

Audit and Risk Committee Charter

August 2020

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1. Purpose of this Charter

The purpose of this charter is to facilitate the operation of the Council's Audit and Risk Committee (the Committee). This charter is prepared and approved by the Ballarat City Council (Council) pursuant to section 54 (1) of the Local Government Act 2020 (the Act).

2. Introduction

The Committee plays an important role in providing oversight of the Council's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices.

The Committee is established as an advisory committee by the Council in accordance with section 53 (1) of the Act and is responsible to the Council. The Committee is not a delegated committee of Council and does not have executive powers or authority to implement actions in areas over which Council management (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's role is to report to the Council and provide appropriate advice and recommendations on matters relevant to its charter in order to facilitate decision making by the organisation comprising Council and management, in relation to the discharge of its responsibilities.

3. Objectives

The objectives of the Committee, in relation to Council and its subsidiaries, are to oversee:

- 3.1 The integrity of external financial reporting, including accounting policies.
- 3.2 The scope of work, objectivity, performance and independence of the external and internal auditors.
- 3.3 The establishment, effectiveness and maintenance of controls and systems to safeguard financial and physical resources.
- 3.4 The systems or procedures that are designed to ensure compliance with relevant statutory and regulatory requirements.
- 3.5 The process for recognising risks arising from operations and strategies and consider the adequacy of measures taken to manage those risks.
- 3.6 The process and systems which protect against fraud and improper activities including the procedures to achieve compliance with the *Public Interest Disclosure Act 2012*.
- 3.7 The Committee seeks also to add to the credibility of Council and its subsidiaries by promoting ethical standards through its work.

4. Authority

The Committee has the authority to:

- 4.1 Oversee all audit and non-audit services performed by the internal audit contractor.
- 4.2 Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
- 4.3 Recommend the annual internal audit plan to the Council.
- 4.4 Seek any information or advice it requires from Council members, and management via the Chief Executive Officer and external parties.
- 4.5 Formally meet with management, internal and external auditors as necessary.
- 4.6 Seek resolution on any disagreements between management and the external auditors on financial reporting and recommendations pertaining to key financial systems and controls.
- 4.7 Seek resolution on any differing views between management and the internal auditors on audit findings and recommendations.
- 4.8 The Committee will assist the organisation in the Assessment of tenders for the internal audit.
- 4.9 The Committee has the authority to advise Council on any or all of the above or any other matter as deemed necessary by the committee within the scope and limitations of the audit plan and charter.

5. Membership

- 5.1 The Committee will comprise seven members, four being independent and three being Councillors.
- 5.2 In accordance with section 53(3(c) of the Act, the Committee will not include any person who is a member of Council staff.
- 5.3 The Council will appoint Committee members. In appointing members to the Committee, the Council will consider gender balance.
- 5.4 The Council will appoint the Chair of the Committee, who in accordance with section 53 of the Act:
 - must not be a Councillor (section 53(4)); and
 - must not be a member of Council staff (section 53(3c).
 - will be appointed for a three-year term and may be reappointed consistent with the provisions of 5.7 of this charter.
- 5.5 The Committee is authorised to appoint an Acting Chair, from the independent members, when required.
- 5.6 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council including expertise in financial management, audit and risk, governance and experience in public sector management.

- 5.7 The Chair or if not available, another Independent Member will be invited to participate in the selection process to fill an Independent Member vacancy on the Committee.
- 5.8 Independent members will be appointed for an initial period not exceeding three years with the periods staggered to assist continuity of the committee. Members may be re-appointed at the discretion of Council for a total period of up to six years including their initial term. Independent Members may be appointed for a further final term not exceeding three years subject to competitive advertising.
- 5.9 A quorum will be a majority of members that must include at least one Councillor. The number of independent members at each meeting must equal or exceed the number of Councillors.
- 5.10 Independent members will be remunerated at a per meeting rate set by Council. The Council will review the meeting rate annually by bench marking against councils of similar size and complexity. The meeting rate will be adjusted annually by at least the percentage movement in allowances for councillors of the Ballarat City Council. In addition, each independent member will be entitled to claim up to \$500.00 per annum in travel expenses based on the per Kilometre rate set by the Commissioner of Taxation.
- 5.11 Section 123 (Misuse of position), section 125 (Confidential information) and Division 2 of Part 6 (Conflict of interest) of the Act, apply to an independent member of the Committee as if the member were a member of a delegated Committee of Council. (Refer to Appendix for further information).
- 5.12 Independent Members are required by The Act to lodge an initial personal return of interests and subsequent biannual personal return of interests and to declare any conflicts of interest that apply to any matter to be considered at each meeting. (Refer Appendix for further information).
- 5.13 New members will receive induction information and briefings on their appointment to assist them to meet their Committee responsibilities.
- 5.14 In the event that an independent public 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 the position shall be filled following public advertising.
- 5.15 If Council proposes to remove an independent member of the Committee, it must afford the member an opportunity to be heard by the Council meeting which is open to the public unless the member proposed to be removed requests to be heard at a closed meeting.
- 5.16 The Council will indemnify and keep indemnified each independent member of the committee against all actions or claims whether arising during or after their term of appointment in respect of anything necessarily done or reasonably done or omitted to be done in good faith –
 - a. In the performance of a duty or function or the exercise of an any matter under the Act, regulations, a local law or this charter.
 - b. In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a matter under the Act, regulations, a local law or this charter.

6. Meetings

- 6.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. Audit Committee members are obligated to prepare for and participate in meetings.
- 6.2 The duration of meetings shall be set to ensure that the Committee can properly discharge its responsibilities pursuant to this Charter.
- 6.3 At the discretion of the Chair or if requested by any Committee Member, the Chief Executive Officer, the Internal Auditors or the External Auditors, a Members only part of a meeting may be convened at which the Members may require the attendance of the Chief Executive Officer, Internal Auditors or External Auditors or any other officer to also attend.
- 6.4 Additional meetings may be called by the Chair of the Committee, or at the request of the Mayor or Chief Executive Officer.
- 6.5 Committee meetings are confidential and closed to all non-members unless a person is invited to attend by the committee.
- 6.6 All non-member Councillors have a standing invitation to attend Committee meetings as observers.
- 6.7 Meetings can be conducted via video conference only in the event that Council cannot host the meeting onsite.
- 6.8 All Committee members are expected to attend each meeting in person however due to special circumstances the Chair may agree to a member participating in a meeting via video conference or telephone.
- 6.9 A representative(s) of the VAGO will be invited to attend meetings of the committee to present and discuss relevant matters and otherwise as an observer/s.
- 6.10 A representative(s) of the appointed internal audit contractor will be invited to attend meetings of the committee to present on matters related to internal audit and otherwise as an observer/s.
- 6.11 The Chief Executive Officer:
 - a. Will facilitate and provide all necessary support for meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
 - b. Has responsibility to provide any necessary induction material for Members in relation to their responsibilities under the Act and this charter.
 - c. To provide any information or advice required by the committee to enact its responsibilities under the Act and this charter.
 - d. To facilitate formal meetings with Council staff, the internal auditors or the external auditors as requested by the committee.
- 6.12 The Chief Executive Officer will endeavour to attend all meetings of the committee and their direct management reports are expected to also attend. Other relevant staff will be required to attend meetings of the committee when matters relating to their responsibilities (e.g. internal audit reports and recommendations) are scheduled to be discussed.

- 6.13 The Chair will be consulted on the proposed agenda for each meeting of the Committee and the list of necessary management attendees.
- 6.14 Management will ensure meeting agendas are prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.15 The Chief Executive Officer will arrange for minutes to be taken at each meeting. As soon as possible following each meeting, the draft minutes will be provided to the Chair Committee for review and incorporate any changes required by the Committee circulated to committee members for confirmation out of session by circular resolution (per 6.17).
- 6.16 Decisions of the Committee may at the discretion of the Chair be decided by consensus.
- 6.17 The committee may from time to time determine processes and arrangements for dealing with some business out of session. This may include email circulation of documents for review and approval by circular resolution (e.g. Internal Audit Scope).

7. Functions and Responsibilities

As per Section 54(3) of the Local Government Act 2020, the Committee will collaborate with management to establish a work plan to ensure that the responsibilities of the Committee are appropriately scheduled and will be carried out over the annual meeting cycle.

The Committee functions and responsibilities include:

7.1 Risk Management and Fraud Prevention

- 7.1.1 Monitor and provide advice on Council's strategic risk register, risk management systems and controls.
- 7.1.2 Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of Council's business and financial risks.
- 7.1.3 Determine whether a sound and effective approach has been followed in managing Council's major risks including those associated with individual projects, program implementation, and activities.
- 7.1.4 Assess the impact of the Council's enterprise risk management framework on its control environment and insurance arrangements.
- 7.1.5 Monitor and provide advice on fraud prevention systems and controls to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.

7.2 Business Continuity

- 7.2.1 Consider whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

7.3 Internal Control

- 7.3.1 Review whether management's approach to maintaining an effective internal control framework is sound and effective.

- 7.3.2 Review whether management has in place relevant policies and procedures, including Chief Executive Officer's Instructions or their equivalent, and that these are periodically reviewed and updated.
- 7.3.3 Consider whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 7.3.4 Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 7.3.5 Consider how management identifies any required changes to the design or implementation of key internal controls.

7.4 Compliance

- 7.4.1 Monitor the compliance of Council's policies and procedures with the overarching governance principles set out in section 9(2) of the Act and the regulations and any ministerial directions under the Act.
- 7.4.2 Review the systems and processes to monitor the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- 7.4.3 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to these findings.
- 7.4.4 Obtain regular updates from management about compliance matters.

7.5 Internal Audit

- 7.5.1 Review with management and the internal auditor the charter, activities, resourcing, and organisational structure of the internal audit function.
- 7.5.2 Review the specifications for the Provision of Internal Audit Services contract and participate in the tender evaluation process.
- 7.5.3 Review and recommend the annual internal audit plan for endorsement by the Council and all major changes to the plan.
- 7.5.4 Monitor that the internal auditor's annual plan is aligned to and covers the material business risks
- 7.5.5 Monitor processes and practices to ensure that the independence of the internal audit function is maintained.
- 7.5.6 Annually review the performance of internal audit including the level of satisfaction with the internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- 7.5.7 Provide an opportunity for the Committee to meet with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.

- 7.5.8 Review all internal audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.5.9 Monitor management's implementation of internal audit recommendations.

7.6 External Audit

- 7.6.1 Note the external auditor's proposed audit scope and approach for financial and performance audits, including any reliance on internal auditor activity.
- 7.6.2 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and monitor Council's implementation of relevant recommendations.
- 7.6.3 Monitor processes and practices to ensure that the independence of the external audit function is maintained.
- 7.6.4 Provide an opportunity for the Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.
- 7.6.5 Review all external audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.6.6 Annually review the performance of external audit including the level of satisfaction with the external audit function.
- 7.6.7 Monitor management's implementation of external audit recommendations.

7.7 Financial Report

- 7.7.1 Monitor and review the appropriateness of the framework and content of periodic management financial and performance reporting to Council.
- 7.7.2 Review significant accounting and reporting issues, including complex or unusual transactions and areas requiring expert judgement, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 7.7.3 Review with management and the external auditors, the results of the audit, including any difficulties encountered.
- 7.7.4 Review the annual financial report and performance report of the Council and its subsidiaries, and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles and standards.
- 7.7.5 Review the process for the consolidation of financial information of Council related entities into the financial reports of Council.
- 7.7.6 Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- 7.7.7 Recommend in principle that Council approve the annual Financial Statements and Performance Statements.

7.8 Reporting Responsibilities

- 7.8.1 Undertake an annual assessment of its performance against the Audit and Risk Committee Charter as required by section 54(4)(a).
- 7.8.2 Provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting as required by section 54(4)(b).
- 7.8.3 Prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations as required by section 54(5)(a).
- 7.8.4 Provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting as required by section 54(5)(b).
- 7.8.5 The Chief Executive Officer must table reports and annual assessments of the Audit and Risk Committee at the next Council meeting as required by section 54(6)(a); and when requested by the Chairperson of the Audit and Risk Committee per 54(6)(b).

7.9 Other Responsibilities

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

7.10 Transparency Measures Adopted

- 7.10.1 The Committee Performance Report is to be presented to Council annually and published on the Council's website.
- 7.10.2 Commencing following the 2020 council elections a 'one-off' End of Council Term Report is to be presented prior to the end of each Council term to a closed session of Council, before the caretaker period commences and also to a closed session of the new Council following council elections.
- 7.10.3 Management will ensure a briefing paper or report is provided to Councillors after each Committee meetings summarising progress, matters discussed and any issues the Committee wishes to share or bring to the attention of the council.
- 7.10.4 The Chair of the Committee will present a summary of the Committees activities and findings to a Councillor Briefing annually, followed by an in-camera session with Councillors immediately after the conclusion of Councillor Briefing.

Appendix

1. Conflicts of Interest and Personal Interests Returns

- 1.1 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.
- 1.2 Members of the Committee must also be fully aware of the statutory definitions of a general conflict of interest and a material conflict of interest. These are set out in Division 2 of Part 6 of the Act. Members of the Committee are required to comply with section 123 (misuse of position), Division 2 of Part 6 (disclosure of conflict of interest) and Division 3 of Part 6 (personal interest's returns of the Act, which include, among other things, the following requirements:
 - a. Lodgement of personal interest returns on the forms specified by Council in accordance with the Act;
 - b. Declaration and management of any conflicts of interest which arise in accordance with the Act;
- 1.3 In addition, members of the Committee shall comply with Council's Code of Conduct in carrying out their duties as a member of the Committee. In broad terms, and for guidance to members of the Committee:
 - a. Committee members must disclose any conflicts or perceived conflicts of interest at the commencement of each meeting;
 - b. Where members are deemed to have a conflict of interest, they will be excused from discussions and deliberations on the matter. Failure to comply with the provisions of the Act regarding conflicts of interest may result in prosecution and the member's appointment being terminated by Council.

2. Confidentiality

All information received by Committee members in the course of their work as Committee members is confidential and must not be shared with any party outside the Committee.

Members must comply with the requirements of section 125 of the Act in this regard. Section 53(5) of the Act provides that sections 123 (misuse of power) and 125 (confidential information) and Division 2 of Part 6 (Conflict of interest) apply to a member of the Audit and Risk Committee who is not a Councillor as if they were a member of a delegated committee. Failure to comply with the provisions of the Act with regard to confidential information may result in prosecution and the member's appointment being terminated by Council.