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
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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 Yarra City Council Audit and Risk Committee (Committee) provides independent assurance, oversight and strategic advice to strengthen governance, integrity, risk management, and business continuity resilience, enabling Council to achieve its strategic objectives.

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. In accordance with section 53(2) of the Act, 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. In accordance with section 54 (2) of the Act, the Committee is established to assist Council in discharging its responsibilities to:

- monitor the compliance of Council policies and procedures with:
  - the Act and the regulations and any Ministerial directions
  - the overarching governance principles
- monitor Council's financial and performance reporting
- monitor and provide advice on risk management and fraud prevention systems and controls

- oversee internal and external audit functions.

2.4. The Committee does not operate under the authority of the Council Committees Policy.

2.5. The Council authorises the Committee, within the scope of its role and responsibilities to:

2.5.1. Recommend or endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, new or revised policies and other documents including risk and compliance frameworks that assist in maintaining a sound internal control environment

2.5.2. Approve internal and external audit plans

2.5.3. Provide advice and make recommendations to Council on matters within its areas of responsibility.

2.5.4. Seek any relevant information or support through the Chief Executive Officer where it considers that is necessary to meet its responsibilities under this Charter;

2.5.5. Meet with internal and external auditors and other parties as required to discharge its responsibilities

2.5.6. 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.

2.5.7. 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 who must not be Councillors or members of Council staff of the Council.

3.2. Council must nominate by resolution an alternate Councillor to act as a substitute temporary member of the Committee for either of the two nominated Councillor members if they cannot attend the meeting.

3.3. A Committee quorum shall be at least two independent members and at least one Councillor.

3.4. The Committee will nominate an independent member as the Chair of the Committee for Council approval, which will be for a period of up to three years.

3.5. If the Chairperson is unable to attend a meeting, the members in attendance at the meeting will appoint a Chairperson for that meeting from among the attending independent members. This process will be facilitated by the General Manager Corporate Services (or delegate).

3.6. The Committee members, taken collectively, will have a broad range of skills

and experience relevant to the operations of Council.

3.7. The independent members shall collectively have expertise in:

- Financial analysis, management and risk, including accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment;
- Governance standards;
- experience in public sector management
- financial and commercial acumen, information technology, and enterprise risk management.

3.8. It is important that individual Committee members are able to work collectively and make a strong contribution to Council's corporate governance culture.

3.9. 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). New appointments will be made for a period at the Council's sole discretion and will not exceed a period of three years.

3.10. Alternatively, 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.

3.11. Where an extension of the member's tenure is being considered, Council will take into consideration whether the member has:

- a good understanding of the business of Council,
- a good understanding of, and commitment to, the committee's responsibilities,
- displayed the ability to act objectively and independently and made a constructive contribution to the work of the committee, and
- displayed a willingness to devote the time required to prepare for, and participate in, committee meetings and engage with management, as required, outside committee meetings.

3.12. Immediately after the appointment, the newly appointed independent member(s), including the nominated Councillor, will be inducted. Induction will include:

- Local Government operational context
- Brief overview of the Council services
- An overview of the Charter and responsibilities
- Conflict of interest requirements
- Annual Work Program
- Meet and greet with Council's Internal Auditors
- Requirements for chairing a meeting (Chairperson only)

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

terms that must not exceed 9 years. 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.

3.14. Outgoing members will be invited by management to participate in an offboarding process to ensure relevant knowledge transfer and continuity of the Committee.

3.15. Independent members are to complete personal interests return declarations. This information is confidential and is not required to be published on council's website.

3.16. 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.

3.17. 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.

3.18. 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, annual performance statement, management representation letter and governance and management checklist 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. Review and recommend to Council the approval in principle of the annual financial report and annual performance statement ~~to Council~~; and

4.1.6. Review periodic financial and performance reports to Council for appropriateness, completeness, and effectiveness

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.

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 in accordance with section 9(2) of the Local Government Act 2020.

4.3. **Risk Management**

4.3.1. Oversee and provide advice on Council's risk management framework and risk profile.

4.3.2. Reviewing annually the effectiveness of Council's risk management framework, including risk policy, methodology, systems and supporting practices.

4.3.3. Reviewing Council's risk appetite statement and its alignment with Council's strategic objectives, risk profile and operating environment.

4.3.4. Monitoring Council's risk profile, including significant changes in strategic, operational and emerging risks.

4.3.5. Reviewing the adequacy and effectiveness of risk treatment plans and mitigation strategies for strategic, high-rated operational and emerging risks, including targeted deep dives into areas of concern.

4.3.6. Monitoring the implementation and effectiveness of Council's risk and compliance frameworks, key controls and assurance activities, including:

- enterprise risk management;
- compliance management;
- business continuity and organisational resilience;
- fraud, integrity and conduct risks; and
- insurance and claims management as key mitigations of financial risk exposure.

4.3.7. Reviewing Council's insurance program and coverage annually prior to renewal.

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 Plan 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 Committee is made aware of and briefed on any proposed changes to the appointment of the internal audit service provider, including:

- Having the Chairperson of the Committee (or their independent member delegate) as part of the tender evaluation panel for the appointment of a new internal audit service provider, or
- Receiving a report by the Chief Executive Officer recommending the termination of the Internal Auditor for endorsement by the Audit and Risk Committee and recommendation to Council.

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. Review reports by the external auditor arising from their work, including the following:

- Interim Management Letter
- Closing Report
- Final Management Letter

4.6.4. 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;

4.6.5. Provide feedback on the performance of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;

4.6.6. Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and

4.6.7. 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 effectiveness of Council's legislative compliance management framework and the results of management's follow up of any instances of non-compliance;

4.7.2. Monitor the compliance of relevant Council Policies and procedures with the overarching governance principles contained in the Act, Local Government (Governance and Integrity) Regulations 2020, and any Ministerial Directions that may be issued;

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. 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.
- Chair all meetings of the Committee
- Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening.
- Provide 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 General Manager Corporate Services

6.2. All Committee Members

6.2.1. Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to –

Section 123 - Misuse of Position

A committee 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.

Section 125 - Confidentiality

A committee member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

Conflict of Interest

Committee members must declare any conflicts of interest at the commencement of each meeting or before discussion of the relevant agenda item or topic.

Details of any conflicts of interest will be appropriately minuted.

If the Chair has an Interest, the written declaration must be submitted to the CEO.

Any conflicts of interests declared will be entered into the central register of

conflict-of-interest declarations and management plans managed by the Governance department.

6.2.2. All members must apply good analytical skills, objectivity and judgment.

6.2.3. Express opinions frankly, ask questions that go to the fundamental core of the issue and ask for further material if required.

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 audited Annual Financial Statements and Annual Performance Statement. The meeting schedule shall be agreed by the Committee in the development of its annual work program.

7.1.2. In addition, the Chair in consultation with the Chief Executive Officer 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 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. Additional or emerging items will be added to the Annual Work Plan with approval by the Chair. Similarly, removal of any items requires authorisation by the Chair.

7.1.5. 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.

7.1.6. 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. Committee discussions held in the absence of management will be restricted to Councillor appointed members only.

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 Committee 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 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:

- 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.

7.6. **Performance Evaluation**

7.6.1 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.

7.6.2 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 every 2 years 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.