

## **AUDIT & RISK COMMITTEE CHARTER**

**Last Approved by Council:** 4 October 2021

**Reviewed by Audit & Risk Committee** 28 May 2020

**Directorate responsible** Governance & Strategy

### **1. Purpose**

Council has established an independent Audit & Risk Committee (Committee) pursuant to section 53 of the *Local Government Act 2020 (the Act)*, which supports 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 and its Codes of Conduct. It acts in this capacity by monitoring, reviewing and advising on issues within its scope of responsibility.

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 is empowered to:

- Resolve any disagreements between management and the external auditor on financial reporting issues;
- Retain independent counsel of relevant independent experts where it considers that is necessary in order to execute its duties, subject to prior agreement with the Chief Executive Officer;
- Seek any information it requires from Councillors, Council staff (including senior management, all of whom are directed to co-operate with the Committee's requests) and external parties;
- 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 and Tenure**

The Committee will consist of six members appointed by Council, four of whom must be independent members. Details of membership and tenure are set out below:

- a) A quorum shall comprise one Councillor member and three independent members;
- b) The Chair of the Committee must be an independent member;
- c) Council will appoint the Chair of the Committee;
- d) Councillor members will be appointed by Council annually;
- e) The Mayor or Deputy Mayor of the day can act as an alternate Councillor member should an appointed Councillor member not be able to attend a Committee meeting;
- f) Expiry of independent member terms shall be staggered so that not more than two members' terms conclude concurrently, ensuring as far as possible that knowledge of Council's operations is not lost when there is a change of membership;
- g) Independent members may be appointed for terms of up to three years;
- h) Independent members will be eligible for extension or re-appointment following a formal review of their performance and independence. The review process is to be determined by the Chief Executive Officer (or delegate). Independent members may serve a maximum of six years on the Committee;
- i) Collectively, independent members of the Committee must have expertise in financial management, risk and experience in public sector management. Membership of the committee will be reviewed periodically by Council with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience;
- j) Council staff are prohibited from being members of the Committee; and
- k) Remuneration will be paid to each independent member and is set by Council. This fee will be based on a per annum amount, paid quarterly and is subject to periodic review.

### **4. Meetings**

- a) The Committee will meet as it determines in order to discharge its responsibilities as set out in this Charter, but generally it is expected that the Committee will meet five times per annum;
- b) A schedule of meetings will be developed annually and agreed by members;
- c) All Committee members are expected to attend each meeting in person. Virtual attendance may be considered in exceptional circumstances (i.e. pandemic restrictions) at the discretion of the Chief Executive Officer);
- d) The Committee will invite members of the management team, the internal and external auditors and others as appropriate to attend meetings. The Chief Executive Officer and other senior officers who need to interact with the

Committee by virtue of the Committee's responsibilities will attend all meetings, except for confidential matters. The Executive Manager Governance & Strategy or a designated officer will attend in the role of Secretariat;

- e) The Committee may meet with the internal and/or external auditors in the absence of management from time to time;
- f) Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting; and
- g) Minutes will be prepared for all meetings.

## **5. Responsibilities**

The Committee will carry out the following responsibilities:

### *5.1 Financial and Performance Reporting*

- a) At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and 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 and the audit thereof;
- b) Review the annual financial report and performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose Council's position;
- c) Review with management and the external auditors the results of the audit of the annual financial report and performance statement, including any difficulties encountered by the external auditors;
- d) Recommend the adoption of the annual financial report and performance statement to Council;
- e) Review the appropriateness of the format and content of periodic management financial reports to Council as required; and
- f) Periodically monitor the status and content of the Performance Statement.

### *5.2 Systems of Internal control*

- a) Review the adequacy and effectiveness of systems and controls for providing a sound internal control framework;
- b) Determine whether systems and controls are reviewed regularly and updated where required;
- c) Ensure that a programme is in place to test, at least annually, compliance with systems and controls; and
- d) Review policies and procedures in place for the setting and implementation of delegations of authority.

### *5.3 Risk management*

- a) Review annually Council's risk management framework;
- b) Review management's assessment of Council's risk profile;
- c) Review Council's programme of assessment of business risks and treatment plans;
- d) Review the insurance programme annually prior to renewal; and
- e) Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

#### *5.4 Fraud Prevention and Awareness*

- h) Review Council's Fraud Prevention policies and procedures (Fraud Control Policy & Plan), including fraud awareness programmes; and
- i) Receive reports from management about actual or suspected instances of fraud or corruption within Council.

#### *5.5 Internal audit*

- a) Establish and review periodically an Internal Audit Charter that provides an appropriate functional and organisational framework within which Council's internal audit function operates;
- b) Review and approve the rolling three-year strategic internal audit plan annually, the annual internal audit plan and any significant changes to them;
- c) Review and approve proposed scopes for each review in the annual internal audit plan;
- d) Review reports on internal audit reviews;
- e) Monitor action by management on internal audit findings and recommendations;
- f) Meet with the leader of the team delivering the internal audit plan at least annually in the absence of management;
- g) Review the effectiveness of the internal audit function and ensure that it has appropriate authority with Council and has no unjustified limitations on its work;
- h) Ensure that the Committee is aware of any proposed changes to the appointment of the internal audit service provider, and is appropriately briefed on the need for change, including any proposed changes in the specification of the internal audit function; and
- i) Recommend to Council, if necessary, the termination of the internal audit contractor.

#### *5.6 External audit*

- a) Annually review the external audit scope and plan proposed by the external auditor;
- 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 the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- e) Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor implementation of the recommendations by Council; and
- f) Meet with the external auditor at least annually in the absence of management.

#### **5.7 Compliance Management**

- a) Monitor the compliance of Council policies and procedures relating to:
  - Council's overarching governance principles; and
  - the *Local Government Act 2020* and associated regulations and any relevant Ministerial directions;
- b) Review the systems and processes implemented by Council for monitoring compliance with legislation and regulations and the results of management's follow up of any instances of non-compliance;
- c) Review the processes for communicating the Councillor Code of Conduct to Council and the Staff Code of Conduct to all Council employees and contractors and for monitoring compliance with the Codes;
- d) Obtain regular briefings on any significant compliance matters; and
- e) Receive reports 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.

#### **5.8 Reporting to Council**

- a) Minutes of Committee meetings will be provided to Council at the first available Council meeting following each Committee meeting;
- b) The Committee will prepare a biannual report on Committee activities for Council, including any relevant findings and recommendations. A copy of this report is to be provided to the Chief Executive Officer for tabling at the next Scheduled Council meeting following its completion. The Chair of the Audit and Risk Committee will be invited to present the report to Council at the Council meeting; and
- c) The Committee will prepare an annual summary of the Committee's activities for inclusion in Council's Annual Report setting out how the Committee has discharged its responsibilities as outlined in its Charter.

### **6. Annual Work Plan**

On an annual basis the Committee will develop and adopt a Work Plan (Program) that outlines how it intends to fulfil its requirements under this Charter.

### **7. Performance Evaluation**

The Committee shall undertake a process to evaluate its performance annually. A copy of the results of this assessment are to be provided to the Chief Executive Officer for tabling at the next Ordinary Council meeting following the completion of the assessment.

### **8. Misuse of Position and Confidential Information**

Section 123 – Misuse of Position and Section 125 – Confidential Information of *the Act* apply to independent members of the Committee, as they would apply to Councillor members of the Committee.

### **9. Personal Interest Returns**

In the interests of transparency and good governance, Independent Committee members will voluntarily complete Personal Interest Returns. Any declarations made in these Returns will not be made public, however, will be circulated amongst Committee members, the CEO and the Executive Manager Governance. Personal Interest Returns will be completed in March and September each year.

### **10. Conflicts of Interest**

In accordance with Division 2 of Part 6 of *the Act*, all members of the Committee are required to comply with Conflict of Interest requirements.

### **11. Review of Charter**

The Committee shall review and assess the adequacy of the Charter every two years or earlier if necessary and submit requests for revisions and improvements to Council for approval.