

Audit and Risk Committee Charter



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1. Establishment of the Committee

- 1.1. The Audit and Risk Committee is formally established under Section 53 of the *Local Government Act 2020* (Act).
- 1.2. The membership of this Committee and this Charter will be adopted by resolution of Latrobe City Council at a Council Meeting.

2. Definitions

- 2.1. Throughout this document, the following terms are defined as:

Act	The <i>Local Government Act 2020</i>
Auditor General	The Victorian State Auditor General; Department; Office; or representative
CEO	The Chief Executive Officer for Latrobe City Council
Committee	The Audit and Risk Committee
Committee Members	The appointed members of the Audit and Risk Committee
Council	The Latrobe City Council
Council Officers	All staff of Latrobe City Council, excluding the CEO of Latrobe City Council
Councillors	The nine elected officials of Latrobe City Council
External Auditor	The auditor appointed by the Auditor General
Internal Auditor	The auditor appointed by Latrobe City Council
Management	The CEO, General Managers, and Managers of Latrobe City Council
VAGO	Victorian Auditor-General's Office

3. Purpose

3.1. The Audit and Risk Committee's purpose is 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.

4. Authority

4.1. 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 Committee has no executive authority and no delegated financial responsibilities, and is therefore independent of Management.

4.2. The 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 (subject to management confirming the proposed plan is within the annual budget);
- 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 CEO;
- 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.

- 4.3. The Committee will, through the CEO, have access to appropriate management support to enable it to discharge its responsibilities effectively.
- 4.4. The Chairperson has no executive authority on behalf of Council but can be consulted as required, as a sounding board by the CEO or relevant General Manager on matters that arise regarding audit, risk management or governance related issues.

5. Composition

- 5.1. The Council will appoint as members of the Committee:
 - 5.1.1. two Councillors and one alternate; and
 - 5.1.2. three (3) external independent members, one of whom will be appointed by Council as Chairperson of the Committee.
- 5.2. The external independent members of the Committee:
 - 5.2.1 will be selected from the broader community after Council having invited applications by public advertisement;
 - 5.2.2 must collectively have:
 - 5.2.2.1 expertise in financial management and risk management; and
 - 5.2.2.2 experience in public sector management;
 - 5.2.3 must consist of at least one member with significant financial expertise with preference given to formal financial management or business qualifications; and
 - 5.2.4 must be reasonably familiar with public sector operations, including reporting requirements, financial management systems and controls, risk management and corporate governance.
- 5.3. Council employees cannot be members of the Committee.

External Independent Members

- 5.4. Membership shall expire upon completion of a term of appointment or via a resolution of Council.
- 5.5. External independent members shall be appointed by a resolution of Council stipulating a term of one, two or three years to ensure that appointments to the Committee are staggered.

- 5.6. Members may be reappointed for multiple terms at Council's discretion but may not exceed a membership of more than nine consecutive years in total. A Member who has served a membership of nine years in total cannot be reappointed to the Committee at any future time.

Councillor Members

- 5.7. Councillor members, including the alternate member, will be appointed to the Committee by Council annually or where otherwise required if a vacancy arises.
- 5.8. Where a Councillor member does not have the requisite expertise upon initial appointment, financial literacy should be attained within a reasonable period of time after his or her appointment and Council resources will be made available for this purpose.

Other Attendees

- 5.9. Where no Councillor member (including the alternate member) is able to attend a meeting, the Mayor may appoint an additional alternate Councillor member, preferably a Councillor who has previously been a member of the Committee, who may attend and act on behalf of the nominated Councillor Members in order to achieve a quorum of members present, on a meeting by meeting basis.
- 5.10. Non-delegated Councillors shall be invited to attend meetings but are not members of the Audit and Risk Committee and therefore do not have any entitlement to vote.
- 5.11. The CEO will facilitate the meetings of the Committee and, in consultation with the Chairperson of the Committee, invite Council Officers, auditors or others to attend meetings to provide pertinent information, as necessary.

Resignations

- 5.12. Any resignation from a member of the Committee is to be submitted in writing to the Chief Executive Officer, Latrobe City Council, PO Box 264, Morwell VIC 3840.

Appointment and Role of the Chairperson

- 5.13. The Chairperson will be appointed by Council resolution and must be an external independent member of the Committee.
- 5.14. If the Chairperson is unable to attend a meeting, the members in attendance at the meeting will appoint a Chairperson for that meeting from among the attending external independent members.
- 5.15. The Chairperson will carry out the following responsibilities:

- 5.15.1. Promote effective communications between the Committee, Council, the CEO, Council officers and the external auditors
- 5.15.2. Ensure that meetings of the Committee:
 - 5.15.2.1. run smoothly
 - 5.15.2.2. that the views of all Committee members are heard
 - 5.15.2.3. that adequate time is allowed for discussion of each issue and
 - 5.15.2.4. that the agenda and meeting papers properly reflect proceedings.
- 5.15.3. Participate in the selection process of the internal auditor as required.

6. Meeting Procedures

General Requirements

- 6.1. The Committee will meet at least four times per year, with authority to convene additional meetings, as circumstances require.
- 6.2. Committee members and the internal and external auditors can request the Chairperson to convene additional meetings if they feel that is justified to address unexpected matters that may have arisen and cannot be held over to the next scheduled meeting.
- 6.3. A schedule of meetings will be developed annually and agreed by members.
- 6.4. All Committee members are expected to attend each meeting in person (or may through teleconference/video conference only if exceptional circumstances apply).
- 6.5. Meetings will follow standard meeting procedures as established in any applicable guidance material available and outlined in this Charter, and in the event of any uncertainty, as determined by the Chairperson.
- 6.6. All recommendations, proposals and advice must be directed through the Chairperson.

Meeting agendas

- 6.7. Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.

Quorum

- 6.8. The quorum for a meeting of committee members will be a majority, with a minimum of 2 external and 1 Councillor members.

- 6.9. If at any Committee meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the meeting shall be deemed adjourned to either a later time on the same day, or rescheduled to another day.

Replacement of a Member

- 6.10. A member who misses two consecutive meetings without a formal apology may at the discretion of Council have their term of office revoked.
- 6.11. A member who does not attend three meetings in any twelve month period may at the discretion of Council have their term of office revoked.
- 6.12. Where Council proposes to revoke the term of office of a member of the Committee under clause 6.10 or 6.11, it must give four 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.

Voting

- 6.13. There will be no official voting process, although all members shall have equal voting rights. Majority and minority opinions will be reflected in Committee minutes.

Meeting Minutes

- 6.14. A Council Officer appointed by the CEO shall take the minutes of each Committee meeting.
- 6.15. The minutes shall include a record of those present, apologies for absence, adoption of previous minutes and a list of adopted actions and resolutions of the Committee.
- 6.16. Minutes will be drafted and circulated to all Committee members and attendees within 14 days and ratified at the following meeting.
- 6.17. The minutes shall be stored in the Council corporate filing system.

Planning

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

7. Duties and Responsibilities of the Committee

The duties and responsibilities of the Committee include:

7.1. Financial Reporting

- 7.1.1. At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgment 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;
- 7.1.2. Receive assurance that Council has at least annually reviewed changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- 7.1.3. Review the annual financial report and annual 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;
- 7.1.4. Review with Management and the external auditors the results of the annual financial audit, including any difficulties encountered by the auditors and how they were resolved;
- 7.1.5. Recommend the adoption of the annual financial report and annual performance statement to Council; and
- 7.1.6. Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

7.2. Internal control

- 7.2.1. Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a three to four year period;
- 7.2.2. Determine whether systems and controls are reviewed regularly and updated where required;
- 7.2.3. Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;
- 7.2.4. Ensure that a programme is in place to test compliance with systems and controls;
- 7.2.5. Assess whether the control environment is consistent with Council's overarching governance principles in accordance with section 9(2) of the Act.

7.3. Risk management

- 7.3.1. Review annually the effectiveness of Council's risk management framework, Council's risk appetite statement and the degree of alignment with Council's risk profile;
- 7.3.2. Review Council's risk profile and the changes occurring in the profile from meeting to meeting;
- 7.3.3. Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- 7.3.4. Review the insurance programme annually prior to renewal; and

7.4. Fraud Prevention Systems and Controls

- 7.4.1. Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least every two years;
- 7.4.2. Receive reports from Management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event; and
- 7.4.3. Review reports by Management about the actions taken by Council to report such matters to the appropriate integrity bodies.

7.5. Business Continuity

- 7.5.1. Monitor processes and practices to ensure effective business continuity plans are in place and reviewed annually, including whether business continuity and disaster recovery plans have been periodically updated and tested.

7.6. Internal audit

- 7.6.1. Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- 7.6.2. Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- 7.6.3. Review progress on delivery of annual internal audit plan;
- 7.6.4. Review and approve proposed scopes for each review in the annual internal audit plan;
- 7.6.5. Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- 7.6.6. Meet with the leader of the internal audit function at least annually in the absence of Management to discuss any matters that the Committee or the internal auditor believes should be discussed privately;

- 7.6.7. Monitor action by Management on internal audit findings and recommendations including timeliness of Management responses;
- 7.6.8. 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;
- 7.6.9. 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;
- 7.6.10. Review the performance of the internal auditor annually and, if necessary, recommend to Council the termination of the internal audit contractor.

7.7. External audit

- 7.7.1. Annually review and note the external audit scope and plan proposed by the external auditor;
- 7.7.2. 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;
- 7.7.3. 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;
- 7.7.4. Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- 7.7.5. Meet with the external auditor at least annually in the absence of Management to discuss any matters that the Committee or the external auditor believes should be discussed privately.

7.8. Compliance

- 7.8.1. Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of Management's follow up of any instances of non-compliance;
- 7.8.2. Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- 7.8.3. Obtain briefings on any significant compliance matters;
- 7.8.4. Receive, review and make a recommendation to Council or the CEO in relation to any written submission provided to the Committee by a Councillor, whether or not that Councillor is a member of the Committee, that relates to any failure or suspected failure:
 - 7.8.4.1 to comply with Council policy and procedures;
 - 7.8.4.2 in Council's financial reporting;

7.8.4.3 in Council's risk management or fraud prevention; or

7.8.4.4 with Council's internal and external audit functions; and

7.8.5. 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.

8. Reporting

- 8.1. The Committee may report to Council on any matter of significance as determined by the Committee.
- 8.2. The Committee will report regularly to Council about Committee activities, issues, and related recommendations by providing the minutes to Council at the first available opportunity after clearance by the Committee Chairperson following each Committee meeting.
- 8.3. The Chairperson will prepare a report to Council through the CEO 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.
- 8.4. Monitor, through clauses 7.6.6 and 7.7.6 that open communication between the internal auditor, the external auditors, and the Council occurs.
- 8.5. Consider the findings and recommendations of relevant Performance Audits undertaken by VAGO and to ensure the council implements relevant recommendations.
- 8.6. The Committee Charter and details of its members will be published on Council's website.
- 8.7. 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.

Performance Evaluation

- 8.8. The Committee shall undertake a process to evaluate its performance annually and report the outcomes of the evaluation process to Council through the CEO, including recommendations for any opportunities for improvement.
- 8.9. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

9. Other responsibilities and requirements

- 9.1. The Committee shall perform other activities related to this Charter as requested by the Council.
- 9.2. The Committee shall review and assess the adequacy of the Charter every two years or earlier if necessary and submit requests to Council through the CEO for revisions and improvements for approval.
- 9.3. Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to misuse of position as a member of the Committee (Section 123), maintaining the confidentiality of confidential information (Section 125) and conflicts of interest (Sections 126 to 131). Details about these obligations are included in Appendix A to this Charter.

Professional Fees for External Independent Members

- 9.4. External independent members receive payment as set by the Council.
- 9.5. Remuneration is set at \$1,500 per meeting for the Chairperson and \$1,000 per meeting for the other external members.
- 9.6. The remuneration is subject to annual review by the CEO in line with values not exceeding the determination relating to the public sector made by the Victorian Independent Remuneration Tribunal.

Management Responsibility

- 9.7. It is the responsibility of the Management to:
 - 9.7.1. keep the Committee informed regarding financial reporting, regulatory compliance, risk management and risk exposures of the Council;
 - 9.7.2. keep the Committee informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations in order that the Committee may monitor the Management's response to these findings;
 - 9.7.3. provide a comprehensive induction for all newly appointed Committee members including all necessary and relevant information regarding the Committee's responsibilities and the Council's operations and background to enable them to understand the Council and their duties and responsibilities.

10. Document Control

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**Appendix A
Committee Member Regulatory Obligations**

Guidance to Members

LGA Section	LGA Requirement
Misuse of Position	
123(1)	A Committee member must not intentionally misuse their position to: <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
123(3)	Circumstances involving misuse of a position by a member of the Committee include: <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 (as defined at section 3)	
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	
126	A member of the Committee has a conflict of interest if the member has: <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.