

# Charter

# Audit and Risk Committee

## Background

In 1997, Council appointed an Audit Committee to overview the fiduciary activities of Council's operations and the manner in which Councillors, staff and members of Council Committees discharge their responsibilities. Since this time an Audit Committee Charter has been developed and reviewed on many occasions with the name of the Committee changing from Audit Committee to Internal Audit Committee and now to the Audit and Risk Committee.

## Role

The Audit and Risk Committee's role is to assist Council in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, risk management, the audit process and Council's process for monitoring compliance with legislation and the code of conduct. Areas of oversight should include:

- Corporate governance
- Information and communications technology (ICT) governance
- Management and governance of the use of data, information and knowledge
- Internal and external reporting – financial and performance
- Risk management including fraud prevention, business continuity planning and disaster recovery
- Internal and external audit
- Internal control framework including policies and procedures as they apply to;
  - financial reporting;
  - management policies, for example on gifts and hospitality received, entertainment expenses and use of corporate purchasing cards; and
  - administrative policies, for example records management and project management.

Compliance with the *Local Government Act 1989* and other applicable legislation and regulations including national competition policy.

## Legal Status

The Audit and Risk Committee (the Committee) is a mandatory advisory committee under section 139 of the *Local Government Act 1989*.

## Authority

The Committee:

1. Has authority to request Council to conduct audits and / or reviews within the Committee's scope of responsibility.
2. Is empowered to seek any information it requires from:
  - the CEO;
  - Council within a scheduled or extraordinary meeting;
  - Council staff (including senior management with the CEO or nominated delegate in attendance); and/or
  - any relevant external party,all of whom are expected to fully cooperate with the Committee's requests.
3. Representatives may meet with Council Staff (with the CEO or nominated delegate in attendance), internal and external auditors, as necessary, after a resolution of the Committee.
4. Will have independent access to the external and internal auditors to pursue any information or answers to queries which any member of the Committee deem appropriate.
5. May invite non Committee members including Council staff, senior management, Councillors and the internal and external auditors to attend any meeting of the Committee.
6. May request Council to obtain independent legal or professional advice if and when it requires.
7. May liaise with other Council committees in consideration of a matter before the Committee.
8. May report to Council on recommendations as determined by the Committee and any other matter or issue considered appropriate within the scope of the Committee's Charter.

## Responsibilities

### Financial Reporting

1. To work with management to assist Council to receive reliable, timely, understandable and meaningful financial information.
2. To review any litigation, claim or contingency which could have a definition of extreme or catastrophic risk on Council's financial position or operating result.
3. To review Council's financial position quarterly and if appropriate, recommend any remedial action to Council if required.
4. To seek clarification on significant accounting and reporting issues, including complex or unusual transactions.
5. To review the annual financial report and consider whether it is complete, consistent with information known to Committee members and reflects appropriate accounting principles.
6. To review with management and the auditors all matters arising from the internal and external audits.
7. To review all the annual financial statements and performance statements prior to their approval by Council and subsequent submission to the Auditor-General's Office.

## **External Audit**

8. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit activity.
9. To oversee management's response to the external auditor's report(s) and make recommendations where appropriate.
10. To receive regular reports from Council management of the external auditor's recommendations provided to Council.
11. To receive advice from external auditors as to whether they have had full and open access to all personnel and information required to complete the audit.

## **Internal Audit**

12. To recommend to Council the contents of the tender specification for the provision of internal auditing services.
13. To make recommendations to Council on the appointment of the internal auditor.
14. In conjunction with Council staff, develop an annual internal audit work plan, and a four year internal audit work program, to be reviewed annually.
15. To ensure that the internal audit work program systematically reviews the;
  - internal controls of all material business risks;
  - internal controls over revenue, expenditure, assets and liabilities;
  - compliance with relevant legislation, policies, best practice guidelines and instructions; and
  - delivery of major contracts.
16. To ensure that the internal audit work plan contains projects that consider effective governance of Council's operations.
17. To at least quarterly receive a report from the internal auditor on completion of items in the annual internal audit plan and the implementation by management of recommendations adopted by the Committee.
18. To review the performance of the internal audit contractor at least annually.
19. To receive advice from internal auditors as to whether they have had full and open access to all personnel and information required to complete the audit.

## **Internal Control**

20. Consider the effectiveness of Council's internal control system including Council's policies and make recommendations to Council and management regarding any identified deficiencies.
21. Understand the scope of internal and external auditor's review of internal control over financial and performance reporting and review reports on significant findings and recommendations together with management's responses.
22. Monitor fraud control systems and compliance with Council regulations on a periodic basis.
23. To obtain and review management and auditor's reports and advice on the adequacy of Council's information management systems.

## **Risk Management and Control Framework**

24. Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor material business risks as well as financial and performance reporting risks.
25. Monitor and assess the systems established by management to ensure the integrity of Council's internal financial controls.
26. Review management's and the internal auditor's reports on the effectiveness of the systems for internal financial controls, financial and performance reporting and risk management including Council's business continuity and disaster recovery plans.
27. Consider reports made by the external auditor on risk and control issues.
28. Review Council's procedures for preventing and detecting fraud and supporting protected disclosures and assess whether these are adequate and effective.
29. Review Council's procedures for compliance with laws and regulations and assess whether these are adequate and effective.

## **Composition**

The Committee will consist of five full members comprising two Councillors and three external members appointed by Council resolution, all with full voting rights, after consideration of suitability and independence.

An external affiliate member may also be appointed to the Committee, by Council resolution, after consideration of suitability and demonstration of an interest in the Committee. The affiliate member will have no voting rights, however will be entitled to receive all information, attend all meetings and participate in the deliberations of the Committee.

Where possible, the appointment of external members will be staggered to avoid the potential loss of experienced members at the same time.

It is a requirement that external members (full and affiliate) sign a confidentiality agreement, complete primary and ordinary returns in accordance with section 81 of the *Local Government Act 1989* and declare any conflicts of interest.

Induction will be provided for all external members and Councillors at the commencement of their appointment to the Committee.

Councillors who are not appointed as members of the Committee, may attend any meetings of the Audit and Risk Committee as an observer. For clarity, only Councillors appointed to the Committee by Council have voting rights.

## **Recruitment**

All vacancies of external members (full and affiliate) will be advertised sufficiently to attract the required skills and as a minimum within the Shire of Campaspe.

A selection panel comprising one external Audit and Risk Committee member, one Councillor Audit and Risk Committee member and the Chief Executive Officer will conduct an interview process, selecting one external member, following which the outcome will form a recommendation to Council for appointment.

The criteria for the appointment of external full members will be experience and/or qualifications in accounting, auditing, financial acumen and/or risk management, governance and/or public sector executive management.

The criteria for the appointment of an external affiliate member will be relevant skills, qualifications and experience as for full members and lives and works within the Shire of Campaspe. Applications for the position of affiliate member are to be accompanied with a letter of support from a senior colleague.

Where there are more applications than positions vacant the selection panel is to consider and give weight to the following points when recommending appointments to Council:

- Individuals who have already served on the Audit and Risk Committee and not reached the maximum term, who have demonstrated a valuable and consistent contribution to the Committee.
- Individuals who demonstrate skills, qualifications and experience in more than 2 of the identified fields of expertise.
- Individuals who live and or work within the Shire of Campaspe.

The selection panel, when recommending a preferred applicant for appointment to the Committee will also have regard to the current skill mix of the current appointed external members and where possible ensure at least one external member has a sound knowledge and understanding of the local government sector and its roles and responsibilities.

## Duration of Appointment

Appointments will be made as follows:

Councillors: One (1) year term appointed in December

External full members: Up to a four (4) year term

External affiliate member: Up to a two (2) year term

An external full member can serve on the Committee for a maximum time of 8 consecutive years. Any time served as an affiliate member would not be included in the 8 consecutive years.

At the completion of each term of an external member, the position will be made vacant. An outgoing external member will be eligible to re-nominate for the position, subject to the allowable maximum time.

Where an external member (full and affiliate) has not been in attendance for two consecutive meetings without submitting an apology or been granted a leave of absence, then a casual vacancy will be created. Where a casual vacancy exists, the vacancy will be filled as if the appointment term has been fulfilled.

## Chair

The Committee will elect a Chairperson from amongst the external members at the December meeting for the upcoming year.

The term of the Chairperson shall not exceed any continuous two-year period.

In the event of a tied vote, the presiding Chairperson will hold a casting vote.

## Removal of a Member

If Council proposes to remove a member of the Committee prior to completion of their term as above, it must give written notice of its intention to do so and afford the member an opportunity to be heard at a Council meeting which is open to the public if the affected member so desires.

## Resources

The General Manager Corporate Services will be responsible for including sufficient resources in the annual budget for the operation of the Committee including the allowance for external Committee members, the Internal Audit program and the administration of the Committee. Requests for any additional resources or specific projects must be made by the end of February in each year.

## Meetings

The Committee will meet at least four times a year. Meetings may be called more often as the need arises.

Meetings may only be held where there is a quorum of three (3) members, one of which must be a Councillor.

One or more meetings will be scheduled so that Council financial statements are able to be considered in time to allow final consideration by Council prior to forwarding to the Auditor General.

Potential conflicts of interest are to be registered annually, are to be declared at each meeting and notified to the chair immediately a conflict of interest is recognised.

The Chief Executive Officer, General Manager Corporate Services, Manager Finance and Council's Internal Auditor will attend all Committee meetings, unless requested by the Committee not to attend.

The Committee may invite, through the Chief Executive Officer, other members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

Meeting agendas will be prepared and provided prior to distribution to the chair for approval 1.5 weeks prior to the meeting date and final agendas and attachments to all members one (1) week prior to the meeting date.

Minutes of each meeting will be prepared, by council staff, for approval by the chair, prior to distribution.

Each year the Committee will meet with Council's internal auditor and the external auditor without management representatives. The Chair will provide an update to the CEO on the key points discussed and any issues or concerns identified or raised during this meeting.

## Monitoring of Committee Activities

The Committee will:

1. Review and assess compliance with the Committee Charter annually.
2. Review and assess the adequacy of the Charter at least every three years requesting Council approval for proposed changes.
3. Prepare and monitor activities against the annual Committee meeting plan.

Council will:

1. Review and assess the adequacy of the Committee performance annually.

## Reporting

The Committee will report to Council on the Committee activities, issues and related recommendations by forwarding minutes of each meeting.

The Chairperson of the Committee may attend and report to Council in person at the request of Council or by recommendation of the Committee.

The Committee will report annually at the conclusion of each financial year to stakeholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by regulation. The approved Annual Report will be tabled at the next available Council meeting.

## Insurance

Members of the Committee are covered by Council's insurance policies.

## Expense Reimbursement and Allowance for Members

External full members will receive an annual allowance as approved by Council in April each year. External members will also be reimbursed for travel, accommodation and out of pocket expenses in attending meetings etc. as approved by Council. The allowance will be benchmarked against like sized rural councils every three years and increased in line with current CPI for year(s) 2 and 3 at the commencement of each financial year.

Adopted by Council 8 March 2005.  
Reviewed by Audit Committee annually.  
Adopted by Council 17 March 2009  
Adopted by Council 17 May 2011  
Adopted by Council 23 June 2015  
Adopted by Council 20 February 2018  
Adopted by Council 19 March 2019