



PORT STEPHENS
COUNCIL

AUDIT COMMITTEE CHARTER

CONTENTS

1. OBJECTIVE.....	3
2. AUTHORITY	3
3. COMPOSITION AND TENURE	3
3.1 Elected Member of Council.....	4
3.2 Independent External Member.....	4
3.3 Invitees (non-voting)	4
3.4 Independent Chair	5
4. ROLES AND RESPONSIBILITIES	5
4.1 Risk Management.....	5
4.2 Control Framework	6
4.3 External Accountability.....	6
4.4 Legislative Compliance	6
4.5 Internal Audit.....	6
4.6 External Audit	7
4.7 Responsibilities of Members	7
5. REPORTING	7
5.1 Reporting to Council	7
5.2 Internal Audit Reporting	8
6. ADMINISTRATIVE ARRANGEMENTS.....	8
6.1 Meeting Practice	8
6.2 Voting	8
6.3 Meeting Schedule	8
6.4 Attendance at Meetings and Quorums.....	9
6.5 Secretariat	9
6.6 Agenda	9
6.7 Minutes.....	9
6.8 Implementation of Auditor Recommendations.....	9
6.9 Code of Conduct.....	9
6.10 Induction	10
6.11 Performance Assessment.....	10
6.12 Review of Audit Committee Charter	10
ATTACHMENT A	11
Audit Committee –Work Plan.....	11
Audit Committee – Proposed Meeting Schedule.....	11
CONTROLLED DOCUMENT INFORMATION:.....	12
VERSION HISTORY:	12

1. OBJECTIVE

The objective of the Audit Committee ('Committee') is to enhance the corporate governance of Port Stephens Council ('Council') through the provision of independent oversight, review and advice. The Committee will assist Council by providing independent assurance and assistance on the organisation's governance, risk, control and compliance frameworks.

In fulfilling its objective, the ability of the Committee to maintain independent and objective judgement is vital.

The Committee will report to Council and provide independent advice and recommendations on matters relevant to the Committee's Charter. The Committee will also act as a forum for communication between Council, General Manager, senior management, internal audit and external audit.

2. AUTHORITY

Port Stephens Council will establish the Audit Committee to operate as an independent and objective advisory committee to Council. The Committee is established as an advisory committee of Council pursuant to Section 355C of the Local Government Act 1993 (as amended).

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

- obtain information it needs from any employee or external party (subject to their legal obligations to protect information and with prior consultation with the General Manager);
- discuss any matters with the internal and external auditors or other external parties (subject to confidentiality considerations);
- request the attendance of any employee at Committee meetings (subject to prior consultation with the General Manager); and
- obtain external legal or other professional advice considered necessary to meet its responsibilities (in accordance with Council procurement arrangements and subject to prior consultation with the General Manager).

The Committee does not have any delegations or authority to implement actions not otherwise specified or authorised by Council. The Committee does not have any management functions and is independent of management.

3. COMPOSITION AND TENURE

The Committee will consist of five voting members – two elected members of Council (excluding the Mayor) and three external independent members.

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

3.1 Elected Members of Council

The elected members of Council (excluding the Mayor) appointed to the Committee will have relevant and appropriate experience in business, risk, law and financial management.

Appointment of the elected members to the Committee will be determined by Council as resolved from time to time.

Council may resolve to appoint an elected member for consecutive terms.

3.2 Independent External Member

The three independent external members will have relevant and appropriate experience in business, risk, law and financial management.

The independent external members will be appointed on the terms and conditions determined by Council.

Council may resolve to appoint an independent external member for consecutive terms.

3.3 Invitees (non-voting)

Unless the Committee determines otherwise, the following Council officers and representatives may be required to attend meetings of the Committee for specific agenda items:

- General Manager;
- Group Managers;
- Financial Services Manager;
- Legal Services Manager;
- Governance Manager;
- Risk Management Coordinator;
- Representatives of the external auditor;
- Representatives of the internal auditor;
- Other officers may attend by invitation as requested by the Chair of the Committee.

The Council officers and representatives will have no voting entitlements.

3.4 Independent Chair

An independent external member will be the Chair of the Committee.

Appointment of the independent external member Chair to the Committee will be determined by the Committee as resolved from time to time.

The Committee may resolve to appoint an independent external member as Chair for consecutive terms.

In the absence of the Chair the members present at the meeting will elect an acting Chair.

4. ROLES AND RESPONSIBILITIES

The Committee has no executive powers, but may from time to time be delegated specific powers by 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 1993*.

Council or the General Manager may refer any matter to the Committee within the scope of its roles and responsibilities.

The responsibilities of the Committee may be revised or expanded by the Council from time to time.

The Committee's specific responsibilities include:

4.1 Risk Management

- Review Council's risk management framework to ensure comprehensive processes exist to identify operational, strategic, financial and fraud risks. Review controls to ensure effective processes to reduce risks to an acceptable residual level.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Review the impact of the risk management framework on its control environment and insurance arrangements.
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.
- Review and endorse the Risk management (and related) policies and procedures.

4.2 Control Framework

- Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors.
- Review whether management has in place relevant directives and procedures, and these are periodically reviewed and updated.
- Progressively review whether appropriate processes are in place to ensure adequate compliance to policies and procedures.
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations.
- Review the Code of Conduct as it applies to ethical and lawful behaviour.

4.3 External Accountability

- In consultation with management ensure the annual financial reports comply with applicable Australian Accounting Standards and Department of Local Government Guidelines.
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- Consider responses on contentious financial reporting matters in conjunction with Council's management and external consultants.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Ensure timely and accurate publishing of the annual report to include the signed financial statements as per Australian Accounting Standards and Department of Local Government Guidelines.
- Ensure appropriate controls are in place to satisfy compliance to State Government reports and recommendations.
- Ensure management has in place an appropriate framework to link organisational objectives and outcomes meet Council expectations.

4.4 Legislative Compliance

- Ensure an appropriate compliance framework exists to identify risks and controls over legislative compliance to relevant laws, regulations and associated government policies.

4.5 Internal Audit

- Ensure the Internal Audit Plan meets the objectives of management and recommend adoption as required.
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion and compliance of the approved Internal Audit Plan within the designated timeframe.
- Provide input (but not decision) into the tender, remuneration and appointment of the internal auditor.

- Ensure the existence and provide input into an effective long-term internal audit strategic plan.
- Receive audit reports and consider significant issues that have been identified. Review recommendations and ensure appropriate follow up of issues is effected within a timely manner.
- Review and endorse the Internal Audit Charter.
- Periodically review the performance of Internal Audit.

4.6 External Audit

- Note the external auditor's scope and approach, including any reliance on internal auditor activity.
- Review and ensure management implement recommendations contained within the external auditor's management letter as appropriate.
- Provide input (but not decision) into the tender, remuneration and appointment of the external auditor.

4.7 Responsibilities of Members

Members of the Committee are expected to:

- have a good understanding of the Committee's position within the Council's governance framework;
- understand the regulatory and legislative requirements appropriate to Council;
- understand and ensure clearly defined roles and responsibilities for audit related positions and consultancies exist;
- ensure effective communication exists between the Committee, management and key stakeholders;
- provide professional competency to be able to meet the objectives of the Committee; and
- contribute effectively to the quality assurance and continuous improvement process as it relates to the objectives.

5. REPORTING

5.1 Reporting to Council

The Committee, through the Chair, will report regularly to Council on significant governance, risk and internal control issues including:

- significant control weaknesses or breakdowns in critical controls;
- fraudulent or illegal activities;
- evaluation of the effectiveness of the internal and external audit functions; and
- endorsement of the financial statements.

The Committee will also report immediately to the General Manager any matter it deems of sufficient importance.

Where the Committee makes a recommendation to Council on a matter within the scope of its Charter, the matter will be listed as an agenda item for consideration by Council.

The Committee will submit an annual report to Council summarising its activities for the previous year.

5.2 Internal Audit Reporting

At the first Committee meeting after 30 June each year, Internal Audit 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.

6. ADMINISTRATIVE ARRANGEMENTS

6.1 Meeting Practice

Unless otherwise specified in this Charter and in accordance with any Local Government Act requirements, the Committee will determine its meeting practice, processes and protocols.

6.2 Voting

Matters under consideration by the Committee will be determined by consensus whenever possible. In the event that consensus cannot be achieved, an item is adopted by the Committee where a majority of members vote for the subject. If the voting is tied the Chair has a second (casting) vote which is used to break the deadlock.

6.3 Meeting Schedule

The Committee will 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.

The need for any additional meetings will be decided by the Chair of the Committee, though the Council, General Manager or other Committee members may make requests to the Chair for additional meetings.

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 (refer Attachment A).

6.4 Attendance at Meetings and Quorums

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

6.5 Secretariat

The General Manager will ensure that appropriate secretariat support is provided to the Committee. The secretariat is the liaison between the Committee and the day to day operations and staff of Council.

6.6 Agenda

The secretariat will ensure the agenda for each meeting and supporting papers are circulated to members in sufficient time (at least three working days) before the meeting.

Circulation of the agenda will be by normal postal services or electronic means as determined by the Committee.

6.7 Minutes

Minutes of Committee meetings will be recorded by the secretariat and reviewed by the Chair prior to circulation to members for information and action arising. The minutes will be circulated within three weeks of the meeting being held.

6.8 Implementation of Auditor Recommendations

The Committee will maintain a register to track the implementation of both internal and external audit recommendations. The register will include all audit recommendations, together with management responses, that have yet to be implemented or where implementation is in progress. The status of recommendations will be reviewed by the Committee at each meeting.

6.9 Code of Conduct

Committee members are bound by the terms and conditions of the Port Stephens Council Code of Conduct.

Committee members must declare any conflicts of interest at the start of each meeting. Details of any conflicts of interest must be appropriately minuted.

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.

6.10 Induction

The General Manager will ensure that new Committee members receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

6.11 Performance Assessment

The Chair of the Committee will initiate an annual review of the performance of the Committee. The review will be conducted on a self-assessment basis (unless otherwise determined by the Committee), with appropriate input from management and any other relevant stakeholders, as determined by the Committee.

6.12 Review of Audit Committee Charter

The Committee will review the Audit Committee Charter on an annual basis and make recommendation on any changes to Council for its determination.
Any changes to the Audit Committee Charter must be approved by Council.

ATTACHMENT A

Audit Committee –Work Plan

TASK	TIMING
Receive presentations and reports from internal and external auditors	Standing item
Review implementation of internal and external audit recommendations	Standing item
Review risk register actions and implementation	Standing item
Review Fraud and corruption prevention policy	May
Review Risk management framework	May
Approve annual internal audit program	May
Determine Audit Committee meeting schedule	July
Review Audit Committee's performance	July
Review Audit Committee Charter	July
Review and approve the Audit Committee's annual report to Council	October
Review annual financial statements	October

Audit Committee – Proposed Meeting Schedule

July

October (Financial Statements)

February

May

CONTROLLED DOCUMENT INFORMATION:

This is a controlled document. Hardcopies of this document may not be the latest version. Before using this document, check it is the latest version; refer to Council's website www.portstephens.nsw.gov.au			
RM8 container No	PSC2015-01492	RM8 record No	
Audience	Audit Committee members		
Process owner	General Manager		
Author	General Manager		
Review timeframe	Annual	Next review date	July 2018
Adoption date	9 February 2010		

VERSION HISTORY:

Version	Date	Author	Details	Minute No.
1	09/02/2010	Group Manager Corporate Services	New document.	016
2	19/10/2010	Group Manager Corporate Services	Update to item 3 Composition and Tenure to exclude the Mayor from Audit Committee membership.	337
3	20/12/2011	Group Manager Corporate Services	Update to item 4.6 External Audit to reflect changes made in the DLG Better Practice Audit Committee Guidelines.	462
4	09/10/2012	Executive Officer	No change.	269
5	26/11/2013	Executive Officer	No change.	348
6	14/03/2017	General Manager	Updated to reflect brand identity guidelines. Work plan updated as endorsed by Audit Committee on 27 February 2017.	

Version	Date	Author	Details	Minute No.
7	28/03/2017	General Manager	Updated Section 3 to include three external independent members.	068