

Audit and Risk Committee Charter

Title	Audit and Risk Committee Charter
Description	A Charter to set out the roles and responsibilities of the Yarra City Council Audit and Risk Committee.
Category	Governance
Type	Policy
Approval authority	Council
Responsible officer	General Manager Corporate Services
Approval date	08/04/2025
Review cycle	Every year
Review date	April 2026
Document Reference	D25/160150
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, Internal controls, fraud prevention framework, review of relevant policies 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 53(1) of the Local Government Act 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. Subject to prior agreement with the CEO, request that Council Officers obtain external legal or other professional advice, as the Committee considers necessary to meet its responsibilities, at Council's expense. Such agreement will not be unreasonably withheld; and
- 2.3.5. Require reports from Council Officers, the internal 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.
- 2.3.7. Endorse key documents and reports that must be approved by the Council including annual financial statements, performance statements, new or revised policies and risk and compliance frameworks'

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.
- 3.3. The Chair of the Committee will be an independent member and will be appointed by the Committee annually (for three years). The nomination for the position of Chair will be submitted to Council for approval.
- 3.4. The process for appointing an Acting Chair, when required, will be facilitated by Council's General Manager Corporate Services at the commencement of a Committee meeting by calling for nominations.
- 3.5. 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.
- 3.6. The independent members shall collectively have expertise in financial management and risk; and experience in public sector management. Digital transformation and cyber risk management experience would be favourable.
- 3.7. It is important that individual Committee members are able to work collectively and make a strong contribution to Council's corporate governance culture.

- 3.8. 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.
- 3.9. 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.
- 3.10. To ensure the ongoing independence and refresh the Committee with new ideas, independent members may serve a maximum of three consecutive terms. 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.
- 3.11. Independent members are to complete personal interests return declarations. This information is confidential and is not required to be published on council's website.
- 3.12. 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.
- 3.13. No management staff may be appointed to the Committee. Other Council Officers may be requested to attend meetings of the Committee by the Chief Executive Officer and/or Committee Chair.
- 3.14. 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 program 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 program 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.
 'Monitor and advise on the implementation of the risk and compliance frameworks, considering the effectiveness of the key control environment and reliability of assurance activities; particularly:
 - strategic risk management, through review of strategic risk assurance activity and implementation of the enterprise risk management system;
 - compliance risk management, through compliance program assurance activity and oversight of the enterprise compliance management system implementation.

- service disruption risk management, through review of the business continuity management system implementation and other activity undertaken to build organisational resilience;
- conduct risk management, through review of the fraud management system implementation and monitoring application and reporting of integrity policies covering gifts, benefits & hospitality and conflicts of interest.
- o financial risk management through review of the insurance coverage and claims management relied on as a key mitigator of financial risk exposure

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 programs at least very 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. Internal audit scopes may be issued for quorum approval via circular resolution;
- 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 Chair of the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, which may include input into the tender specification and performance criteria, and be provided with the tender evaluation report, and is satisfied with the information provided, the process undertaken and the recommendation of the appointment.

- 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.
- 4.6.7. Seek resolution on any disagreements between management and the external auditors on financial reporting.

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;
- 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.
- 4.7.5. Review reports on Gifts, Benefits and Hospitality and receive reports on Councillor reimbursement of expenses and use of purchasing cards on notice.

5. Reporting

5.1. Financial and Performance Reporting

The Committee will:

- 5.1.1. report biannually , describing the activities of the Committee together with findings and recommendations.
- 5.1.2. provide a copy of the biannual report to the Chief Executive Officer for tabling at the next Council meeting.
- 5.1.3. As required, report to the Chief Executive Officer or Council any other matter that the Committee deems is of sufficient importance.
- 5.1.4. Monitor that open communication between the internal auditor, the external auditors, and Council occurs.

6. Committee member obligations

6.1. Committee Chair

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

- Meet with Management before and after each Committee meeting to assist with ensuring agendas and meetings are prepared and conducted effectively covering all required matters.
- Discuss with Management any proposed changes to the Committee members' roles and responsibilities before any reports proposing such changes are prepared for Committee consideration.
- Chairing meetings of the Committee in accordance with the formal meeting agenda distributed by the Council's Legal and Governance Team.
- Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening.
- Providing time during Committee Meetings for any Committee member to raise any issue they believe relevant.
- Review minutes of Committee meetings prior to their distribution to Committee members to ensure they accurately reflect agreed meeting outcomes. The Chair has no executive authority on behalf of the Council but can be consulted as required, as a sounding board by the Chief Executive Officer or the Executive Manager Legal and Governance

6.2. All Committee Members

- 6.2.1. 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.
- 6.2.2. Committee members will have access to information about the day to day operations of the Council including information that may be commercial in confidence. All reports tabled at the Committee meetings shall be considered as confidential reports. The requirements in Section 125 of the Local Government Act 2020 regarding confidential information apply to Committee members.
- 6.2.3. Members of the Committee must be fully aware of their

responsibilities regarding the management of their interests in relation to the discharge of their duties as members of the Committee. In particular regarding the use or misuse of confidential information and the disclosure of conflicts of interest.’

- 6.2.4. Apply good analytical skills, objectivity and judgment.
- 6.2.5. Express opinions frankly, ask questions that go to the fundamental core of the issue and ask for further material if required.
- 6.2.6. 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 Division 2 of Part 6 of the Local Government Act 2020 or where it is otherwise warranted. Receipt of biannual written declarations of Committee members by the CEO is confirmed. These declarations will state whether members have any pecuniary or other interests of a personal nature, that create a real or potential conflict of interest; that would preclude them from performing their duties as a member of the Committee’

7. Administrative Arrangements

7.1. Meetings

- 7.1.1. The Committee will ordinarily meet five times per year; four quarterly meetings and one meeting to consider the Annual Financial Statements. 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 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. 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.
- 7.1.4. All Committee members are expected to attend each meeting in person. The Chair, in consultation with the Chief Executive Officer will determine when it is appropriate for member attendance through electronic means of communication.
- 7.1.5. Councillors who are not members of the Committee but have an interest in the business of the Committee may attend meetings in an observer capacity and may speak to an item when invited to do so.

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;

7.3 Meeting Procedure

7.3.1 The Chair may enforce formal meeting procedures when dealing with matters. In such instances, the following procedures shall apply:

The *Chairperson* shall invite *members* to speak on a matter in the following order:

- a) mover
- b) seconder
- c) other *members*;
- d) Chairperson to summarise and advise committee of outcome and next steps.

7.4. Independent Members Remuneration

7.4.1. 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.

7.5. Indemnity

7.5.1. 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:

- 7.5.1.1. 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
- 7.5.1.2. 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.

7.6. Induction

- 7.6.1. 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.

7.7 Performance Evaluation

- 7.7.1 The Committee will undertake a process to evaluate its performance annually and report the outcomes of the evaluation process to the Council through the Chief Executive Officer, including recommendations for any opportunities for improvement.
- 7.7.2 Membership
The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

8. Review of Charter

- 8.1 The Committee shall review and assess the adequacy of the Charter and may make recommendations to the Council through the Chief Executive Officer regarding the Charter.
- 8.2 Any changes to the Charter must be approved by the Council