

**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.**

**General Manager Responsible for Review: Human Resources & Organisational Change**

**ORIGINALLY ADOPTED: 24/10/2002**  
**CURRENT ADOPTION: 10/06/2020**  
**DUE FOR REVISION: 10/06/2024**  
**REVOKED/SUPERSEDED:**



**John Andrejic**  
**Chief Executive Officer**

## Cairns Regional Council – Audit Committee Charter

### **Purpose of the Audit Committee Charter**

The purpose of this charter is to outline the function and operation of the Audit Committee. The charter sets out the committee's objectives, authority, responsibilities, administrative matters (composition, tenure, meeting operation and reporting arrangements).

### **Objectives of the Audit Committee**

Council is required to establish an Audit Committee under the s105 of the *Local Government Act 2009*.

The Audit Committee provides 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 at all times 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.

### **Authority**

The Audit Committee undertakes an advisory function and provides the Chief Executive Officer and Council with independent advice on key Council activities.

The Audit Committee is to be limited to a committee of review only. It does not have authority over management and should not get involved in day to day issues. Its purpose is to review information from various sources and to make recommendations to Council based on these reviews.

All members of the Audit Committee have access to the Chairperson so that matters can be tabled for consideration at committee meetings.

### **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".

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.

### **Responsibilities**

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:

- A1. 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.
- A2. 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.
- A3. 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.
- A4. 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.
- A5. To satisfy itself as regards the integrity and prudence of management control systems including the review of policies and/or practices.
- A6. 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.
- A7. 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.
- A8. 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.
- A9. To perform or undertake on behalf of the Council any such other tasks or actions as the Council may from time to time authorise.

### **Administration matters**

#### 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.

The external members will have an appointment of three years. Eligibility criteria will require external members to have significant knowledge and experience in at least one of the following areas:

- Organisational Development/Strategy
- Financial Management
- Legal Compliance
- Audit Functions/Operations

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.

External members are appointed on the basis of 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.

A quorum will consist of at least three (3) members.

Council has resolved that in order 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.

It is the function and responsibility of the Chairperson to develop 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.

#### Attendance at meetings

The Chief Executive Officer would ordinarily be present at all meetings and other executives (e.g. Chief Financial Officer and General Manager Human Resources & Organisation Change) 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.

#### Meetings

Meetings shall be held not less than four times per year. Special meetings of the Audit Committee may be convened as required after consultation with the Chairperson and Chief Executive Officer. The internal or external auditors may request a meeting if they consider one is necessary.

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

There is a statutory requirement under s211 of the *Local Government Regulation 2012* that a review of the following matters must be undertaken:

- B.1 the internal audit plan for the internal audit for the current financial year;
- B.2 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;
- B.3 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*;
- B.4 the auditor-general's audit report and auditor-general's observation report about the local government's financial statement for the preceding financial year;

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

- B.5 external audit reports;
- B.6 Council's organisational structure and its systems and procedures for carrying out its functions and duties under the Act;
- B.7 the risks to which Council's operations are exposed;
- B.8 internal control measures adopted by Cairns Regional Council for managing the risks that have been identified; and
- B.9 Annual Financial Reporting Plan and Assurance Map.

These activities as well as responsibilities of Asset Committee will be tracked via Audit Committee Activity Matrix and reported at each Audit Committee Meeting (#4422869).

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.

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.

#### Council Reporting

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

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.

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.