



Audit and Risk Committee Charter

(Pursuant to section 53(2) of the Local Government Act 2020)



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1. Purpose

Council is committed to good governance, public transparency and accountability to the Bayside community. The Audit and Risk Committee is established to strengthen Council's governance, risk management, financial management and to drive continuous improvement. Pursuant to section 53(2) of the Act, the Committee is an advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility.

The Committee is an advisory committee of the Council established to assist the Council to discharge its responsibilities under the Act to:

- Monitor the compliance of Council policies and procedures with;
 - The overarching governance principles;
 - The Act and the regulations and any Ministerial directions; and
 - Other relevant laws and regulations;
- Monitor internal controls
- Monitor Council financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls;
- Oversee internal audit function;
- Oversee the external audit functions; and
- Monitor related party transactions.

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Council.

The Committee operates to advise the Council on how best to fulfil its responsibilities and facilitate decision making by providing a forum for improving communication between Council members and management, internal auditors and external auditors.

2. Authority

That Council authorises the Committee to:

- obtain any information it required from any official or external party
- discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including Councillors and Council officers, at Committee meetings
- obtain legal or other professional advice at the entity's expense, as considered necessary to meet its responsibilities
- seek resolution on any disagreement between management and the external auditors on financial reporting
- seek resolution of any disagreement between management and the internal auditors on internal audit recommendations.

3. Membership

- 3.1 The committee comprises of up to six members (Two Councillors and the Mayor of the Day as a substitute representative and up to four independent members) to be appointed by Council. In accordance with the Act the Members of the Committee must:
- include members who are Councillors at the Council (section 53(3a));
 - consist of a majority of members who are not Councillors of the Council and who collectively have:
 - expertise in financial managements and risk (section 53(3b i));
 - experience in public sector management (section 53(3bii));
 - not be a member of Council staff (section 53(3c)).
- 3.2 That Council will appoint the Chair of the Committee, who in accordance with section 53 of the Act:
- must not be a Councillor (asection 53(4)); and
 - must not be member of Council staff (section 53(3c)).
- 3.3 In the absence of the Chair, the Committee will elect a temporary Chair for the meeting from the remaining independent members who are present.
- 3.4 The Chief Executive Officer, members of the Executive Team, Senior Managers or other management representatives may attend meetings as advisers or observers but will not be members of the committee.
- 3.5 The Committee reserves the right to meet at any time without non-members or with invited non-members only.
- 3.6 A representative(s) of VAGO will be invited to attend meetings of the committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.
- 3.7 A representative(s) of the appointed internal audit contractor will be invited to attend meetings of the committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.
- 3.8. Membership of the committee will be reviewed periodically (but at least every three years) by the Council with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspective and a suitable mix of qualifications, knowledge, skills and experience. At the conclusion of the independent members first three year term, existing members will be eligible to apply to be reappointed at the discretion of council for a second three year term.
- An independent member may serve no more than two full terms in any one position before the position must be publicly advertised. This does not preclude existing members from being re-appointed through a competitive process.
- In the event of an independent member resigning/retiring before the expiry of their term then this vacancy will be filled as soon as possible to ensure a majority of independent members present at meetings.
- 3.9. Councillor members will be appointed by Council for a two year period.

- 3.10 The organisation will maintain a program of induction, training and awareness-raising for its members, with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.
- 3.11 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 meeting fee, determined by Council, which will be indexed in alignment with CPI.

Payments will be made after each meeting following receipt of a Tax invoice.

The fee paid to independent Members will be benchmarked periodically against no less than five peer Councils to provide the Council with the information required to review fees.

4. Functions

In accordance with section 54(2) of the Act, the functions and responsibilities of the Committee include:

4.1 **Monitor the compliance of Council policies and procedures with the overarching governance principles and the local Government Act 2020 and the regulations and any ministerial directions (Section 54(2a)).**

- 4.1.1. Monitor Council processes for compliance of Council policies and procedures (Section 54(2))
- 4.1.2. Assess the Council's procurement framework with a focus on the probity and transparency of policies and procedures/processes.
- 4.1.3. Assess the Council's policy framework and procedures to ensure the embedding of the governance principles.
- 4.1.4. Obtain regular updates from management about compliance and non-compliance matters of material significance pertaining to ethical, statutory and legal issues.
- 4.1.5. Keep informed of the findings of any examinations by regulatory agencies including VAGO, Victorian Ombudsman, IBAC and LG Inspectorate, and monitor management's responses to such findings.
- 4.1.6. Monitor the reimbursement of expenses to Councillors and members of delegated Committees at each meeting of the Committee.
- 4.1.7. Undertake an assessment of the Committee's performance against the Charter on an annual basis.
- 4.1.8. Prepare a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations.
- 4.1.9. Review the content of the Committee's Annual Report to be incorporated into the organisation's Annual Report.

4.2 Monitor Council's financial and performance reporting (Section 54(2b))

- 4.2.1. Review Council's financial position, via the receipt of Council's Quarterly Finance Management reports and where remedial action is required, to recommend this to Council.
- 4.2.2. Review and consider bi-annual performance reports based on Local Government Victoria's Performance Reporting Framework
- 4.2.3. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 4.2.4. Review the annual financial statements prior to their approval by Council and determine whether they are complete and consistent with the information known to Committee Members, assess whether the financial statements reflect appropriate accounting policies and comply with all relevant standards and regulatory requirements
- 4.2.5. Review the annual performance statement prior to their approval by council and determine whether they are complete and consistent with the information known to committee members through the consideration of bi-annual Performance reports and recommend to Council the adoption of the Performance Statement
- 4.2.6. Recommend to Council the adoption of the annual financial and performance statements to Council. Review any significant changes and the reasons for the changes that may arise subsequent to any such recommendation but before the financial and performance reports are signed
- 4.2.7. Review any litigation, claim or contingency which could have a material affect on Council's financial position or operating result.

4.3. Monitor and provide advice on risk management and fraud prevention systems and controls (Section 54(2c))

- 4.3.1. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems
- 4.3.2. Review management's overall risk profile, risk management framework and policy.
- 4.3.3. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately. Receive regular risk reports based on the following:
 - Strategic Risks – bi-annually
 - Other risks – as agreed by the Committee eg: Divisional Presentations, selected strategic risks 'in focus', high rated operational risks, significant project / program risks.
- 4.3.4. Monitor the effectiveness of Council's business continuity processes and practices.
- 4.3.5. Monitor the effectiveness of fraud prevention policies throughout the organisation.
- 4.3.6. Receive summary reports from management on all suspected and actual frauds, thefts and material breaches of legislation, ensuring reporting to the Council and/or relevant authorities.

4.4. Overseer internal audit function (section 54(2d))

- 4.4.1. Review the strategic three year and annual plan of the Internal Auditor to ensure that it takes into consideration the risk profile of Council.
- 4.4.2. Review and approve the memorandum of planning (MAP) for each internal audit to ensure that the audit objectives and scope are fit for purpose.
- 4.4.3. Ensure that significant findings and recommendations made by the Internal Auditor, and management's proposed responses adequately address the findings and key risks are mitigated.
- 4.4.4. Review on an annual basis the performance of the Internal Auditor. Where performance is not considered satisfactory discuss with Council and management the proposal to undertake a tender process for the appointment of a new internal auditor.
- 4.4.5. Provide the opportunity for Audit Committee members to meet with the internal auditors without management being present.
- 4.4.6. Monitor the implementation of internal audit's findings and recommendation

4.5. Overseer external audit function (section 54(2d))

- 4.5.1. Review the External Auditor's proposed audit scope and approach to be applied each year in light of Council's present circumstances and changes in regulatory and other requirements
- 4.5.2. Review with the External Auditor, Council's draft annual financial and performance statements and consider the results in the context of the financial and performance reports received throughout the year challenging any unusual or unexpected results
- 4.5.3. Discuss and review with the external auditor issues arising from the audit including all management letters issued by the auditor for completeness and appropriateness.
- 4.5.4. Ensure that findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately actioned.
- 4.5.5. Provide the opportunity for committee members to meet with the external auditor as the need arises without management being present.
- 4.5.6. Maintain an awareness of local government performance audits undertaken by VAGO and ensure recommendations are brought to the attention of Council for action/implementation where appropriate.

5. Engagement with the Victorian Auditor-General's Office (VAGO)

The committee will engage with VAGO, as Council's external auditor, in relation to the VAGO's financial statement and performance audit coverage. In particular the committee will:

- 5.1 Invite a representative from VAGO to attend Committee meetings and encourage a positive working relationship;
- 5.2 Provide feedback to VAGO on the draft strategies, reports and opportunities for improvements;
- 5.3 Provide advice to management on action to be taken on significant issues raised in relevant VAGO reports or better practice guides.

6. Engagement with the Internal Auditor

- 6.1 Council will appoint an outsourced internal auditor in accordance with Council's procurement policy to undertake a Council adopted internal audit plan.
- 6.2 The Chair, or her/his delegate will be part of an interview panel for short listed internal Auditors as part of a procurement process.
- 6.3 The Internal auditor is accountable to Council and has access to the Chief Executive Officer and other relevant Senior Managers, and the Chair of the Committee.
- 6.4 The Audit and Risk Committee shall have the opportunity to meet separately with the internal Auditors at least annually to discuss any matters raised by the committee or the Internal Auditor.

7.0 Authority of the Committee

- 7.1 The Committee is an advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility. All recommendations of the Committee shall be referred to the Council for approval, other than the:
 - Memorandums of Audit Planning (MAP) that do not require the approval of Council; and
 - Management responses to the audit recommendations arising from Internal Auditor Reports.
- 7.2 The Committee has the authority to review the Annual financial Statements and Performance Statement and provide advice to Council. The Committee can recommend to Council its approval 'in principal', the signing of the Annual financial Statements and Performance Statement.

8.0 Evaluating Performance

- 8.1 The Committee will undertake an annual assessment of its performance against the Audit and Risk Committee Charter in accordance with section 54(4a) of the Act. This assessment will be reported in accordance with the Reporting requirements outlined in section 9 of the Charter.
- 8.2 Management will assist the Committee to initiate a self-assessment of the performance of the Committee annually. The review will invite input from the Council, each Committee member, senior management, internal audit, VAGO, and any other relevant stakeholders. The self-assessment will be reported through the annual Committee Performance Report.

9.0 Reporting

- 9.1 The Committee will prepared an Annual Committee Performance Report that includes an annual assessment of Committee performance against the Audit and Risk Committee Charter in accordance with Section 54(4a) of the Act. This report will be provided to the Chief Executive Officer for presentation to Council annually in accordance with Section 54(4b) of the Act. This report will be published on Council's website.
- 9.2 The Chair of the Committee, or a representative on behalf of the Committee, will present the Annual Committee Performance Report to a Councillor Briefing prior to the report being presented to Council.
- 9.3 The Committee will prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes the Committee findings and recommendations in accordance with section 54(5a) of the Act, along with the agreed actions. This report will be provided to the Chief Executive Officer for reporting to Council biannually.
- 9.4 In alignment with the Meeting Procedure Local Law (to be replaced by the Governance Rules by 30 September 2020, Public Transparency principles and Governance principles in the Act, summary minutes from each Committee meeting are to be presented to Council after each Committee meeting summarising progress, matters discussed and any issues the Committee wishes to share with all Councillors. This requirement is common to all Advisory Committees.
- 9.5 The Chair of the Committee, or a representative on behalf of the Committee, will present the Strategic Annual Internal Plan to a Councillor Briefing prior to the commencement of the financial year.
- 9.6 Internal audit reports and external audit reports shall not be made public, however a summary of the audit including objectives and summary of findings will be made public.
- 9.7 Pursuant to section 54(6b) of the Act, the Chief Executive Officer is required to table reports upon request by the Chair of the Audit and Risk Committee.

10.0 Administrative Arrangements

10.1 Meetings

- 10.1.1 The committee will meeting at least four times per year. One or more special meetings may be held to review the Council's annual financial statements and performance statement, or to meet other responsibilities of the committee.
- 10.1.2. All committee members are expected to attend each meeting, in person or via virtual means. Failure to attend a meeting will result in non-payment of member fees for the associated quarter.
- 10.1.3. The Chair is required to call a meeting if asked to do so by the Council and decide if a meeting is required if requested by another member, internal auditor or VAGO.

10.2 Planning

In accordance with section 54(3) of the Act, the Committee will develop an annual work program and that will include timing of reporting for all of the responsibilities outlined in the Charter.

10.3 Quorum

A quorum will consist of majority of committee members, with a minimum of 2 independent and 1 Councillors. The quorum must be in attendance at all times during the meeting.

10.4 Secretariat

In accordance with section 54(6a) of the Act, the CEO will appoint a Council officer to provide secretariat support to the Committee. The Secretariat will:

- Ensure the agenda for each meeting is approved by the chief Executive Officer;
- The agenda and supporting papers are circulated, at least 3 calendar days in advance of the each meeting; and
- Ensure the minutes of the meetings are to be prepared within one week of the meeting for review by the Chair of the Committee and the Chief Executive Officer.

11. Conflicts of Interest

Committee recommendations must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly. If a conflict of interest exists, it must be declared and managed. Committee members are required to provide a written declaration, through the Chair, to the Council declaring any material personal interests they may have in relation to their responsibilities.

Division 2 of Part 6 of the Act applies to independent Members, as if the member were a member of a delegated Committee. An independent member has a conflict of interest if they have:

- a) A general conflict of interest within the meaning of section 127 of the Act.
- b) A material conflict of interest within the meaning of section 128 of the Act

Members of the committee will provide declarations in accordance with statutory requirements.

External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each meeting, members are required to declare any material personal interest that may apply to specific matters on the meeting agenda. When required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the committee's consideration for the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

12. Misuse of Position

Section 123 of the local Government Act 2020 applies to Independent Members, as if the member were a member of a delegated Committee. The Independent Member must not intentionally misuse their position -

- a) to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
- b) to cause, or attempt to cause, detriment to the Council or another person.

13. Confidential Information

Section 125 of the Local Government Act applies to independent Members, as if the member were a member of a delegated Committee. The requirements include:

- (1) Unless subsection (2) or (3) applies, a person who is, or has been, an independent Member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.
- (2) Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.
- (3) A person who is, or has been, an Independent Member may disclose information that the person knows or should reasonably know, is confidential information in the following circumstances:-
 - a) For the purpose of any legal proceedings arising out of this Act;
 - b) To a court or tribunal in the course of legal proceedings;
 - c) Pursuant to an order of a court or tribunal;
 - d) In the course of an internal arbitration and for the purposes of the internal arbitration process;
 - e) In the course of a Councillor Conduct Panel hearing and the purposes of the hearing;
 - f) To a Municipal Monitor to the extent reasonably required by the Municipal monitor;
 - g) To the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector;
 - h) To a Commissions of Inquiry to the extent reasonably required by the Commission of Inquiry;
 - i) To the extent reasonably required by a law enforcement agency.

14. Recruitment

- 14.1 A position description for independent members will be established and maintained for each of the positions.
- 14.2 The appointment of independent members shall be made by Council following a public advertisement process through statewide and local newspapers, Council website, and through the Australian Institute of Company Directors.
- 14.3 Council will commit to ensuring that where possible, the shortlisted candidate pool will be made up in a way that is consistent with any applicable diversity and inclusion policies at the time of the appointment process.
- 14.4 The selection Panel for appointment to the Audit and Risk Committee will consist of the Mayor or his/her Councillor delegate, Chief Executive Officer or his/her delegate and the Chair of the Committee or his/her delegate. Council will commit to ensuring that the decision making panel regarding shortlist and interview and selection process will have at least one female representative.
- 14.5 The Panel will take into account the experience of the candidates and their likely ability to apply appropriate analytical and strategic management skills. A recommendation for appointment will be put before Council for resolution.

15. Induction

New members will receive relevant information and briefings upon their appointment to assist them to meet their committee responsibilities.

15. Review of the Committee Charter

At least once a year the Committee will review this Charter.

Any substantive changes to the charter will be recommended by the Committee and must be formally approved by the Council.

17. Endorsement

This Audit and Risk Committee Charter was adopted by Bayside City Council at its meeting on 28 July 2020, and endorsed by the following Audit and Risk Committee members.