

Audit and Risk Committee Charter

Title	Audit <u>and Risk</u> Committee Charter
Description	A Charter to set out the roles and responsibilities of the Yarra City Council Audit <u>and Risk</u> Committee.
Category	Governance
Type	Policy
Approval authority	Council
Responsible officer	Director Corporate, Business and Finance
Approval date	10 September 2019 <u>1 September 2020</u>
Review cycle	Every four years
Review date	10 September 2021 <u>1 September 2024</u>
Document Reference	To be confirmed
Human Rights compatibility	This policy has been assessed and is compatible with the Victorian Charter of Human Rights and Responsibilities

1. Purpose

- 1.1. The role of the Audit and Risk Committee (Committee) is to provide independent and objective assurance and assistance to the Yarra City Council (Council) and its Chief Executive Officer on Council's risk management, control and compliance framework, and its external financial and performance accountability and responsibilities.
- 1.2. In addition, the Committee provides advice to Council that will assist Council in fulfilling its corporate governance and oversight responsibilities.

2. Authority

- 2.1. The Committee is an Advisory Committee to Council, pursuant to section ~~139(1)~~53(1) of the Local Government Act ~~1989~~2020 (the Act).
- 2.2. The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated authority. The Committee does not have any management functions and is therefore independent of management.
- 2.3. The Council authorises the Committee, within the scope of its role and responsibilities to:
 - 2.3.1. Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
 - 2.3.2. Discuss any matters with the external or internal auditor, or other external parties (subject to confidentiality considerations);

- 2.3.3. Request the attendance of any Council Officer (including the Chief Executive Officer), Councillors, and/or the internal and external auditors, at Committee meetings;
- 2.3.4. Request that Council Officers obtain external legal or other professional advice, as the Committee considers necessary to meet its responsibilities, at Council's expense; and
- 2.3.5. Require reports from Council Officers, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Council's financial reporting process.
- 2.3.6. Request that the Chief Executive Officer table a report from the Committee at a meeting of the Council.

3. Membership

- 3.1. The Committee will consist of five members, comprising:
 - The Mayor or an appointed alternative Councillor;
 - One other Councillor; and
 - Three independent members.
- 3.2. A Committee quorum shall be at least two independent members and at least one Councillor. The Chair of the Committee will be an independent member and will be appointed by the Committee annually. The nomination for the position of Chair will be submitted to Council for approval.
- 3.3. The process for appointing an Acting Chair, when required, will be facilitated by Council's Director, Corporate, Business and Finance at the commencement of a Committee meeting by calling for nominations.
- 3.4. The Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.
- 3.4-3.5. The independent members shall collectively have expertise in financial management and risk; and experience in public sector management.
- 3.5-3.6. It is important that individual Committee members are able to work collectively and make a strong contribution to Council's corporate governance culture.
- 3.6-3.7. Appointment of independent Committee members will be made by Council, following a publicly advertised expression of interest process managed by the Chief Executive Officer (or delegate). Ideally, the term of one independent member will conclude each year. New appointments shall be for a term of three years (or in the case of a casual vacancy, until the expiry of the departing member's term) or any other timeframe at the Council's sole discretion.
- 3.7-3.8. Independent members will be eligible for extension or re-appointment

after a formal review of their performance, such review to be undertaken by the Chief Executive Officer (or delegate) and referred to Council.

~~3.8.3.9.~~ To ensure the ongoing independence and refresh the Committee with new ideas, independent members may serve a maximum of three consecutive terms.

~~3.9.3.10.~~ Councillor members will be appointed to the Committee by the full Council on an annual basis, with Councillor appointees to be generally rotated after a minimum period of two years. The intent of the rotation system is to expose as many Councillors as possible to Committee membership and proceedings.

~~3.10.3.11.~~ No management staff may be appointed to the Committee. However, the Chief Executive Officer shall be required to attend all meetings of the Committee. The Director Corporate, Business and Finance and Chief Financial Officer will attend all meetings of the Committee in an advisory capacity unless otherwise advised by the Committee Chair. Other Council Officers may be requested to attend meetings of the Committee by the Chief Executive Officer and/or Committee Chair.

~~3.11.3.12.~~ Council's internal and external auditors cannot be appointed to the Committee. The internal auditor will be required to attend and present at all relevant meetings of the Committee. The external auditor to attend all relevant meetings of the Committee, and also present to any meeting of the Committee on request.

4. Committee Responsibilities

The Committee's responsibilities are:

4.1. Financial and Performance Reporting

4.1.1. At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report and the audit thereof;

4.1.2. At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;

4.1.3. 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;

4.1.4. Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;

4.1.5. Recommend the adoption of the annual financial report and annual

performance statement to Council; and

- 4.1.6. 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 whether those changes significantly impact Council's risk profile;
- 4.2.4. Ensure that a programme is in place to test compliance with systems and controls;
- 4.2.5. Assess whether the control environment is consistent with Council's Governance Principles.

4.3. Risk Management

- 4.3.1. Review annually the effectiveness of Council's risk management framework;
- 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;
- 4.3.4. Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- 4.3.5. Review the insurance programme annually prior to renewal; and
- 4.3.6. Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

4.4. Fraud Prevention Systems and Controls

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

4.5. Internal Audit

- 4.5.1. Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- 4.5.2. Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- 4.5.3. Review progress on delivery of annual internal audit plan;
- 4.5.4. Review and approve proposed scopes for each review in the annual internal audit plan;
- 4.5.5. Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- 4.5.6. Meet with the leader of the internal audit function at least annually in the absence of management;
- 4.5.7. Monitor action by management on internal audit findings and recommendations;
- 4.5.8. 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;
- 4.5.9. Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change;
- 4.5.10. Recommend to Council, if necessary, the termination of the internal audit contractor.

4.6. External Audit

- 4.6.1. Annually review and approve the external audit scope and plan proposed by the external auditor;
- 4.6.2. 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;
- 4.6.3. 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;
- 4.6.4. Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- 4.6.5. Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- 4.6.6. Meet with the external auditor at least annually in the absence of management.

4.7. Compliance Management

- 4.7.1. 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;
- 4.7.2. Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- 4.7.3. Obtain briefings on any significant compliance matters; and
- 4.7.4. 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.

~~—— Legislative Responsibilities~~

~~The primary responsibilities of the Committee, as set out in the Local Government Act 2020 are:~~

- ~~—— Monitor the compliance of Council policies and procedures with——~~
 - ~~—— the overarching governance principles; and~~
 - ~~—— the Local Government Act 2020 and any regulations or Ministerial directions;~~
 - ~~—— Monitor Council financial and performance reporting;~~
 - ~~—— Monitor and provide advice on risk management and fraud prevention systems and controls;~~
- ~~4.1. Oversee internal and external audit functions.~~**Risk Management**
- ~~4.1.1. Review management's risk management policy framework and procedures for effective identification and management of Council's strategic and operational risks, including fraud and corruption.~~
 - ~~4.1.2. Regularly review Council's Strategic Risk Register (and changes thereto).~~
 - ~~4.1.3. Regularly receive reports on high/extreme operational risks, and management's actions to address such risks.~~
 - ~~4.1.4. Monitor the progress of any major legal and insurance matters facing the Council.~~
- ~~4.2. Business Continuity~~
- ~~4.2.1. Monitor processes and practices of Council to ensure for effective business continuity through an annual review of the Business Continuity Plan, which includes:~~

- ~~Disaster Recovery~~
- ~~Emergency Management~~
- ~~Insurance update~~
- ~~Security and Public Safety~~

~~4.3. Internal Audit~~

- ~~4.3.1. Review with management and the internal auditor, the Internal Audit Charter, activities, staffing, and operational structure of the internal audit function.~~
- ~~4.3.2. Review the strategic internal audit approach to consider whether over a period of years, the internal audit program systematically addresses:~~
 - ~~Internal controls over significant areas of risk including non-financial management control systems;~~
 - ~~Internal controls over revenue, expenditure, assets and liabilities;~~
 - ~~The efficiency, effectiveness and economy of significant Council programs~~
 - ~~and services which should also encompass services outsourced to external~~
 - ~~providers including shared service arrangements;~~
 - ~~Compliance with regulations, policies, best practice guidelines and contractual arrangements; and~~
 - ~~The introduction of improved audit tools that become mainstays of modern business.~~
- ~~4.3.3. Review all internal audit scope documents and reports and provide advice to the Council and Chief Executive Officer on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice. So as not to delay the program, feedback on internal audit scopes may be provided by members out of session.~~
- ~~4.3.4. Monitor management's implementation of internal audit recommendations.~~
- ~~4.3.5. Periodically review the performance of internal audit and monitor the progress of the internal audit work program and the quality of audits.~~
- ~~4.3.6. Review special internal audit reports and/or other relevant consultancies conducted by the internal auditor in addition to the internal audit program, and ensure the services are appropriate and do not jeopardise the independence of the internal auditor.~~
- ~~4.3.7. Provide an opportunity, at least annually, for the Committee to meet with the internal auditor without the presence of~~

management to discuss any matters that the Committee or the internal auditor believes should be discussed privately.

~~4.4. Control Framework~~

~~4.4.1. Review Council's overall framework and processes for design and implementation of internal control systems, and the mechanisms by which management monitors the effectiveness of controls.~~

~~4.4.2. Understand the scope of internal and external auditors' review of internal controls, and obtain reports on significant findings and recommendations, together with management's responses.~~

~~4.5. External Audit~~

~~4.5.1. Review external auditor's audit scopes and approach, including any reliance on internal auditor activity.~~

~~4.5.2. Discuss with the external auditor issues arising from any audit, including any management letter issued by the auditor.~~

~~4.5.3. Monitor management's implementation of audit recommendations and provide advice to management on action taken on significant issues raised in relevant external audit reports and better practice guides.~~

~~4.5.4. Provide an opportunity, at least annually, for the Committee to meet with the external auditors without the presence of management to discuss any matters that the Committee or the external auditors believe should be discussed privately.~~

~~4.5.5. Review the financial statements to address the clarity and completeness of disclosures in the year-end financial statements, including management attestation letter, and consider whether the disclosures made are set properly in context, and provide advice to the Council (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing and adoption by Council's delegates.~~

~~4.5.6. Ensure that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls.~~

~~4.5.7. Review annual performance statements against Council's stated performance objectives and outcomes.~~

~~4.6. Fraud and Corruption Prevention/Awareness~~

~~4.6.1. Review the adequacy of Council's fraud and corruption prevention policies, procedures and plans, including fraud awareness programs and processes for reporting and investigations.~~

~~4.6.2. Review the circumstances surrounding any instances of fraud or corruption and any identified internal control weaknesses and provide advice to the Chief Executive Officer and Council in relation to management and reporting.~~

~~4.6.3. Monitor management's actions to address any incidents of fraudulent or corrupt action.~~

~~4.7. Ethics and Compliance~~

~~4.7.1. Determine whether Council has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.~~

~~4.7.2. Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and associated government policies.~~

~~4.7.3. Review any regulatory reports submitted to the Council and monitor management's response to them.~~

~~Monitor ethical standards of Councillors and staff through regular reporting to the committee. Reports to include compliance with legislation concerning ethical and statutory compliance, Councillor and Staff Codes of conduct, fraud and other matters concerning litigation.~~

~~4.7.4. Periodically review details of all reimbursements made under section 40 of the Local Government Act 2020.~~

5. Reporting Responsibilities

5.1. Financial and Performance Reporting

The Committee will:

~~5.1.1. Report report twice annually to Council, describing the activities of the Committee together with findings and recommendations.~~

~~5.1.1.5.1.2. and provide a copy of this the six monthly report to the Chief Executive Officer for tabling at the next Council meeting. Audit Committee's responsibilities and how they were discharged during the period, and any other information considered pertinent or which is required by regulation. Additional updates may be appropriate should issues of concern arise.~~

~~5.1.2.5.1.3.~~ As required, report to the Chief Executive Officer or Council any other matter that the Committee deems is of sufficient importance.

~~5.1.3.5.1.4.~~ Monitor that open communication between the internal auditor, the external auditors, and Council occurs.

~~5.2. Other Responsibilities~~

~~5.2.1. Review and evaluate any reports relevant to Council issued by any authority such as VAGO, the Victorian Ombudsman or Local Government Inspectorate.~~

~~5.2.2. Review and assess the adequacy of the Committee Charter, biennially.~~

~~5.2.3. Review regularly and confirm annually that all responsibilities~~

~~outlined in this Charter have been carried out and evaluate the Committee's performance, identifying areas for improvement and establishing action plans for addressing these and provide a copy of this assessment to the Chief Executive Officer for tabling at the next Council meeting.~~

6. Committee member obligations

6.1. Committee Chair

- 6.1.1. Attend and report at Councillor Briefings, ~~twice a year annually,~~ on the proceedings and outcomes of the Committee's activities and provide an opportunity for discussion between the Committee, other Councillors and Executive Officers regarding the Committee's activities, roles and responsibilities.

6.2. Councillors

- 6.2.1. After each meeting of the Committee, prepare a Delegate's Report and present it to a public Council meeting. In circumstances where it is warranted, a separate report may be presented as an item of confidential business.

6.3. All Committee Members

- 6.3.1. Maintain a broad understanding of the legal requirements of the Local Government Act 1989 and the Local Government Act 2020. Contribute the time needed to study and understand the papers provided.
- 6.3.2. Apply good analytical skills, objectivity and judgment.
- 6.3.3. Express opinions frankly, ask questions that go to the fundamental core of the issue and ask for further material if required.
- 6.3.4. ~~Provide a written declaration of Conflicts of Interest six monthly and d~~ Declare any conflicts of interest at the start of each Committee meeting or upon discussion of the relevant agenda item or topic. Members have an obligation to consider the nature of any conflict of interest and exclude themselves from the meeting for the duration of that item where required under section ~~79~~ Division 2 of Part 6 of the Local Government Act ~~1989~~ 2020 or where it is otherwise warranted.

7. Administrative Arrangements

7.1. Meetings

- 7.1.1. The Committee will ordinarily meet five times per year; four quarterly meetings ~~(November, February, May and September)~~ and one meeting to consider the Annual Financial Statements- ~~(August/September)~~. The meeting schedule shall be agreed by the Committee in the development of its annual work program.
- 7.1.2. In addition, the Chair may call ~~a~~ special meetings and is required to call a meeting of the Committee within a reasonable time of being requested to do so by any Committee Member, the Chief Executive

Officer or the internal or external auditors.

- 7.1.3. ~~A rolling twelve month Audit Committee workplan, including meeting dates and agenda items, will be~~ An annual work program for the coming calendar year will be adopted by the Committee at the final meeting of the prior year, and reviewed by the Committee at each meeting. The plan will cover all of the Committee's responsibilities as detailed in this Charter.

7.2. Secretariat

- 7.2.1. The Chief Executive Officer (or delegate) will appoint an officer to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and shall be circulated to Committee members within a reasonable timeframe.
- 7.2.2. In addition, the Secretariat will:
- Maintain a record of when members' terms of appointment are due for possible renewal or termination;
 - Ensure that appropriate appointment processes are initiated when required;
 - Ensure that new members receive appropriate induction;
 - Following each meeting, prepare the brief report on business handled for distribution to Councillors by Council's Committee delegates; and
 - Prepare an Annual Report summarising the Committee's work for the year past and circulate to Committee members prior to presentation to Council.

7.3. Independent Members Remuneration

- 7.3.1. Remuneration will be paid to each independent member of the Committee. Remuneration levels will be recommended by the CEO for Council approval from time to time and may be based on an annual fee with an additional amount paid to the chair, or a set fee per meeting, or another basis as appropriate.

7.4. Indemnity

- 7.4.1. Council will indemnify and keep indemnified each independent member of the Committee against all actions or claims whether arising during or after their term of office in respect of anything necessarily done or reasonably done or omitted to be done in good faith:
- in the performance of a duty or a function or the exercise of a power under this Act, the regulations or a local law or any other Act; or

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

7.4.7.5. Induction

7.4.1.7.5.1. All new Committee members will receive induction material and training to ensure they are cognisant with the administrative environment, operational profile and risk management processes of Council.