

AUDIT COMMITTEE CHARTER POLICY

SCOPE

This charter sets the scope for the Banana Shire Council Audit Committee

LEGISLATION

Local Government Regulation 2012- Subdivision 2- Sections 208,210,211

OBJECTIVE

To outline the authority, composition, operational guidelines and responsibilities of the Audit Committee (the committee).

DEFINITIONS

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| CEO | The Chief Executive Officer |
| Independent Member | A person who is not a Councillor or a staff member who has significant experience in understanding financial statements |

POLICY

1. Committee Authority

- 1.1 The committee has no decision-making role, unless delegated to it by the Council by resolution.
- 1.2 The committee is directly responsible and accountable to council for the exercise of its duties and responsibilities. In carrying out its duties and responsibilities, the committee must at all times recognise that primary responsibility for management of Council rests with the Chief Executive Officer.
- 1.3 The authority of the committee is limited to making recommendations to Council on audit and risk related matters.

2. Committee Membership

- 2.1 Audit Committee comprising of the following members to be appointed by Council:
 - 2.1.1 Two Councillors; and
 - 2.1.2 An Independent member with significant experiences and skills in financial matters.

- 2.2 Members are required to declare any interests that could constitute a real, potential or perceived conflict of interest in relation to matters considered at the meeting.
- 2.3 The Council will appoint a member of the audit committee as chairperson following a recommendation from the audit committee.
- 2.4 The membership of the Committee is determined by the Council in accordance with the requirements of the Local Government Regulation 2012.

3. Non-Committee Member Attendees

- 3.1 It is noted that the Chief Executive Officer cannot be a member of the audit committee but can attend meetings of the committee.
- 3.2 An officer of Council shall attend meetings and be responsible for preparing the agenda in consultation with the chairperson and for producing reports or minutes of the committee meetings.
- 3.3 Either the Director Corporate and Community Services or the Manager Finance will attend committee meetings.
- 3.4 Other Officers or relevant non-employees may be invited to attend.
- 3.5 External Auditors: Council's external auditor will be invited to attend all committee meeting and will be forwarded a meeting notice and agenda.

4. Meetings

- 4.1 The committee will meet at least twice each financial year.
- 4.2 The committee has the authority to convene additional meetings as circumstances require.
- 4.3 Agenda: Meeting agendas will be prepared and provided in advance to members. The committee should determine its own agenda, with input from officers, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats.
- 4.4 Report: As soon as practicable after the meeting, a written report about the matters reviewed at the meeting and the committee's recommendations will be provided to the Council for consideration and adoption.
- 4.5 Quorum & Chairperson: at a meeting of the audit committee –
 - 4.5.1 a quorum is at least half the number of members of the committee; and
 - 4.5.2 either—
 - 4.5.2.1 the chairperson presides; or
 - 4.5.2.2 if the chairperson is absent, the member chosen by the members present as chairperson for the meeting presides

5. RESPONSIBILITIES

The committee will undertake the following:

- (a) monitor and review—
 - (i) the integrity of financial documents; and
 - (ii) the internal audit function; and
 - (iii) the effectiveness and objectivity of the local government's internal auditors; and
 - (iv) the effectiveness of the Council's risk management framework.
- (b) make recommendations to the Council about any matters that the audit committee considers need action or improvement.
- (c) review each of the following matters—
 - (i) the internal audit plan for the internal audit for the current financial year;
 - (ii) the internal audit progress report for the internal audit for the preceding financial year including the recommendations in the report and the actions to which the recommendations relate;
 - (iii) a draft of the local government's financial statements for the preceding financial year before the statements are certified and given to the auditor-general under section 212;
 - (iv) the auditor-general's audit report and auditor-general's observation report about the local government's financial statements for the preceding financial year.

In undertaking the above responsibilities, the committee may carry out the following:

5.1 Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles, standards and regulatory requirements.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted auditing standards.
- Review any legal matters which could significantly impact the financial statements.

Internal Control

- Understand the scope of internal and external auditors' review of internal control and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Monitor the effectiveness of the internal audit function on an ongoing basis.
- Receive and review Internal Audit reports.

5.2 External Audit

- The appointment of the external auditor is controlled by the Auditor General and not by Council. The Committee therefore has limited opportunity to influence the scope of work of the auditor.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- Monitor the progress of actions proposed in relation to significant findings and recommendations made by the external auditors.
- Meet with the external auditors to discuss any matters that the committee or auditors believe should be discussed.

5.3 Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.

5.4 Risk Management

- Review Council's framework for managing and monitoring enterprise wide risk and evaluate whether management have addressed, considered and managed risks throughout the organization.
- Gain an understanding of the current areas of greatest financial and operational risk and how management is managing these effectively.

CERTIFICATION



CHIEF EXECUTIVE OFFICER
BANANA SHIRE COUNCIL

11/15/2021

DATE