

Audit & Risk Committee

Charter



Banyule City Council – Audit & Risk Committee Charter

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Responsible Department Corporate Services

Legislative Context The Local Government Act 2020 (the Act) requires all Councils to establish and Audit & Risk Committee and prepare and approve a committee charter.

The Charter must specify the functions and responsibilities of the committee, which are specified in section 54 of the Act

Section 54 of the Act also describes the work an Audit and Risk Committee must undertake.

Local Government Act 2020, Section 53 requirements

- (1) A Council must establish an Audit and Risk Committee.
- (2) An Audit and Risk Committee is not a delegated committee.
- (3) An Audit and Risk Committee must—
 - (a) include members who are Councillors of the Council; and
 - (b) consist of a majority of members who are not Councillors of the Council and who collectively have—
 - (i) expertise in financial management and risk; and
 - (ii) experience in public sector management; and
 - (c) not include any person who is a member of Council staff of the Council.
- (4) The chairperson of an Audit and Risk Committee must not be a Councillor of the Council.
- (5) Sections 123 and 125 and Division 2 of Part 6 apply to a member of the Audit and Risk Committee who is not a Councillor as if the member were a member of a delegated committee.
- (6) A Council may pay a fee to a member of an Audit and Risk Committee who is not a Councillor of the Council.

Section 123 – Misuse of Position, section 125 - Confidential Information

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- References**
- Local Government Victoria’s Audit Committees: A guide to good practice for local government (2011) and 2020 updated Guide
 - Internal Audit and Risk Management Policy for the NSW Public Sector - Audit and Risk Committee Charter at Annexure B
 - Australian National Audit Office | Better Practice Guide | Public Sector Audit Committees
 - IBAC Local Government Integrity Frameworks Review 2019
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Definitions

Throughout this document, the following terms are defined as:

Act	Local Government Act 2020
CEO	Chief executive Officer of Banyule City Council
Committee	Audit & Risk Committee
Committee Members	The appointed members of the Audit and Risk Committee
Council Officers	Staff of Banyule City Council
Councillors	Elected members of Banyule City Council
External Auditor	The auditor appointed by the Auditor General
IBAC	Independent Broad-based Anti-Corruption Commission
Internal Auditor	Auditor appointed by Banyule City Council
Internal Control Environment	Controls that Council relies upon in the course of carrying out its activities
Management	The CEO, Directors, and Managers of Banyule City Council
LGI	Local Government Inspectorate
VAGO	Victorian Auditor General's Office
VO	Victorian Ombudsman

The Audit and Risk Committee (the Committee) Charter is prepared as required in compliance with section 54(1) of the Local Government Act 2020 (the Act).

1 Role

The Audit and Risk Committee (the Committee) is established in compliance with section 53(1) of the Local Government Act 2020 (the Act) to support Council in discharging its oversight responsibilities related to financial and performance reporting, risk management, fraud prevention systems and control, maintenance of a sound internal control environment, assurance activities including internal and external audit and Council's performance with regard to compliance with its policies and legislative and regulatory requirements.

It acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter. This Charter has been developed in accordance with Section 54 of the Act.

The appointment of independent members to the Committee as outlined in this Charter enables the Committee to provide advice to Council on matters related to its responsibilities based on broader skills and experience than might otherwise be the case and in so doing bring additional benefits to Council.

The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

2 Purpose

The functions and responsibilities of the Committee include the following:

1. monitor the compliance of Council policies and procedures with—
 - (a) the overarching governance principles; and
 - (b) this Act and the regulations and any Ministerial directions;
2. monitor Council financial and performance reporting;
3. monitor and provide advice on risk management and fraud prevention systems and controls;
4. oversee internal and external audit functions.

The Charter sets out the Committee's objectives; authority; composition and tenure; roles and responsibilities; and reporting, administrative and governance arrangements.

The Committee's objective is to provide appropriate independent advice and recommendations to Council on matters relevant to the Committee's Charter in order to facilitate decision-making by Council in relation to the discharge of Council's accountability requirements.

3 Membership & Appointments

3.1 Composition

The Audit and Risk Committee will consist of:

1. Two Councillors
2. Three suitably qualified Independent Representatives.

The Committee will consist of five members appointed by Council, three of whom must be independent members. Council employees cannot be members of the Committee.

The Chief Executive Officer, all Directors and other managers, as required, will attend all meetings, except for confidential matters. The Risk & Assurance Officer or a designated officer will attend and provide administrative support.

3.2 Appointment

Council will appoint the Committee members and the Committee Chair.

3.3 Chairperson

The Chair of the Audit and Risk Committee must be appointed by Council and must be an Independent Representative

The Chair plays a pivotal role in the overall effectiveness of the Audit and Risk Committee and must have significant business experience and leadership skills in order to build sound relationships and strong communication channels

The Chairperson of the Committee will facilitate the meetings of the Audit and Risk Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary

The Chairperson will be required to liaise with Management between Committee meetings on matters needing discussion.

3.4 Term

3.4.1 Councillors

- The Council will review the Councillor Representatives on an annual basis (normally occurring at the Council Meeting of the Mayoral Election).

3.4.2 Independent Members

- Audit & Risk Committee Independent Members will be appointed for an initial term of three years.
- Independent Representatives may be re-appointed for a further term but will not be appointed for more than two consecutive terms
- Independent members must collectively have expertise in financial management and reporting and risk management and also experience in public sector management
- The reappointment of Independent Representatives to serve additional terms will be at Council's discretion
- The expiry time for Independent Representatives should preferably occur in a different period to each other and that of the externally contracted Internal Auditors to ensure, as far as possible, continuity of knowledge residing in the Committee
- Should the resignation/retirement of more than one Independent Representative coincide then the Council may extend the remaining Independent Representative's term by one year to ensure continuity.

3.4.3 Chairperson

- The term of the Chairperson shall be resolved on an annual basis.
- The term of the Chairperson may be extended beyond 12 Months however, must not exceed the current term of their primary role as an Independent member.
- In the event there is no nomination from the Independent Representatives to act as the Chairperson, the CEO will elect a temporary Chair for each meeting from the remaining independent members who are present (including those present via teleconference or videoconference)

3.5 Assessment of an Audit Committee members performance

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 entity's business
- 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.

3.6 Fees

Pursuant to section 53(6) of the Act, the Council will pay a fee to independent committee members. This fee will be based on a per annum fee, set by Council

Time spent on performing any special task deemed necessary by the Audit & Risk Committee will be paid for at an hourly rate to be negotiated, depending upon the requirements of the task and professional expertise of the Independent Representatives. A quote will be required and forwarded to the Director Corporate Services

Payment will be made each quarter following receipt of a Tax Invoice after each meeting

No less than once every Council term (4 years), the fee paid to Independent Members will be benchmarked against no less than five other like councils to provide the Council with the information required to fully review fees.

3.7 Replacement of a Member

In the event that an independent member is not physically present for any three (3) meetings in any twelve (12) month period, unless Council at an open meeting resolves otherwise, a vacancy occurs and a position shall be filled following advertising process.

In the event the Council proposes to replace a member of the Committee, it must give 4 weeks written notice to the member of its intention to do so and provide that member with the opportunity to be heard if that member so requests. The Chairperson (or Acting Chairperson) shall be informed of this process.

4 Meetings

4.1 Meeting schedule

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require

A schedule of meetings will be developed annually and agreed by members

All committee members are expected to attend each meeting in person or through teleconference or videoconference where those facilities are available.

4.2 Agendas and Minutes

Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting; and

Minutes will be prepared for all meetings and will be provided to the Chair prior to being presented to Council as unconfirmed minutes and then submitted to the subsequent Committee meeting for confirmation.

4.3 Temporary Chair

In the absence of the Chair, the Committee will elect a temporary Chair for the meeting from the remaining independent members who are present (including those present via teleconference or videoconference).

4.4 Quorum

A quorum of three members comprised of two Independent members and one Councillor will be necessary to transact business of the committee. To maintain the requirement in the Act for majority members who are not Councillors of the Council, should more than one Councillor be present, only one Councillor will have voting rights.

Notes

The Act applies no restrictions on the number of Councillors who may attend Committee meetings. The restrictions in the Act apply only to the number of voting members. This means that Councillors who are not members of the Committee, but who have a keen interest in the business of the Committee and wish to contribute to the discussion, may attend meetings but cannot vote on resolutions.

5 Authority

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter. The Committee has no delegated authority from Council unless specifically provided by Council from time to time, and any such authority shall be temporary and may only relate to specific matters as directed by Council.

The Audit and Risk Committee has the authority to:

- 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 that assist in maintaining a strong internal control environment.
- Approve internal and external audit plans, including internal audit plans with an outlook of greater than one year.
- Provide advice and make recommendations to Council on matters within its areas of responsibility;
- Retain counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer.
- Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
- Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.
- Seek resolution on any disagreements between management and the external auditors on financial reporting
- Recommend the appointment and termination of appropriate internal audit resources

The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

6 Functions & Responsibilities

6.1 Monitor the compliance of Council policies and procedures with the overarching governance principles (Table below)

6.1.1 Internal Control Environment

- Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment
- Determine whether systems and controls are reviewed regularly and updated where required
- Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile
- Ensure that a program is in place to test compliance with systems and controls.
- Obtain briefings on any significant compliance matters
- 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
- Assess whether the control environment is consistent with the Overarching Governance Principles.

Overarching governance principles – LGA 2020 – Section 9

- (a) Council decisions are to be made and actions taken in accordance with the relevant law;
- (b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;
- (c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;
- (d) the municipal community is to be engaged in strategic planning and strategic decision making;
- (e) innovation and continuous improvement is to be pursued;
- (f) collaboration with other Councils and Governments and statutory bodies is to be sought;
- (g) the ongoing financial viability of the Council is to be ensured;
- (h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making;
- (i) the transparency of Council decisions, actions and information is to be ensured

6.2 Monitor Council financial and performance reporting

- 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
- At least annually, review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators
- Review the annual financial report and 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
- Review with management and the external auditors the results of the audit including any difficulties encountered by the auditors and how they were resolved
- Recommend the adoption of the annual financial report and annual performance statement to Council.

6.3 Monitor and provide advice on risk management and fraud prevention systems and controls

6.3.1 Risk Management

- Review annually the effectiveness of Council's risk management framework
- Review Council's risk appetite statement and the degree of alignment with Council's risk profile
- Review Council's risk profile and the changes occurring in the profile from meeting to meeting
- Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans
- Review the insurance program annually prior to renewal
- Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

6.3.2 Fraud and Corruption Prevention

- Review the process of developing and implementing the council's fraud control arrangements to assist council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities
- Obtain regular updates from management on all suspected and actual fraud, corruption, thefts and material breaches of legislation
- Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

6.4 Oversee internal and external audit functions.

6.4.1 Internal Audit

- Review and approve the three-year strategic internal audit plan, the annual internal audit plan and any significant changes to them
- Review progress on delivery of annual internal audit plan
- Review and approve proposed scopes for each review in the annual internal audit plan
- Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
- Meet with the leader of the internal audit function at least annually in the absence of management
- Monitor action by management on internal audit findings and recommendations
- 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. Annually review performance, including the level of satisfaction with the internal audit function having regard to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing
- Recommend to Council, if necessary, the termination of the internal audit contractor
- Monitor that the internal auditor's annual plan is linked with and covers the material business risks.

6.4.2 Management Responsibilities

- To advise the Committee when the Internal Auditor undertakes any specific projects or investigations deemed necessary by the Chief Executive Officer, Executive Officers and/or the Council. The Committee is to receive reports of any such projects or investigations undertaken by the internal auditor
- 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.

6.4.3 External Audit

- Annually review and approve the external audit scope and plan proposed by the external auditor
- 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
- 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
- Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them
- Meet with the external auditor at least annually in the absence of management.

6.5 Other Responsibilities

Perform other activities related to this charter as requested by the Council.

7 Reporting

The Chairperson will prepare a report to Council through the Chief Executive Officer on the Committee's activities twice per annum. One of these reports will be prepared after the meeting at which the annual financial report and the annual performance statement have been considered and recommended to Council for adoption, such report indicating how the Committee has discharged its responsibilities, as set out in this Charter, for the previous year.

Local Government Act 2020, section 54(5) and 54(6)

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.

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.

8 Committee Member Regulatory Obligations

Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to (refer to Appendix A for further detail):

- misuse of position as a member of the Committee (Section 123)
- confidential information (Section 125) and
- conflict of interest (Sections 126 to 131).

8.1 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.

8.2 Confidentiality

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

8.3 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

Written declarations on the appropriate form of any conflicts of interest must be submitted to the Chair

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.

9 Performance Evaluation

The Committee will annually:

- Evaluate its own performance using a Self-Assessment tool which will be reviewed, adopted and completed by the Committee
- Review and assess the adequacy of the audit committee charter, requesting Council's approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation
- Confirm that all responsibilities outlined in this charter have been carried out.

10 Appendix A

Committee Member Regulatory Obligations

Guidance to Members

Misuse of Position

LGA Section	LGA Requirement
123(1)	<p>A Committee member must not intentionally misuse their position to:</p> <ul style="list-style-type: none"> a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or b) Cause, or attempt to cause, detriment to the Council or another person

LGA Section	LGA Requirement
123(3)	<p>Circumstances involving misuse of a position by a member of the Committee include:</p> <ul style="list-style-type: none"> a) Making improper use of information acquired as a result of being a member of the Committee; or b) Disclosing information that is confidential information; or c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or d) Exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform; or e) Using public funds or resources in a manner that is improper or unauthorised; or f) Participating in a decision on a matter in which the member has a conflict of interest.

Confidential Information

LGA Section	LGA Requirement
125	A member of the Committee must not intentionally or recklessly disclose information that the member knows, or should reasonably know, is confidential information. There are some exemptions to this requirement, the key one being that if the information disclosed by the member has been determined by Council to be publicly available.

Conflicts of interest

LGA Section	LGA Requirement
126	<p>A member of the Committee has a conflict of interest if the member has:</p> <ul style="list-style-type: none"> a) A general conflict of interest as described in Section 127; or b) A material conflict of interest as described in Section 128.
127	A member of the Committee has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the members private interests could result in that member acting in a manner that is contrary to their public duty as a member of the Committee.
128	A member of the Committee has a material conflict of interest in a matter if an affected person would gain a benefit or suffer a loss depending on the outcome of the matter.

Please Note

The above guidance is not verbatim from the Act and does not include all details as explained in Part 6, Division 1 of the Act. For a full understanding of the requirements of the Act in relation to the matters summarised above, members are expected to make themselves fully aware of the requirements of the Act.