

# Audit and Risk Committee Charter

2021

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# 1 Introduction

The Audit and Risk Committee is appointed by Council as an advisory Committee to oversee and monitor:

1. Issues relevant to the integrity of Council's financial reporting framework
2. Risk Management framework and policies, internal control frameworks, compliance and internal audit activity; as well as
3. Meeting with the External and Internal Auditors and Management to foster an ethical and accountable environment.

## 1.1 Audit and Risk Committee

The Audit and Risk Committee's role is to:

- monitor and provide advice regarding the internal control framework including policies and procedures as they apply to:
  - financial reporting and management
  - Information and Communications Technology (ICT) governance and usage
- monitor compliance of Council's policies and procedures with the:
  - overarching governance principles
  - *Local Government Act 2020*
  - Local Government Regulations 2020, and
  - any Ministerial directions.
- monitor Council financial and performance reporting, including
  - review of the application of appropriate accounting policies and procedures including management's judgements, estimates and disclosures
  - Review of processes for the identification, nature, extent and reasonableness of related party transactions.
- monitor and provide advice on risk management and fraud prevention systems and controls, including
  - measures to provide early warning of any issues affecting Council's financial well-being
  - the level and effectiveness of business continuity and disaster recovery planning
  - maintenance and fostering of an ethical environment

- oversee internal and external audit functions
- monitor compliance with applicable laws and regulations

Measures indicative of the achievement of these aims are attached in **Appendix A**.

As an advisory committee established by Council, the Audit and Risk Committee does not exercise any executive powers, management functions or delegated financial responsibility. The Audit and Risk Committee may request additional information in order to fulfil its responsibilities and recommend to Council that independent legal or professional advice be obtained if and when it requires. The Audit and Risk Committee has the right to meet in camera.

## **1.2 Internal Auditor**

The Internal Auditor is ultimately accountable to Council and has access to both the Chief Executive Officer and Audit and Risk Committee.

The Internal Auditor reports to the Audit and Risk Committee for functional purposes and to the Manager Governance and Legal for administrative purposes in carrying out all Internal Audit and Risk activity.

Reporting lines are identified in the matrix contained in **Appendix B**.

The Audit and Risk Committee shall meet separately with the Internal Auditor at least annually to discuss any matters raised by the Audit and Risk Committee or the Internal Auditor.

At each Audit and Risk Committee meeting the meeting Agenda will provide the opportunity for the Internal Auditor to raise any issues or matters pertaining to its obligations as required.

The Internal Auditor will provide the Audit and Risk Committee with independent and objective assurance on internal corporate governance, risk management, internal controls and compliance to the extent identified in the conduct of the work program.

## **2 Corporate Governance**

Council recognises the importance of good corporate governance and is committed to ensuring high standards are set and maintained. The Audit and Risk Committee plays a significant role in monitoring and promoting these high standards.

Recognising that audit programs and internal controls are but one element of good corporate governance, the Audit and Risk Committee will work with management and the Internal Auditor to develop a framework for monitoring the multi-dimensional elements of corporate governance.

The work conducted by regulatory bodies in this area, including the Victorian Local Government Inspectorate, the Victorian Auditor-General's Office, the Ombudsman and the Independent Broad-based Anti-corruption Commission will be closely monitored.

The Chief Executive Officer is responsible to ensure relevant matters are promptly brought to the attention of the Audit and Risk Committee.

### **3 Effective Management of Risks**

Council seeks assurance from the Audit and Risk Committee that plans, systems and processes are in place directed at managing Council's exposure to financial and other risks. The Audit and Risk Committee's responsibilities include:

- Receiving regular reports to gain assurance that effective systems are in place within Council to identify and manage Risk
- Ensuring the Risk Management Framework is effective and efficient to identify and mitigate risks and monitoring reports on identified material business risks and the Strategic Risk profile
- Ensuring that Internal Audit plans are linked to the material business risk
- Reviewing reports (including Internal Audit reports) on the effectiveness of internal control systems
- Receiving and considering audit findings, considering the Auditors' recommendations to address control deficiencies and ensuring Management provides timely responses and implementation of agreed recommendations to enhance internal controls
- Gaining assurance that appropriate insurance arrangements are in place.
- Receiving reports on actual or suspected frauds, thefts and material breaches of legislation
- Monitoring the fraud prevention and detection framework including any action taken with respect to actual and suspected instance of fraud
- Gaining assurance processes are in place to identify emerging risks and appropriate measures are applied to manage these emerging risks
- Gaining assurance that effective Business Continuity Plans have been developed and that appropriate testing practices are in place
- Review of the Procurement Policy prior to its presentation to Council for formal adoption.

### **4 Reliable Management and Financial Reporting**

The Audit and Risk Committee will seek assurance that Council's financial systems produce management and financial reports which have a high degree of integrity by reviewing the effectiveness of management information, including financial controls and reporting.

### **5 Compliance with Laws and Regulations**

The Audit and Risk Committee will seek assurance that Council has measures in place to maintain and monitor compliance with relevant legislation and regulations

governing its operating legal environment. The Audit and Risk Committee receives reports outlining:

- Developments and changes in rules, regulations and laws which generally relate to Council's business operations
- Measures to ensure Council's compliance with legislation
- Assurance that Council has measures in place to maintain and monitor compliance with relevant legislation and regulations governing its operating legal environment, and
- Advice on Council's corporate governance arrangements, including measures for monitoring and compliance with legislation and regulation

## **6 Maintenance of Effective and Efficient Audit**

The Audit and Risk Committee will oversee audit services, ensuring that Council's internal and external audit functions are carried out in an effective and efficient manner by;

- reviewing the performance of Internal Audit and the effectiveness of the Annual External Audit
- ensuring emphasis is placed on areas where Council or its Auditors believe special attention is warranted, and
- ensuring that the internal audit plans are linked to the Strategic Risk Profile.

Where there is a contract to be awarded to appoint an Internal Auditor, the Audit and Risk Committee has a role in considering that appointment by receiving the recommendation of the Tender Evaluation Panel for recommendation to Council. An independent member of the Audit and Risk Committee will also be part of the Tender Evaluation Panel.

Where termination of the contracted Internal Auditor is contemplated, the Chief Executive Officer will provide a report to the Audit and Risk Committee recommending the termination of the Internal Auditor for endorsement by the Audit and Risk Committee and recommendation to Council.

In the event that the Internal Auditor is a staff member employed by Council the Audit and Risk Committee will be advised of any impending change to these arrangements.

### ***Audit and Risk Committee Planning***

The Audit and Risk Committee will:

- Review and adopt an annual work program for Council consideration and approval detailing the nature and timing of reports to be presented to the Audit and Risk Committee and subsequently to Council, reflecting the priorities and functions of the Audit and Risk Committee.
- Annually recommend to Council the approval of the Internal Audit Program

rolling three year plan. The audit reports will include, where applicable, management responses, accountabilities and timelines for corrective actions.

- Ensure the Internal Auditor has regard to compliance and ethics risks in the development of the internal audit work plan and in the conduct of internal audit projects and report those issues to the Audit and Risk Committee.

### ***Conflict of Interest and use of Information***

The Audit and Risk Committee members will have access to information about the day to day operations of Council including information that may be commercial in confidence. All reports tabled at the Audit and Risk Committee meetings shall be considered as confidential reports.

Members of the Audit and Risk Committee must be fully aware of their responsibilities with regard to the management of their interests in relation to the discharge of their duties as members of the Audit and Risk Committee, in particular, with regard to the use or misuse of confidential information and the disclosure of conflicts of interest. The requirements in Division 2 of Part 6 of the *Local Government Act 2020* regarding conflicts of interest apply to Audit and Risk Committee members. Members of the Committee are required to comply with Division 3 of Part 6 (personal interests returns ) of the Act, which include, among other things, the following requirements:

a. Lodgement of personal interest returns on the forms specified by Council in accordance with the Act.

The requirements in Section 123 of the *Local Government Act 2020* regarding misuse of position apply to Audit and Risk Committee members.

## **7 Administration**

### ***Membership and Attendance at Meetings (Selection and Appointment)***

The Audit and Risk Committee will :

- (a) include members who are Councillors of the Council; and
- (b) consist of a majority of members who are not Councillors of the Council (independent members) and who collectively have:
  - (i) expertise in financial management and risk; and
  - (ii) experience in public sector management; and
- (c) not include any person who is a member of Council staff.

The Audit and Risk Committee is to comprise three independent members and two Councillors [note: subject to Council decision], and be chaired by an independent member.

Councillor members are appointed by Council annually at the time Council considers the formal Councillor Assignments. Council, in its absolute discretion, may appoint a Councillor member to a two year term.



Independent members shall be appointed for a term of three years or as otherwise determined by Council. At the conclusion of their initial term, existing members will be eligible to apply to be reappointed at the discretion of Council for a further term. A maximum of six years may be served by an independent member. Council will consider the terms of existing independent members when appointing an independent member to stagger the expiry terms of independent members to ensure seamless continuity of the Committee's function.

Independent members will be recruited via public advertising and appointed by Council on the recommendation of a selection panel comprised of the Chief Executive Officer, Mayor or delegate, Manager Governance and Legal and a Councillor member of the Audit and Risk Committee.

The Chairperson is appointed by Council (or its delegate(s)) for a two year term from the independent members of the Audit and Risk Committee on the basis that any independent member (including the incumbent Chair) may nominate for the role. In the absence of the appointed Chairperson, the meeting will appoint an acting Chairperson from the independent members present. In the event that the chair is vacated before the Chairperson's term has expired, Council will appoint an acting Chairperson until a replacement has been selected. Where an independent member resigns mid-term, a new independent member will be recruited as soon as is practicable. This new appointee shall be appointed for a two year term or as otherwise determined by Council.

Should the resignation or retirement of more than one independent member coincide then the Council may extend the remaining independent member's term by one year to ensure continuity.

### ***Fees***

Council will pay a fee to independent members of the Audit and Risk Committee as set by Council from time to time. The fee will be indexed each year to the relevant, most recently released movements in the Consumer Price Index (CPI All Groups Melbourne) and adjusted annually on 1 July. The fee amount may be rounded up so as to be divisible by the number of meetings held each year. Payment will be made on receipt of an invoice from independent members after each Audit and Risk Committee meeting.

### ***Role of Chairperson***

The role of the Audit and Risk Committee Chairperson includes, but is not limited to:

- Meet with Management before and after each Audit and Risk Committee meeting to assist with ensuring meetings are conducted effectively and cover all required matters.
- Discuss with Management any proposed changes to Audit and Risk Committee member's roles and responsibilities before any reports proposing such changes are prepared for Audit and Risk Committee consideration.



- Chairing meetings of the Audit and Risk Committee in accordance with the formal meeting agenda distributed by Council's Governance Team.
- Providing Committee members an opportunity at the commencement of meetings to nominate additional items for the Agenda at that meeting or subsequent meetings.
- Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening.
- Providing time during Audit and Risk Committee Meetings for any Committee member to raise any issue they believe relevant.
- Review minutes of Audit and Risk Committee meetings prior to their distribution to Committee members to ensure they accurately reflect agreed meeting outcomes.

The Chairperson has no executive authority on behalf of Council but can be consulted as required, as a sounding board by the Chief Executive Officer or Manager Governance and Legal on matters set out in paragraph 1.1.

### ***Meetings, Quorum and Voting***

- The Audit and Risk Committee is to meet as needed on the basis of scheduled dates, however, it is expected it would meet at least four times per annum
- Audit and Risk Committee meetings are to be structured with the use of an agenda and supporting papers
- A quorum for meetings of the Committee will be three members with a minimum of one Councillor member and one independent member.
- All Audit and Risk Committee meetings, agenda papers and discussions are to be treated as confidential.
- The Chief Executive Officer will ensure the preparation and maintenance of agendas, minutes and reports of the Audit and Risk Committee.
- Audit and Risk Committee agendas and supporting papers should be well documented and circulated two weekends prior to the next meeting to allow members time to review the information before the meeting.
- Draft minutes are to be provided to the Chairperson as soon as practicable after the meeting for clearance and then to the Audit and Risk Committee members.
- Following adoption by the Committee, the minutes will be signed by the Chairperson.
- Voting and the resolution of motions before the Audit and Risk Committee are to be conducted according to the City of Boroondara Governance Rules.
- The Chief Executive Officer is expected to attend all meetings, and internal auditors will be invited to attend all meetings except in situations where the Chairperson deems such attendance inappropriate. External Auditors may also be invited to attend any Audit and Risk Committee meeting at the discretion of the

Chairperson.

- The Chairperson will convene a special meeting of the Audit and Risk Committee at the request of the Council.
- The Chairperson and the CEO may convene a special meeting of the Audit and Risk Committee or at the request of an Audit and Risk Committee member, the Internal Auditor or External Auditor.

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

- The Audit and Risk Committee will prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations, and provide a copy of the biannual report to the Chief Executive Officer for tabling at the next Council meeting.
- The Chairperson may request to brief Council on a significant issue on the recommendation of the Audit and Risk Committee and otherwise as requested by Council.
- Copies of all Audit and Risk Committee, agendas, minutes, formal resolutions are to be provided to Council and confirmation of this will be provided back to the next Audit and Risk Committee meeting. Copies of all reports tabled at Audit and Risk Committee meetings can be accessed at any time by Councillors via the Electronic Business Papers system.
- The Audit and Risk Committee will report to Council at the next practical Council meeting following each Audit and Risk Committee meeting.
- This report will identify the subject matters considered by the Committee and outline the actions of the Committee.
- The report shall also identify any matters requiring a resolution of Council.
- Each report to Council will report on progress of the Committee against the adopted Annual Plan.
- At the end of each financial year, the Chairperson of the Audit and Risk Committee will formally report on the operations of the Audit and Risk Committee to the Council meeting that considers Council's Annual Report. The report will include commentary on agendas, meeting outcomes, and Internal Audit's comment on the operation and performance of the Audit and Risk Committee for the prior year.

### ***Performance and Review***

- The Audit and Risk Committee will undertake a self-assessment annually of its performance against the Audit and Risk Committee Charter, and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.
- The Audit and Risk Committee will review the Audit and Risk Committee Charter annually and may make recommendations to the Council regarding the Charter. Any changes to the Charter must be approved by the Council.

## 8 Appendix A

### ***Measures to assist identification of Audit and Risk Committee success in carrying out its defined role.***

| Role   | Measures  |
|--|---|
| <p>1. Monitor and provide advice regarding the internal control framework including policies and procedures as they apply to:</p> <ul style="list-style-type: none"> <li>○ financial reporting and management</li> <li>○ Information and Communications Technology (ICT) governance and usage</li> </ul>   | <p>In addition to the distribution and review of Quarterly Performance Reports (refer below), and the receipt of Internal Audit reports, the Audit and Risk Committee annually reviews all Accounting policies and financial statement disclosures in advance of the preparation of the Annual Financial Statements.</p> <p>The Audit and Risk Committee Annual Plan contains standing reports on IT security, external penetration testing, governance of the Boroondara Customer First program and outcomes of disaster recovery testing.</p>   |
| <p>2. Monitor compliance of Council's policies and procedures with the:</p> <ul style="list-style-type: none"> <li>a. overarching governance principles</li> <li>b. <i>Local Government Act 2020</i></li> <li>c. Local Government Regulations 2020, and</li> <li>d. any Ministerial directions.</li> </ul> | <p>The Audit and Risk Committee Annual Plan includes the annual Legal and Ethical Certification report.</p> <p>Each meeting agenda provides the Chief Executive Officer the opportunity to bring to the Committee's attention any breaches of legislation.</p> <p>An annual update is provided to the Committee on the outcomes of the Chief Executive Officer's review of the Gifts and Hospitality Register.</p> <p>Each meeting agenda contains an opportunity for the Committee to consider reports by VAGO, IBAC and other regulatory and integrity bodies within the local government sector.</p> |

|   |  |
|---|--|
| <p>3. Monitor Council financial and performance reporting, including</p> <ul style="list-style-type: none"> <li>a. review of the application of appropriate accounting policies and procedures including management's judgements, estimates and disclosures</li> <li>b. Review of processes for the identification, nature, extent and reasonableness of related party transactions.</li> </ul> | <p>The Audit and Risk Committee members shall receive copies of all Quarterly Performance Reports. An Internal Audit review shall be commissioned periodically to report on the basis of production of the QPR and the reliability of the financial information contained therein.</p> <p>Application of accounting policies will be subject to annual verification and sign off by the Auditor-General during audit of Annual Financial Statements.</p> |
|---|--|

| Role   | Measures   |
|--|--|
| <p>4. Monitor and provide advice on risk management and fraud prevention systems and controls, including</p> <ul style="list-style-type: none"> <li>a. measures to provide early warning of any issues affecting Council's financial well-being</li> <li>b. the level and effectiveness of business continuity and disaster recovery planning</li> <li>c. maintenance and fostering of an ethical environment</li> <li>d. measures to ensure Council's risk management frameworks and culture respond appropriately to material risks</li> </ul> | <p>Internal Audit programs shall be developed to address major risks identified within Council's Strategic Risk Register.</p> <p>Regarding financial well-being, the Audit and Risk Committee shall receive copies of the Quarterly Performance Report (QPR) and will have the opportunity to ask questions of Officers at Audit and Risk Committee meetings regarding the contents of the QPR.</p> <p>The Audit and Risk Committee shall, as part of its Annual Plan, receive reports documenting the progress of Council's Business Continuity and Disaster Recovery Planning. At appropriate stages of the implementation of resultant strategies, Internal Audit reviews shall be commissioned.</p> <p>The Audit and Risk Committee will provide assistance and guidance to support management's maintenance and fostering of an ethical operating environment</p> |
| <p>5. Oversee internal and external audit functions</p>  | <p>The Audit and Risk Committee shall approve the Annual Internal Audit Program ensuring it is satisfied with the coverage of the proposed reviews and that they can be conducted within budget constraints.</p> <p>The Audit and Risk Committee receives all Internal Audit reports and representatives from Internal Audit shall attend all meetings.</p>  |

| Role  | Measures  |
|---|---|
|   | <p>The External Auditor shall present the Audit and Risk Committee with an annual work program at the May meeting each year. Representatives from the external audit firm shall be present at Audit and Risk Committee meetings where Annual Financial Statements are tabled for consideration and recommendation to Council.</p> <p>The Audit and Risk Committee will be provided with the opportunity to meet with the External Auditor without Management being present at least annually.</p> |
| <p>5 Monitor compliance with applicable<br/>6. laws and regulations</p> | <p>The Audit and Risk Committee shall receive audit reviews of Council's compliance status with significant corporate legislative changes.</p> <p>Acceptance and participation in the development and implementation of the highest standards of corporate governance.</p>  |

