

# Audit & Risk Committee Charter

Responsible Service Area: Finance and Governance  
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# Contents

## Contents

1.	<b>Purpose</b>	<b>2</b>
2.	<b>Objectives &amp; Authority</b>	<b>2</b>
3.	<b>Audit Committee Composition, Meetings &amp; Structure</b>	<b>3</b>
3.1	Membership & Tenure	3
3.2	Meetings	4
3.3	Audit Committee Annual Plan	4
4.	<b>Responsibilities</b>	<b>4</b>
4.1	Financial & Performance Reporting	4
4.2	Internal Control Environment	5
4.3	Risk Management	5
4.4	Business Continuity	5
4.5	Fraud Prevention Systems and Controls	5
4.6	Internal Audit	5
4.7	External Audit	6
4.8	Compliance Management	6
4.9	Reporting Responsibilities	6
5.	<b>Performance Evaluation</b>	<b>7</b>
6.	<b>Committee Member Regulatory Obligations</b>	<b>7</b>
7.0	Supporting documents	8
	Appendix A	8

## 1. Purpose

Maroondah City Council has established an Audit & Risk Advisory Committee (the Committee) pursuant to Section 53 of the Local Government Act 2020 (the Act) to support Council in discharging its oversight responsibilities related to financial reporting, risk management, fraud prevention, maintenance of sound systems of internal control, assurance activities including internal and external audit and Council's performance regarding legislative and regulatory compliance. It acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter. This Charter has been developed in accordance with Section 54 of the Act.

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

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

## 2. Objectives & 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 the authority to:

- Endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, relevant/specific new or revised policies and other documents that assist in maintaining a strong internal control environment;
- Provide input and guidance in relation to the internal and external audit plans, including internal audit plans with an outlook of greater than one year;
- Provide advice and make recommendations to Council on matters within its areas of responsibility;
- Retain counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer;
- Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
- Request that a Councillor Officer attend a meeting; and
- Formally meeting with Council Officers, internal and external auditors 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. Audit Committee Composition, Meetings & Structure

### 3.1 Membership & Tenure

The Committee will consist of five members appointed by Council, three of whom must be independent members. Council employees cannot be members of the Committee. Details of membership and tenure are set out below:

#### *Independent Members:*

- 3.1.1 Independent members will be appointed for three-year terms;
- 3.1.2 Independent members may be reappointed for additional three-year terms subject to satisfactory performance, that is, a maximum of nine years or at the discretion of Council;
- 3.1.3 Independent members must collectively have expertise in financial management and reporting and risk management and experience in public sector management;
- 3.1.4 Independent members terms of appointment will be set so that as far as possible only one member retires at a time to minimise the loss of knowledge of Council's business that may occur on change of membership; and
- 3.1.5 Remuneration will be paid to independent members as approved by Council from time to time.

#### *Councillor Members:*

- 3.1.6 Two Councillor members (one of which is the Mayor) will be appointed to the Committee by Council annually; and
- 3.1.7 At least one Councillor must be in attendance at each meeting.

#### *Chairperson:*

- 3.1.8 The Chairperson of the Committee must be an independent member;
- 3.1.9 The Committee will appoint the Chairperson; and
- 3.1.10 If the Chairperson is unable to attend a meeting, the members in attendance at the meeting will appoint a Chairperson for that meeting from among the attending members.

#### *Quorum for Meetings:*

- 3.1.11 A quorum shall comprise at least one Councillor member and two independent members

#### *Other attendees:*

- 3.1.12 Officers in regular attendance at Committee meetings are:
  - Chief Executive Officer
  - Directors
  - Manager Finance & Governance
  - Risk, Information & Integrity Coordinator
  - Other officers as required
  - The Executive Assistant to the CEO and Corporate Service Director (minute taker)
  - Contracted Internal Audit Partner

## 3.2 Meetings

- 3.2.1 The Audit & Risk Advisory Committee will meet at least four times a year, with the Chairman having authority to convene additional meetings, as circumstances require in consultation with the Chief Executive Officer;
- 3.2.2 A fifth meeting is normally convened in August of each year to review the annual financial statements;
- 3.2.3 All Audit & Risk Advisory Committee members are expected to attend each meeting, in person or through teleconference or video conference;
- 3.2.4 A quorum for meetings of the Committee will be three members, with a minimum of one Councillor member being present;
- 3.2.5 The Chief Executive Officer will facilitate the meetings of the Audit & Risk Advisory Committee and invite members of management, auditors or others to attend meetings to provide pertinent information, as necessary;
- 3.2.6 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials;
- 3.2.7 The Chairperson will approve the agenda prior to it being sent to Committee members;
- 3.2.8 Members of the Audit & Risk Advisory Committee will be required to identify and declare actual or perceived conflicts of interest;
- 3.2.9 Meetings will be closed to the public due to the sensitive nature of the material considered by the Committee; and
- 3.2.10 Minutes will be prepared and agreed at the following meeting, followed by the Chairman signing them.

## 3.3 Audit Committee Annual Plan

Determine an annual plan of expected reports to be received, internal and external auditor plans to be considered, and the measures needed to address the other items listed in this Charter. Request presentations by Council Directors on the activities for which they are responsible. Provide this plan to Council annually as part of the reporting on the Committee's activities.

## 4. Responsibilities

The Committee will carry out the following responsibilities.

### 4.1 Financial & Performance Reporting

- 4.1.1 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;

- 4.1.2 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;
- 4.1.3 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- 4.1.4 Recommend the adoption of the annual financial report and annual performance statement to Council; and
- 4.1.5 Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

## 4.2 Internal Control Environment

- 4.2.1 Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a three to four-year period;
- 4.2.2 Determine whether systems and controls are reviewed regularly and updated where required;
- 4.2.3 Monitor significant changes to systems and controls to assess those changes and the impacts on Council's risk profile;
- 4.2.4 Ensure that a programme is in place to test compliance with systems and controls; and
- 4.2.5 Assess whether the control environment is consistent with Council's Governance Principles.

## 4.3 Risk Management

- 4.3.1 Review the effectiveness of Council's risk management framework on a rotational basis over a three to four-year period;
- 4.3.2 Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- 4.3.3 Review Council's risk profile and the changes occurring in the profile from meeting to meeting; and
- 4.3.4 Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans.

## 4.4 Business Continuity

- 4.4.1 Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

## 4.5 Fraud Prevention Systems and Controls

- 4.5.1 Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least very two years;
- 4.5.2 As part of Council's quarterly risk report, the committee will receive a declaration and report on actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event; and

4.5.3 Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

## 4.6 Internal Audit

4.6.1 Review the Internal Audit Charter to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;

4.6.2 Review and approve the three-year strategic internal audit plan, the annual internal audit plan and any significant changes to them;

4.6.3 Review and approve proposed scopes for each review in the annual internal audit plan;

4.6.4 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;

4.6.5 Monitor action by management on internal audit findings and recommendations;

4.6.6 Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work;

4.6.7 Ensure that the Committee is aware of and appropriately represented regarding any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change; and

4.6.8 Recommend to Council, if necessary, the termination of the internal audit contractor.

## 4.7 External Audit

4.7.1 Annually review and endorse the external audit scope and plan proposed by the external auditor;

4.7.2 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;

4.7.3 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; and

4.7.4 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them.

## 4.8 Compliance Management

4.8.1 Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;

4.8.2 Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;

4.8.3 Obtain briefings on any significant compliance matters; and

4.8.4 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 Ombudsman, IBAC, Victoria Government Inspectorate, etc. and monitor Council's responses.

## 4.9 Reporting Responsibilities

- 4.9.1 Report quarterly to Council about Audit & Risk Advisory Committee activities, issues and related recommendations through circulation of minutes and annual report. Additional updates may be appropriate should issues of concern arise;
- 4.9.2 Monitor that open communication between the internal auditor, the external auditors and Council occurs;
- 4.9.3 Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure Council implements relevant recommendations; and
- 4.9.4 The Chairperson will prepare a report to Council through the Chief Executive Officer on the Committee's activities twice per annum. One of these reports will be prepared after the meeting at which the annual financial report and the annual performance statement have been considered and recommended to Council for adoption, such report indicating how the Committee has discharged its responsibilities as set out in this Charter for the previous year.

## 5. Performance Evaluation

The Committee shall undertake a process to evaluate its performance 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.

## 6. Committee 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 conflict of interest (Sections 126 to 131). Details about these obligations are included in Appendix A to this Charter.



## 7.0 Supporting documents

### Appendix A

#### Committee Member Regulatory Obligations Guidance to Members

LGA Section	
<b>LGA Requirement</b>	<b>Misuse of Position</b>
	<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>
	<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>	<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>	<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> <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> <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>

**Please Note**

*The above guidance is not verbatim from the Act and does not include all details as explained in Part 6, Division 1 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.*