

General Policy

AUDIT COMMITTEE

- Intent** To establish a policy for the creation and operation of an Audit Committee and the establishment of an Audit Committee Charter.
- Scope** This policy shall apply to Council, its Audit Committee, its Internal Auditor and staff subject to or responsible for the various functions of Council's corporate governance activities.

PROVISIONS

1. Council will appoint an Audit Committee which will include members other than Councillors and may from time to time alter the membership of such Committee. The composition of the committee will be in accordance with s210 of the *Local Government Regulation 2012*.
2. The Audit Committee will develop and maintain with the approval of Council, an Audit Committee Charter setting out how the Audit Committee will operate including how it will fulfil the obligations imposed by the laws, regulations and standards relating to Audit Committees. A copy of the Audit Committee Charter is attached.

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This policy is to remain in force until otherwise determined by Council.

Director Responsible for Review:

People and Organisational Performance

ORIGINALLY ADOPTED: 24/10/2002
CURRENT ADOPTION: 19/06/2024
DUE FOR REVISION: 19/06/2029
REVOKED/SUPERSEDED:



John Andrejic
Acting Chief Executive Officer

Cairns Regional Council – Audit Committee Charter

PURPOSE OF THE AUDIT COMMITTEE CHARTER

The Audit Committee Charter (Charter) sets out the objectives, role, authority, responsibilities, membership, tenure and other requirements that apply to govern the Audit Committee in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

OBJECTIVES OF THE AUDIT COMMITTEE

Under the s105 of the *Local Government Act 2009* Council must establish an efficient and effective internal audit function. Council must also establish an audit committee, the audit committee is a committee that:-

- (a) Monitors and reviews –
 - (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
- (b) Makes recommendations to the local government about any matters that the audit committee considers need action or improvement.

The purpose of the Audit Committee is to assist the Chief Executive Officer and Council with independent advice on key Council activities. These activities include, but are not limited to, corporate governance, internal control systems, enterprise wide risk management, internal and/or external audit functions, statutory compliance and financial reporting.

The committee will always be aware of its obligations and responsibilities to act in the best interests of the Cairns Regional Council and the wider community that it serves.

The Audit Committee is an advisory body only and must keep Council informed of its activities. The Audit Committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within Cairns Regional Council, or the reporting lines and responsibilities of either internal audit or external audit functions. The committee will provide prompt and constructive reports on its findings, particularly when issues are identified that could present a material risk or threat to Council.

AUTHORITY

The Audit Committee has no line of authority; however, the committee has full right of access to Directors through the Chief Executive Officer. The Audit Committee has the authority to make recommendations to Council, via the relevant channels, on matters within the scope responsibility as outlined in this charter.

In performing its monitoring, oversight, review and advisory role the Audit Committee is authorised to:

- Request investigations into matters within its scope of responsibility.
- Access information, records and Council employees for such purpose and subject to the relevant interaction guidelines
- Request the attendance of any employee, including executive staff, at committee meetings
- Conduct meetings with Council's internal and external auditors as necessary; and
- Seek advise from external parties as necessary.

SCOPE OF AUDIT COMMITTEE

The scope of the Audit Committee includes but is not limited to the following aspects of the Council's activities:

- Financial compliance
- Internal audit

- External audit
- Risk management and control measures
- Legal and legislative compliance
- Sustainability considerations including economic, environmental, social and governance
- Referrals by Council
- Self-development of the Audit Committee and,
- Self-assessment of the Audit Committee.

Furthermore, the Audit Committee in accordance with section 211(1)(b) of the *Local Government Regulation 2012* must review each of the following:

1. the internal audit plan for the current financial year;
2. the internal audit progress report and the actions to which recommendations relate;
3. the draft financial statements for the preceding financial year before the statement is certified and given to the Auditor General for auditing under section 212; and,
4. the Auditor General's audit report and the Auditor General's observation report about the local government's financial statements for the preceding financial year.

From time to time, the Committee will focus its attention on matters referred to it by Council within its scope of responsibility.

RESPONSIBILITIES

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 audit committee must always recognise that primary responsibility for management of Council rests with Council.

The responsibilities of the Audit Committee can be summarised as addressing the following areas:

- Financial Statements
- Risk Management
- Internal Control
- Performance Management
- Internal Audit
- External Audit
- Legal and Compliance

These responsibilities have been devised to not only satisfy the statutory obligations under the *Local Government Act 2009* and associated regulations but to promote and enhance a service excellence culture across Cairns Regional Council. They include:

- To ensure that a regular review of Council's accounting policies and practices has been conducted in the light of all legislation applicable to Local Government, Australian Accounting Standards and generally accepted accounting principles.
- To ensure the effectiveness of operating mechanisms and frameworks to encompass all financial and non-financial internal control and risk management functions. Monitors the work undertaken in addressing Council's strategic risks and if required seek a more detailed review on specific risks.
- To administer Council's Internal Audit function and ensuring activities are completed with objectivity and independence. In particular monitor the implementation of the annual internal audit plan through the Internal Audit Matrix and accepted audit recommendations.

- Provide effective liaison and facilitate communication between management, internal and external audit and Council. Also monitor the judicious implementation of audit advice and/or recommendations by management.
- To satisfy itself as regards the integrity and prudence of management control systems including the review of policies and/or practices.
- Ensuring effective managerial processes are operating to monitor compliance with statutory and regulatory constraints to foster a culture of ethical and legal behaviour throughout the organisation.
- To ensure a regular review and assessment is conducted of the adequacy of management reporting to the Council in terms of the quantity, quality and timing of information necessary to understand and report internally and externally on the Council's risks, operations and financial condition.
- To report any matter identified during the course of carrying out its duties that the Audit Committee considers should be brought to the attention of the Council.

To perform or undertake on behalf of the Council any such other tasks or actions as the Council may from time to time authorise.

COMPOSITION, INDEPENDENCE & CONFLICT OF INTEREST

MEMBERSHIP

Section 210 of the *Local Government Regulation 2012* states that the Audit Committee must consist of at least 3 and no more than 6 members and of these members two must be Councillors. The membership of the audit committee will be as follows.

The Audit Committee will comprise of two, but no more than two (2), Councillors appointed by the local government. Membership to be no more than 6 (six) members and at least 1 (one) member who has significant experience and skills in financial matters. Each member will have full voting rights. At least one member is to have significant experience, skills and tertiary qualifications in financial matters. Council has resolved that there shall be two external members on Audit Committee.

The Mayor and another Councillor will be appointed to the Audit Committee. An alternate Committee member will also be appointed to attend in the absence of one of the Councillors.

Members, including the Chair, are appointed by Cairns Regional Council.

A minimum of two (2) members will be external to the agency. External members are appointed based on personal qualities and skills and proxies are not permitted if the external member is unable to attend meetings. The appointment of the external members will be a decision of the full Council.

Council has resolved that to enhance the independence and expertise of its audit process, it will appoint two of the external members to the organisation to fill the positions of Chairperson and Deputy Chairperson of its Audit Committee.

SKILLS AND KNOWLEDGE OF AUDIT COMMITTEE

Council will appoint at least one (1) member which will have financial expertise as described in the Queensland Treasury publication, *Audit Committee Guidelines – Improving Accountability and Performance*.

The desired core personal attributes of individual members include:

- An ability to think strategically, ask relevant questions, evaluate answers, and continue to probe for information until completely satisfied with the answers provided.
- The desire to always encourage openness and transparency.
- An ability to think independently, objectively and have an inquiring mind,
- Strong ethical values, including a thoughtful approach to ethical issues that might be faced.
- A sense of integrity and an ability to give direct and honest opinions.

Given the nature and responsibility of an audit committee, collectively the members would have the following key skills and experience:

- Thorough understanding of accounting and auditing standards including a high level of competency in financial reporting and analysis complex financial reports supported by relevant recognised qualifications.
- Strong leadership and stakeholder management including the ability to manage relationships with the agency's assurance providers including internal and external audit.
- A high level of understanding of governance frameworks including accountability requirements, performance management, service delivery, legislative and policy requirements.
- A high level of understanding in the application of risk management frameworks including identification, monitoring and management.
- A high level of understanding in the application of internal control principles and processes including the key elements of control effectiveness and methodologies of assessment.
- A high level of knowledge in effective project governance and management including information and communication technology (ICT) project management and emerging technology.
- A thorough understanding of the core activities of the agency and the industry and environment in which it operates including its strengths, weaknesses, opportunities, and threats.

It is the function and responsibility of the Chairperson to oversee Audit Committee meeting agendas from issues arising from Council's audit process which fall within the scope of the Committee's Charter, in concert with other appointees.

TERM OF APPOINTMENT

Maximum appointment period will be for a total of 6 years, being 2 terms each of 3 years. However, Council may resolve to extend this appointment period by up to 12 months at Council's discretion as to mitigate the risk associated with all committee members' tenure expiring at the same time.

CONFIDENTIALITY AND CONFLICT OF INTEREST

All matters discussed at Audit Committee meetings together with all material provided to members of the committee is of a confidential nature. All material provided to the committee is to be stamped "Confidential". Audit committee members must not use Council information for any personal gain or benefit to their immediate family or in any manner that would be contrary to law or detrimental to the welfare and goodwill of the agency. This requirement extends to any employment an audit committee member may subsequently undertake in the private sector or in a private capacity.

Additionally, members must:

- not take or retain any material containing any Confidential Information after the end of their tenure on the audit committee, and
- immediately deliver up to the agency, at the agency's request, all material in their possession or control containing the Confidential Information.

All members of the Audit Committee are to refrain from making any public comment or issuing any information, in any form, concerning the Committee or the matters of interest to the Committee without the authority of the Mayor.

Members are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee. The declaration must be made on appointment to the committee and in relation to specific agenda items at the outset of each committee meeting and be updated as necessary. Conflicts of interest should be recorded so that there is

transparency, accountability, and public defensibility about the interests of audit committee members.

MEETINGS OF THE AUDIT COMMITTEE

TIMINGS OF MEETINGS

The audit committee of a local government must meet at least twice each year and in accordance with s211 of the *Local Government Regulation 2012* review each of the following matters:

- the internal audit plan for the internal audit for the current financial year;
- 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;
- a draft of the local government's financial statement for the preceding financial year before the statement is certified and given to the auditor-general under section 212 of the *Local Government Regulation 2012*;
- the auditor-general's audit report and auditor-general's observation report about the local government's financial statement for the preceding financial year;

Special meetings of the Audit Committee may be convened as required after consultation with the Chairperson and Chief Executive Officer. The internal and external auditors may request a meeting if they consider one is necessary.

AGENDA

The Chairperson shall determine the agenda in conjunction with Council staff and circulating it to the members prior to each meeting and attending to all meeting arrangements. The format of Audit Committee meetings shall be:

- Statutory elements (financial statements; Internal and External Audit reporting)
- Potential or emergent strategic risks
- Compliance / governance reporting on a for noting basis.

At a meeting of the audit committee a quorum is at least half of the number of members of the committee and either the chairperson presides; or if the chairperson is absent, the member chosen by the members present as chairperson for the meeting presides.

Council shall provide administrative support to minute proceedings of all meetings.

ATTENDANCE AT MEETINGS

The Chief Executive Officer would ordinarily be present at all meetings and other executives (e.g. Director of Finance and Business Services Chief Financial Officer and Director People and Organisational Performance) may sit with the Audit Committee on matters of relevance to their particular duties. Council staff do not have a vote.

Internal auditor and external auditor would normally make presentations to the Audit Committee at its meetings.

The Councillors, Executive Team, managers and other staff of the Council are to be made aware they are able to raise matters with the Chairperson of the Audit Committee for discussion by the Committee but only after reference to the Chief Executive Officer.

Minor matters concerning the internal audit activities may be raised by the Chairperson of the Audit Committee with the Chief Executive Officer from time to time. The Chief Executive Officer should deal with the issues as considered appropriate.

All matters of significance concerning Internal Audit activities will be reported to Council, together with a covering report from the Chair.

COUNCIL REPORTING

All audit reports will be tabled at Audit Committee meetings for review and recommendation to Council.

It is expected that regular reports will be received on matters to be defined by the Audit Committee but are likely to include:

- external audit reports;
- Council's organisational structure and its systems and procedures for carrying out its functions and duties under the Act;
- the risks to which Council's operations are exposed;
- internal control measures adopted by Cairns Regional Council for managing the risks that have been identified; and
- Annual Financial Reporting Plan and Assurance Map.

All members of the Audit Committee are to receive the latest monthly financial statements of the Council prior to the Audit Committee meetings together with a commentary on the result for the month. These reports are provided on a confidential basis.

These activities as well as responsibilities of Asset Committee will be tracked via Audit Committee Activity Matrix and reported at each Audit Committee Meeting.

The Chairperson of the Audit Committee is to be available to address the Council on any concern they may have on any Audit Committee reports presented to Council or issues regarding the Audit Committee.

The minutes of each Audit Committee meeting, as soon as practicable after a meeting, will be tabled with Council together with a report identifying any recommendations arising from the audit committee.

ASSESSMENT OF PERFORMANCE

The audit committee will assess its performance and achievements against this charter on an annual basis.