

Audit and Risk Committee Charter

Audit and Risk Committee Charter

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<p>This Charter is prepared and approved by the Council pursuant to Section 54(1) of the Act.</p>

Audit and Risk Committee Charter

1. PURPOSE

Whitehorse City Council has established an Audit and Risk Committee (the Committee) pursuant to Section 53 of the *Local Government Act 2020* (the Act).

The Committee supports Council to fulfil its corporate governance and oversight responsibilities in the following areas:

- financial and performance reporting,
- risk management,
- integrity framework, including fraud and corruption prevention systems and controls;
- 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 and advising on the above matters as set out in this Charter.

2. AUTHORITY

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 and will operate within the prescriptions of its Charter. Matters that may arise from time to time outside the Committee's Charter but which require the Committee's involvement, may be addressed by the Committee with Council consent. The Council authorises the Committee within the scope of its role and responsibilities to:

- Provide advice and make recommendations to Council on matters within its areas of responsibility;
- Retain counsel of relevant independent experts, including legal advice where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer;
- Seek any relevant information it requires from Council, Council Officers (who are expected to cooperate with the Committee's requests) and external parties;
- Perform activities within its role and responsibilities as described in this Charter, including consideration of any request by Council or the Chief Executive Officer that is consistent with this Charter; and
- The Committee will, through the Chief Executive Officer, have access to appropriate management and secretariat support to enable it to discharge its responsibilities effectively.

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3. COMPOSITION AND TERMS OF OFFICE

3.1 Composition

- 3.1.1 The Committee comprises of five members, two Councillors and three independent members, appointed by Council.
- 3.1.2 In accordance with section 53(3) of the Act, the Committee must:
- Include members who are Councillors of the Council (3a);
 - Consist of a majority of members who are not Councillors of the Council and who collectively have:
 - expertise in financial management and risk (3b i),
 - expertise in public sector management (3b ii);
 - Not include Council staff (3c).
- 3.1.3 A committee quorum shall be three members, with at least one Councillor and two independent members.
- 3.1.4 Council's internal and external auditors cannot be appointed to the Committee.

3.2 Chair

- 3.2.1 The Chair of the Committee must be one of the independent members.
- 3.2.2 The Chair is appointed by all Committee members annually by election at the conclusion of the Committee's meeting, at which it receives Council's annual statements.
- 3.2.3 The election of the Chair shall take place in accordance with Appendix B.
- 3.2.4 If the Chair is unable to attend a meeting, the members in attendance at the meeting will appoint a Chair for that meeting from among the attending independent members.
- 3.2.5 Where two Councillors and two independent members attend a committee meeting, the Chair of the Committee shall have a casting vote if required.

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3.3 Terms of Office

3.3.1 Independent Members

- 3.3.1.1 Recruitment of independent members shall be made by way of public advertisement and will leverage a skills and experience matrix assessment that identifies the particular blend of skills and experience required for the role.
- 3.3.1.2 Independent members' terms of appointment will be set so that as far as possible only one member retires at a time in order to minimise the loss of knowledge of Council's business that may occur on change of membership.
- 3.3.1.3 Should the resignation/retirement of more than one Independent Member coincide, the Council may extend the term of the remaining Independent Members by not more than one year to ensure continuity.
- 3.3.1.4 Independent members will be appointed for an initial period not exceeding three (3) years after which they will be eligible for an extension or re-appointment, for a further three (3) year term after a formal review of their performance, such review to be undertaken by the Chief Executive Officer with the two Councillor Committee members and two independent Committee members, and final approval by Council.
- 3.3.1.5 At the conclusion of a member's authorised term, the member may reapply for Committee membership.

3.3.2 Councillors

- 3.3.2.1 Councillor members of the Committee will be appointed by the full Council on an annual basis, with Councillor Appointees to be generally rotated after a minimum period of two years. The intent of the rotation system is to expose as many Councillors as possible to the Committee membership and proceedings.
- 3.3.2.2 Other Councillors may attend the meetings as observers, without comment or voting rights. The Committee Chair has discretion to invite comments. Other Councillors should inform the Committee Chair of their intention to attend through management.
- 3.3.2.3 Should an appointed Councillor member not be able to attend a committee meeting, the Mayor or Deputy Mayor may attend the meeting as an alternate in such circumstances. The Chair of the Committee may defer the meeting where there are insufficient members present.

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- 3.3.2.4 Where a Councillor member is unable to attend committee meetings for the remainder of their term of appointment, the member must resign from the Committee and Council elect a replacement.

3.4 Fees

- 3.4.1 Pursuant to section 53(6) of the Act, the Council will pay a fee to independent Committee members. Independent members are to be remunerated in accordance with rates periodically set by Council resolution.
- 3.4.2 Increases in the remuneration of Committee members will be limited to increases as per the Council Rate Cap and adjusted annually on 1 July.
- 3.4.3 No less than once every Council term (4 years), the fee paid to Independent Members will be benchmarked against no less than five other like councils to provide the Council with the information required to fully review fees. Following the benchmarking exercise, an increase to the remuneration of Committee members may exceed Council's Rate Cap if needed.
- 3.4.4 Time spent on performing any special task deemed necessary by the Committee will be paid for at an agreed rate to be negotiated, depending upon the requirements of the task and professional expertise of the independent members and approved by Manager Governance and Integrity.
- 3.4.5 The fee payment will be made after each meeting following receipt of a Tax Invoice from the external member (including the purchase order number provided by Council) after each scheduled meeting.

3.5 Induction

- 3.5.1 All new Committee members will receive material and information to ensure they are cognisant with the administrative environment, operational profile and risk management processes of Council.

4. COMMITTEE'S RESPONSIBILITIES

The Committee's responsibilities as per section 54(2) of the Act are outlined as follows:

- (a) monitor the compliance of Council policies and procedures with—
 - (i) the overarching governance principles; and
 - (ii) this Act and the regulations and any Ministerial directions;
- (b) monitor Council financial and performance reporting;
- (c) monitor and provide advice on risk management and fraud prevention systems and controls;
- (d) oversee internal and external audit functions.

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4.1 Compliance of Council policies and procedures

- 4.1.1 Monitor the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment and achieving compliance with the overarching governance principles.
- 4.1.2 Monitor significant changes to compliance obligations, systems and controls to assess those changes and the impacts on Council's risk profile.
- 4.1.3 Obtain updates on any significant compliance issue.
- 4.1.4 Ensure that a program is in place to test compliance with systems and controls.
- 4.1.5 Consider the findings and recommendations of relevant audits undertaken by the Victorian Auditor General's Office or other integrity agencies and ensure that Council considers and applies any relevant recommendations.
- 4.1.6 Note biannual reporting on Chief Executive Officer and Councillor expenses.

4.2 Financial and Performance Reporting

- 4.2.1 Monitor Council's financial and performance reporting for compliance with external obligations and to assist the Committee keep up to date with Council's financial and operational performance.
- 4.2.2 Review significant accounting and reporting issues, including complex or unusual transactions and areas requiring significant judgement. Additionally, examine recent accounting, professional, and regulatory pronouncements, as well as legislative changes, to understand their impact on the annual financial report. This is to include a review of accounting papers on asset valuations and changes to methods/assumptions.
- 4.2.3 Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 4.2.4 Review the annual financial report and performance statement of the Council and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
- 4.2.5 Recommend the adoption of the annual financial report and annual performance statement to Council.

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4.3 Risk Management

- 4.3.1 Review the effectiveness, annually of Council's risk management framework to ensure Council's risk exposure is managed appropriately.
- 4.3.2 Monitor Council's risk appetite and the changes occurring in the risk profiles.
- 4.3.3 Monitor Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans.
- 4.3.4 Monitor the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.
- 4.3.5 Note the placement of annual insurance renewal program.

4.4 Integrity Framework

- 4.4.1 Monitor Council's Fraud and Corruption Control Framework including policy, plan, fraud and corruption risk assessments and mitigation actions.
- 4.4.2 Receive updates from management of any suspected cases of fraud, corruption, legislative breach or serious misconduct impacting Council. Matters of potential fraud or corruption may be verbally reported to the Committee Chair depending on their materiality and potential consequence.
- 4.4.3 Monitor and provide advice on fraud prevention systems and controls.
- 4.4.4 Review whether Council and senior management have taken steps to embed a culture which is committed to ethical and lawful behaviour, adding to the credibility of Council through adherence with ethical standards.

4.5 Internal Audit

- 4.5. 1 Act as a forum for communication, and resolution of any issues, between the Chief Executive Officer, senior management and internal audit.
- 4.5. 2 Review the internal audit coverage and annual work plan, ensure the plan achieves appropriate coverage of Council's risks, compliance obligations, and any other matters brought to the Committee's attention by Council or the Chief Executive Officer, and recommend approval of the plan by the Chief Executive Officer for adoption by Council.
- 4.5. 3 Advise the Council and Chief Executive Officer on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan.

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- 4.5. 4 Receive and review all internal audit reports and provide advice to the Council and Chief Executive Officer on significant issues identified and action taken on issues raised, including identification and dissemination of good practice.
- 4.5. 5 Monitor management's implementation of internal audit recommendations.
- 4.5. 6 Review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- 4.5. 7 Monitor the internal auditor's progress made in achieving the annual audit plan.
- 4.5. 8 Monitor any non-audit services provided by the internal auditors to Council to ensure the services are appropriate and do not jeopardise the independence of the internal auditors.
- 4.5. 9 Meet with the internal auditors 'in camera', at least once a year.

4.6 External Audit

- 4.6. 1 Act as a forum for communication, and resolution of any issues, between the Council, Chief Executive Officer, senior management and external audit.
- 4.6. 2 Review the external auditor's proposed audit scope, approach, and gain an understanding of the 'materiality' yardstick to be applied and coordination of external audit with internal audit activity.
- 4.6. 3 Review reports from the external auditor and discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
- 4.6. 4 Monitor management's implementation of external audit recommendations.
- 4.6. 5 Meet with the external auditors 'in camera', at least once a year.

4.7 Organisational and Culture Update

- 4.7.1 Receive updates from the Chief Executive Officer on significant organisational changes and culture. Consider the impacts of these on the risk, governance and control framework.

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5. MEETINGS

- 5.1 The Committee meets five times a year, with authority to convene additional meetings, as circumstances require, after discussion between the Committee Chair and the Chief Executive Officer. Committee members and the internal and external auditors may request the Chair to convene additional meetings to address unexpected matters that may have arisen.
- 5.2 A schedule of meetings will be developed annually and agreed by members.
- 5.3 All Committee members are expected to attend each meeting in person, although in special circumstances members may attend virtually.
- 5.4 In accordance with Section 54(3) of the Act, the Committee will develop and adopt an annual work plan and monitor progress against the work plan at each Committee meeting.
- 5.5 The Chief Executive Officer, Executive Leaders, Manager Governance and Integrity, Coordinator Audit and Assurance, and Coordinator Risk and Insurance shall be required to attend all meetings of the Committee, unless otherwise directed by the Committee. Other Council staff may be requested to attend meetings of the Committee by the Chief Executive Officer in collaboration with the Committee Chair or by the Committee in consultation with the Chief Executive Officer, to provide information on matters impacting on their areas of responsibility.
- 5.6 The internal auditor will be required to attend and present at meetings of the Committee, unless otherwise agreed with the Committee Chair. The external auditor may attend all meetings of the Committee, and must also be present at any Committee meeting on request. At the request of the Committee, auditors may be requested to leave the meeting while the Committee discusses confidential matters.

6. REPORTING TO COUNCIL

- 6.1 In accordance with Section 54(5) (a) and (b) of the Act, the Committee will prepare a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations; and provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.
- 6.2 The Chair of the Committee will, if requested by the Mayor or CEO, brief Councillors.
- 6.3 The Committee will also prepare and present, in Council's Annual Report, a report on its operations and activities during the year.

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- 6.4 The Committee may, at any time, report to the Chief Executive Officer or Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chief Executive Officer.

7. PERFORMANCE EVALUATION

In accordance with section 54(4) (a) and (b) of the Act, the Committee must undertake an assessment of its performance against the Audit and Risk Committee Charter annually prior to the appointment of Councillors in November each year and report the outcomes of the evaluation process to Council through the Chief Executive Officer, including recommendations for any opportunities for improvement.

8. COMMITTEE MEMBER REGULATORY OBLIGATIONS

Committee members are expected to be aware of their obligations under Section 53 (5) of the Act. These obligations relate to (refer to Appendix A for further detail):

- misuse of position as a member of the Committee (Section 123);
- confidential information (Section 125); and
- conflict of interest (Sections 126 to 131).

8.1 Misuse of Position

- 8.1.1 A committee member must not intentionally misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person, or to cause, or attempt to cause, detriment to the Council or another person.

8.2 Confidentiality

- 8.2.1 A committee member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

8.3 Conflict of Interest

- 8.3.1 Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic and will need to leave the meeting until after the relevant agenda item has been deliberated.
- 8.3.2 Details of any conflicts of interest should be appropriately included in the minutes.

8.4 Members are also expected to:

- 8.4.1 Contribute the time needed to study and understand the papers provided and apply good analytical skills, objectivity and good judgement.

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- 8.4.2 Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.
- 8.4.4 Be cognisant of a number of actions and regulatory requirements that may impact the Committee over the life of a Council including 'Governance, Internal Control and Compliance'. These may include –
- Part 4 Division 1 (S91 Financial Plan, S92 Asset Plan)
 - Part 4 Division 4, Financial Management, Investments, Borrowings etc.
 - Part 5 S108 and 109 Procurement policies etc.
 - Part 6 Division 2 COI, Division 4 Gifts, Division 5 Code of Conduct
 - Governance Rules developed by Council.
- 8.4.5 The responsibilities of the Committee may be revised or expanded at the time of the Charter's review.

9. ADMINISTRATION

- 9.1 In accordance with section 54(6)(a) of the Act, the Chief Executive Officer will appoint an officer to provide secretariat support to the Committee.
- 9.2 The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least 10 days before the meeting, and ensure the minutes of the meetings are prepared and maintained.
- 9.3 Minutes must be approved by the Chair and circulated within two weeks of the meeting.

10. REVIEW OF CHARTER

- 10.1 The Charter of the Committee shall be reviewed every four years or earlier if decided by the Committee.
- 10.2 All Committee members, the Director Corporate Services and Manager Governance and Integrity shall be consulted during the Charter review process.

Responsible Manager:	Manager Governance and Integrity
Date endorsed by the Audit and Risk Committee:	August 2024
Date Adopted by Council	September 2024

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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	
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.
<p style="text-align: center;">Please Note</p> <p>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.</p>	

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APPENDIX B

PROCESS FOR ELECTION OF THE CHAIR OF AUDIT AND RISK COMMITTEE

The *Local Government Act 2020* and the *Audit and Risk Committee Charter* are silent on the process for election of the Chair of the Committee.

Therefore, it is recommended that the process to be followed to elect the Chair of the Committee be similar as that for Election of Mayor and Deputy Mayor; as outlined in Council's Governance Rules. The process is detailed below, adjusted where necessary for the Audit and Risk Committee structure.

CHIEF EXECUTIVE OFFICER AS RETURNING OFFICER

The Chief Executive Officer will be the Returning Officer at which the election of Chair of the Audit and Risk Committee is to be conducted but will have no voting rights.

The Chief Executive Officer must facilitate the election of the Chair of the Committee.

The Chief Executive Officer will be assisted in this role by Manager Governance and Integrity.

NOMINATIONS FOR CHAIR OF THE AUDIT AND RISK COMMITTEE

The Returning Officer invites nominations for the position of Audit and Risk Committee Chair.

The election of the chair will be carried out as follows:

- The election of the Chair of the Audit and Risk Committee must be carried out by a show of hands.
- Any independent member of the Audit and Risk Committee is eligible for election (or re-election) to the office of Chair of the Audit and Risk Committee.
- Whilst Councillor Members of the Audit and Risk Committee are ineligible for election to the position of Chair, they can move or second a nomination, and have voting rights.
- Independent members can self-nominate.
- Any independent member may accept or decline the nomination.
- If there is only one nomination, that candidate will be declared Chair of the Audit and Risk Committee for a 12 month term.

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WHERE MORE THAN ONE NOMINATION IS RECEIVED

If there is more than one nomination, the Returning Officer must conduct a vote, by show of hands, with voting to take place for each candidate in turn, **in the order in which his or her nomination was received**.

MAJORITY OF VOTES RECEIVED

The Returning Officer must declare elected as the Audit and Risk Committee Chair the candidate receiving an absolute majority of votes.

CHAIR OF THE AUDIT AND RISK COMMITTEE TO ASSUME THE ROLE

The Returning Officer will announce the name of the member elected as Chair of the Audit and Risk Committee, who must take the Chair for the remainder of the meeting.

DEFINITION: *An absolute majority of votes means a number of votes greater than one half of the total number of votes lawfully cast in the vote.*
