

# Audit and Risk Committee Charter



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## **1. Purpose**

Council has established an independent Audit and Risk Committee (the Committee) pursuant to section 53 of the *Local Government Act 2020* (the Act). The primary purpose of the Committee is to support Council in discharging its oversight responsibilities related to financial reporting, risk management, maintenance of sound systems of internal control, assurance activities including internal and external audit and Council's performance with regard to legislative and regulatory compliance including its Codes of Conduct and governing principles. This includes Council's consolidated separate legal entities.

The Committee acts in this capacity by monitoring, reviewing, endorsing, and advising on matters as set out in this Charter. This Charter has been developed in accordance with Section 54 of the Act.

The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

## **2. Authority**

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter. The Committee has no delegated authority from Council unless specifically provided by Council from time to time and any such authority shall be temporary and may only relate to specific matters as directed by Council.

The Committee has authority to:

- endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, new or revised policies and other documents that assist in maintaining a sound internal control environment;
- endorse for Council internal and external audit plans, including internal audit plans with an outlook greater than one year;
- provide advice and make recommendations to Council on matters within its areas of responsibility;
- subject to consultation with, and approval of, the CEO, retain appropriate independent specialists to advise the Committee or assist in the conduct of an investigation;
- seek any information it requires to properly discharge its responsibilities from Councillors, Council staff (including senior management, all of whom are directed to co-operate with the Committee's requests) and external parties; and
- meet with Council staff, internal and external auditors, or outside counsel, as necessary.

The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

## **3. Membership, tenure and appointment**

The Committee will comprise of up to six Members appointed by Council, up to 4 of whom must be independent members. Council employees cannot be members of the Committee.

Details of membership and tenure are set out below:

- One (1) independent Chair;
- Up to three (3) independent Members; and



- Two (2) Councillors (plus option of one alternate Councillor).

All members shall have full and equal voting rights unless a member is unable to vote due to a conflict of interest.

### **3.1 *Independent Members***

- 3.1.1** Independent members must collectively have senior business audit or financial management/reporting knowledge, risk management knowledge, be conversant with the financial and other reporting requirements of the Local Government sector and have experience in public sector management.
- 3.1.2** Independent members will be appointed for a maximum three-year term at their commencement subject to the needs noted below to stagger retirement dates.
- 3.1.3** Independent members may be reappointed for two additional three-year terms subject to mutual agreement and satisfactory performance. As far as possible, terms of appointment will be staggered to ensure membership retirement dates ensure that only one member retires at a single point in time.
- 3.1.4** The maximum continuous term of an external member shall be nine years.
- 3.1.5** Appointments of independent members shall be made by Council resolution
- 3.1.6** Prior to the retirement/resignation of an independent member, Council will establish an appropriate process to appoint a new independent member. A panel comprising the Chair of the Committee, the CEO and a senior Council Executive will be convened to make a recommendation on a suitable candidate to Council.
- 3.1.7** New independent member positions will be publicly advertised in appropriate places such as state-wide newspapers, Council's website, the online 'Directors Opportunities' listing provided by the Australian Institute of Company Directors and other channels.
- 3.1.8** If 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

### **3.2 *Councillor Members***

- 3.2.1** Councillor members shall be appointed annually at the Council Meeting to elect the Mayor and also appoint Councillors to Committees.
- 3.2.2** The Mayor is automatically a member of the Audit and Risk Committee and Council shall appoint one Councillor as a member and has the option of appointing an alternate member should either the Mayor or the Councillor appointment be unable to attend the meetings.
- 3.2.3** Other Councillors may attend Audit and Risk Committee meetings in an observer capacity.



### **3.3 Chair**

- 3.3.1** The Chair shall be an external independent member annually appointed by Council. The Chair shall have a casting vote on occasions where there is an equal tally of votes on a matter.
- 3.3.2** In the absence of the Chair from a meeting, the meeting will appoint an acting Chair.

## **4. REMUNERATION AND INDEMITY**

Independent members will be paid a sitting fee for each meeting with an additional amount paid to the Chair. Fees are set by Council with increases subject to annual increases in indexation in accordance with annual movements in the rate cap. Fees will be adjusted annually as at 1 July and rounded up so as to be divisible by the number of meetings each year.

Indemnity – Independent members are indemnified by the Councillors and officers' insurance liability cover.

### **5. Role of the Chair**

The role of the Chair includes but is not limited to:

- 5.1** Meet with Management before and after each Committee meeting to assist with ensuring agendas and meetings are prepared and conducted effectively covering all required matters.
- 5.2** Chairing meetings of the Committee in accordance with the formal meeting agenda distributed by the Council's Governance Team.
- 5.3** Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening,
- 5.4** Providing time during Committee Meetings for any Committee member to raise any issue they believe relevant.
- 5.5** Review minutes of Committee meetings prior to their distribution to Committee members to ensure they accurately reflect agreed meeting outcomes.

## **6. Meetings**

- 6.1** The Committee shall meet a minimum of four times per year and at least once every quarter. Additional meetings shall be convened at the discretion of the Chair, at the written request by a member of the Committee, or by the internal or external auditor. All Committee members are expected to attend each meeting.
- 6.2** A schedule of meetings will be developed and agreed to by the members annually. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines.
- 6.3** Council shall provide administrative support to the Committee in the preparation of Agendas and Minutes. The Committee will frequently review matters that are confidential in nature and as such the meetings of the Committee are not open to the public.



- 6.4 The Agenda and supporting documentation will be circulated to members of the Committee at least one week in advance of each meeting.
- 6.5 The Chair will sign the minutes following confirmation of the minutes at a subsequent meeting. The unconfirmed minutes will be reported to Council within two months of the Committee meeting
- 6.6 All Committee meetings, agenda papers and discussions are to be treated as confidential.
- 6.7 The Committee will develop and maintain an annual work plan.

#### **6.8 *Quorum***

A quorum for meetings of the Committee shall be three (3) members, comprising two (2) external independent members and (1) councillor. If necessary, Committee members can attend the meeting via dial in or video conference and will be included as part of the quorum.

#### **6.9 *Officer in Attendance***

- 6.9.1 The Chief Executive Officer and Internal auditor should attend all meetings, except when the Committee chooses to meet in camera. The Committee has the discretion to meet in camera without any Council officers in attendance. Other members of Council or Council staff may be invited to attend at the discretion of the Committee, to advise and provide information when required.
- 6.9.2 Representatives of the external auditor will be invited to attend at the discretion of the Committee but must attend meetings at which the draft annual financial report, annual performance statement and results of the external audit are considered

### **7. *Conduct***

Members of the Committee are required to comply with Sections 123, 125 and Part 6, Division 2: sections 126-131 of the Act, which includes, amongst other things, the following requirements.

- Members will submit six monthly interest returns on the form specified by Council, noting this is in accordance with good governance practices (for external members) rather than a legislative requirement under the Act.
- Members will declare and manage any conflicts of interest which arise in accordance with the Act.
- Members will not misuse their position on the Committee for personal benefit or to the detriment of Council.
- Members will not disclose confidential information obtained through their role on the Committee.

- Members of the Committee must be fully aware of their responsibilities with regard to management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper management of any conflicts of interest as they may arise;
- Members of the Committee must also be fully aware of the statutory definitions of general and material conflicts of interest as set out in Part 6 Division 2 of the Act

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in prosecution and the member's appointment being terminated by Council.

*Please also refer **Appendix A** – summary of Committee Member Regulatory Obligations.*

## **8. Reporting and performance**

- 8.1 The Committee may report to Council on any matters of significance as determined by the Committee.
- 8.2 The Committee Chair must provide a bi-annual report to the Chief Executive Officer which summarises the activities of the Committee during the past six months, provide any findings and recommendations in relation to the functions of the Committee and request that the CEO table this report at the next Council meeting.
- 8.3 The Chair is entitled to attend any Councillor Briefing Session at any other time to bring any particular matters to the attention of Councillors which the Chair or Committee sees fit. Such meetings may be held with or without management present at the determination of the Chair following consultation with the Mayor.
- 8.4 The Committee Charter and details of its Members will be published on Council's website.
- 8.5 Council's Annual Report will contain information on the composition of the Committee, number of meetings held and attended by Committee members, audit processes, details of any remuneration paid to independent members during the reporting period and a summary of the work undertaken by the Committee for the year.
- 8.6 The Committee will evaluate its own performance on an annual basis and provide a report on the outcomes of the assessment.
- 8.7 A copy of the annual assessment will be provided to the Chief Executive Officer for tabling at the next Council meeting

## **9. Duties and Responsibilities**

The duties and responsibilities of the Committee include:



## **9.1 *Financial and Performance Reporting***

The Committee will:

- 9.1.1** review Council's draft annual financial report and annual performance statement focusing on:
  - the reporting requirements of accounting policies and Approved Accounting Standards; and
  - changes to the reporting requirements due to changes in accounting policies and Approved Accounting Standards.
  - the assumptions used and processes applied in making significant accounting estimates.
  - significant adjustments to the annual financial report and the annual performance statement (if any) arising from the audit process; and
  - Compliance with accounting standards and other reporting requirements.
- 9.1.2** review and recommend adoption of the Annual Financial and Performance Statements to Council and review any significant changes and the reasons for the changes that may arise subsequent to any such recommendation but before the final report is signed; and
- 9.1.3** review the completeness of corporate governance processes as prescribed in the Governance and Management checklist of the Local Government (Planning and Reporting) Regulations.

## **9.2 *External Audit***

The Committee will:

- 9.2.1** be briefed at least annually by the External Auditor on the audit strategy prior to the commencement of each year's audit process.
- 9.2.2** discuss and review with the External Auditor the scope and planning of the audit
- 9.2.3** discuss and review with the External Auditor issues arising from the audit, including all significant Management Letter items and the potential impact of those items on Council's system of internal control.
- 9.2.4** ensure significant findings and recommendations made by the external auditor and management's proposed responses are received, discussed, and appropriately actioned by management; and
- 9.2.5** review on an annual basis the performance of the External Auditor.
- 9.2.6** Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor the responses provided by Council.



### **9.3 *Systems of Internal Control***

The Committee will:

- 9.3.1** assess the findings and maintain an awareness of local government performance audits undertaken by VAGO and any other relevant reviews undertaken by Australian and Victorian public sector integrity bodies, including Australian National Audit Office, the Independent Broad-Based Anti-Corruption Commission (IBAC), the Local Government Inspectorate and Victorian Ombudsman and consider relevant recommendations for action or implementation where appropriate,
- 9.3.2** confirm that management are aware of these external reviews and have considered the relevant recommendations for action or implementation.
- 9.3.3** review the adequacy and effectiveness of key systems and controls as a basis for providing a sound internal control framework; and
- 9.3.4** monitor the compliance of Council policies and procedures with the overarching governance principles, the *Local Government Act 2020* and regulations and Ministerial directions.

### **9.4 *Internal Audit***

The Committee will:

- 9.4.1** be kept informed by Council officers of any process to appoint or terminate Council's internal audit service provider.
- 9.4.2** review the level of resources allocated to internal audit and the scope of its authority
- 9.4.3** review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether over a period of three years the internal audit plan systematically addresses:
  - internal controls over significant areas of risk, including non-financial management control systems.
  - internal controls over revenue, expenditure, assets, and liability processes.
  - the efficiency, effectiveness, and economy of significant Council programmes; and
  - compliance with regulations, policies, best practice guidelines, instructions, and contractual arrangements.
- 9.4.4** recommend to Council the approval of the Internal Audit Plan for the coming three-year period,
- 9.4.5** review any special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive Officer,
- 9.4.6** review internal audits reports and monitor the implementation of recommendations by management.
- 9.4.7** facilitate the liaison between Internal Audit and External Auditors to promote compatibility, to the extent appropriate, between their audit programmes;



- 9.4.8 critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal controls, financial reporting and other accountability or governance issues and any other matters relevant under the Committee's Charter. Review management's response to, and actions undertaken because of the issues raised
- 9.4.9 Review, on an annual basis, the performance of the Internal Auditor, including adherence to appropriate professional and quality standards, and where performance is not considered satisfactory, report to Council and make recommendations, which may, in extreme cases, include a recommendation that Council terminate the Internal Audit contract and undertake the tender process for the appointment of a new Internal Auditor; and
- 9.4.10 ensure that representatives of the Committee and a member of the Council's Executive Leadership team, not directly involved in the management of the Internal Audit Contract are included on the tender evaluation panel tasked with making recommendations to Council for the appointment of a new Internal Auditor.

## **9.5 *Risk Management***

The Committee will:

- 9.5.1 monitor Council's risk profile and changes therein and the plans to mitigate risk by determining if management has appropriate processes and adequate information systems in place.
- 9.5.2 monitor the implementation of recommendations arising from reports presented and review the effectiveness of Council's internal control systems; and
- 9.5.3 annually review the effectiveness of the Enterprise Risk Management Framework to enable effective risk management.
- 9.5.4 review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.
- 9.5.5 review the insurance programme annually prior to renewal.

## **9.6 *Fraud Prevention and Control***

The Committee will:

- 9.6.1 review Council's fraud prevention policies and controls including fraud awareness programs including reports regarding actual or suspected instances of fraud, corruption or serious misconduct.
- 9.6.2 recommend any specific measures or investigations identified as necessary or desirable by the Committee to the Council and/or management,
- 9.6.3 monitor and provide advice on fraud prevention systems and controls; and
- 9.6.4 monitor any subsequent investigation, including the investigation of any suspected cases of fraud, corruption, serious misconduct, or breaches of conflict of interest.



#### **9.7 *Matters Referred to the Committee by Council***

The Committee will address issues brought to its attention, including responding to requests from Council for advice.

#### **10. *Review of committee Charter***

The Committee will review the Committee Charter at least every two years, or as required following changes to the Act or other related Acts and Regulations and recommend any changes to Council for approval.

The next review date will be June **2027**.



## Appendix A – COMMITTEE MEMBER REGULATORY OBLIGATIONS

### LGA Section LGA Requirement - Extract for Guidance to Members

<b>MISUSE OF POSITIONS</b>	
<b>123(A)</b>	A Committee member must not intentionally misuse their position to: a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or b) Cause, or attempt to cause, detriment to the Council or another person
<b>123(3)</b>	Circumstances involving misuse of a position by a member of the Committee include: a) Making improper use of information acquired as a result of being a member of the Committee; or b) Disclosing information that is confidential information; or c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or d) Exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform; or e) Using public funds or resources in a manner that is improper or unauthorised; or f) Participating in a decision on a matter in which the member has a conflict of interest.
<b>CONFIDENTIAL INFORMATION</b>	
<b>125</b>	A member of the Committee must not intentionally or recklessly disclose information that the member knows, or should reasonably know, is confidential information. There are some exemptions to this requirement, the key one being that if the information disclosed by the member has been determined by Council to be publicly available.
<b>CONFLICTS OF INTEREST</b>	
<b>126</b>	A member of the Committee has a conflict of interest if the member has: a) A general conflict of interest as described in Section 127; or b) A material conflict of interest as described in Section 128.
<b>127</b>	A member of the Committee has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the members private interests could result in that member acting in a manner that is contrary to their public duty as a member of the Committee.
<b>128</b>	A member of the Committee has a material conflict of interest in a matter if an affected person would gain a benefit or suffer a loss depending on the outcome of the matter.