



GLEN EIRA
CITY COUNCIL

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AUDIT AND RISK COMMITTEE CHARTER

Adopted by Council 18 December 2018

Reviewed by Audit & Risk Committee 22 November 2019

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

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1. INTRODUCTION

The Audit and Risk Committee ('Committee') is designed to play a key role in advising Council in fulfilling its governance and oversight responsibilities, ethical practices and accountability requirements.

This Charter sets out the Committee's:

- Role, authority, composition and administrative arrangements; and
- Duties and responsibilities.

2. ROLE, AUTHORITY, COMPOSITION AND ADMINISTRATIVE ARRANGEMENTS

2.1 Role

The main role of the Committee is to advise Council in the following areas:

- Credible financial and performance reporting;
- Internal control;
- Effective management of risk;
- Compliance with laws and regulations;
- Effective Internal audit function; and
- Effective external audit.

The Committee's duties and responsibilities in each of these areas are set out in Section 3.

The Committee is supported in its role by the advice of internal and external audit, and other assurance providers that may be appointed by management or Council from time to time.

2.2 Authority

The Committee is a formally appointed Advisory Committee of the Council and is responsible to that body. The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility. As it does not have any functions, the Committee is therefore independent of management.

The Committee reports to Council and provides advice and recommendations on matters relevant to its Charter in order to facilitate decision making by Council in relation to the discharge of its responsibilities.

The Committee shall have the authority to consult independent experts where it considers it necessary to carry out its duties, and may request resources to do so through the CEO.

2.3. Composition

The Committee comprises five (5) members – two (2) Councillors, and three (3) external, independent persons who are appropriately qualified and experienced. All members shall have full voting rights. Independent members of the Committee are not officers or employees of Council and have no executive powers.

The Chairperson shall be an independent member, appointed by Council. Should the Chairperson be absent from a meeting of the Committee, the members of the Committee shall choose one of their number to be Chairperson for that particular meeting.

The Chief Executive Officer and Chief Financial Officer are not members of the Committee but should attend all meetings, except when the Committee chooses to meet in camera. All Councillors may attend all meetings. Council staff and other relevant persons may be invited to attend at the discretion of the Committee to advise and provide information when required.

Representatives from VAGO and/or their agent, and internal auditors will be invited to meetings as required.

Members must abide by the Code of Conduct as promulgated by the Council.

Independent members shall be appointed for an initial term of three (3) years after which time they will be eligible for reappointment. No independent member is to be appointed for more than two consecutive three year terms unless Council resolves otherwise. 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.

New members shall be given induction training (as required).

Remuneration will be paid to each independent member of the Committee. The amount paid will be a per annum amount as agreed by Council and will be paid quarterly.

2.4. Administrative Arrangements

2.4.1 Records of Meetings

Council shall provide secretarial and administrative support to the Committee.

An independent minute taker shall be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members, (after review by the Chairperson) and others as required. The draft minutes will be formally tabled and confirmed at the following Committee meeting.

Management shall, after every meeting, forward the minutes of that meeting to the next practicable ordinary meeting of the Council following their review by the Chairperson.

2.4.2. Conduct of Meetings

The Committee will hold at least four meetings each year, preferably quarterly, and such additional meetings as the Chairperson shall decide are necessary in order to fulfil its duties. In addition, the Chairperson is required to call a meeting of the Committee if requested to do so by any Committee member, the Chief Executive, the CFO, VAGO and/or their agent or the internal auditors.

The CFO, in conjunction with the Chairperson, shall be responsible for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members. Such documentation shall be distributed at least four (4) working days prior to each meeting.

A quorum shall consist of three (3) members, including at least one Councillor member and one Independent member.

2.4.3. Reporting

The Committee will report to Council after each Committee meeting through the minutes. These will be incorporated in Council's agenda papers. The Chairperson shall submit an annual report to Council summarising the Committee's activities and principal findings during the year.

Committee meeting agendas and papers are available to all Councillors.

2.4.4. Performance

The Committee will perform an annual assessment of its performance against the Charter and report the results to Council.

2.4.5 Review of Charter

The Committee will perform an annual review of its Charter at the meeting that considers the results of the performance assessment. Any material changes identified to the Charter will be recommended to Council at this time. The review will take into account Best Practice Guidelines on Audit Committees as issued from time to time.

Council will endorse the Charter following a review by the Audit and Risk Committee.

3. DUTIES AND RESPONSIBILITIES

The primary responsibility of the Committee is to advise Council to fulfill its governance and oversight responsibilities, ethical practices and accountability requirements.

The discharge of this responsibility will involve the following activities:

3.1 Financial and Performance Reporting

The Committee will review the financial and performance statements required for external publication prior to recommending the approval or rejection by Council. It will consider the content of the financial and performance statements and the adequacy of disclosure within the statements themselves, prior to presentation to Council.

Specific matters the Committee may address include:

- Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity;
- Note the external auditor's Closing Report outlining the results of the audit of financial and performance statements;
- Determination as to whether accounting policies and disclosure meet the requirements of the Australian Accounting Standards and of the law. Where there have been significant changes in accounting principles or in the application from those of prior years, the reasons for the changes and the auditor's view of the changes;
- Material adjustments arising from audits and cases where management sought advice on specific accounting matters from any external source;
- Developments likely to affect financial reporting, proposed changes to the formats of financial statements and new accounting and legislative pronouncements and disclosure requirements, as they affect both current and future years;
- Review any abnormal transaction, including current or pending litigation claims or other contingencies which management or legal counsel believe is likely to have a material effect on the financial position or operating results of Council and the manner in which those matters have been disclosed in the financial statements;
- Reviewing any accruals, provisions or estimates which significantly affect the financial statements as well as other material financial matters;
- Monitoring related party transactions; and
- Receiving periodic reviews and updates on performance reporting.

3.2 Internal Control

The Committee will be responsible for advising Council on the adequacy of internal control policies and procedures in relation to safeguarding Council's assets, maintenance of reliable and detailed records and compliance with legislation, policies and procedures.

Specific matters the Committee may address include:

- Review of the Internal Auditor's reports to management on internal controls and financial reporting systems, action taken or proposed resulting from those reports;
- Gaining assurance as to the effectiveness and appropriateness of internal controls, including information technology controls;
- Scrutiny of policies and procedures relating to compliance with laws and regulations, Council decisions and Ministerial Directions, and gaining assurance that there is adherence to such policies and procedures;
- Oversight of investigations into significant instances of employees or Council's conflict of interest, misconduct or fraud; and
- Matters specifically referred by Council.

3.3 Management of Risk

The Committee will be responsible for advising Council on the effectiveness of the risk management framework.

Specific matters the Committee may address include:

- Monitor the risk exposure of Council by determining if Management has appropriate risk management processes and adequate risk management systems;
- Consider the adequacy of actions taken to ensure that the material business risks have been dealt with in a timely manner to mitigate exposures to Council, including insurance, business continuity and disaster recovery planning;
- Review the outputs and effectiveness of Council's risk management program; and
- Review fraud prevention mitigating controls (including corruption).

3.4 Compliance with laws and regulations

The Committee will be responsible for advising Council on the effectiveness of its approach to monitor compliance with laws and regulations.

Specific matters the Committee may address include:

- Receive updates on significant changes to regulation or legislation and the impact on Council or its systems and controls.

3.5 Internal Audit

The Committee will be responsible for ensuring that activities are carried out in the most effective, efficient and comprehensive manner. In doing so, the Committee shall have direct access to the internal auditor, and the internal auditor shall also have direct access to the Committee. Specific matters the Committee may address include:

- Review the level of resources allocated to internal audit and the scope of its authority, including overseeing any tender process conducted for the provision of internal audit services and making a recommendation of preferred supplier to the Council;
- Review the scope of, and recommend the internal audit plan to the CEO;
- Annual assessment of the effectiveness of the internal audit activities by a review of the internal audit plan and scope of operations and a critical appraisal of internal audit activities including audit plans, progress plans, internal resources and reports produced;
- As part of the Committee's annual assessment of performance, determine level of satisfaction with internal audit function;
- The interaction between the Internal Auditors, VAGO and/or their agent to ensure that the overall coverage is adequate and duplication of effort is avoided;
- Consider reports and findings by Internal Audit and monitor the implementation status of actions; and
- Meet in camera with the internal auditor at least once a year.

3.6 External Audit

The Committee will be responsible for overseeing the activities carried out by the external audit, being VAGO or their appointed agent. In doing so, the Committee shall be responsible for liaising with VAGO and/or their agent in relation to the audit of the financial statements. It shall have direct access to VAGO, and/or their agent all of whom shall also have direct access to the Committee. Specific matters the Committee may address include:

- Ensure that appropriate responses are made and that appropriate action is taken in relation to matters identified by VAGO and/or their agent;
- Be satisfied that management has provided all relevant information in response to any requests to Council;
- An annual in-camera discussion to be held between VAGO and the Audit Committee members at the meeting that considers the Financial and Performance Statements; and
- Advising the VAGO and/or their agent in relation to the appointment and performances of their agent, if requested to do so.