

# 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 financial management, OH&S, risk, privacy and governance for accountable management. The Committee will review the year end reporting process, the system of internal control, management of financial and city operational risks and the internal and external audit process. The Committee will carry out its work bearing in mind Council's desire to operate in an ethical environment with good corporate governance practices.
- 1.3. In performing its duties, the Committee will maintain effective working relationships with Councillors, management and the internal and external auditors. 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) sets out the basis of membership, terms of appointment and remuneration of Committee members.
- 2.2. A key point in the Charter is the requirement that the Committee report directly to Council after each ordinary meeting of the Committee, through the minutes of the Committee being presented and adopted by Council and annually.
- 2.3. The Committee does not exercise any executive powers but is entitled to receive whatever information it considers necessary to fulfil its responsibilities. In this regard, it may from time to time require presentations by Council officers and seek information from external parties.

## 3. COMMITTEE ORGANISATION

- 3.1. Membership
  - 3.1.1. The members of the Committee shall be five members consisting of two Councillors and three independent members. The independent members shall hold senior accounting or IT qualifications (CISA, CGEIT, or comparable) and be experienced in audit in nationally recognised accounting firms or hold senior management qualifications and be experienced in management at a senior level.
  - 3.1.2. The Councillors appointed to be Committee members shall retire at the annual Statutory meeting of the Council.

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- 3.1.3. All members of the Committee shall be eligible for reappointment by Council. Independent members shall be appointed for a period of up to four years each term to a maximum of eight years.
  - 3.1.4. One of the independent members appointed to the Committee shall be the Chairperson of the Committee.
  - 3.1.5. The independent members appointed to the Committee shall be paid an allowance per annum as the Council may determine by resolution 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 and Risk Audit Committee.
- 3.2. Meeting Procedures
- 3.2.1. 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.
  - 3.2.2. A quorum for any meeting will be three members, comprising at least one independent member and one Councillor.
  - 3.2.3. The internal and external auditors will be invited to make presentations to the Committee as considered appropriate by the Committee.
  - 3.2.4. Members of Hume’s management will be invited to make presentations to the Committee as considered appropriate by the Committee.
  - 3.2.5. Pursuant to Section 66 of the *Local Government Act 2020*, the proceedings of the Committee will be open to the public, except to the extent that the Committee decides that the matters fall within the meaning of Section 66(2) of the Act.
  - 3.2.6. The proceedings of all meetings will be minuted.
  - 3.2.7. Committee members shall observe Council’s meeting procedures as contained within Council’s governance rules in relation to the conduct of meetings and declaration of any conflicts of interest in matters being addressed by the Committee.
  - 3.2.8. Committee members will be invited to attend the Council Strategy and Policy Briefing held in September of each year for the purpose of confirming with Council their satisfaction with Council’s processes 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.

## 4. FUNCTIONS

- 4.1. Section 54 of the *Local Government Act 2020*, states:

*“(1) A Council must prepare and approve an Audit and Risk Committee Charter.*

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- (2) *The Audit and Risk Committee Charter must specify the functions and responsibilities of the Audit and Risk Committee including the following—*
  - (a) *monitor the compliance of Council policies and procedures with—*
    - (i) *the overarching governance principles; and*
    - (ii) *this 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.*
- (3) *An Audit and Risk Committee must adopt an annual work program.*
- (4) *An Audit and Risk Committee must—*
  - (a) *undertake an annual assessment of its performance against the Audit and Risk Committee Charter; and*
  - (b) *provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.*
- (5) *An Audit and Risk Committee must—*
  - (a) *prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and*
  - (b) *provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.*
- (6) *The Chief Executive Officer must—*
  - (a) *ensure the preparation and maintenance of agendas, minutes and reports of the Audit and Risk Committee; and*
  - (b) *table reports and annual assessments of the Audit and Risk Committee at Council meetings when required by this Act and when requested by the chairperson of the Audit and Risk Committee.*
- (7) *A Council must approve the first Audit and Risk Committee Charter and establish the first Audit and Risk Committee on or before 1 September 2020.”*

4.2. Legislated functions will be implemented through the Committee developing an annual works program to ensure the following:

Monitor Council financial and performance reporting

- 4.2.1. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 4.2.2. Review the financial statements and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate

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accounting policies and comply with all relevant accounting standards and regulatory requirements.

- 4.2.3. Meet with management and the external auditors to review the financial statements and the results of the audit.
  - 4.2.4. Review the other sections of the Annual Report before it is released and consider whether the information is understandable and consistent with members' knowledge about Council and its operation.
  - 4.2.5. Review any legal matters which could significantly impact the financial statements.
  - 4.2.6. Pay particular attention to complex and/or unusual transactions.
  - 4.2.7. 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.
- 4.3. Internal Control
- 4.3.1. Determine whether all Directors and Managers receive and action the management information reports they require to carry out their governance responsibilities effectively.
  - 4.3.2. Gain an understanding of whether internal control recommendations made by internal and external audit have been implemented by management.
  - 4.3.3. Consider with the internal and external auditors and management any fraud, corruption, illegal acts, deficiencies in internal control or other similar issues.
  - 4.3.4. Review the effectiveness of the corporate governance environment established by management.
- 4.4. Monitor and provide advice on risk management and fraud prevention systems and controls
- 4.4.1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management investigation and follow up of any fraudulent acts or non-compliances.
  - 4.4.2. Review the findings of any examinations by regulatory agencies and monitor that they are appropriately actioned by management.
  - 4.4.3. Review Council's framework for managing and monitoring enterprise wide risk and evaluate whether management have addressed, considered and managed risks throughout the organisation.
  - 4.4.4. Gain an understanding of the current areas of greatest financial and operational risk and how management is managing these effectively.
  - 4.4.5. 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.
  - 4.4.6. Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a system breakdown.

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- 4.4.7. Gain an understanding of the operations of Council by having each Director provide a briefing of their Division.
  - 4.4.8. Receive reports as to the status of the risk register and the actions being taken to manage the identified risks.
  - 4.4.9. Monitor processes and practices to ensure effective business continuity.
  - 4.4.10. Review the adequacy of insurance cover.
  - 4.4.11. Ethical and Statutory Compliance
    - Assess the procurement framework with a focus on the probity and transparency of policies and procedures.
    - To 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.
- 4.5. Oversee internal and external audit functions
- Internal Audit
- 4.5.1. Determine whether there are any restrictions on the internal audit function.
  - 4.5.2. Where the internal audit function of Council is outsourced to an external service provider, before selection of the service provider is made, the proposed appointee is appropriate and has the necessary skills and experience to undertake the internal audit function to the satisfaction of the Committee.
  - 4.5.3. Monitor the effectiveness of the internal audit function on an ongoing basis.
  - 4.5.4. Review and approve the annual internal audit plan and any suggested amendments to it during the year.
  - 4.5.5. Establish whether significant findings and recommendations made by the internal auditors are reviewed and actioned by management on a timely basis.
  - 4.5.6. Discuss matters arising from Internal Audits with the internal auditor or his agent in the absence of management at least once per year.
  - 4.5.7. Consider the independence of the internal auditor in the context of any other services provided to Council.
  - 4.5.8. Receive and review Internal Audit Reports.
- External Audit
- 4.5.9. The appointment of the external auditor is controlled 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 consider whether any restrictions or limitations have been placed on the scope.

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- Review the performance of the external auditors.
- Consider the independence of the external auditor in the context of any other services provided to Council.
- Monitor the progress of actions proposed in relation to significant findings and recommendations made by the external auditors.
- Discuss matters arising from the external audit with the external auditor or his agent in the absence of management at least once per year.

#### 4.6. Internal Control

- 4.6.1. Determine whether all Directors and Managers receive and action the management information reports they require to carry out their governance responsibilities effectively.
- 4.6.2. Gain an understanding of whether internal control recommendations made by internal and external audit have been implemented by management.
- 4.6.3. Consider with the internal and external auditors and management any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 4.6.4. Review the effectiveness of the corporate governance environment established by management.

#### 4.7. 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.

### 5. OTHER RESPONSIBILITIES

- 5.1. In accordance with section 40 of the Act, receive a report detailing all reimbursed of out of pocket expenses paid to Councillors.
- 5.2. The Committee shall report to Council by the provision to Council of a copy of each ordinary meeting minutes.
- 5.3. 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.
- 5.4. 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.
- 5.5. Perform other oversight functions as requested by Council.
- 5.6. Review this Charter within a period of 12 months following a Council election.

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