



GLEN EIRA
CITY COUNCIL

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AUDIT & RISK COMMITTEE CHARTER

Adopted by Council: 11 August 2020

Reviewed by Audit & Risk Committee: 6 July 2020

BENTLEIGH
BENTLEIGH EAST
BRIGHTON EAST
CARNEGIE
CAULFIELD
ELSTERNWICK
GARDENVALE
GLEN HUNTLY
MCKINNON
MURRUMBEENA
ORMOND
ST KILDA EAST

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1. Purpose

The City of Glen Eira has established an Audit & Risk Committee (the Committee) pursuant to Section 53 of the *Local Government Act 2020* (the Act) to support Council in discharging its oversight responsibilities related to financial and performance reporting, risk management, fraud prevention systems and control, Council's performance with regard to compliance with its policies and legislative and regulatory requirements, maintenance of a sound internal control environment, and assurance activities including internal and external audit. 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.

The appointment of independent members to the Committee as outlined in this Charter enables the Committee to provide advice to Council on matters related to its responsibilities based on broader skills and experience than might otherwise be the case and in so doing bring additional benefits to Council.

The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

2. Authority

The Committee is not a delegated committee but 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 the authority to:

- 2.1 Provide advice and make recommendations to Council on matters within its areas of responsibility;
- 2.2 Retain counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer;
- 2.3 Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
- 2.4 Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities; and
- 2.5 Have access to, through the Chief Executive Officer, appropriate management support to enable it to discharge its responsibilities effectively.

3. Membership and Tenure

The Committee will consist of five members appointed by Council, three of whom must be independent members. Council employees cannot be members of the Committee. Details of membership and tenure are set out below:

Independent Members

- 3.1 Independent members will be appointed for three-year terms;
- 3.2 Independent members will typically be appointed for three-year terms subject to a maximum of nine years in total. Terms will be scheduled to facilitate continuity of the Committee such that no more than one independent member's term ceases within the one year;
- 3.3 Independent members must collectively have expertise in financial management and reporting, risk management, and public sector management;
- 3.4 Remuneration will be paid to independent members as approved by Council ;
- 3.5 Members must abide by the Code of Conduct as promulgated by the Council; and
- 3.6 New members shall be given induction training (as required).

Councillor Members

- 3.7 Councillor members will be appointed to the Committee by Council annually; and
- 3.8 Council can appoint up to an additional two Councillors as alternate members to the Committee.

Chairperson

- 3.9 The Chairperson of the Committee must be an independent member;
- 3.10 Council will appoint the Chairperson of the Committee; and
- 3.11 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 independent members.

Quorum for Meetings

- 3.12 A quorum shall comprise at least one Councillor member and two independent members.

4. Meetings

- 4.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. A schedule of meetings will be developed annually and agreed by members with an annual work plan aligned to the Charter, developed by the Committee and tabled at each meeting.
- 4.2 All Committee members are expected to attend each meeting in person, which may include virtual attendance when required;
- 4.3 The Committee will invite members of Council's management team, the internal and external auditors, and other personnel as appropriate to attend meetings. The Chief Executive Officer and Chief Financial Officer will attend all meetings, except for confidential matters as determined by the Chairperson;
- 4.4 The Chairperson, Committee members and the internal and external auditors can request additional meetings if they feel that is justified to address unexpected matters that may have arisen;
- 4.5 Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting; and
- 4.6 Minutes will be prepared for all meetings and provided to Council at the first available opportunity after clearance by the Committee Chairperson. The draft minutes will be formally tabled and confirmed by the Committee at the following Committee meeting.

5. Responsibilities

The Committee will carry out the following responsibilities.

Financial and Performance Reporting

- 5.1 Monitor the appropriateness of the format and content of periodic management financial reports and performance statements to Council;
- 5.2 Monitor significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement 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;
- 5.3 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;
- 5.4 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved; and
- 5.5 Recommend the adoption of the annual financial report and annual performance statement to Council.

Risk Management

- 5.6 Monitor the effectiveness of Council's risk management framework;
- 5.7 Monitor Council's risk appetite statement and the degree of alignment with Council's risk profile;
- 5.8 Monitor Council's risk profile and the changes occurring in the profile;
- 5.9 Monitor Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans; and
- 5.10 Monitor the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

Fraud Prevention Systems and Controls

- 5.11 Monitor Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs;
- 5.12 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
- 5.13 Monitor reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

Compliance Management

- 5.14 Monitor the systems and processes implemented by Council for managing compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;
- 5.15 Obtain briefings on significant changes in relevant legislation and regulations and other compliance matters; and
- 5.16 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.

Internal Control Environment

- 5.17 Monitor the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment and complying with the overarching Governance Principles, including the programs in place to test compliance with policies, systems and controls; and
- 5.18 Monitor significant changes to systems and controls including whether those changes significantly impact Council's risk profile.

Internal Audit

- 5.19 Review the Internal Audit Charter to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- 5.20 Review the scope of the three-year strategic internal audit plan and annual audit plan, and recommend the annual audit plan to the CEO for approval;
- 5.21 Review and recommend proposed scopes for each review in the annual internal audit plan;
- 5.22 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- 5.23 Monitor actions by management on internal audit findings and recommendations;
- 5.24 Meet in-camera with the leader of the internal audit function at least annually;
- 5.25 Monitor the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work; and
- 5.26 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 recommending the preferred supplier to Council.

External Audit

- 5.27 Receive and note the external audit scope and plan proposed by the external auditor;
- 5.28 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;
- 5.29 Monitor significant findings and recommendations made by the external auditor, and that management's responses are appropriate and acted upon in a timely manner;
- 5.30 Monitor the effectiveness of the external audit process;
- 5.31 Monitor the findings and recommendations of any relevant performance audits undertaken by VAGO and Council's responses to them; and
- 5.32 Meet with the external auditor in-camera at least annually.

6. Reporting to Council

The Chairperson will prepare a report to Council through the Chief Executive Officer 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.

7. Performance Evaluation

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

8. Committee Member Regulatory Obligations

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), confidential information (Section 125) and conflict of interest (Sections 126 to 131). Details about these obligations are included in Appendix A to this Charter.

9. Review of Charter

The Committee shall review and assess the adequacy of the Charter annually or earlier if necessary and submit requests for revision or improvement to Council, through the Chief Executive Officer, for approval.

The review will take into account Best Practice Guidelines on Audit and Risk Committees as issued from time to time.

Council will endorse the Charter for adoption following a review by the Committee.

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.

LGA Section	LGA Requirement
Conflicts of Interest	
126	A member of the Committee has a conflict of interest if the member has: 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><u>Please Note</u> <i>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.</i></p>	