



Audit and Risk Committee Charter

Purpose

In accordance with section 53(1) of the *Local Government Act 2020* (the Act), Council must establish an Audit and Risk Committee (the Committee). Pursuant to section 54(2) of the Act, this Charter specifies the functions and responsibilities of the Committee.

The purpose of the Committee is to provide a structured, systematic oversight of Council's governance, risk management and internal control practices. This serves to provide Council with confidence in the integrity of these practices.

Establishment

The Audit and Risk Committee has been established under Section 53 of the *Local Government Act 2020*.

Membership is established in accordance with this Charter and section 53 of the Act through resolution of Council.

Authority

The Audit and Risk Committee acts in an advisory capacity to the Council only and reports directly to the Council.

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter.

To empower the Committee to discharge these responsibilities, Council authorises the Committee to:

- Provide advice and make recommendations to Council on matters within the Committee's areas of responsibility.
- Review key documents and reports that must be approved by the Council, including annual financial reports, annual performance statements, new or revised policies and other documents that assist in maintaining a strong internal control environment.
- Review and recommend to the Council, for approval the three-year rolling strategic internal audit plan, the annual internal audit plan and any major changes to them, ensuring the proposed strategic internal audit plan appropriately considers Council's strategic risks and allocated budget for the internal audit plan.
- Review and approve proposed scopes for each review in the annual internal audit plan.
- Meet solely with the Internal Auditor at least twice per year without management present.
- Meet solely with the External Auditor at least once per year without management present.
- Request, through the CEO, appropriate management support to enable the Committee to discharge its responsibilities effectively.
- Request, through the CEO, the attendance of Council Officers at meetings, and request the attendance of internal audit, external audit or other assurance providers, where appropriate.
- Request, through the CEO, or recommend directly to the Council, the appointment of relevant independent experts where the Committee considers that it is necessary in order to execute its responsibilities.

Pursuant to section 53(2) of the Act, the Committee does not have and, therefore, cannot exercise any executive powers, or management functions. The Committee does not have any delegated financial responsibility.

The scope, functions and responsibilities of the Committee are set out in this Charter. Any request made to Officers by the Committee that falls outside of the express provisions of this Charter will be assessed at the discretion of the Chief Executive Officer (CEO).

Role of the Committee

The Committee's functions and responsibilities, as dictated by section 54(2) of the Act, are to:

- (a) *monitor the compliance of Council policies and procedures with—*
 - (i) *the overarching governance principles; and*
 - (ii) *the Act and the regulations, and any Ministerial directions;*
- (b) *monitor Council financial and performance reporting;*
- (c) *monitor and provide advice on risk management and fraud prevention systems and controls;*
- (d) *oversee internal and external audit functions.*

The Committee must adopt an annual work plan to outline how the above listed activities will be achieved.

Responsibilities

Legislative Compliance

Council Policies

- Where a relevant Council policy/procedure has recently been reviewed by Officers, assess it against the overarching governance principles, the *Local Government Act 2020* and any other Act or Ministerial direction to monitor compliance prior to its presentation to the Council.
- From time to time provide insight into Council policies/procedures within areas of collective expertise.
- Where any change to legislation is made, review any relevant or effected policy for legislative compliance with the Act or Ministerial direction.
- Review the CEO Employment Matters Policy and Terms of Reference for the CEO Employment Matters Advisory Committee every three years and monitor compliance with the Act.

Financial Policies

- Consider recent developments in accounting principles or reporting practices that may affect Council, and assess any subsequent adaptations made to Council policies.
- Assess Council's accounting policies against the financial management principles (s.101 of the Act).
- Intermittently review the Council's Investment Policy.

Financial Management (including Performance Reporting)

Monitor Council's financial and performance reporting:

- Review the annual financial statements and annual performance statement and make any recommendations to Council concerning their adoption.
- Review Council's financial position via the receipt of a quarterly financial report.
- Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.
- Receive details of all Councillor and delegated Committee member reimbursements per section 40(2) of the Act.
- Receive details of CEO reimbursements.
- Review and monitor any financial risks, including current and future liabilities, any beneficial enterprises of Council, and any litigation, claim or contingency which could have a material effect on Council's financial position or operating result.
- Review accounting issues including asset revaluation, impairment consideration, new standards application and other technical accounting issues.
- Report to Council on any material financial issues which the Committee agrees may require action.

External Audit

Oversee Council's external audit functions:

- Review the annual external audit plan.
- Review the external audit interim audit report.
- Review the results as reported in the external closing audit report, including any:
 - difficulties encountered;
 - complex and/or unusual transactions;
 - related-party transactions; and
 - judgmental areas for adjustments recommended by the external auditors, for example, those involving valuation of assets and liabilities; environmental liability and other commitments and contingencies.
- Review the appropriateness, timeliness and effectiveness of the management comments made in response to any external auditor recommendations.
- Report to Council any significant issues identified upon completion of review and discussion with management and external auditors regarding the external audit report.
- Sight representation letters signed by management, considering their completeness and the appropriateness of information provided.
- Review the external auditor's performance.
- Maintain an awareness of local government performance audits undertaken by VAGO, ensuring Council have assessed any relevant recommendations and actioned accordingly (if required).
- At least annually, meet with the external auditor in an "in-camera" session, without management present.

Risk Management (including Business Continuity)

Monitor and provide advice on risk management:

- Review Council's risk appetite statement, risk management framework and risk register, including management's assessment of Council's risks.
- Review the process/es for effective identification of strategic and operational risks, and the processes for assessment, development and implementation of treatment plans.
- Review the appropriateness and effectiveness of Council's business continuity plans.
- Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.
- Receive reports from management, including management responses, on the findings of any examinations by regulatory or integrity agencies related to investigations relevant to Council or operations of Council, such as the Ombudsman, IBAC, and Victorian Local Government Inspectorate. Where action by management is required, monitor progress.

Internal Controls (including Fraud Controls)

Monitor and provide advice on fraud prevention systems and controls:

- Consider the effectiveness of internal controls for the security of information technology systems and applications.
- Review the effectiveness of established fraud controls in preventing or mitigating fraud, and any fraud policies.
- Review the compliance framework and assess its effectiveness in achieving legislative compliance.
- Review results and frequency of any control tests conducted relevant to cyber security, fraud and legislative compliance.
- Determine whether security, fraud and compliance systems and controls are reviewed regularly and updated where required.
- Review any significant changes to security, fraud and compliance systems and controls to assess whether those changes significantly impact Council's risk profile.
- Assess whether the control environment is consistent with the overarching governance principles.
- Review Council's gifts, benefits and hospitality register.

Internal Audit

Oversee Council's internal audit functions:

- Review and endorse the Internal Audit Charter.
- Work with management to make recommendations to Council on the appointment of the internal auditor.
- Review, make recommendations and recommend to the Council for approval of the draft three-year internal audit plan.
- Review the three year internal audit plan annually to ensure it remains current to the needs of the organisation.
- Review progress on the annual internal audit program.
- Review all internal audit reports, including management responses, and advise Council of and make any associated recommendations on any significant issues identified.
- Monitor action and progress taken by management on audit recommendations and the agreed management responses.
- Review the effectiveness of the internal audit function annually through the results of an internal audit survey administered by the internal auditors.
- At least twice annually, meet with the internal auditor in an "in-camera" session, without management present.

Committee

- Complete an annual self-assessment of committee performance against the Audit and Risk Committee Charter and provide a copy of the assessment to the CEO for tabling at the next Council meeting.
- Review the Audit and Risk Committee Charter and recommend for Council adoption annually.
- Review and adopt a work plan annually.
- Complete a biannual audit and risk report to the Council on the recommendations and activities of the Committee, with administrative support from Council Officers.

Where the Committee makes recommendations that are proposed to be addressed by Council with more immediacy than the biannual report will allow for, the meeting minutes, or a specific report addressing the recommendation/s made by the Committee will be drafted by Officers under the direction of the Committee Chair and submitted to the next practicable Council Meeting for debate and decision.

Membership

Appointment to the Committee will be in accordance section 53 of the Act.

In accordance with section 53(3) of the Act, the Audit and Risk Committee will consist of:

- Two Councillors; and
- A minimum of three, but up to four suitably qualified independent members.

Council's Gender Equality and Diversity Plan will be considered as part of membership recruitment.

In accordance with section 53(4) of the Act, no member of Council staff is eligible for appointment to the Committee. The CEO, General Manager Strategy and Effectiveness and Council's internal auditors are not members but may attend meetings in an advisory capacity.

Council's external auditors will be invited to attend meetings at least twice annually in an advisory capacity.

Independent Member Qualifications

The evaluation of potential members will be undertaken by a selection panel including the CEO (or their delegate), the Committee Chair and two Councillor representatives. The panel will take into account the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills. A recommendation for appointment will then be made by the selection panel to Council.

The following key attributes are required when appointing independent members:

Individuals should have:

- Senior business or financial management/reporting knowledge and experience.
- High levels of financial literacy.
- An understanding of corporate risk management, and risk management practices including treatments, mitigations and controls.
- Knowledge of Council's operations and the environment in which it operates.
- Strong communication skills.
- High levels of personal integrity and ethics.
- Sufficient time available to devote to executing responsibilities.

The Committee should collectively have:

- Expertise in financial management and risk.
- Experience in public sector management.

Term of Office

Appointment of independent members shall be for a maximum single term of four years, with the maximum total length of appointment being no more than two terms or eight years.

Any proposal to extend or reappoint an independent member beyond the initial four year term will be done with consideration of the member's performance over their first term.

Terms of appointment for each individual independent member will be determined by Council resolution.

Councillor representatives are appointed by Council annually for a term of one year.

Appointment of the Chair

The Chair will be appointed by Council resolution. In accordance with section 53(4) of the Act, the Chair must be an independent member of the Committee and cannot be a Councillor.

Role of the Chair

The role of the Committee Chair includes:

- Assisting in determining the agenda for Committee meetings.
- Chairing meetings of the Committee in accordance with the meeting agenda.
- Preparation of a biannual audit and risk report that is to be provided to the CEO for tabling at the next practicable Council meeting. The report must describe the activities of the Audit and Risk Committee and include its findings and recommendations.
- Circulating the annual self-assessment, and collating and sharing the results with Committee members and with the CEO for tabling at the next practicable Council meeting.

The Chair shall have a casting vote on occasions where there is an equal tally of votes on a matter.

Quorum

At least three members of the Committee are in attendance, two of whom are independent members and one Councillor. Councillor to have a proxy if required.

Meetings

Meetings are to be held in accordance with Chapter 2, Part 4, section 3 of the Governance Rules.

A minimum of five meetings are to be held each year in accordance with the approximate times listed below, with each of these meetings having a main focus:

March:	Risk Management, Business Continuity Plan, and External Audit Plan.
May:	Strategic Internal Audit Plan and Audit Program, External Audit Interim Audit Report.
July:	Policies and Internal Audit progress.
September:	Financial Statements and Performance Statement, and External Audit Report.
November:	Annual Committee self-assessment, Audit and Risk Committee Charter review, adopt Annual Work Plan and review Internal Controls.

A schedule of meetings will be developed annually and agreed to by members. All committee members are expected to attend all meetings, although in special circumstances allowances may be made for attendance via video or teleconference.

Where the Committee determines additional meetings are required, this is to be done in consultation with the CEO to ensure feasibility and resource management.

In the absence of the appointed Chair, the Committee will appoint an acting Chair from the independent members present.

Agendas will be prepared and distributed no later than four business days in advance of the meeting. Meetings will be minuted and the minutes will be distributed to members. Committee meeting minutes will be distributed to Councillors once finalised and approved for circulation by the Committee Chair.

Council shall provide the Committee with secretarial and administration support.

The Mayor may attend ex-officio and participate in meetings, however the Mayor has no voting rights.

Attendance at meetings by non-member Councillors, other than the Mayor, is encouraged in an observational capacity only. Non-member Councillors have no voting rights and are not to participate in meetings unless their participation is requested by the Chair.

Conflict of Interest

Committee recommendations must be transparent and accountable to the Council to maintain the integrity of the Committee. Division 2 of Part 6 of the Act applies to independent members, as if the member were a member of a delegated Committee. An independent member has a conflict of interest if they have:

- a general conflict of interest within the meaning of section 127 of the Act
- a material conflict of interest within the meaning of section 128 of the Act.

External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

If a conflict of interest exists, it must be declared and managed. Committee members are required to declare any conflict of interest in accordance with the Governance Rules.

At the beginning of each committee meeting, members are required to declare any conflict of interest that may apply to specific matters on the meeting agenda. Where a conflict is declared, the member will be excused from the meeting for the duration of the committee's consideration of the relevant agenda item(s). Details of any declared conflict of interest will be appropriately recorded in the minutes.

Personal Interests Returns

To facilitate the management of conflicts of interests, members are required to complete initial and biannual personal interests returns as prescribed in the *Local Government Act 2020* and associated Regulations, with the exception that member's returns will not be made available for public inspection. All interests returns must be lodged with the Chief Executive Officer by the prescribed due date.

Confidentiality

Committee members shall act in accordance with section 125 of the Act regarding confidential information. Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Audit & Risk Committee, including documentation that is or was in their possession. Any exception to this must be in accordance with section 125(2) or section 125(3) of the Act or must be agreed to by and in accordance with any terms stipulated by Surf Coast Shire Council.

Misuse of Position

Section 123 of the Act applies to independent members as if they were a member of a delegated Committee. The independent member must not intentionally misuse their position -

- to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
- to cause, or attempt to cause, detriment to the Council or another person.

Remuneration

External members of the Committee will be offered remuneration for carrying out their duties.

The amount is to be set by Council following receipt of a report from management considering a review of remuneration levels across the sector and including recommendations for increase biennially.

Removal of a Member

If the Council proposes to remove a member of the Committee, it must give written notice of its intention to do so and afford the member an opportunity to be heard by Council.

APPENDIX 1 – Local Government Act 2020 Principles

<p>Section 9 Overarching Principles</p> <p>Governance</p>	<ul style="list-style-type: none"> 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.
<p>Section 101 Financial Principles</p> <p>Management</p>	<ul style="list-style-type: none"> a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans; b) financial risks must be monitored and managed prudently having regard to economic circumstances; c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community; d) accounts and records that explain the financial operations and financial position of the Council must be kept. <p>For the purposes of the financial management principles, financial risk includes any risk relating to the following—</p> <ul style="list-style-type: none"> (a) the financial viability of the Council; (b) the management of current and future liabilities of the Council; (c) the beneficial enterprises of the Council.