



# AUDIT & RISK COMMITTEE CHARTER

**AUGUST 2020**

# CITY OF WHITEHORSE AUDIT & RISK COMMITTEE CHARTER

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## **1. PURPOSE**

Whitehorse City Council 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 and corruption 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 and its overarching governance principles. It acts in this capacity by monitoring, reviewing and advising on the above matters as set out in this Charter.

The key objective of the ARC (the Committee) is to provide independent advice and assistance to the Chief Executive Officer and the Council on the City's risk, control and compliance framework, and its external accountability and legislative compliance responsibilities.

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.

## **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 ARC'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 subject to their legal obligation to protect information;
- Discuss any matters with the external or internal auditor
- Consider any request by Council or the Chief Executive Officer that is consistent with this charter
- Perform activities within its role and responsibilities as described in this charter.

The Committee will, through the Chief Executive Officer, have access to appropriate management and secretariat support to enable it to discharge its responsibilities effectively.

### **3. COMPOSITION AND TERMS OF OFFICE**

The Committee will consist of five members, comprising two Councillors and three independent members.

A committee quorum shall be three members, one Councillor and two independent members.

Where two Councillors and two independent members are in attendance at a committee meeting, the Chairperson of the Committee shall have a casting vote if required.

The Chairperson of the Committee must be one of the independent members.

The Chairperson shall be elected by Committee members annually, at the conclusion of the Committee's August meeting, at which it receives Council's annual statements.

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.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. In accordance with Section 53 (3) (b) of the Act the Committee must consist of a majority of members who are not Councillors of the Council and who collectively have:

- Expertise in financial management and risk; and
- Experience in public sector management.

A Committee member must not include any person who is a member of Council staff. Recruitment of independent members shall be made by way of public advertisement.

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.

Independent members will be appointed for an initial period not exceeding three (3) years after which they will be eligible for 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.

At the conclusion of a member's authorised term, the member may reapply for committee membership.

The terms of Independent members will only be extended after the Chief Executive Officer determines that members have satisfied the following performance criteria - satisfactory contribution to Committee discussions and deliberations; demonstrated preparation for all meetings (knowledge of agenda items and associated reports); demonstrated ability to raise pertinent issues and appropriately question auditors and officers; capacity to stay apprised of contemporary good governance, risk management and audit practice, and; satisfactory attendance at Committee meetings.

Independent members are to be remunerated in accordance with rates periodically set by Council resolution.

Councillor members of the Committee will be appointed to the Committee 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 ARC membership and proceedings.

The Chief Executive Officer shall be required to attend all meetings of the Committee, unless otherwise directed by the Committee for reasons of specific confidentiality, or conflict of interest declarations etc. All General Managers and the Manager Finance & Corporate Performance will attend all meetings of the Committee in an advisory capacity unless otherwise advised by the Committee Chairperson. Other Council staff may be requested to attend meetings of the Committee by the Chief Executive Officer in collaboration with the Committee Chairperson or by the Committee in consultation with the Chief Executive Officer, to provide information on risk matters impacting on their areas of responsibility.

Council's internal and external auditors cannot be appointed to the Committee. The internal auditor will be required to attend and present at all meetings of the Committee. The external auditor may attend all meetings of the Committee, and must also present to any meeting of the Committee on request. At the request of the Committee, auditors may be requested to leave the meeting while the Committee discusses confidential matters.

Should an appointed Councillor member not be able to attend a committee meeting the Mayor can appoint an alternative Councillor to act in such circumstances. 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.

#### **4. COMMITTEE'S RESPONSIBILITIES**

The Committee's responsibilities are detailed as follows:

##### **4.1 Risk Management**

**4.1.1** Review whether management has in place a current and effective comprehensive risk management framework and associated procedures for effective identification and management of strategic, operational (including workplace safety), financial, major projects, fraud and business risks.

**4.1.2** Review Council's risk appetite and tolerance statements and the degree of alignment with Council's risk profile.

**4.1.3** Review Council's risk profile and the changes occurring in the profile from meeting to meeting.

**4.1.4** Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans.

**4.1.5** Review the insurance program annually prior to renewal.

**4.1.6** Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

**4.1.7** Review Council's Public interest Disclosure framework and satisfy itself that the procedures are in accordance with the guidelines promoted by the Independent Broad-based Anti-Corruption Commission (IBAC).

**4.1.8** Monitor progress of any law suits.

**4.1.9** Review whether Council's approach to maintaining an effective internal control framework is sound and effective.

**4.1.10** Monitor the implementation of any internal control recommendations made by the internal and external auditors and other regulators and ensure that management have in place tracking systems to enable this occurring.

**4.1.11** Review whether Council has in place relevant policies and procedures, including officer delegations and that these are periodically reviewed and updated as required by legislation or Council policy.

**4.1.12** Determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.

**4.1.13** Consider how Council identifies any required changes to the design or implementation of internal controls.

**4.1.14** 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.

## **4.2 Financial & Performance Reporting**

**4.2.1** At least annually review 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.

**4.2.2** At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators.

**4.2.3** 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.

**4.2.4** Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved.

**4.2.5** Recommend the adoption of the annual financial report and annual performance statement to Council.

**4.2.6** Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

**4.2.7** Provide advice to the Council including whether appropriate action has been taken in response to audit recommendations and adjustments.

**4.2.8** Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls.

**4.2.9** Review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements.

**4.2.10** Satisfy itself that Council has a performance management framework that is linked to organisational objectives and outcomes.

**4.2.11** Review annual performance statements against Council's stated performance objectives and outcomes.

### **4.3 Compliance**

**4.3.1** Determine whether Council has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.

**4.3.2** Obtain regular updates from management about compliance matters.

**4.3.3** Review the effectiveness of the systems for monitoring Council's compliance with relevant laws, regulations and overarching governance principles and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

**4.3.4** Consider the findings and recommendations of relevant audits undertaken by the Victorian Auditor General or other agencies and ensure that Council implements any relevant recommendations.

### **4.4 Internal Audit**

**4.4.1** Act as a forum for communication between the Chief Executive Officer, senior management and internal and external audit.

**4.4.2** Review the internal audit coverage and annual work plan, ensure the plan is based on Council's risks 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.

**4.4.3** Review whether over a period of years, the internal audit program systematically addresses:

- Internal controls over significant areas of risk including non-financial management control systems.
- compliance with all relevant statutory requirements and with consideration of better practice guidance.

**4.4.4** 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.

**4.4.5** Receive and review all audit reports and provide advice to the Council and Chief Executive Officer on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice.

**4.4.6** Monitor management's implementation of internal audit recommendations.

**4.4.7** Review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.

**4.4.8** Receive a report at each meeting from the internal auditors of progress made in achieving the annual audit plan.

**4.4.9** Review regularly non audit services provided by the auditors to ensure the services are appropriate and do not jeopardise the independence of the auditors.

**4.4.10** Meet with the internal auditors 'in camera' to discuss special issues as required.

#### **4.5 External Audit**

**4.5.1** Act as a forum for communication between the Council, Chief Executive Officer, senior management and internal and external audit.

**4.5.2** Review the external auditor's proposed audit scope, approach, understanding of the 'materiality' yardstick to be applied and coordination of external audit with internal audit activity.

**4.5.3** Provide input and feedback on the Financial Statements and Performance Statement audit coverage proposed by external audit and provide feedback on the audit services provided.

**4.5.4** Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.

**4.5.5** Review all relevant external audit reports and monitor management's implementation of audit recommendations.

**4.5.6** Provide advice to the Council on action taken on significant issues raised in relevant external audit reports.

#### **4.6 Fraud & Corruption**

**4.6.1** Receive annual reports on Councils Fraud and Corruption Prevention policies and procedures (fraud control program).

**4.6.2** Review the adequacy and effectiveness of Council's fraud and corruption framework and awareness programs.

**4.6.3** Instances of proved fraud and/or corruption will be formally reported to the committee. Matters of potential fraud or corruption may be verbally reported to the Committee Chairperson depending on their materiality and potential consequence.

**4.6.4** Review the circumstances surrounding any instances of fraud or corruption and any associated control weaknesses and advise on rectification of same.

**4.6.5** Provide advice to the Chief Executive Officer and Council in relation to the management and reporting of fraudulent or corrupt actions.

**4.6.6** Oversee special investigations of alleged fraud or corruption when referred to it by either the Chief Executive Officer or of Council.

**4.6.7** Consider Council's fraud and corruption risks and the status of associated risk assessment and actions.

#### **4.7 Organisational Structure Changes/Service Reviews**

**4.7.1** Receive Updates of any organisational structural changes implemented by the Chief Executive Officer and consider the impacts of these on the risk and control framework.

**4.7.2** Receive updates on the key findings of any 'service reviews' directed to be undertaken by the Chief Executive Officer.



## **5. MEETINGS**

The Committee will meet five times a year, with authority to convene additional meetings, as circumstances require, after discussion between the Committee Chairperson and the Chief Executive Officer. 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.

A schedule of meetings will be developed annually and agreed by members. All Committee members are expected to attend each meeting in person, although in special circumstances members may attend through electronic means.

In accordance with Section 54 (3) of the Act, the Committee will develop and adopt an annual work plan at its August meeting and monitor progress against the work plan at each committee meeting.

## **6. REPORTING TO COUNCIL**

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.

The Chair of the Committee will additionally brief councillors at biannual briefing sessions of council and provide a verbal briefing following the Committee's review of the annual statements.

This report will summarise the key proceedings and outcomes of the Committee's activities, provide general commentary on key recommendations/observations received from the Auditor General and/or internal auditors, as well as provide opportunity for discussion and review of the audit program, litigation matters, fraud prevention and awareness program and service efficiency oversight reviews. Additionally it will provide a forum for discussion between the Committee Chairperson, Councillors and Executive Officers regarding any other audits as required.

The Committee will also prepare and present in Council's annual report, a report on its operations and activities during the year.

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**

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.

## **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.

Members are also expected to:

- Contribute the time needed to study and understand the papers provided
- Apply good analytical skills, objectivity and good judgement
- Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry
- 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

The responsibilities of the Committee may be revised or expanded at the time of the charter's biennial review.

## **9. ADMINISTRATIVE ARRANGEMENTS**

### **Secretariat**

The Chief Executive Officer will appoint an officer to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each Committee member, the Chief Executive Officer and General Manager Corporate Services. After approval by the Chair, the minutes will then be presented to Council for information purposes.

### **Conflicts of Interest**

Once a year Committee members will provide written declarations to the Chief Executive Officer stating they do not have any conflicts of interest that would preclude them from being members of the committee.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from committee deliberations on the issue where a conflict of interest exists, in accordance with the definitions and prescriptions of the *Local Government Act 2020* – Part 6, Division 2, Sections 126 to 131.

### **Induction**

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

## **10. REVIEW OF CHARTER**

The charter of the Committee shall be reviewed every two years. This biennial review shall be conducted at the end of the relevant financial year with the revised charter presented to Council for adoption by no later than August of that year.

All Committee members, the Chief Executive Officer and the General Manager Corporate Services shall be consulted during the charter review process.

## APPENDIX A

### Committee Member Regulatory Obligations Guidance to Members

LGA Section	LGA Requirement
<b>Misuse of Position</b>	
123(1)	A Committee member must not intentionally misuse their position to: <ul style="list-style-type: none"> <li>a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or</li> <li>b) Cause, or attempt to cause, detriment to the Council or another person</li> </ul>
123(3)	Circumstances involving misuse of a position by a member of the Committee include: <ul style="list-style-type: none"> <li>a) Making improper use of information acquired as a result of being a member of the Committee; or</li> <li>b) Disclosing information that is confidential information; or</li> <li>c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or</li> <li>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</li> <li>e) Using public funds or resources in a manner that is improper or unauthorised; or</li> <li>f) Participating in a decision on a matter in which the member has a conflict of interest.</li> </ul>
<b>Confidential Information</b>	
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.
<b>Conflicts of Interest</b>	
126	A member of the Committee has a conflict of interest if the member has: <ul style="list-style-type: none"> <li>a) A general conflict of interest as described in Section 127; or</li> <li>b) A material conflict of interest as described in Section 128.</li> </ul>
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.
<b>Please Note</b>	
<p><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>	