



Audit Committee Charter

1. NAME

The Committee will be called the Audit Committee.

2. STATUS

Established by authority of the Council on 21 April 2010. Last reviewed by Council 5 August 2015 (GMU13/2015).

3. PURPOSE

The Audit Committee Charter sets out the role, composition, authority, responsibilities and operation for the Cessnock City Council Audit Committee ('Committee').

4. OBJECTIVE

The objective of the Committee' is to provide independent assurance and assistance to Cessnock City Council ('Council') on risk management, internal control, governance and external accountability procedures.

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 Council authorises the Committee, within the scope of its roles and responsibilities to:

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

6. ROLE AND RESPONSIBILITIES

- The role of the Audit Committee is to oversight risk, compliance, external accountability and the internal control environment on behalf of Council.

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

6.1 Specifically, the Audit Committee's responsibilities are:

6.1.1 Risk Management – oversight Council's 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.
- v. Review the impact of the risk management framework on its control environment and insurance arrangements.

6.1.2 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.

6.1.3 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.

- vi. Satisfy itself there is a performance management framework linked to organisational objectives and outcomes

6.1.4 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.

6.1.5 Internal Audit

- i. Act as a forum for communication between the Council, General Manager, 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 Manager to ensure that the Internal Audit function is sufficient and appropriate.
- iv. Ensure and support the independence of the Internal Audit function, including oversight the appointment and removal of the Internal Auditor.
- 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.

6.1.6 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.

6.2 Responsibilities of Members

Members of the Committee are expected to:

- i. Understand the relevant legislative and regulatory requirements appropriate to Cessnock City 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.
- v. Uphold the values and objectives of the organisation.
- vi. Attend all Committee meetings as scheduled.
- vii. Treat all matters as Confidential.

7. MEMBERSHIP AND TENURE OF THE AUDIT COMMITTEE

7.1 Skills and Experience

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

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

7.3 The Audit Committee shall consist of:

- i. Members (voting)
 - Mayor
 - Councillor
 - Independent external member (Chair)*
 - Independent external member*
 - Independent external member*

*not a member of the current or previous Council/ staff

- ii. Attendees (non-voting)
 - General Manager
 - Internal Auditor
 - Director Corporate and Community Services
 - Representative of the External Auditor
 - Director Works and Infrastructure
 - Director Environment and Planning
 - Chief Financial Officer
 - Enterprise Risk Management Coordinator
- iii. Invitees (non-voting) for specific Agenda items
 - Other officers may attend by invitation as requested by the Committee

iv. Staff or Councillors can attend to view Committee proceeding (non-voting)

7.4 Selection of Members

The selection criteria and process for the recruitment and appointment of the independent external members shall be undertaken as required, and directed by the General Manager, in keeping with Merit Based Selection Principles; and best-practice Pre-Qualification Panel arrangements for Audit Committees.

7.5 Term of Office

The independent external members may be appointed for the term of Council, initially for a fixed term of two years, with an option for renewal, or extension up to two years, after which they will be eligible for extension or re-appointment following a formal review of their performance. Voting shall be undertaken in accordance with section 13 of this Charter, except that the independent external member 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.

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 recommends the appointment of 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. Where Council has undertaken recruitment action for an independent member in the preceding 12 months, then an offer should be extended to the next suitable applicant in the order of merit.

Resignation of an independent external member may trigger reconsideration of the appointment to the position of Committee Chair. Where the Chair resigns, the remaining independent external members can nominate to become the Chair, and this can be put to Committee vote, prior to any resignation taking effect.

In the case of resignation of a Councillor, then Council will be advised as soon as practicable, and the General Manager will request Expressions Of Interest from Councillors. A separate report of nominees will be provided to Council to conduct a vote in the Chamber.

8. CODE OF CONDUCT

All members of the Audit Committee are to abide by Cessnock City Council's Model Code of Conduct, as amended from time to time.

9. CHAIRPERSON

The position of Committee Chair is appointed and will be held by an independent external member for the full term of office; i.e. for the term of Council.

Where the Chair resigns, the process for replacement will be as described under Section 7 of the Charter.

In the temporary or extended absence of the appointed Chair (greater than one meeting), another current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair.

10. THE CHAIR'S ROLE IS ESSENTIALLY ADMINISTRATIVE ON BEHALF OF THE COMMITTEE, ALTHOUGH THEY CAN BE CALLED ON TO HAVE A CASTING VOTE IN COMMITTEE DELIBERATIONS, AND ARE APPOINTED AS SENIOR INDEPENDENT EXTERNAL MEMBER SPOKESPERSON. QUORUM

A quorum will consist of a majority of Committee members, including at least one independent external member and one councillor. Due to the significance of Committee considerations and allocated resources in attendance, meetings should not be scheduled unless a quorum can be guaranteed.

Once a Committee meeting commences with a quorum in attendance, the subsequent departure of any Committee member will not evoke a stay in proceedings for that meeting.

11. PROCEEDINGS

11.1 Meetings

The Committee shall meet at least five 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.

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.

Meetings can be held in person, via audio or video conferencing.

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.

Where 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 Venue

All Committee meetings will be held on Cessnock City Council premises, or as agreed by the Committee.

11.3 Conflicts of Interest

Conflicts of Interest should be managed in accordance with Council's Code Of Conduct.

11.5 Minutes

The Committee has appointed the Internal Auditor as meeting coordinator. Administrative support will be provided with records management and reporting via Council's current document and recommendations management systems.. Meetings will be recorded.

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.

Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

11.6 Induction

New Committee members and attendees 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 Council, with the Chair also tasked to provide a written Chairpersons' Report for inclusion in Council's published Annual Report.
- 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.

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.