



CITY OF
MONASH

**AUDIT & RISK
COMMITTEE
CHARTER**

AUDIT & RISK COMMITTEE CHARTER

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1 PURPOSE OF CHARTER

The Audit & Risk Committee (the Committee) is an independent advisory committee to Council established under section 139 of the *Local Government Act 1989* (the Act).

The Committee Charter (the Charter) has been developed with regard to '*Audit Committees - A Guide to Good Practice for Local Government*', January 2011 issued by the Minister for Local Government and the Victorian Auditor-General's report on *Audit Committee Governance* issued in August 2016.

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.

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 financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The Committee will provide oversight and guidance on the following matters:

- internal and external financial reporting;
- the effectiveness of the management and reporting of Council's key risks and the protection of Council's assets;
- the effectiveness of Council's system of internal controls;
- the effectiveness of the internal and external audit functions; and
- the provision of an effective means of communication between the external auditor, internal audit, management and the Council.

The Committee establishes an Annual Work Plan to enable it to discharge its responsibilities effectively pursuant to the requirements of the Charter and reviews the Annual Work Plan at every meeting.

2 COMMITTEE'S DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee include:

External Reporting

The Committee will:

- 2.1 Review Council's draft annual financial report and annual performance statement, focusing on:
 - the reporting requirements of accounting policies and Approved Accounting Standards;
 - changes to reporting requirements due to changes in accounting policies and Approved Accounting Standards;
 - the assumptions used and processes applied in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements of financial and non-financial information; and
 - significant changes to the content of reports, the operating results, financial position and performance indicators in comparison to the prior year.
- 2.2 Review and recommend adoption of the Annual Financial and Performance Statements to Council and review any significant changes and the reasons for the changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 2.3 Review the completeness of corporate governance processes as prescribed in the Governance and Management Checklist of the Local Government (Planning and Reporting) Regulations 2014.

External Audit

The Committee will:

- 2.4 Be briefed at least annually by the External Auditor on the audit strategy prior to the commencement of each year's audit process;
- 2.5 Discuss and review with the External Auditor the scope and the planning of the audit;
- 2.6 Discuss and review with the External Auditor issues arising from the audit, including all significant Management Letter items and the potential impact of those items on Council's system of internal control;

- 2.7 Ensure significant findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately actioned by management; and
- 2.8 Review on an annual basis the performance of the External Auditor.

System of Internal Control

The Committee will:

- 2.9 Maintain an awareness of local government performance audits undertaken by VAGO and any other relevant reviews undertaken by Australian and Victorian public sector integrity bodies, including the Australian National Audit Office, the Independent Broad-Based Anti-Corruption Commission (IBAC), the Local Government Inspectorate and the Victorian Ombudsman and consider relevant recommendations for action or implementation where appropriate;
- 2.10 Confirm that management are aware these external reviews and have considered the relevant recommendations for action or implementation;
- 2.11 Review the adequacy and effectiveness of key systems and controls as a basis for providing a sound internal control framework; and
- 2.12 Determine whether key policies, systems and controls are reviewed regularly and updated where required.

Internal Audit

The Committee will:

- 2.13 Be kept informed by Council officers of any process to appoint or terminate Council's internal audit service provider;
- 2.14 Recommend to Council the approval of the Internal Audit Plan for the coming year;
- 2.15 Review the level of resources allocated to internal audit and the scope of its authority;
- 2.16 Review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of 3 years the internal audit plan systematically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems;
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programmes; and

- compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements;
- 2.17 Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive Officer;
- 2.18 Review internal audit reports and monitor the implementation of recommendations by management;
- 2.19 Facilitate liaison between the Internal and External Auditors to promote compatibility, to the extent appropriate, between their audit programmes;
- 2.20 Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's Charter. Review management's response to, and actions taken as a result of, the issues raised;
- 2.21 Review on an annual basis the performance of the Internal Auditor, including adherence to appropriate professional and quality standards, and where performance is not considered satisfactory, report to Council and make recommendations, which may, in extreme cases, include a recommendation that Council terminate the Internal Audit contract and undertake a tender process for the appointment of a new internal auditor; and
- 2.22 Ensure that a representative(s) of the Committee and a member of Council's Executive Leadership Team not directly involved in the management of the Internal Audit Contract are included on the tender evaluation panel tasked with making recommendations to Council for the appointment of a new Internal Auditor.

Risk Management

The Committee will:

- 2.23 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems in place to report on Council's risk profile and changes to it;
- 2.24 Monitor reported related party transactions, monitor the implementation of recommendations arising from reports presented and review the effectiveness of Council's internal control systems;
- 2.25 Provide oversight of Council's Risk & Opportunity Management Framework and activities conducted by the Internal and External Auditors and any other assurance providers, to give assurance over that framework; and

- 2.26 Escalate to Council when the Committee feels that management is not responding as it wishes/should on concerns about the Risk & Opportunity Management Framework.

Ethical Behaviour

The Committee will:

- 2.27 Receive updates from management of any suspected cases of fraud, corruption or serious misconduct impacting Council;
- 2.28 Recommend any specific measures or investigations identified as necessary or desirable by the Committee to the Council and/or management;
- 2.29 Monitor any breaches of ethical standards and monitor the implementation of recommendations arising from reports presented;
- 2.30 Monitor any subsequent investigation, including the investigation of any suspected cases of fraud, corruption, serious misconduct or breaches of conflict of interest; and
- 2.31 Review the findings of any examinations by regulatory or other independent agencies, and any auditor (internal or external) observations and confirm that management have taken appropriate action as a result of the findings.

Matters Referred to the Committee by Council

- 2.32 The Committee will address issues brought to its attention, including responding to requests from Council for advice.

3 COMMITTEE OPERATIONS

MEETINGS

The following requirements shall apply to meetings of the Committee:

- 3.1 The Committee shall meet as required, but at least quarterly, each year.
- 3.2 The Chief Executive Officer and Internal Auditor should attend all meetings, except when the Committee chooses to meet in camera.

Other members of Council or Council staff may be invited to attend at the discretion of the Committee and Chief Executive Officer to advise and provide information when required.

- 3.3 The Committee, without management present, will meet separately with the Internal Auditor and the External Auditor, at least annually, to discuss issues of relevant interest.

- 3.4 Representatives of the External Auditor will attend a meeting to consider the draft annual financial report and results of the external audit and may be invited to attend other meetings at the discretion of the Committee.
- 3.5 A schedule of meetings will be developed and agreed by members. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines.
- 3.6 Additional meetings shall be convened at the discretion of the Chairperson or at the written request of: any two members of the Committee; the Internal Auditor; or the External Auditor.
- 3.7 The agenda and supporting documentation will be circulated to members of the Committee at least one (1) week in advance of each meeting.
- 3.8 Minutes will be prepared within one (1) week of the meeting for approval by the Chairperson and shall be distributed to Committee members within two (2) weeks of the meeting. Any items designated as “Confidential” by the Committee (which must only be on the basis that the item is considered to be confidential pursuant to the Local Government Act 1989) will be noted in separate Confidential Minutes of the Committee.
- 3.9 The Chairperson will sign the minutes following the confirmation of the minutes at a subsequent meeting.
- 3.10 The unconfirmed minutes will be reported to the Council within two months of the Committee meeting, with any Confidential Minutes reported to a Confidential Council meeting.
- 3.11 The Corporate Services Directorate shall provide secretarial and administrative support to the Committee.

REPORTING

- 3.12 The Committee may report to Council on any matters of significance as determined by the Committee.
- 3.13 The Committee Chairperson, will attend a meeting of an Assembly of Councillors annually to:
 - summarise the activities of the Committee during the previous year;
 - provide any recommendations to councillors in relation to the functioning of the Committee; and
 - draw councillors’ attention to any other matters which the Chairperson or Committee see as appropriate.

- 3.14 The Chairperson is entitled to attend any Assembly of Councillors' meeting at any other time to bring any particular matters to the attention to councillors which the Chairperson or Committee sees fit. Such meetings may be held with or without management present at the determination of the Chairperson following consultation with the mayor.
- 3.15 The Committee Charter and details of its members will be published on Council's website.
- 3.16 Council's Annual Report will contain information on the makeup of the Committee, number of meetings held and attended by Committee members, audit processes, details of any remuneration paid to independent members during the reporting period and a summary of work completed by the Internal and External Auditor during the year.

4 COMMITTEE GOVERNANCE

MEMBERSHIP

The Committee will be comprised of five members:

- one (1) independent Chairperson;
- two (2) independent members; and
- two (2) Councillors (plus one alternate Councillor).

All members shall have full and equal voting rights unless a member is unable to vote due to a conflict of interest.

The following requirements will apply to members and the appointment thereof:

- 4.1 Council will appoint Committee members and the Committee Chairperson;
- 4.2 A quorum of any meeting will be at least two independent members (which may include the Chairperson) and at least one Councillor member;
- 4.3 Committee members can attend the meeting via dial-in or video conference, and will be included as part of the quorum; and
- 4.4 The Chairperson shall be an independent member of the Committee and shall have a casting vote on occasions where there is an equal tally of votes on a matter. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the independent members present.

TERMS OF APPOINTMENT

- 4.5 New independent member appointments will be publicly advertised in appropriate places such as statewide and local newspapers, the Council's website, the online 'Directorships Opportunities' listing provided by the Australian Institute of Company Directors and other channels.
- 4.6 The Recruitment and Selection process for appointment to the Committee will consist of:
- in the case of the **Councillor members**: appointment and selection by the Council however the Council chooses;
 - in the case of the **Chairperson**: appointment and selection by the Council however the Council chooses; and
 - in the case of the **independent members**: a selection panel will be formed comprising the Chairperson and two Councillor representatives and will make a recommendation to the Council on a suitable candidate to be appointed.
- 4.7 Applications for membership will be assessed against appropriate criteria. The criteria will fall within the areas of:
- level and breadth of senior business, management, finance and accounting and/or audit experience and qualifications;
 - level of familiarity with Government operations, including financial reporting, auditing requirements, risk management, business ethics and corporate governance; and
 - previous Audit and/or Risk Committee experience.
- 4.8 Independent members should also have the ability to provide Councillors, the Chief Executive Officer and Council's administration with well-rounded and professional advice concerning the adequacy of Council's administrative, operational, financial and accounting systems and controls, performance reporting regimes, and risk management processes.
- 4.9 Independent members (including the Chairperson) shall be appointed for a term of up to three years. At the conclusion of their first term, existing members will be eligible to apply to be reappointed with acceptance at the discretion of Council.
- 4.10 A person can only serve in the positions of independent member or Chairperson for a maximum of six consecutive years.
- 4.11 A person who has been an independent member for up to six years is eligible to serve as Chairperson providing that the total length of combined continuous service in both roles does not exceed nine years.

- 4.12 The terms of each member should be arranged so that there is an orderly rotation of membership and avoidance of more than one member retiring at the same time.
- 4.13 In the event of an independent member resigning/retiring before the expiry of their term, the vacancy will be filled at the discretion of the Council. Further, should the resignation/retirement of two or three of the independent members coincide, the Council may extend one member's term by one year to ensure continuity.
- 4.14 If the Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a Council meeting.
- 4.15 Remuneration will be paid to each independent member of the Committee as determined by Council. Annual increases in the remuneration of Committee members will be limited to increases in the Consumer Price Index (CPI All Groups Melbourne) and adjusted annually on July 1.
- 4.16 Council can make annual appointments of observers to the Committee for a maximum period of 12 months to enable exchange of relevant experience and knowledge for the Committee's benefit. Any appointed observers will be expected to attend all meetings and will be under the mentorship of one of the independent members. The observer will be subject to the same Conflicts of Interests and Register of Interests compliance requirements as outlined in this Charter for members as well as Confidentiality requirements as outlined in the letter of appointment.

PERFORMANCE EVALUATION

The Committee will evaluate its own performance on an annual basis using a Self-Assessment tool which will be reviewed, adopted and completed by the Committee.

CONFLICT OF INTEREST AND REGISTER OF INTERESTS

Members of the Committee are required to comply with sections 76D, 79 and 81 of the Act which includes, amongst other things, the following requirements:

- 4.17 Submit six monthly interest returns on the form specified by Council in accordance with the Act; and
- 4.18 Declare and manage any conflicts of interest which arise in accordance with the Act.

Members of the Committee must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper management of any conflicts of interest as and when they may arise.

Members of the Committee must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in Division 1A of the Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in prosecution and the member's appointment being terminated by the Council.

REVIEW OF COMMITTEE CHARTER

The Committee will review the Committee Charter on a biennial basis, or as required following relevant changes to the Act or other related Acts & Regulations, and recommend any changes to Council for approval.

The next review date will be: **September 2021.**

FINAL