will be Chair)

#### Attendees (non-voting)

- General Manager
- Internal Auditor
- Director Corporate and Community Services
- Chief Financial Officer
- Manager Corporate Services

#### Invitees (non-voting) for specific Agenda items

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

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

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operation of Council. 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.

## **7 Roles and Responsibilities**

- i) The Committee has no executive powers, except those expressly provided by the Council.
- ii) In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rest with the Council and the General Manager as defined by the *Local Government Act 1993* (NSW).
- iii) The responsibilities of the Committee may be revised or expanded by Council from time to time.

Specifically, the Audit Committee's responsibilities are:

### **7.1 Risk Management**

Review whether or not:

- i) 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.
- ii) A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- iii) The impact of the risk management framework on its control environment and insurance arrangements.
- iv) A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically.

### **7.2 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 appropriately.
- 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.

### 7.3 External Accountability:

- i) Satisfy itself 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) Review the External Audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments.
- iii) Consider contentious financial reporting matters in conjunction with Council's management and External Auditors.
- iv) Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- v) Satisfy itself that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- vi) Satisfy itself that there is a performance management framework linked to organisational objectives and outcomes.

### 7.4 Legislative Compliance

- i) Determine whether 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.

### 7.5 Internal Audit

- i) Act as a forum for communication between the Council, General Manager, senior management, Internal Audit and External Audit.
- ii) Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- iii) Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- iv) Ensure and support the independence of the Internal Audit function.
- v) 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.
- vi) Monitor the implementation of Internal Audit recommendations by management.
- vii) Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- viii) Periodically review the performance of Internal Audit.

### 7.6 External Audit

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

## 7.7 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 and ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

## 8 **Reporting**

- 8.1 At the first Committee meeting after 30 June each year, the Internal Auditor will provide a performance report of the performance of Internal Audit for the financial year as measured against agreed key performance indicators and the approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
- 8.2 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.
- 8.3 The Committee will report annually to the governing body of Council on the management of risk and internal controls.

## 9 **Administrative Arrangements**

### 9.1 Meetings

- i) The Committee shall meet at least two times per year (March and November) with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.
- 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. The Chair will advise the General Manager prior to an invitation being issued.
- 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.

### 9.2 Attendance at Meetings and Quorums

- i) A quorum will consist of the majority of Voting Members, including at least one independent member. 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 of the Committee.

### 9.3 Secretariat

- i) The Council will provide secretariat support to the Committee.
- ii) The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one (1) 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 (3) weeks of the meeting being held.

#### 9.4 Conflicts of Interest

- i) Committee members 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 Official's to comply with the standards in the Code of Council and regularly review their personal circumstances with this in mind.
- ii) 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.
- iii) 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.

#### 9.5 Induction

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

#### 9.6 Decision Making

- 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.

#### 9.7 Assessment of Committee Performance

The Chair of the Committee will initiate a review of the performance of the Audit 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.

#### 9.8 Review of Audit Committee Charter

The Audit Committee will review this Charter every 4 years prior to endorsement by Council.