



Frankston City Council

Audit Committee Charter

Role

The Committee's role is to monitor, review and advise the Council on its financial activities and ethical and statutory compliance and associated risks.

Legal Status

The Committee is not a Special Committee under Section 86 of the Local Government Act. It is an Advisory committee for the purposes of the Act.

Duties

External Audit

- To review the performance of the external auditor.
- To discuss matters arising from the external audit with the external auditor or his agent.
- To make comment on management's response to the external auditor's report.
- To monitor the implementation by management of the external auditor's recommendations, which are adopted by the Council.

Financial Reporting

- To advise management to ensure that the Council receives reliable, timely, understandable and meaningful financial information.
- To monitor compliance with statutory requirements for financial reporting.
- To review the annual financial statements prior to their approval by the Council.
- To review any accruals, provisions or estimates which significantly affect the financial statements.
- To review any litigation, claim or contingency which could have a material affect on the Council's financial position or operating result.
- To review the Council's financial position, and where remedial action is required, to recommend this to the Council.

Internal Controls

- To review the effectiveness of the internal control environment established by management.
- To review the sustainability and accountability of the risk management process

Ethical and Statutory Compliance

- To monitor statutory compliance, ethical standards and related party transactions, and determine whether the systems of control are adequate.
- To receive an annual report from management on the effectiveness and promotion of the Code of Conduct for staff, the Code for Councillors and Protocols for Councillors in Administering Planning applications.

Accounting Practices

- To consider recent developments in accounting principles or reporting practices that may affect the Council.
- To at least annually, review the Council's accounting principles, policies, and practices in line with generally accepted accounting standards.
- To refer significant changes in the Council's accounting principles, policies and practices to the Council for approval.

Internal Audit

- To review and approve an Annual Internal Audit Plan, in conjunction with the Chief Executive Officer.
- Receive a report from the Internal Auditor on completion of items in the Annual Internal Audit Plan and the implementation by management of recommendations adopted by the Committee.
- To ensure a policy and procedure are in place to deal with fraud.
- To monitor the implementation by management of the Internal Auditor's recommendations.
- Review of Internal Audit Charter

Resources

- In May each year, to advise the Council what resources the Committee requires for the year commencing 1 July.

Other Responsibilities

- To review the charter, and the effectiveness and performance of the Committee on an annual basis.
- If necessary, institute special investigations and if appropriate, hire special counsel or experts to assist.

Composition

- The Committee is to have a minimum of five members, the majority of whom are independent of Council. The Council shall be represented by the Mayor and one other Councillor. The members of the Committee are to have qualifications and experience in risk management, auditing, accounting, or business management.
- The Chief Executive Officer will attend all meetings of the Committee and other Council officers will attend at the discretion of the Chief Executive Officer.
- A quorum for the Committee requires a minimum of three members to be present.
- The Chairman of the committee shall be elected by the committee from one of the independent members.

Appointment

Appointments will be made by Council following a recommendation by the Mayor and CEO. The period of appointment will be for two years and members will be eligible for reappointment.

Removal of a Member

If the Council proposes to remove a member of the Committee, it must give public notice of its intention to do so and afford the member an opportunity to be heard at a Council meeting which is open to the public if the member being removed so desires.

Access

The Committee will have unlimited access to the external and internal auditors and Council officers.

Meeting and Reporting Requirements

The Committee will meet at least once a quarter. More frequent meetings can be called by any Committee member or on the request of the external or internal auditors.

The Committee will report to the Council on the following matters:

Quarterly

- Findings of the internal audit.
- Matters specified by the Council.

Annually

- Accounting principles, policy, and practice changes proposed at year-end (before accounts are prepared).
- Financial statements and statements required by regulatory authorities.
- External Audit.
- The performance of the external and internal auditors.
- Any other matter that the Council or the Committee may from time to time determine.
- Achievements, key findings and activities of the Audit Committee.

Appendix 1 outlines matters that are to be discussed at each of the four scheduled meetings.

Remuneration

An annual fee will be paid to each external member.

Resourcing

The General Manager, Corporate and Governance Services will be responsible for servicing the Committee.

Insurance

Members of the Committee are covered by the Council's insurance policies.

Appendix 1

Audit Committee Meeting Acacia Room – Civic Centre

Schedule and Topics

February

- Review Internal Audit Reports in accordance with Annual Internal Audit Plan.
- Status Report on Internal Audit Projects Conducted
- Review Internal Audit Charter
- Progress on Implementation of Internal Audit Recommendations

May

- Meet with External Auditor to review external audit plan and any emerging issues.
- Approve Annual Internal Audit Plan for the following year
- Status Report on Internal Audit Projects Conducted
- Progress on Implementation of Internal Audit Recommendations
- Review Accounting principles and policies.
- Review Internal Audit Reports in accordance with Annual Internal Audit Plan.
- Review Resources for forthcoming financial year

August

- Review Internal Audit Reports in accordance with Annual Internal Audit Plan.
- Status Report on Internal Audit Projects Conducted
- Progress on Implementation of Internal Audit Recommendations
- Meet with External Auditors to review draft financial statements.
- Legal Consequences – Significant matters that may effect financial statements

November

- Review Internal Audit Reports in accordance with Annual Internal Audit Plan.
- Status Report on Internal Audit Projects Conducted
- Progress on Implementation of Internal Audit Recommendations
- Risk Management Report
- Review Ethical and Statutory Compliance Issues.
- Review the Charter and the Committees effectiveness and performance.
- Review Chairpersons draft report to Council.

**ADOPTED: SEPTEMBER 1997
AMENDED: FEBRUARY 2004**