



Audit and Risk Committee Charter

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A place for all

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1. Purpose

City of Whittlesea has established an Audit and Risk Committee (Committee) under the *Local Government Act 2020* (Act) to support Council in discharging its oversight responsibilities.

The minimum functions and responsibilities of the Committee include the following, which the Charter must include:

- monitor the compliance of Council policies and procedures with:
 - the overarching governance principles; and
 - the Act and the regulations and any Ministerial directions.
- monitor Council financial and performance reporting;
- monitor and provide advice on risk management and fraud prevention systems and controls; and
- oversee internal and external audit functions

The Committee also provides oversight of other key areas of governance including the soundness of internal controls and the effectiveness of compliance management systems.

The Charter aims to achieve the above in accordance with the Act, by setting out the Committee's objectives, authority, and reporting, administrative and governance arrangements.

2. Authority and Support

The Audit and Risk Committee Charter (Charter) is established under s 54 of the *Local Government Act 2020* and sets out the basis of membership, terms of appointment and remuneration of Committee members.

The Committee is an independent advisory committee to Council, does not exercise any legal or executive powers or authority to implement actions in areas over which management has responsibility and does not have any role in investigating Council decisions or other concerns of the operations of Council.

The Committee will:

- a) Provide advice and make recommendations to Council on matters relating to areas of its responsibility.

- b) Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties.
- c) Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.
- d) Through the Chief Executive Officer, the Committee will have access to appropriate management and administrative support to enable it to discharge its responsibilities effectively.

3. Committee Governance

3.1 Charter

The Committee will review its Charter every two years or more frequently, if required, and provide recommendations to Council on proposed improvements.

3.2 Committee Membership

3.2.1 Composition

The Committee will consist of six members appointed by Council, four of whom must be independent members. Council employees cannot be members of the Committee.

3.2.2 Chairperson

The Chairperson will be an independent member and will be appointed by the Council for a term the Council deems appropriate.

The Committee is authorised to appoint an Acting Chair, from the independent members present, when required.

3.2.3 Appointment of Members

In appointing both Councillor and independent members, Council will consider gender and diversity to ensure a balanced membership.

Where vacancies exist for Councillor membership, following a general election, and where the Council has not yet resolved to appoint up to two Councillors on the Committee, the Mayor has the authority to appoint no more than two Councillors to temporarily fill those vacancies until new appointments are resolved by the Council.

3.2.4 Member Skill and Experience

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council including expertise in financial management, risk management and experience in public sector management.

3.2.5 Tenure of Members

Independent members will be appointed for an initial period not exceeding three years and may be re-appointed for a further three-year period.

At the time of appointment of the Mayor and Councillor members, an additional Councillor member will be appointed as a proxy when either of the two appointed Councillor members are unable to attend a committee meeting.

Council may adjust the initial period of an independent appointment to allow for mid-term appointments, and to avoid situations where all member terms expire within proximity of each other.

3.2.6 Recruitment

Recruitment of independent members will be via a publicly released expression of interest (EOI) coordinated by a panel comprising the ARC Chair or their delegate, the mayor or their delegate, and the Council's Chief Executive Officer (CEO) or their delegate.

Following the EOI, the panel will make a recommendation to the Council for their formal consideration.

3.2.7 Induction

New members of the Committee will receive relevant information and briefings on their appointment to assist in meeting their responsibilities.

3.2.8 Remuneration

An annual fee, subject to periodic review, will be set by Council and paid quarterly to independent members.

The annual fee will be automatically indexed in alignment with the rate cap % each 1 July.

The CEO may, at their discretion, elect to pay independent members an extraordinary meeting payment.

3.2.9 Personal Returns

Members of the Committee must be fully aware of their responsibilities regarding the 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 and when they may arise.

Independent members are required to complete Personal Interest Disclosures, although these will not be published online. Returns will be completed in March and September biannually. Independent member Returns will not be published online but will form part of each Committee meeting agenda for transparency.

3.2.10 Legislative Obligations

Section 123 (Misuse of position), s 125 (Confidential information) and Division 2 of Part 6 (Conflict of interest) of the Act, apply to independent members of the Committee as if the member were a member of a delegated Committee of Council. Members of the Committee must 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.

3.3 Reporting to Council

The Committee will formally report to Council biannually on its activities. These reports will summarise the Committee's activities, including its findings and recommendations.

The second of these reports will provide an overview of the full year of Committee activities and will be published on Council's website.

The Chair of the Committee will be invited to present a summary of the Committee's activities at a Councillor forum annually.

In addition to these reports, a summary of the unconfirmed minutes of Committee meetings will be provided to the next available Council meeting after each Committee meeting.

4. Committee Performance

The Committee will undertake an assessment of its performance annually, and:

- review the results of the assessment to identify any opportunities for performance improvement, including suggestions for improvements to this Charter;
- agree on improvement actions and embed them into forward plans; and
- report to Council on the outcomes of the assessment process.

The Committee Chair, in conjunction with officers, will be responsible for ensuring agreed actions are undertaken.

5. Committee Operations

5.1 Meetings

5.1.1 Frequency

The Committee will meet at least five times a year.

5.1.2 Additional Meetings

Additional meetings may be called by agreement between the CEO and Chair of the Committee.

5.1.3 Quorum

A quorum shall comprise three independent members (which may include the Chair) and one Councillor member.

5.1.4 Attendance

Face to face meetings is the preferred method to hold Committee meetings, however:

- the Committee Chair or CEO may request a meeting be held entirely virtually; or
- a member may, 24 hours prior to the Committee meeting, seek approval from the Chair to attend virtually. The Chair may approve and must not reasonably refuse any request to attend a meeting virtually.

Councillors are welcome to attend each Committee meeting to observe, but in doing so, do not have voting rights.

Other Councillors or observers that have questions of the Committee must refer them to the mayor who will liaise with the Committee Chair for a response.

The Committee may request to meet with the internal and/or external Auditors with no management in attendance, as required.

Committee meetings are closed to the public.

The CEO will facilitate the logistics of the meetings of the Committee, including the preparation and maintenance of agendas, minutes, and reports, and invite members of the management team, internal and external auditors, and other external parties to attend meetings as observers and to provide pertinent information, as necessary.

5.1.5 Meeting Schedule

The Committee will develop and adopt an Annual Work Plan that outlines how it intends to fulfil its requirements under this Charter.

5.1.6 Distribution of Meeting Papers

Meeting agenda papers will be prepared and provided to members, where possible, at least eight working days in advance of meetings.

5.1.7 Minutes

Minutes will be taken at each meeting. A summary of the unconfirmed minutes (excluding confidential minutes) will be publicly presented at the next available Council meeting then presented to a committee meeting for confirmation.

5.2 Independent Specialist Advice

Subject to prior agreement with the CEO, the Committee can access independent specialist advice where it believes that is necessary to execute its duties.

6. Areas of Responsibility

6.1 Financial and Performance Reporting

- a) Review significant accounting and external reporting issues, including complex or unusual transactions, transactions, and assumptions used and processes applied for balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements, and legislative changes, and understand their effect on the annual financial report.
- b) Monitor changes to the Local Government Performance Reporting Framework (LGPRF) and understand the impact of those changes on the disclosures required in the Annual Performance Statement.
- c) Review the draft annual financial report and draft annual performance statement and the Governance and Management Checklist and consider whether they are complete, consistent with information known to Committee members and with Standards, reflect appropriate accounting treatments, adequately disclose Council's position, and reflect significant adjustments (if any) arising from the audit process.
- d) Review with management and the external auditors the results of the audit, including any difficulties encountered by the external auditors.
- e) Recommend to Council the adoption of the annual financial report and annual performance statement.
- f) Review the content of periodic management financial reports prior to Council as required.

6.2 Internal Controls

- a) Monitor the compliance of Council policies and procedures with the overarching governance principles.
- b) Monitor key Council policies, systems, controls, financial and performance reporting, fraud and prevention systems and controls, and ensure they are reviewed regularly and update where required.
- c) Monitor significant changes to systems and controls including whether those changes significantly impact Council's risk profile.
- d) Ensure that a program is in place to test compliance with systems and controls.

6.3 Fraud & Corruption Prevention and Control

- a) Monitor and provide advice on risk management and fraud prevention systems and controls.
- b) At an appropriate time receive reports from management about actual or suspected instances of fraud, theft or corruption within Council including analysis of the control failures and action taken to address each event.
- c) Review reports by management about actions taken by Council to refer such matters to appropriate integrity bodies.
- d) Review the findings of examinations by regulatory or other independent agencies, and any auditor (internal or external) observations and confirm that management has taken appropriate action to address the findings.

6.4 Internal Assurance Plan

- a) Monitor Council's internal assurance program, where applicable.
- b) Note reports on internal assurance reviews and management responses to recommendations.
- c) Note actions by management on internal assurance review findings and recommendations.

6.5 Risk Management

- a) Annually review and provide advice on the effectiveness of Council's risk management framework and activities conducted by the Internal and External Auditors and any other assurance providers to give assurance over that framework.
- b) Monitor Council's risk appetite statement and the degree of alignment with Council's risk profile.
- c) Monitor Council's risk profile and the changes occurring in the profile.
- d) Monitor Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans.
- e) Monitor the insurance programme annually prior to renewal.
- f) Monitor the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

6.6 Internal Audit

- a) Maintain and review periodically the Internal Audit Charter to ensure it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations.
- b) Review and recommend to Council for approval the three-year strategic internal audit plan and the annual internal audit plan.

- c) Monitor progress on the delivery of the annual internal audit plan.
- d) Review and endorse proposed scopes for each review in the annual internal audit plan.
- e) Review reports on internal audit reviews and management's response to the recommendations.
- f) Monitor action by management on internal audit findings and recommendation.
- g) Meet with the leader of the team delivering the internal audit plan at least annually in the absence of management.
- h) Review the effectiveness of the internal audit function and ensure that it has the appropriate authority and no unjustified limitations on its work.
- i) Ensure the Committee is consulted regarding any proposed changes to the appointment of the internal audit service provider.

6.7 External Audit

- a) Review the annual external audit scope and plan proposed by the external auditor prior to the commencement of each year's audit process.
- b) Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope or access to information.
- c) Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner.
- d) Review on an annual basis the effectiveness of the external audit process.
- e) Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses.
- f) Meet with the external auditor at least annually in the absence of management.

6.8 Compliance Management

- a) Monitor systems and processes implemented by Council for compliance with legislation and regulations and the results of management's follow-up of any instances of non-compliance.
- b) Obtain regular reports from management on any significant non-compliance matters.
- c) Receive in camera updates from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Local Government Inspectorate, the Ombudsman, IBAC, etc. and monitor Council's responses, other than matters under investigation by an integrity agency.