

Audit and Risk Committee Charter

V2.1 9 August 2022

HOBSONS
BAY CITY
COUNCIL



Acknowledgements

Council acknowledges the Bunurong People of the Kulin Nation as the Traditional Owners of these municipal lands and waterways and pay our respects to Elders past and present.

The Council acknowledges the legal responsibility to comply with the *Charter of Human Rights and Responsibilities Act 2006*, the *Equal Opportunity Act 2010* and the *Gender Equality Act 2020*. The Charter of Human Rights and Responsibilities is designed to protect the fundamental rights and freedoms of citizens. The Charter gives legal protection to 20 fundamental human rights under four key values that include freedom, respect, equality and dignity.

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1. Background

The Hobsons Bay City Council Audit and Risk Committee is an independent Committee of Council, appointed by Council pursuant to Section 53 of the *Local Government Act 2020*. The Act states that the Audit and Risk Committee is not a delegated committee, as defined by the Act.

The Audit and Risk Committee Charter has been developed having regard to 'Audit Committee - A Guide to Good Practice for Local Government', January 2011 issued by the Minister of Local Government and the Victorian Auditor General's report 'Audit Committee Governance' of August 2016 (including the Standing Directions of the Minister for Finance 2016).

The Charter sets out the Audit and Risk Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

The primary objective of the Audit and Risk Committee is to provide confidence in Council to fulfil its corporate governance responsibilities through the oversight of Council's accounting and financial reporting practices, management of risk, maintenance of a reliable system of internal controls, operation of good governance and fostering a culture of sound organisational ethics.

The Audit and Risk Committee will contribute to and report on the continuous improvement activities made by the actions of the Committee to Council.

The Audit and Risk Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibilities. The Audit and Risk Committee does not have any management function and is therefore independent of management.

Part of Council's governance obligations to the community requires that Council has constituted an Audit and Risk Committee to provide the Council with guidance, advice and opinion on:

- Financial and performance reporting
- Compliance of Council policies and procedures
- Risk management and fraud prevention systems and controls
- Council's internal and external audit functions
- Communication and the relationship between the external auditor, internal auditor, management and Council; and various matters within the Charter in order to facilitate effective and well governed decisions by the Council

The internal, external auditors and other assurance providers support the Audit and Risk Committee by providing independent and objective assurance on internal corporate governance, risk management, internal controls and practical compliance strategies.

An Audit and Risk Committee work plan is established and reviewed annually to ensure the Committee effectively discharges its responsibilities in a planned and targeted manner consistent with Council's identified risk appetite.

2. Authority

The Audit and Risk Committee is an independent committee of Council, formally appointed by Council pursuant to Section 53 of the *Local Government Act 2020*. Council authorises the Committee within its scope of responsibility to:

- Perform activities within the scope and intention of this Charter
- Request the attendance of Senior Council officers at meetings as appropriate
- Request through the CEO access to members of the management team, employees and relevant information as required
- Oversee the performance of the external auditor
- Meet in private without the attendance of management
- Request assistance to obtain necessary legal, accounting or other professional advice through the officer designated by the CEO
- Make formal recommendations to the Chief Executive Officer within the scope of the Committee where identified matters require a heightened level of focus or resource

3. Membership

The Audit and Risk Committee will be comprised of five members as follows:

- Three (3) suitably qualified independent members
- Two (2) Councillors

Pursuant to Section 53 of the *Local Government Act 2020*, the Chair of the Audit and Risk Committee must not be a Councillor of the Council. The whole Committee will recommend appointment of the Chair to the Council. Only the Council can formally appoint the Chair, which will be subject to a formal resolution at a Council Meeting. The Chair of the Committee shall be appointed annually.

The Chair of the Audit and Risk Committee shall have a casting vote on occasions where there is an equal number of votes on a matter. In the absence of the appointed Chair from a meeting, the Committee will appoint an acting Chair from the independent members present.

A quorum is no less than three (3) members comprising two independent members and at least one Councillor member.

All members have full and equal voting rights on all matters considered by the Committee unless a member is unable to vote due to a conflict of interest. Resolutions shall pass on a simple majority vote, or where no vote is taken, at the discretion of the Chair.

The Chief Executive Officer, Director Corporate Services, Chief Financial Officer (Council's Principal Accounting Officer), the Manager of Corporate Integrity (Legal Counsel) and the Internal Auditor (once appointed) are not members of the Audit and Risk Committee but should attend meetings in an advisory capacity.

The Mayor of the day and any Councillor are welcome to attend as non-voting attendees and ask questions of the Audit and Risk Committee, the Chief Executive Officer or the management representatives in attendance.

In circumstances where a formal quorum of the Committee is not reached, any Councillor in attendance at the Audit and Risk Committee may proxy for an absent Audit and Risk Committee Councillor member to enable the meeting to progress.

In such circumstances, the Councillor acting as a proxy member will have full voting rights throughout the remainder of the meeting.

Attendance and participation by a member of the Committee can be undertaken via online media with agreement by the Chair.

4. Terms of Appointment

Independent Members

The appointment of external independent members shall be made by Council following a public advertisement process, through electronic job boards, Council's website, and through local and/or statewide newspapers as applicable.

The applications for membership will be assessed against appropriate criteria. The criteria will fall within the areas of:

- level and breadth of senior business, management, finance and accounting, legal and/or audit experience
- level of familiarity in relation to local government operations, financial reporting and auditing requirements, risk management and corporate governance
- previous Audit and Risk Committee experience
- appropriate qualifications
- the existing mix of skills and experience of the remaining Independent Audit and Risk Committee members

The selection panel for appointment to the Audit and Risk Committee will consist of the Mayor, the Chief Executive Officer (or delegate) and the nominated Councillor members of the Audit and Risk Committee. A recommendation for appointment of an external Independent Committee member will be endorsed by a resolution of Council.

Independent members shall be appointed for a term of three (3) years. The term of each member should be arranged so that there is an orderly rotation of membership to ensure the retention of knowledge and historical context.

At the conclusion of the independent members first three-year term, existing members will be eligible to apply to be reappointed at the discretion of Council for a second three-year term. Independent members can only serve for two consecutive terms unless otherwise determined by Council resolution. Where necessary, an independent member may be asked to continue beyond their term for a short period of time to assist with the transition of knowledge.

In the event 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 if that member so requests.

Remuneration will be paid to each independent member of the Audit and Risk Committee as set by Council. The remuneration shall be based on a set fee per meeting with an additional amount paid to the Chair.

No less than once every Council term (4 years), the fee paid to Independent Members will be benchmarked against no less than five other like councils to provide the Council with the information required to fully review fees.

Councillor members

The Councillor members of the Audit and Risk Committee shall be appointed annually by Council at its 'Council and Community Committees and Groups – Appointment of Delegates and Proxies' meeting.

The term of the Councillor member to the Audit and Risk Committee shall be for a one-year term, and may be appointed by Council for further terms.

5. Meetings

Conduct of meetings shall be consistent with Council's Governance Rules, or at the discretion of the Chair.

The Committee shall meet a minimum of four times per year. A schedule of meetings and an annual work plan will be developed and agreed to by the members.

Meetings will be arranged to coincide with the Council meeting cycle and reporting deadlines, in particular the finalisation of the Annual Financial and Performance Statements and the Draft Annual Report to the Minister for Local Government.

Should additional meetings be deemed necessary by the Audit and Risk Committee, the Audit Committee Chair shall write to the Chief Executive Officer requesting the establishment of an additional meeting. Approval for such a request will not be unreasonably withheld.

Members of the Committee are expected to attend every meeting of the Committee.

The agenda and supporting documentation will be circulated to members of the Audit and Risk Committee at least one week in advance of each meeting.

The minutes will be presented to the Council following the Audit and Risk Committee Meeting.

Council shall provide administrative support to the Audit and Risk Committee.

The following requirements shall apply to all meetings of the Committee:

- Other Councillors may attend meetings in an observer capacity
- The Committee may invite, permit or request any person/s to attend Audit and Risk Committee Meetings, as it deems necessary
- The Chief Executive Officer, Director Corporate Services, Chief Financial Officer and the Manager of Corporate Integrity will represent the organisation and attend all meetings
- Other Council staff may be invited to attend at the discretion of the Committee or Chief Executive Officer to advise and provide information when required
- Council staff and Councillors who are not members of the Committee will not have a right to vote and may be excluded from meetings when votes are taken or as required by the content
- The internal auditor (as appointed by the CEO) should attend all meetings where internal audit reports are presented or as requested by the Committee, except when the Committee chooses to meet in-camera
- The external auditor (as appointed by the Victorian Auditor General (VAGO)) should attend the meeting when the annual financial accounts and external audit management reports are considered and at other meetings as appropriate
- The Audit and Risk Committee Members, Chief Executive Officer, internal or external auditor may request to meet in-camera at the convenience of the Committee

- Any party related to the business of Council may be invited to make presentations to the Committee as appropriate
- The Committee will meet at least once annually with the external and internal auditors (separately) without management present

6. Performance

The Audit and Risk Committee must undertake an annual assessment 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. This evaluation will be administrated via a combination of self-assessments by the Audit and Risk Committee members, and assessment by the Chief Executive Officer, the internal auditor and other regular attendees of Audit and Risk Committee Meetings.

The assessment will be undertaken via the administration of an anonymous questionnaire examining Audit and Risk Committee effectiveness, culture, collaboration, Audit and Risk Committee Chair performance and overall contribution to the performance and continuous improvement of Council.

The summary results of the evaluation will be included in the Audit and Risk Committee Minutes at least annually. If the performance is unsatisfactory then the Chief Executive Officer will request that the Committee devise a plan and provide it to Council as to how the shortfalls could be remedied.

7. Insurance

Members of the Audit and Risk Committee are covered by Council's insurance policies whilst engaged in the business of the Committee. The Council will indemnify and keep indemnified each independent member of the Committee against all actions and claims whether arising during or after their term of appointment in respect of anything necessarily done or reasonably done or omitted to be done in good faith –

- a. In the performance of a duty or function or the exercise of any matter under the Act, regulations, a local law or this Charter
- b. In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a matter under the Act, regulations, a local law or this Charter

8. Conflict of Interest

In accordance with Section 130 of the *Local Government Act 2020* members of the Audit and Risk Committee will be required to disclose all conflicts of interest and will not be eligible to vote on a matter or attend the part of the meeting at which the subject of the conflict will be considered.

Members of the Audit and Risk Committee must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper disclosure of any conflicts of interest as and when they may arise.

Members of the Audit and Risk Committee must be fully aware of the statutory definitions of a general conflict of interest or a material conflict of interest. These definitions are specifically set out in sections 127 and 128 of the Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the member's appointment being terminated.

9. Reporting

The Audit and Risk Committee is required to:

- a. Prepare a biannual Audit and Risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations
- b. The Audit and Risk report must provide details of all continuous improvement actions that have been taken as a result of the Committees oversight
- c. Provide a copy of the annual assessment and the Audit and Risk Report to the Chief Executive Officer for tabling at the next Council meeting

The Audit and Risk Committee shall after every meeting forward the minutes of that meeting to the next Meeting of Council.

The Hobsons Bay City Council Annual Report will contain information on Audit and Risk Committee membership, number of meetings held, attendance record, audit processes and results of works completed by the internal and external auditor.

The Audit and Risk Committee shall report to Council on any matters of significance as determined by the Audit and Risk Committee.

The Audit and Risk Committee Chair shall attend a Councillor Briefing once a year to:

- report on the Audit and Risk Committee performance and progress
- recommend approval of the Internal Audit Program for the coming year and
- summarise the activities of the Audit and Risk Committee during the previous financial year

10. Confidentiality

All Committee members are expected to be aware of their responsibilities with regard to the confidentiality of information about Council's affairs pursuant to section 125 of the Act and will be required to sign a confidentiality and non-disclosure agreement at the commencement of their appointed term. Failure to comply with the provisions of the Act or the signed confidentiality and non-disclosure agreement may result in, but not be limited to, the member's appointment being terminated.

Breaches of the confidentiality and non-disclosure agreement may result in Council seeking advice which may result in Council taking legal action against a member of the Audit and Risk Committee who has breached the requirements of this agreement should such a breach cause damage to reputation or financial loss to Council.

11. Duties and Responsibilities

The primary accountability of the Audit and Risk Committee is to assist Council to fulfil its responsibilities in relation to the Council's accounting policies, risk and performance management, internal control systems, internal audit function and financial reporting practices. This is to be done in a collaborative and constructive manner, fit for the purposes of ongoing continuous improvement of Council's operations and governance activities.

The duties of the Audit and Risk Committee include:

a) External Audit

The Audit and Risk Committee will:

1. Review the external auditor's proposed audit scope and approach to be applied each year in light of Council's present circumstances and changes in regulatory, legislative and other requirements
2. Review with the external auditor Council's draft annual financial statements focusing on:
 - accounting policies and Approved Accounting Standards
 - changes to accounting policies and Approved Accounting Standards
 - significant adjustments to the financial statements (if any) arising from the audit process
 - compliance with accounting standards and other reporting requirements of financial and non-financial information
 - significant variances with explanations from prior years
3. In conjunction with the external auditor, review Council's Draft Performance Statement and consider the results in the context of the quarterly reports received throughout the year challenging any unusual or unexpected results
4. Discuss and review with the external auditor issues arising from the audit including all Management Letters issued by the auditor for completeness and appropriateness
5. Ensure findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately acted upon
6. Meet separately with the external auditor to discuss any matters that the Committee or external auditor believe should be discussed privately. Ensure the external auditor has access to the Committee Chairperson when required
7. Consider the independence of the external auditor in the context of any other services provided to Council. It is proposed that the external auditors would not provide services other than external audit functions
8. Review on an annual basis the performance of the external auditor

b) Internal Audit

The Audit and Risk Committee will:

1. Review the level of resources allocated to internal audit and the scope of its authority
2. Review the strategic three-year rolling plan and annual plan of the internal auditor to ensure that it takes into consideration the risk profile and appetite of Council
3. Review the scope of the internal audit plan and the effectiveness of the function, evaluating whether the plan addresses the following issues:
 - Effectiveness of internal controls over significant areas of risk, including non-financial management control systems
 - Effectiveness of internal controls over key processes relating to revenue, expenditure, assets and liabilities
 - Efficiency and effectiveness of significant Council programs
 - Compliance with legislation, policies, best practice guidelines and contractual arrangements

4. Review progress on delivery of annual internal audit plan
5. Receive, review and approve the scope of work for each proposed audit prior to the audit being undertaken
6. Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
7. Ensure the significant findings and recommendations made by the internal auditor, and management's proposed responses are received, discussed and appropriately acted upon
8. Monitor action by management on internal audit findings and recommendations
9. Review the appropriateness of special internal audit assignments by internal audit at the request of the Chief Executive Officer
10. Consider the independence of the internal auditor in the context of any other services provided to Council; and advise the Audit and Risk Committee of other reviews or services provided by the Internal Auditors in the Internal Audit Status Report
11. Monitor the effectiveness of the internal audit function on an ongoing basis
12. Ensure there are no unjustified restrictions or limitations placed on the internal auditor
13. Meet with the internal auditor annually or as required to consider any matters that the Audit and Risk Committee or internal auditor should discuss privately
14. Review on an annual basis the performance of the internal auditor, and where performance is not considered satisfactory, discuss with Council and management any proposal to undertake a tender process for the appointment of a new internal auditor

c) Financial Reporting

The Audit and Risk Committee will:

1. Review Council's financial position, the receipt of Council's Quarterly Financial Management reports or the monthly financial report whichever is more current and report to Council on any material issues which may require action
2. Review significant accounting and reporting issues including complex or unusual transactions and concerns regarding highly judgmental decisions, recent professional and regulatory announcements and understand their impact on financial reports
3. Review the Annual Financial Report and Performance Statement prior to approval by Council and determine whether they are complete and consistent with the information known to the Committee members and assess whether the financial report reflects appropriate accounting treatments and complies with all relevant standards and regulatory requirements
4. Review with management and the external auditors all matters required to be communicated to the Audit and Risk Committee under the Australian Auditing Standards
5. Monitor the progress of any litigation, claim or contingency which could have a material effect on Council's financial position or operating result
6. Recommend to Council the adoption of the Annual Financial Report incorporating the Annual Performance Statement to Council. Review any significant changes and the reasons for the changes that may arise subsequent to such recommendation but before the Statements are signed

d) Ethical and Statutory Compliance

The Audit and Risk Committee will:

1. Consider the effectiveness of the systems and processes for monitoring compliance with legislation and regulations
2. Obtain regular updates from management about compliance and non-compliance matters of material significance pertaining to ethical, statutory, related party and legal issues
3. Keep informed of the findings of any examination by regulatory or integrity agencies (whether related to investigations at Council or other agencies) and monitor management's response to such findings

e) Risk Management

The Audit and Risk Committee will:

1. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems
2. Review Council's Risk Management Policy and Framework and risk profile
3. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately
4. Receive status reports on a regular basis from the risk register and actions being taken to manage identified risks
5. Monitor the progress of any significant or material lawsuits facing the Council
6. Monitor the effectiveness of Council's Business Continuity processes and practices, including whether business continuity and disaster recovery plans have been regularly updated and tested
7. Receive an update on the annual insurance program

f) Fraud Control and Compliance

The Audit and Risk Committee will:

1. Review the adequacy and effectiveness of systems and controls for providing a sound internal control framework
2. Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs
3. 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
4. Monitor the effectiveness of Council's fraud prevention and detection framework, including any action taken with respect to actual and suspected instances of fraud
5. Consider any subsequent investigation, including the investigation of any suspected cases of fraud
6. Receive status reports of occurrences of fraud (if any)

g) Other Responsibilities

The Audit and Risk Committee will:

1. Consider the findings and recommendations of relevant audits undertaken by the Victorian Auditor General's Office (VAGO), the Victorian Ombudsman, Independent

Broad-based Anti-corruption Commission (IBAC) and other agencies and to ensure Council considers the relevant recommendations

2. Review and consider quarterly performance reports based on Local Government Victoria's Performance Reporting Framework
3. Enquire as to the internal control framework and level of assurance received around the accuracy and completeness of the quarterly performance information reported
4. Perform other activities related to this Charter as requested by Council
5. Undertake an assessment of its performance against the Charter on an annual basis.
6. Report on the Audit and Risk Committee's contribution to continuous improvement

h) Appropriate Behaviour by members of the Committee

Members of the Audit and Risk Committee will:

1. Strive to attend all meetings, sending apologies to the Chair for necessary absences
2. Prepare for the meeting by reading the agenda, papers and any emails before the meeting
3. Talk to the Chair before the meeting if you need to clarify anything
4. Arrive on time. Stay to the end
5. Participate fully in the meeting
6. Listen to what others have to say and keep an open mind
7. Contribute positively to the discussions
8. Try to be concise and avoid long drawn out explanations
9. Help others concentrate on the meeting. Discourage side conversations
10. Have the best interests of the organisation/beneficiaries in mind at all times
11. Draw attention to any potential conflicts of interest that may arise in the meeting
12. Fulfil any responsibilities assigned to you at the meeting and be prepared to report back on your progress at the next meeting
13. Treat all Committee Members with respect and courtesy at all times
14. Not interrupt or speak over another person speaking
15. Direct all questions through the Chair
16. Direct any requests for Council officers to provide information or perform an action through the Chair to the CEO
17. Not criticize, chastise or insult an officer or the Council during the meeting
18. Provide constructive feedback which will not offend, imply incompetence of an officer or humiliate an officer attending the meeting

12. Review of the Audit and Risk Committee Charter

The Audit and Risk Committee will review the Audit and Risk Committee Charter at least once every four years and recommend changes to Council for approval.

13. Document Control

Name	Audit and Risk Committee Charter
Object ID	
Responsible Directorate	Corporate Services
Document Owner	Andrew McLeod – Director Corporate Services
Date Authorised	9 August 2022
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Version History

Version Number	Date	Authorised by
1.0	August 2020	Council
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2.1	9 August 2022	Recommended by Audit and Risk Committee on 25 May 2022 Endorsed by Council on 9 August 2022