

Audit and Risk Committee Charter



1. PURPOSE AND OBJECTIVE

- 1.1. Council's Audit and Risk Committee (the Committee) is established under section 53 of the *Local Government Act 2020* (the Act).
- 1.2. The Committee will assist Council in fulfilling its oversight responsibilities including in relation to financial management, OH&S, risk, privacy and governance.
- 1.3. The Committee will review financial and performance statements, the year-end reporting process, the systems of internal control, management of financial and operational risks and the internal and external audit process.
- 1.4. The Committee will carry out its work bearing in mind Council's desire to operate in an ethical environment with good corporate governance practices.
- 1.5. In performing its duties, the Committee will maintain effective working relationships with Councillors, management and the internal and external auditors.
- 1.6. To perform their roles effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Council's business, operations and risks.

2. AUTHORITY

- 2.1. The Audit and Risk Committee Charter (Charter) is established under section 54 of the Act and sets out the basis of membership, terms of appointment and remuneration of Committee members.
- 2.2. The Committee does not exercise any powers including not having any role in investigating Council decisions or other concerns of the operations of Council.
 - 2.2.1. Should such concerns arise, they need to be directed through the relevant integrity agencies to ensure appropriate action is undertaken.
- 2.3. The Committee is however entitled to receive whatever information it considers necessary to fulfil its responsibilities. In this regard, it may from time to time request presentations by Council officers and seek information from external parties.

3. COMMITTEE ORGANISATION

- 3.1. Membership
 - 3.1.1. The membership of the Committee shall comprise five members consisting of three independent members and two Councillors.
 - 3.1.2. The independent members should have basic financial literacy and have some experience working in the risk, legal IT sectors or other Local Government experience or hold senior management qualifications with experience in management at a senior level.

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3.2. Appointment of the Committee Members

3.2.1. Independent members

- Independent members shall be appointed for a period of up to three years each term to a maximum of nine years.
- Where there is a vacancy in the position of Independent Member (or an impending vacancy) the Committee will publicly call for Expressions of Interest.
- A panel consisting of the new or incumbent Chair, a Councillor and a Senior Council staff member/s will prepare a shortlist, conduct interviews and make a recommendation to Council on the appointment of the Independent Member. One of the independent members appointed to the Committee shall be the Chairperson of the Committee. This appointment will be made by Council. The Chairperson will be appointed on an ongoing basis; however this may be reviewed by Council annually if required.
- All members of the Committee shall be eligible for reappointment by Council.

3.2.2. Councillors

- The Councillors appointed to be Committee members shall retire annually at the Statutory meeting of Council.
- At the annual Statutory meeting of Council Councillors will appoint the two Councillors and two substitute members.
 - The substitute members shall be called upon to attend in place of an appointed Councillor should they be required to form a quorum for the meeting.
 - The Mayor has the opportunity to be an ex-officio member.

3.3. Committee briefing with Councillors

3.3.1. The Chair will be required, and the other independent members invited, to attend a Council Briefing in September of each year for the purpose of confirming with Council their satisfaction with the functioning of the Audit and Risk Committee meetings and any other issues or comments the Committee or Councillors may have in relation to the Committee's operations. It is also an opportunity for a confidential discussion between the Audit Committee members and Councillors without officers being present.

3.4. Remuneration for Independent Members

3.4.1. The independent members appointed to the Committee shall be paid an allowance per annum as determined by Council at its Annual Statutory Meeting, with pro-rata payments paid quarterly following the expiration of the first month in each quarter. An additional annual amount as determined by Council will be paid to an independent member appointed Chairperson of the Committee.

3.5. Insurance and Indemnity

3.5.1. Council must indemnify and keep indemnified each independent member of the Committee, exercising any function or power on behalf of a Council against all actions or claims (whether arising during or after the term of office or employment of that Councillor or member) in respect of any act

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or thing done or omitted to be done in good faith in the exercise or purported exercise of any function or power conferred on the Committee or member of the Committee under this or any other Act. Council's insurance policies shall cover members of the Committee while engaged in the business of the Committee.

4. MEETING PROCEDURES

4.1. Meeting Frequency

4.1.1. The Committee shall meet at least four times in each year at such times and places as fixed by the Committee at its first meeting following the appointment of Committee members. Should members of the Committee believe extra meetings are required, additional meetings may be scheduled.

4.2. Quorum

4.2.1. A quorum for any meeting will be three members, comprising at least one independent member and one Councillor.

4.3. Function of Meeting

4.3.1. Each meeting will be held in person. Online attendance of committee members can be approved with the consent of the Chair.

4.4. Agenda

4.4.1. Each meeting agenda will be developed based on the Annual Work Program.

4.4.2. Meeting agendas will be distributed to Committee members two weeks prior to the next meeting (unless approved by the Chair).

4.4.3. Agenda items could include:

- Invitations to internal and external auditors to make presentations to the Committee as considered appropriate by the Committee.
- Invitations to members of Hume's management to make presentations to the Committee as considered appropriate by the Committee.

4.4.4. Committee members will actively engage with Management over the reports in the agenda

4.5. Minutes

4.5.1. The proceedings of all meetings will be minuted. The minutes will capture:

- Decisions made by the Committee and
- Actions required to be undertaken.

4.5.2. These minutes will be presented to Council for confirmation post the adoption of the minutes at the next Committee meeting.

4.6. Committee members shall comply with Chapter 5 of Council's Governance Rules in relation to disclosure of conflicts of interest in accordance with the section relating to Council Meetings.

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- 4.7. Observers
 - 4.7.1. Other Councillors may observe committee meetings.
 - 4.7.2. Councillors that are observers are not permitted to ask questions of the Committee during meetings.
- 4.8. Questions out of session from Councillors
 - 4.8.1. Councillors that have any questions of the Committee will refer them to the Mayor or Council appointed delegate who will liaise with the Chair for a response.
 - 4.8.2. Issues may be referred formally by Council to the Audit and Risk Committee, however individual Councillors cannot refer matters to the Audit and Risk Committee for investigation or review.

5. FUNCTIONS & RESPONSIBILITIES

The functions and responsibilities of the Committee will be implemented through the Committee developing, and delivering on an Annual Work Program:

5.1 Monitor Council financial and performance reporting.

- 5.1.1. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial and performance statements.
- 5.1.2. Review the financial and performance statements and determine whether they are complete and consistent with the information known to Committee members; assess whether the financial and performance statements reflect appropriate accounting policies and comply with all relevant accounting standards and regulatory requirements.
- 5.1.3. Meet with management and the external auditors to review the financial and performance statements and the results of the audit.
- 5.1.4. Review the other sections of the Annual Report before it is released and consider whether the information is understandable and consistent with Committee members' knowledge about Council and its operation.
- 5.1.5. Review any legal matters which could significantly impact the financial and performance statements.
- 5.1.6. Pay particular attention to complex and/or unusual transactions.
- 5.1.7. Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies.

5.2 Monitor and provide advice on Internal Controls

- 5.2.1. Determine whether all management receives and actions the reports in relation to items such as governance, risk, finance and human resources they require to carry out their governance responsibilities effectively.
- 5.2.2. Gain an understanding of whether internal control recommendations made by internal and external audit have been implemented by management.
- 5.2.3. Consider with the internal and external auditors and management any fraud, corruption, illegal acts, deficiencies in internal control or other similar issues.

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5.2.4. Review the effectiveness of the corporate governance environment established by management.

5.3. Monitor and provide advice on risk management and fraud prevention systems and controls

5.3.1. Review the effectiveness of the system for monitoring compliance with laws and regulations, the results of management investigation and follow up of any fraudulent acts or non-compliances.

5.3.2. Review the findings of any examinations by regulatory agencies and monitor that they are appropriately actioned by management.

5.3.3. Review Council's framework for managing and monitoring organisation wide risk and evaluate whether management have addressed, considered and managed risks throughout the organisation.

5.3.4. Gain an understanding of the current areas of greatest financial and operational risk and how management is managing these effectively.

5.3.5. Ask management and the internal and external auditors about significant risks and exposures and the actions in place or in progress of being implemented to mitigate such risks.

5.3.6. Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing information in the event of a system breakdown.

5.3.7. Gain an understanding of the operations of Council by having each Director provide a briefing on their Division.

5.3.8. Receive reports as to the status of the risk register and the actions being taken to manage the identified risks.

5.3.9. Monitor processes and practices to ensure effective business continuity.

5.3.10. Review the adequacy of insurance cover.

5.3.11. Ethical and Statutory Compliance

- Assess the procurement framework with a focus on the probity and transparency of policies and procedures.
- Monitor the effectiveness of Council's compliance and ethics program, including codes of conduct for Councillors and staff.
- Review the processes for the identification, nature, extent and reasonableness of related-party transactions.

5.4. Oversee internal and external audit functions

Internal Audit

5.4.1. Determine whether there are any restrictions on the internal audit function.

5.4.2. Where the internal audit function of Council is outsourced to an external service provider, the Committee will ensure the proposed appointee is appropriate and has the necessary skills and experience to undertake the internal audit function to the satisfaction of the Committee before selection of the service provider is made.

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- 5.4.3. Monitor the effectiveness of the internal audit function on an ongoing basis.
- 5.4.4. Review and approve the annual internal audit plan and any suggested amendments to it during the year.
- 5.4.5. Establish whether significant findings and recommendations made by the internal auditors are reviewed and actioned by management on a timely basis.
- 5.4.6. Discuss matters arising from Internal Audits with the internal auditor or their agent in the absence of management at least once per year.
- 5.4.7. Consider the independence of the internal auditor in the context of any other services provided to Council.
- 5.4.8. Receive and review Internal Audit Reports.

External Audit

- 5.4.9. The appointment of the external auditor is managed by the Auditor General and not by Council. The Committee therefore has limited opportunity to influence the scope of the work of the auditor. The Committee monitor the performance of the external auditor by:
 - Reviewing the proposed audit scope and approach and considering whether any restrictions or limitations have been placed on the scope.
 - Reviewing the performance of the external auditors.
 - Considering the independence of the external auditor in the context of any other services provided to Council.
 - Monitoring the progress of actions proposed in relation to significant findings and recommendations made by the external auditors.
 - Discussing matters arising from the external audit with the external auditor or his agent in the absence of management at least once per year.

5.5. Policies & Procedures

Monitor the compliance of Council policies and procedures with:

- the overarching governance principles in the Local Government Act 2020;
- Council’s legislative requirements, particularly the requirements in the Local Government Act 2020, its regulations and any Ministerial directions.

5.6. Emerging Issues

Review the CEO’s report which by exception would include any changes to structure, senior personnel, compliance requirements and/or breaches, emerging business issues, Council decisions which may affect financial control or risk issues.

6. OTHER RESPONSIBILITIES

- 6.1. The Committee must, in accordance with section 40 of the Act, receive a report detailing all reimbursed out-of-pocket expenses paid to Councillors.

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- 6.2. Evaluate the Committee's performance against the Charter on an annual basis and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.
- 6.3. Prepare a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations and provide a copy of the biannual audit and risk report to the Chief Executive officer for tabling at the next Council meeting.
- 6.4. Perform other oversight functions as requested by Council.
- 6.5. Review this Charter within a period of 12 months following a Council election.

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