

<b>Audit and Risk Committee Charter</b>	<b>Adopted by Council</b>	27/08/20	
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## INTRODUCTION

1. Section 53 of the *Local Government Act 2020* (The Act) requires Council to establish an Audit and Risk Committee.
2. This Charter sets out the committee’s objective, authority, composition and tenure, roles and responsibilities and reporting and administrative arrangements. This charter will be reviewed/revise annually by the Committee and recommended to Council.

## AUTHORITY AND PURPOSE

3. The Audit and Risk Committee (‘the Committee’) is a formally appointed Advisory Committee of Council. The Committee does not have executive powers or authority to implement actions in any areas over which Council has responsibility. The Audit and Risk Committee does not have any management functions and is therefore independent of management.
4. The Committee’s objective is to provide appropriate independent advice to Council on matters relevant to the Committee’s Charter in order to facilitate decision-making by Council in relation to the discharge of Council’s accountability requirements.
5. The internal and external auditors and other assurance providers advise the Committee by providing independent and objective assurance on internal corporate governance, risk management, internal control and compliance.
6. This Audit and Risk Committee Charter specifies the following functions and responsibilities of the Audit and Risk Committee, which mirror the requirements of the Act:
7. monitor the compliance of Council policies and procedures with—
  - a. the overarching governance principles; and
  - b. Local Government Act and the regulations and any Ministerial directions;
  - c. Laws and regulations
8. monitor Council financial and performance reporting;
9. monitor and provide advice on risk management and fraud prevention systems and controls; and

10. monitor internal and external audit functions.

### **COMPOSITION & CONSTITUTION**

11. The Committee shall be chaired by an external member, and comprise one to three Councillors and four external members appointed by Council, all with full voting rights. The Mayor will appoint a substitute Councillor(s), if a Councillor on the Audit and Risk Committee is unavailable for a meeting(s).
12. The external members must constitute the majority of the Audit and Risk Committee and must collectively have—
  - a. expertise in financial management and risk; and
  - b. experience in public sector management.
  - c. desirably experience in corporate management
13. External members shall be Independent members free from any management, business or other relationship that could reasonably be perceived to materially interfere with their ability to act in the best interests of Council. The independence of committee members should always be considered in relation to any applicable legislation or regulation that defines the requirements of independence for Audit and Risk Committee membership.
14. Following a process of public advertisement, the external committee members will be appointed by Council for a term of three years (renewable without advertisement for a maximum of one additional term). The terms of the appointment will be arranged to allow a periodic rotation of the members of the Audit and Risk Committee (with options for reappointment) following a process of public advertisement at the end of the term. To ensure continuity, the commencement date of appointments of independent members will allow an adequate period of induction and a smooth transition to the role. To ensure transition from Council's previous Audit Committee to this Audit and Risk Committee, the independent members of the Audit Committee will be invited to form the initial Audit and Risk Committee and to independently establish a process to give effect to the appointment and rotation provisions of this Charter.
15. In the event of an independent member resigning / retiring before the expiry of their term, the vacancy will be filled via the process above should the council deem it necessary. The majority of members must always remain external. Further, should the resignation / retirement of two or three of the independent members coincide, the Council may extend one member's term by one year to ensure continuity.
16. The Chairperson shall be one of the external members, and elected by the Committee for a maximum term of two years (renewable).
17. If the Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a Council meeting which may be open to the public, if that member so requests.
18. Remuneration will be paid to each independent member of the Committee on the basis of a fee for attendance determined by Council, with an additional amount paid for attendance by the Chairperson.

19. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson, being one of the external members present at the meeting.
20. A quorum will be a majority of the Committee membership containing a majority of external members.
21. The Chief Executive Officer, General Manager Organisational Performance & Community Services and the Manager Financial Services will attend all meetings, except when the Committee chooses to meet alone in camera. Other members of Council or Council staff and the internal audit contractor may be invited to attend at the discretion of the Committee to advise and provide information when required.
22. Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings considering the draft annual financial report and results of the external audit.
23. Council shall provide secretarial and administrative support to the Committee if required.

#### **Conflict of Interest**

24. Committee members are required to not have any conflicts of interest that would preclude them from being members of the Committee. Once a year the Committee members are required to provide written declarations to Council to that effect.
25. Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
26. Where members or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

#### **OPERATIONAL PRINCIPLES**

##### **Work Plan and Meetings**

27. The Committee must adopt an annual work program to ensure the Committee can effectively discharge its responsibilities. This will include meeting at least three times per year.
28. A schedule of meetings will be developed and agreed to by the members. One meeting will be arranged to coincide with the relevant Council reporting deadline in September to coincide with the finalisation of the financial statements and the draft annual report to the Minister.
29. Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee, internal or external auditor.
30. The conduct of the Committee meetings will be consistent with Council's usual meeting procedures and Local Law No 1. Processes of Municipal Government.

31. The Chief Executive Officer will facilitate the meetings of the Committee.
32. Council officers will endeavour to circulate the Agenda and papers 5 business days before the scheduled meeting.
33. Meetings can be held in person, by telephone or by video conference.

#### **Reporting Responsibilities**

34. The Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
35. Prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations and provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.
36. The Committee shall report annually to the community via Council's Annual Report. This report will summarise the activities of the Committee during the previous financial year.

#### **Performance Evaluation**

37. The Committee must undertake an annual assessment of its performance against the Audit and Risk Committee Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

#### **Induction**

38. New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

#### **Dispute Resolution**

39. In situations where a dispute arises between any member of the audit and risk committee and officers of Council, the Chairperson will have the opportunity to raise the matter with the Mayor. The Mayor will have the discretion to resolve the dispute by convening a meeting with the disputing parties.

#### **DUTIES AND RESPONSIBILITIES**

40. The following are the duties and responsibilities which give effect to the authority and purpose of the Committee described earlier in this Charter:

##### **Monitor compliance**

41. Review the effectiveness of the system for monitoring compliance with, and changes to, legislation and regulations and the results of management's investigation and follow-up of any instances of non-compliance.

42. Review issues relating to financial reporting by Council business units and comparative performance indicators.
43. Review tendering and contract management policy and advise Council.
44. Consider if Council has an appropriate performance reporting framework that meets policy objectives and legislative requirements.
45. Review and consider the adequacy of actions taken to ensure that material business risks have been dealt with in a timely manner to mitigate exposures relating to specific projects or investigations identified by the Chief Executive Officer, the internal auditor and the Council, including any suspected cases of fraud within the organisation.
46. Monitor the progress of any major lawsuits facing the Council and referred by Council to the A&RC.

### **Monitor Council financial and performance reporting**

#### General

47. Review significant accounting, management, governance and reporting issues, including legislative, professional and regulatory standards and pronouncements and understand their impact on the financial reports.

#### Annual Financial Report (including financial statements, performance statements and governance and management checklists)

48. Review with management and the external auditors the results of the audit, including any:
  - a. Difficulties encountered;
  - b. Complex and/or unusual transactions;
  - c. Related-party transactions; and
  - d. Any judgemental areas, for example, those involving valuation of assets and liabilities, environmental liability and other commitments and contingencies.
49. Review Council's draft annual financial report, focusing on:
  - a. accounting policies and practices;
  - b. changes to accounting policies and practices;
  - c. the process used in making significant accounting estimates;
  - d. significant adjustments to the financial report (if any) arising from the audit process;
  - e. compliance with accounting standards and other reporting requirements;
  - f. significant variances from prior years; and
  - g. process of review of rate setting and rate setting strategy.
50. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is certified.
51. Review the annual performance statement and governance and management checklist and recommend their adoption 'in principle' to Council.

52. Ensure statements are supported by appropriate management sign off and adequacy of internal controls; and
53. Seek from management assurances and reviews concerning the judicious use of Council resources.

**Monitor and provide advice on risk management and fraud prevention systems and controls**

Risk Management

54. Where a matter is referred to the A&RC, review, advise and confirm procedures are in place for the effective identification, and management of operational and financial risk.
55. Review and offer an opinion as to whether a sound and effective approach has been adopted in developing risk management plans for all aspects of the Council's operations, including strategic and operational risk, and risk to major projects and undertakings.
56. Review and offer an opinion as to the impact of the risk management framework on Council's control framework and insurance arrangements.
57. Review and offer an opinion as to whether Council has sound and effective Business Continuity Plans and disaster recovery arrangements in place, and confirm that testing regimes are appropriate and periodically tested.
58. Review and consider the effectiveness of the fraud control policy and procedures in mitigating, preventing, investigating and prosecuting fraud or other illegal acts.

Control Framework

59. Ensure a process exists to evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk, so that all employees have an understanding of their roles and responsibilities in respect of internal control and risk management.
60. Ensure a process exists to evaluate whether Council's approach to maintaining an effective internal control framework (including external parties and contractors), is effective and sound.
61. Ensure a process exists to evaluate whether core internal control aspects such as "segregation of duties" and "extent of authority", where appropriate, are in place.
62. Review whether appropriate policies and procedures are in place for the management and exercise of delegations.
63. Consider how management identifies any changes to the design or implementation of internal control.
64. Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.

65. Consider the effectiveness of internal controls for the security of information technology systems and applications.

### **Review internal and external audit functions**

#### External Audit

66. Discuss with the external auditor the scope of the audit and the planning of the audit.
67. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
68. Provide feedback to the external auditor on the services provided by them.

#### Internal Audit

69. Review the scope and recommend additional items for the internal audit plan and program and the effectiveness of the function at least annually. This review should ensure the internal audit plan systematically addresses:
  - a. internal controls over significant areas of risk, including non-financial management control systems;
  - b. internal controls over revenue, expenditure, assets and liability processes;
  - c. the efficiency, effectiveness and economy of significant Council programs; and
  - d. compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
70. Regularly review reports on the progress of the annual internal audit program.
71. Ensure that management responds in a timely and effective manner to recommendations by the Internal Auditor.
72. Suggest good practice methods and processes.
73. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive Officer.
74. Review work plans, programs and outcomes to ensure the level of resources allocated to internal audit and the effectiveness of the scope of internal audit reviews.
75. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
76. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
77. Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference.

78. Review management's response to, and actions taken as a result of the issues raised.
79. Review the internal audit function to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
80. Provide the Chief Executive Officer with recommendations for appointment of an outsourced Internal Auditor and the process to measure the effectiveness of the Internal Auditor.
81. Ensure the internal and external auditors conduct their work with regard to the duties and responsibilities of the Audit & Risk Committee.

#### **Integration of climate change governance**

82. Ensure a system exists and is used to recognise climate change governance is integral to the Committee's review of Council activities.

#### **Other Responsibilities**

83. Consider the findings and recommendations of relevant Performance Audits and other specific audits undertaken by the Victorian Auditor-General and make any appropriate recommendations.
84. Review and assess periodically the adequacy of the Audit and Risk Committee Charter (including Terms of Reference), making any appropriate recommendations to Council.
85. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
86. The Committee is to complete an Audit and Risk Committee Self Assessment on an annual basis, requesting the Chief Executive Officer to report the results through to the next Ordinary Council Meeting.
87. The Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern

88. END.