



# Audit and Risk Committee Charter

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## 1 Document Information

The electronic version of this document is the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

RESPONSIBLE GENERAL MANAGER	General Manager Customer and Corporate Support
RESPONSIBLE MANAGER (Policy Owner)	Manger Governance, Risk & Integrity
<b>APPROVED/ADOPTED BY</b>	Council
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## 2 Purpose

The Council has established an Audit & Risk Committee (the Committee) pursuant to Section 53 of the *Local Government Act 2020* (the Act) to support the Council in discharging its oversight responsibilities related to:

- Enhancing the credibility and objectivity of financial, performance and management reporting;
- The effective management of Council's strategic risks, including Business Continuity and Recovery;
- The protection and control of Council assets;
- Monitoring and review of the standard of the internal control environment;
- The effectiveness of assurance activities including internal and external audit; and
- Council's governance practice, including compliance with its policies and legislative and regulatory requirements as well as the use of best practice guidelines.

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

The appointment of independent members to the Committee enables the Committee to provide advice to the Council on matters related to its responsibilities based on different skills and experience than might otherwise be the case and in so doing bring additional benefits to the Council.

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

## 3 Authority

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

The Committee has the authority to:

- Endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, relevant new or revised policies or other documents that assist in maintaining a strong internal control environment;
- Develop and adopt an Annual Work Program;
- Approve internal and external audit scopes and plans, including the Strategic Audit Plan;
- Provide advice and make recommendations to Council on matters within its areas of responsibility;
- Seek any relevant information or support through the Chief Executive Officer where it considers that is necessary to meet its responsibilities under this Charter; and
- Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.

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

If the Committee is considering a material increase in the size of the Annual or Strategic Audit Plan to enable it to discharge its responsibilities effectively, a report recommending additional budget will be presented to Council for consideration.

#### **4 Membership and Tenure**

The Council will appoint as member of the Committee::

- The Mayor;
- One other Councillor nominated annually by Council; and

Three external independent members, of which one will be the Chairperson Council may nominate an alternate member to substitute for either of the two Councillors. Council is to consider orderly rotation of Councillor appointments that supports succession.

Council employees cannot be members of the Committee.

Independent Members:

- Will be appointed for three-year terms and be arranged so that there is an orderly rotation of membership and avoidance of more than one member retiring at the same time.
- May be reappointed subject to satisfactory performance, by the Council on the recommendation of the Chief Executive Officer;
- The selection criteria that candidates will be assessed against include:
  - Financial analytical / management skills
  - Knowledge of Audit, Risk and Governance Frameworks;
  - Experience in public sector management;
  - Demonstrated strategic skills including, but not limited to: financial acumen, information technology; governance standards and organisational risk management;
- When considering new members, the Committee will ensure that external independent members collectively possess appropriate experience and expertise in the above criteria.
- In the event of an independent member resigning / retiring before the expiry of their term, the vacancy will be filled at the discretion of the Council. 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.
- 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
- Remuneration by way of an annual fee determined by Council will be paid to independent members and indexed annual by the Melbourne All Groups CPI adjusted annually on 1 July.

Chairperson

In accordance with section 53 of the Act, the Chair of the Committee –

- must not be a Councillor (section 53(4)); and
- must not be a member of Council staff (section 53(3c); and
- must be suitably qualified.

A Chairperson will be elected annually for a period of twelve months.

- A Chairperson can be elected for successive terms.
- The Chairperson shall have a casting vote on occasions where there is an equal number of votes on a matter.
- The Chairperson may require any report prepared by the Committee to be listed on the agenda for the next ordinary meeting of the Council.

- In the absence of the appointed Chairperson from a meeting, the members in attendance will appoint an acting Chairperson from the independent members present.

## 5 Meetings

The Committee will meet at least five times a year, with authority to convene additional meetings as circumstances require.

- A schedule of meetings will be developed annually and agreed by members;
- All Committee members are expected to attend each meeting in person or via video conference where the member can as a minimum:
  - hear the proceedings; and
  - be heard (to speak).
- The Committee may invite the internal and external auditors and other staff including members of Council's management team, to attend meetings.
- The Chief Executive Officer, Chief Financial Officer, General Manager, Customer and Corporate Services and Manager Governance (or equivalents) will attend all meetings, except where the Committee wishes to meet privately;
- The Council, Committee members, the internal or external auditors can request the Chairperson to convene additional meetings to address unexpected matters that may have arisen and cannot be held over to the next scheduled meeting;
- The Chief Executive Officer will ensure that Meeting agendas and appropriate briefing materials are provided to members at least five days prior to the meeting;
- Minutes will be prepared for all meetings; and
- A quorum shall comprise at least one Councillor member and two independent members.

## 6 Responsibilities

The Committee will carry out the following responsibilities.

### Financial and Performance Reporting

- 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 external audit thereof;
- Review any changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- Review the annual financial report and annual performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose Council's financial performance and position;
- Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved; and
- Recommend the adoption of the annual financial report and annual performance statement to the Council.
- Review Council's quarterly Financial and Performance Report

### Risk Management

- Review annually the effectiveness of Council's risk management framework;
- Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- Review Council's risk profile;
- Review Council's treatment plans for strategic and operational risks, including the timeliness of mitigating actions and progress against those plans; and
- Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

### Fraud Prevention Systems and Controls

- Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes;
- Receive reports from management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event; and
- Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

### Internal Control Environment

Through the Strategic Audit Plan:

- Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment;
- Determine whether systems and controls are reviewed regularly and updated where required;
- Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;
- Ensure that a programme is in place to test compliance with systems and controls;
- Assess whether the control environment is consistent with Council's overarching governance principles in accordance with section 9(2) of the Local Government Act 2020.

### Assurance - Internal Audit

- Review and approve the Strategic Audit Plan, the annual internal audit plan and any significant changes to them;
- Review progress on delivery of the annual internal audit plan;
- Review and approve proposed scopes for each review in the annual internal audit plan;
- Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- Meet privately (without staff) with the contracted Internal Auditor each year;
- Monitor action by management in addressing internal audit recommendations in a timely manner;
- Review the effectiveness of the internal audit function as appropriate and at least annually via an assessment with management to measure performance
- Ensure that it has appropriate authority within Council and has no unjustified limitations on its work;
- Ensure that the Committee is briefed and made aware of any proposed changes to the appointment of the internal audit service provider,
- Have an independent member be part of the tender evaluation panel for the appointment of an Internal Audit Service provider;
- Recommend to Council, if necessary, the termination of the internal audit contractor.

#### Assurance - External Audit

- Annually review and approve the external audit scope and plan proposed by the external auditor;
- Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information;
- 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;
- 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; and
- Meet privately (without staff) with the contracted External Auditor each year;

#### Governance

- Applying a risk lens, monitor the compliance of Council policies and procedures with the overarching governance principles contained in the Local Government Act 2020; the Local Government Act 2020 and the regulations; and any Ministerial directions that may be issued. (see Appendix A for the Overarching Governance Principles)
- Obtain briefings on any significant governance or compliance matters and management's response to those matters;
- Develop and adopt an Annual Work program pursuant to S54(3) of the Act;
- Receive reports from management on the findings of relevant reports by regulatory or integrity agencies (whether related to the municipal sector or other public-sector agencies), such as VAGO, the Ombudsman, IBAC, Victoria Government Inspectorate, etc. and monitor Council's responses; and
- Receive a bi-annual report detailing all reimbursements of Councillor expenses pursuant to S40 of the Local Government Act 2020.

### **7 Reporting to Council**

- Minutes of Committee meetings will be provided to Council after clearance by the Committee Chairperson following each Committee meeting;
- The Chairperson will prepare an audit and risk report to Council through the Chief Executive Officer on the Committee's activities, findings and recommendations twice per annum. The reports will advise Council how the Committee has discharged its responsibilities as set out in this Charter for the previous year.
- The Committee will also report to the Council after the meeting at which the annual statements have been considered and recommended to Council for adoption.
- The Chairperson must request the Chief Executive Officer to list for the next Council meeting any report prepared by the Audit and Risk Committee.

### **8 Performance Evaluation**

The Committee shall undertake a process to evaluate its performance against this Charter annually and report the outcomes of the evaluation process to Council through the Chief Executive Officer, including recommendations for any opportunities for improvement. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

## **9 Member Regulatory Obligations**

Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to misuse of position as a member of the Committee (Section 123), confidential information (Section 125) and conflicts of interest (Sections 126 to 131). Details about these obligations are included in Appendix B to this Charter.

Where a Committee member declares a conflict of interest, the conflict will be recorded in the minutes regarding the item and nature of the conflict and the members will depart the meeting for that item.

## **10 Review of Charter**

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

**Overarching Governance Principles  
S9 Local Government Act 2020**

- (1) A Council must in the performance of its role give effect to the overarching governance principles.
- (2) The following are the overarching governance principles—
  - (a) Council decisions are to be made and actions taken in accordance with the relevant law;
  - (b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;
  - (c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;
  - (d) the municipal community is to be engaged in strategic planning and strategic decision making;
  - (e) innovation and continuous improvement is to be pursued;
  - (f) collaboration with other Councils and Governments and statutory bodies is to be sought;
  - (g) the ongoing financial viability of the Council is to be ensured;
  - (h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making;
  - (i) the transparency of Council decisions, actions and information is to be ensured.



## Committee Member Regulatory Obligations

## Guidance to Members

LGA Section	LGA Requirement
<b>Misuse of Position</b>	
123(1)	<p>A Committee member must not intentionally misuse their position to:</p> <ul style="list-style-type: none"> <li>a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or</li> <li>b) Cause, or attempt to cause, detriment to the Council or another person</li> </ul>
123(3)	<p>Circumstances involving misuse of a position by a member of the Committee include:</p> <ul style="list-style-type: none"> <li>a) Making improper use of information acquired as a result of being a member of the Committee; or</li> <li>b) Disclosing information that is confidential information; or</li> <li>c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or</li> <li>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</li> <li>e) Using public funds or resources in a manner that is improper or unauthorised; or</li> <li>f) Participating in a decision on a matter in which the member has a conflict of interest.</li> </ul>
<b>Confidential Information</b>	
125	<p>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.</p>
<b>Conflicts of Interest</b>	
126	<p>A member of the Committee has a conflict of interest if the member has:</p> <ul style="list-style-type: none"> <li>a) A general conflict of interest as described in Section 127; or</li> <li>b) A material conflict of interest as described in Section 128.</li> </ul>
127	<p>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.</p>
128	<p>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.</p>
<p style="text-align: center;"><b>Please Note</b></p> <p><i>The above guidance is not verbatim from the Act and does not include all details as explained in Sections 123, 125 &amp; Part 6, Division 2 of the Act. For a full understanding of the requirements of the Act in relation to the matters summarised above, members are expected to make themselves fully aware of the requirements of the Act.</i></p>	