AUDIT ADVISORY COMMITTEE

TERMS OF REFERENCE

1. BACKGROUND

1.1 By this Terms of Reference document, the Ballarat City Council (Council) establishes the Audit Advisory Committee (Committee).

1.2 The Audit Committee is formally appointed Committee of Council and acts as an independent Advisory Committee of Council under Section 139 of the Local Government Act.

The Audit Advisory 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 Audit Advisory Committee does not have any management functions and is therefore independent of management.

1.3 The Committee has the functions and responsibilities as set out in this Terms of Reference document. The Terms of Reference document sets out the structure and basis on which the Committee can make recommendations to Council.

1.4 This Terms of Reference document is authorised by a resolution R96/18 of Council passed on 2 May 2018.

2. CONFLICT OF INTEREST AND USE OF INFORMATION

2.1 The Audit Advisory Committee members will have access to information about the day to day operations of Council including information that may be Commercial in Confidence and personnel matters.

Members of the Audit Advisory Committee must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Audit Committee, in particular, with regard to its use or misuse and the disclosure of conflicts of interests. Section 79 of the Local Government Act 1989 makes it mandatory for members of the Audit Committee to disclose all conflicts of interest prior to the discussion of the matter for which the conflict of interest has arisen.

Section 139 (4A) of the Local Government Act 1989 requires Audit Committee members to lodge Primary and Ordinary Returns pursuant to Section 81 of the Act.

3. OBJECTIVES

The objectives of the Committee are:

3.1 The primary objective of the Audit Committee is to assist Council to fulfil its responsibilities in relation to financial reporting, risk management, maintaining a reliable system of internal controls and facilitating the organisation’s ethical development.

3.2 The Audit 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 Audit Committee does not have any management functions and is therefore independent of management.

3.3 The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by Council in relation to the discharge of its responsibilities.

3.4 The Audit Advisory Committee may request additional information in order to fulfil its responsibilities and recommend to Council that independent legal or professional advice be obtained if and when required.

4. MEMBERSHIP

4.1 The Committee will comprise of seven members – three Councillors and four external independent persons. All members shall have full voting rights.

4.1.1 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 and Chief Executive Officer taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment will be put before Council for adoption; and

4.1.2 Councillors will be appointed to the Committee through Council's annual Committee appointment process.

4.2 Appointments of external/independent persons shall be made by way of a public advertisement and be for a term of three years. Council has the option of inviting interested members to serve consecutive terms and in this case it would not be necessary for the position to be publicly advertised.

4.3 If the 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 the opportunity to be heard at a Council meeting which is open to the public, if that member so requests.

4.4 Remuneration will be paid to each independent member of the Committee, as determined by Council, the basis of which is to be a set fee per meeting with no additional amount being paid to the Chair.

4.5 The Chairperson shall be appointed from the external members of the Committee by the Audit Committee subject to Council's approval. In the absence of the appointed Chairperson from a meeting, the Committee will appoint an acting Chairperson from the Independent members present.

4.6 No member of the Committee shall chair the meeting in consecutive years.

4.7 All members have full and equal voting rights on all matters considered by the Committee unless a member is unable to vote due to a conflict of interest. Resolutions shall pass on a simple majority vote.

4.8 At least one independent member will possess financial qualifications and have experience at a senior level.
5. MEETINGS

5.1 The Committee shall meet at least quarterly.

5.2 A schedule of meetings 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 August/September to coincide with the finalisation of the Financial Statements, Performance Statement and the Draft Annual Report to the Minister.

5.3 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.

5.4 A quorum will be a majority of the Committee membership.

5.5 The Chief Executive Officer and Director Business Services should attend all meetings. 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.

5.6 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.

5.7 Council shall provide secretarial and administrative support to the Committee and minutes will be taken.

5.8 Any Councillor, not appointed to the Committee, may attend the meeting to observe only and will not have any voting entitlement.

5.9 Due to the sensitive nature of the content of reports considered by the Audit Committee, meetings are not open to the public and all meeting agendas and proceedings are deemed confidential.

5.10 All Audit Committee meetings, agenda papers and discussions are to be treated as confidential and all meetings will the held 'In Camera'.

5.11 All Audit Committee members are expected to attend each Audit Committee meeting in person.

5.12 Where practicable, the responsible Director or Manager will be present for tabling of their reports.

5.13 Other Council staff may attend meetings at the CEO's request where issues require clarification.

6. DECISION MAKING

6.1 As an Advisory Committee of Council, any decisions requiring expenditure on behalf of Council and/or making any commitments to action/responses on behalf of Council, must be referred to the Council.

7. REPORTING

7.1 The Audit Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
7.2 The Committee may also be required to meet with the Council to provide a formal status report on matters raised in the Audit Plan.

8. PERFORMANCE

8.1 The Audit Committee are encouraged to evaluate their own performance on an annual basis using a self assessment tool.

9. DUTIES AND RESPONSIBILITIES

9.1 The role of the Committee is:

9.1.1 To review the scope of the internal audit plan and program and the effectiveness of the function and recommend the annual plan for approval by Council and all major changes to the plan. This review should consider whether, over a period of years the internal audit plan systematically addresses:

- internal controls over significant areas of risk, including non-financial management control systems;
- internal controls over revenue, expenditure, assets and liability processes;
- the efficiency, effectiveness and economy of significant Council programs; and
- compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements;
- compliance with good governance standards, policy and ethical practice as set out in legislation, guidelines, policy and procedure;
- any issue referred to the Committee for review or consideration by the Council or Chief Executive Officer that fall within the scope of the Committee’s Terms of Reference.

9.1.2 Review the level of resources allocated to internal audit and the scope of its authority and recommend to Council any changes considered necessary for the effective carrying out of functions.

9.1.3 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.

9.1.4 Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.

9.1.5 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.
9.1.6 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.

9.1.7 Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.

9.1.8 Review Council’s draft annual financial report, focussing on:
   - Accounting policies and practices;
   - Changes to accounting policies and practices;
   - The process used in making significant accounting estimates;
   - Significant adjustments to the financial report (if any) arising from the audit process;
   - Compliance with accounting standards and other reporting requirements;
   - Significant variances from prior years.

9.1.9 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.

9.1.10 Discuss with the external auditor the scope of the audit and the planning of the audit.

9.1.11 Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.


9.1.13 Review the annual performance statement and recommend its adoption to Council.

9.1.14 Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators
   - Providing strategic advice, conducting and completing corporate governance and compliance audits to assess performance against the Council’s corporate, financial and strategic plans.
   - Conducting investigations of any special cases of fraud within the organisation and monitoring the progress of any major law suits facing the Council.
   - Reviewing policies, procedures and controls having appropriate regard of information technology systems employed.
   - Monitoring the implementation of all due diligence audit recommendations and recommendations of the Audit Committee as adopted by the Council.
   - Review of key performance indicators for the Committee and the monitoring and reporting of performance against the identified measures to the Chief Executive Officer, Audit Committee and Council.

9.1.15 Provide advice to the Council, Chief Executive Officer and management as requested, including the development of policies and procedures.

9.1.16 Undertake special assignments as requested by the Chief Executive Officer.

9.1.17 Liaise with the external auditor and co-ordinate audit coverage.
9.1.18 Oversee internal audit work in accordance with the professional auditing standards, codes of conduct and ethics promulgated by organisations such as the Australian Society of Certified Practising Accountants, the Institute of Chartered Accountants in Australia and the Institute of Internal Auditors – Australia.

9.1.19 Financial audit work will take into consideration the extent to which the area concerned is already covered by the external auditor.

9.1.20 Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigations, including overseeing of the investigations of any suspected cases of fraud within the organisation.

9.1.21 Monitor the progress of any major lawsuits facing the Council.

9.1.22 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee’s Terms of Reference.

9.1.23 Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.

9.1.24 The Audit Committee in conjunction with the Council and Chief Executive Officer should develop the Committee’s performance indicators.

9.1.25 The Audit Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

9.1.26 Review and assess the adequacy of management reporting to Council in terms of the quality, quantity and timing of information necessary to understand and report on Council’s risks, operations and financial condition.

10. CONFLICT AND INTEREST PROVISIONS

10.1 Audit Committee members are subject to the provisions of section 76D (Misuse of Position) and section 79 (Conflict of Interest) of the Local Government Act.

10.2 Independent members of the Committee are also required to submit Primary or Ordinary Returns (section 81 Local Government Act).

10.3 In performing the role of a Committee members, a person must:

- Act honestly;
- Exercise reasonable care and diligence;
- Not make improper use of their position; and
- Not make improper use of information acquired because of their position.
11. CREATION AND DISSOLUTION

11.1 By these Terms of Reference the Committee:

11.1.1 is established; and

11.1.2 has the responsibilities as set out in the Terms of Reference.

11.2 These Terms of Reference:

11.2.1 come into force immediately the common seal of Council is affixed to it; and

11.2.2 remain in force until Council determines to vary or revoke it.

11.3 The Committee must be dissolved by a resolution of Council.

Dated: 2 May 2018

The Common Seal of Ballarat City Council
was affixed by authority of the Council in the presence of:

[Signatures]

MAYOR/COUNCILLOR

COUNCILLOR

CHIEF EXECUTIVE OFFICER

Audit Advisory Committee