



Moreland
City Council

Audit & Risk Committee Charter



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1 Purpose

Council is committed to good governance, public transparency and accountability to the Moreland community. The Audit and Risk Committee is established to strengthen Council's governance, risk management, financial management and to drive continuous improvement. Pursuant to section 53(2) of the Act, the Committee is an advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility.

The Committee is an advisory committee of the Council established to assist the Council discharge its responsibilities under the Act to:

- monitor the compliance of Council policies and procedures with:
 - the overarching governance principles;
 - the Act and the regulations and any Ministerial directions; and
 - other relevant laws and regulations;
- monitor internal controls;
- monitor Council financial and performance reporting;
- monitor and provide advice on risk management and fraud prevention systems and controls;
- oversee internal audit function;
- oversee external audit functions; and
- monitor related party transactions.

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Council.

The Committee operates to advise the Council on how best to fulfil its responsibilities and facilitate decision making by providing a forum for improving communication between the Council members and senior management, finance, risk and compliance managers, internal auditors and external auditors.

2 Authority

The Council authorises the Committee, within its responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including Councillors and Council Officers, at Committee meetings
- obtain legal or other professional advice at the entity's expense, as considered necessary to meet its responsibilities
- seek resolution on any disagreements between management and the external auditors on financial reporting
- seek resolution of any disagreement between management and the internal auditors on internal audit recommendations.

3 Membership

- 3.1** The Committee comprises of seven members (three Councillors and four independent and external members), appointed by Council. In accordance with the Act the Members must:
- include members who are Councillors of the Council (section 53(3a)).
 - consist of a majority of members who are not Councillors of the Council and who collectively have:
 - expertise in financial management and risk (Section 53(3b i));
 - experience in public sector management; (section 53(3b ii));
 - skills and experience in accordance with the Independent Member Skills Matrix (independent members only).
 - not be a member of Council staff (Section 53(3c)).
- 3.2** The Council will appoint the Chair of the Committee, who in accordance with section 53 of the Act:
- must not be a Councillor (section 53(4)); and
 - must not be a member of Council staff (section 53(3c)).
- 3.3** In the absence of the Chair, the Committee will elect a temporary Chair for the meeting from the remaining independent members who are present.
- 3.4** The Mayor of Council or Chief Executive Officer of Council and other Council Officers may attend committee meetings, and when they elect to do so, will require copies of committee papers.
- 3.5** The Council or Council Officers, Chief Executive Officer, Executive Manager Finance, Chief Information Officer, Manager Corporate Governance or other management representatives may attend meetings as advisers or observers but will not be members of the committee. For example, Directors will be invited to all meetings and Managers will be invited to attend if an audit report central to their area of responsibility is presented.
- 3.6** The Committee reserves the right to meet at any time without non-members or with invited non-members only.
- 3.7** A representative(s) of the VAGO will be invited to attend meetings of the committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (Section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.
- 3.8** A representative(s) of the appointed internal audit contractor will be invited to attend meetings of the committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (Section 125) and conflict of interest (Part 6, Division 2) as outlined within the Act.
- 3.9** Membership of the committee will be reviewed periodically (but at least every three years) by the Council with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience. Councillor members will be appointed for a one-year term of office. The initial appointment of external Committee members shall be for a three-year period. An independent member may serve no more than two full terms in any one position before the position must be publicly advertised. This does not preclude existing members from being

re-appointed through a competitive process

3.10 The Committee will adopt and maintain a program of induction, training and awareness-raising for its members, with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.

3.11 Pursuant to section 53(6) of the Act, the Council will pay a fee to independent committee members. This fee will be based on a per annum fee, determined by the CEO, which will be indexed in alignment with the rate cap % each 1 July.

Payment will be made each quarter following receipt of a Tax Invoice after each meeting.

No less than once every Council term, the fee paid to Independent Members will be benchmarked against no less than five other peer Councils to provide the Council with the information required to fully review fees.

4 Functions

In accordance with section 54(2) of the Act, the functions and responsibilities of the Committee include:

4.1 Monitor the compliance of Council policies and procedures with the overarching governance principles and the Local Government Act 2020 and the regulations and any ministerial directions. (Section 54(2a)).

4.1.1 Monitor Council processes for compliance of Council policies and procedures. (Section 54(2))

4.1.2 Assess the Council's procurement framework with a focus on the probity and transparency of policies and procedures/processes.

4.1.3 Assess the Council's policy framework and procedures to ensure the embedding of the governance principles.

4.1.4 Monitor the implementation of a three-year financial management improvement plan as a minimum. The progress against this plan will be reported to the Committee at each meeting. This plan is intended to provide assurance of longer term planning to strengthen financial management policies and procedures aligned to implementation of the financial management principles.

4.1.5 Review the CEO Employment Matters Policy and Terms of Reference for the CEO Employment Matters Advisory Committee annually and ensure compliance with the Act.

4.1.6 Monitor work by the council to mitigate and plan for climate change risk.

4.2 Monitor internal controls.

4.2.1 Review the effectiveness of the Council's internal control system with management and the internal and external auditors.

4.2.2 Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.

4.2.3 Should the need arise, meet periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the Council's control environment.

4.2.4 Monitor the Council's commercial interests, especially where these have been established under section 193 of the Local Government Act 1989 or sections 110-111 of the Local

Government Act 2020.

4.3 Monitor compliance with relevant laws and regulations.

- 4.3.1 Monitor Council's processes regarding compliance with legislation and regulations.
- 4.3.2 Stay informed about how management is monitoring the effectiveness of its compliance and ethics program and making recommendations for change as necessary.
- 4.3.3 Review whether the Council has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints under the *Public Interest Disclosures Act 2012* and section 1317AA of the *Corporations Act 2001 (Commonwealth)*, dealing with an accounting, internal accounting controls or auditing matters or other matters likely to affect the Council or its compliance with relevant legislation and regulations.
- 4.3.4 Obtain assurance that adverse trends are identified and review management's plans to deal with these.
- 4.3.5 Review management disclosures in financial reports of the effect of significant compliance issues.
- 4.3.6 Comply with legislative and regulatory requirements imposed on audit committee members, including not misusing their position (Section 123 of the Act) to gain an advantage for themselves or another or to cause detriment to the Council and disclosing conflicts of interest (Section 125 of the Act).

4.4 Monitor Council financial and performance reporting (Section 54(2b))

- 4.4.1 Receive assurance that Council has appropriate systems and procedures in place for collecting and analysing information and data for the purposes of measuring the performance of individual programs and activities (as identified in the Council Plan.)
- 4.4.2 Review the process for the management and governance of the use of data, information and knowledge.
- 4.4.3 Review any changes to Council's accounting policies and procedures and the methods of applying them, with the input of management, external and internal auditors, ensuring that they are in accordance with the stated financial reporting framework.
- 4.4.4 Assess significant estimates and judgements in financial reports by asking management about the processes used in making material estimates and judgements, and then asking management and external auditors for the basis of their conclusions.
- 4.4.5 Review management's processes for ensuring and monitoring compliance with legislation and other requirements on the external reporting by the Council of financial and non-financial information, performance reporting under the Act, and other relevant legislation.
- 4.4.6 Review the appropriateness of accounting policies and disclosures to present a true and fair view.
- 4.4.7 Review the process for the consolidation of financial information of Council related entities into the financial reports of the Council.
- 4.4.8 Assess whether a comprehensive process has been established for the purposes of legislative disclosure reporting requirements.

- 4.4.9 Assess information from internal and external auditors that affects the quality of financial reports. For example, actual and potential material audit adjustments, financial report disclosures, non-compliance with legislation and regulations, internal control issues.
- 4.4.10 Seek the external auditor for an independent opinion on the management's: – technical compliance with accounting standards – proper application of the accounting principles – clarity in financial disclosure practices as used or proposed in the financial report of the Council.
- 4.4.11 Assess internal control systems covering the public release of information.
- 4.4.12 Recommend to the Council whether the financial report including the performance statement should be approved based on the Committee's assessment of them.
- 4.4.13 Review the financial reporting provided to Council and monitor the financial performance and sustainability of Council.

4.5 Monitor and provide advice on risk management and fraud prevention systems and controls. (Section 54(2c))

- 4.5.1 Monitor the implementation of a three-year risk management improvement plan as a minimum. The progress against this plan will be reported to the Committee at each meeting.
- 4.5.2 Review and recommend enhancements to Council's policy for the oversight and management of business risks.
- 4.5.3 Review management's overall risk profile, risk management framework and implementation strategy and advise Council of any concerns regarding the appropriate resourcing of the required actions.
- 4.5.4 Receive regular risk reports, which:
- provide an overview of management of each strategic risk by strategic risk owners; and
 - identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.
- 4.5.5 Assess Council processes for management's identification and control of material risks, including business, financial and legal compliance risks in accordance with Council's identified tolerance for risk particularly in the following areas: – potential non-compliance with legislation, regulations and standards and Council's policies – important accounting judgements or estimates that prove to be wrong – litigation and claims – fraud and theft – significant business risks, recognising that responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the Council.
- 4.5.6 Assess adequacy of Council process to manage insurable risks.
- 4.5.7 Review whether the Council has a current and active business continuity plan and disaster recovery plan which is tested periodically.
- 4.5.8 Ascertain whether fraud risks have been:
- identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud risks
 - included in the assessment of the risk profile of the Council and have been appropriately

addressed.

4.5.9 Receive summary reports from management on all suspected and actual frauds, thefts and material breaches of legislation, ensuring reporting to the Council and/or relevant authorities.

4.5.10 Monitor the Council's fraud prevention and detection framework, including any action taken with respect to actual and suspected instances of fraud.

4.5.11 Monitor management's efforts to create and maintain a strong internal control environment, including the design and implementation of anti-fraud strategies and programs, conduct of fraud awareness seminars or training courses to increase staff awareness of activities that amount to fraud.

4.6 Oversee internal audit function (Section 54(2d))

4.6.1 Discuss with Council the appropriate method for the provision of the internal audit function, which in the case where this is outsourced, would include the sign-off of the evaluation criteria, the appointment, the monitoring and assessment of effectiveness and termination of the contractor. The tender specification will require the internal auditors engaged to be appropriately qualified and continue professional development.

4.6.2 Monitor the implementation of a three-year internal audit improvement plan as a minimum. The progress against this plan will be reported to the Committee at each meeting.

4.6.3 Review the allocation of internal audit resources through the Strategic Annual Internal Audit Plan, against Council's Audit Universe, 3-year Audit Plan, Assurance Map and Council's strategic risks,

4.6.4 Assess if there has been any obstruction to the work reported through to the audit committee.

4.6.5 Review and approve the memorandum of planning (MAP) for each internal audit to ensure that the audit objectives and scope are fit for purpose.

4.6.6 Provide the opportunity for audit committee members to meet with the internal auditors without management being present.

4.6.7 Review the reporting on completed internal audits, seeking clarification through critical analysis to assure the Committee that management is responding adequately to the findings and key risks are mitigated.

4.6.8 Monitor the progress of the strategic annual internal audit plan and work program and consider the implications of internal audit findings for the control and operating environment.

4.6.9 Monitor the implementation of internal audit's findings and recommendations.

4.6.10 Require Internal Audit contractor or the Audit and Quality Assurance Administrator to conduct periodic testing of whether audit actions reported as completed by management have been effectively implemented.

4.7 Oversee external audit function (Section 54(2d))

4.7.1 At the appropriate meeting, ask the external auditor to outline the external audit plan including proposed audit strategies and how they might relate to identified risk areas; discuss audit results; consider the implications of the external audit findings for the control environment.

4.7.2 Ask the external auditor if there have been any significant resolved or unresolved disagreements with management.

- 4.7.3 Monitor and critique management's response to the external auditor's findings and recommendations.
- 4.7.4 Sight all representation letters signed by management and consider the completeness and appropriateness of the information provided.
- 4.7.5 Provide the opportunity for committee members to meet with the external auditor as the need arises without management being present.
- 4.7.6 Maintain an awareness of local government performance audits undertaken by the VAGO and ensure recommendations are brought to the attention of the Council for action/implementation where appropriate.

4.8 Related-party transactions

- 4.8.1 Review the processes for the identification, nature, extent and reasonableness of related-party transactions.

5 Engagement with the Victorian Auditor-General's Office (VAGO)

The committee will engage with the VAGO, as the entity's external auditor, in relation to the VAGO's financial statement and performance audit coverage. In particular, the committee will:

- Invite a representative from the VAGO to attend Committee meetings and encourage a positive working relationship;
- Provide feedback to the VAGO on draft strategies, reports and opportunities for improvements
- Provide advice to management on action to be taken on significant issues raised in relevant VAGO reports or better practice guides.

6 Authority of the Committee

The Committee is an advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility. All recommendations of the Committee shall be referred to the Council for approval, other than the:

- Strategic Annual Internal Audit Plan;
- Memorandums of Audit Planning (MAP) that do not require the approval of the Council; and
- Management responses to audit recommendations arising from Internal Audit Reports.

The Committee has the authority to review the Annual Financial Statements and Performance Statement and provide advice to the Council. The Committee can recommend to Council its approval 'in principal', the signing of the Annual Financial Statements and Performance Statement.

7 Evaluating Performance

- 7.1 The Committee will undertake an annual assessment of its performance against the Audit and Risk Committee Charter in accordance with section 54(4a) of the Act. This assessment will be reported in accordance with the Reporting requirements outlined in section 8 of the Charter.
- 7.2 Management will assist the Committee to initiate a self-assessment of the performance of the Committee at least once every two years. The review will invite input from the Council, each

Committee member, senior management, internal audit, the VAGO, and any other relevant stakeholders. The self-assessment will be reported through the Annual Committee Performance Report.

- 7.3 The Chair, in conjunction with management, will undertake formal reviews of performance and independence of independent audit committee members before reappointing them for additional terms.

8 Reporting

- 8.1 The Committee will prepare an Annual Committee Performance Report that includes an annual assessment of Committee performance against the Audit and Risk Committee Charter in accordance with Section 54(4a) of the Act. This report will be provided to the Chief Executive Officer for presentation to Council annually in accordance with Section 54(4b) of the Act. This report will be ~~and~~ published on the Council's website.
- 8.2 The Chair of the Committee, or a representative on behalf of the Committee, will present the Annual Committee Performance Report to a Councillor Briefing prior to the report being presented to Council.
- 8.3 The Committee will prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes the Committee findings and recommendations in accordance with section 54(5a) of the Act, along with the agreed actions. This report will be provided to the Chief Executive Officer for reporting to Council biannually.
- 8.4 In alignment with the Meeting Procedure Local Law (to be replaced by the Governance Rules by 30 September 2020), Public Transparency principles and Governance principles in the Act, summary minutes from each Committee meeting are to be presented to Council through the Governance report after each Committee meeting summarising progress, matters discussed and any issues the Committee wishes to share with all Councillors. This requirement is common to all Advisory Committees.
- 8.5 The Chair of the Committee, or a representative on behalf of the Committee, will present the Strategic Annual Internal Audit Plan to a Councillor Briefing prior to commencement of the financial year.
- 8.6 Internal audit reports and external audit reports shall not be made public.
- 8.7 Pursuant to section 54(6b) of the Act, the Chief Executive Officer is required to table reports upon request by the chairperson of the Audit and Risk Committee.

9 Administrative Arrangements

9.1 Meetings

- 9.1.1 The committee will meet at least four times per year. One or more special meetings may be held to review the Council's annual financial statements and performance statement, or to meet other responsibilities of the committee.
- 9.1.2 All committee members are expected to attend each meeting, in person or via tele-or-video conference. Failure to attend a meeting will result in non-payment of members fees for the associated quarter.
- 9.1.3 The Chair is required to call a meeting if asked to do so by the Council and decide if a meeting is required if requested by another member, internal audit or the VAGO.

9.2 Planning

The Committee will develop a forward meeting schedule that includes the dates and location for each meeting for the forthcoming year.

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 responsibilities outlined in this charter.

9.3 Quorum

A quorum will consist of a majority of committee members, with a minimum of 2 independent and 1 Councillor. The quorum must be in attendance at all times during the meeting.

9.4 Secretariat

In accordance with section 54(6a) of the Act, the CEO will appoint a Council Officer to provide secretariat support to the Committee. The secretariat will:

- ensure the agenda for each meeting is approved by the Chief Executive Officer of Council and Committee Chair;
- the agenda and supporting papers are circulated, at least one week before the meeting; and
- ensure the minutes of the meetings are prepared and maintained. Minutes to include relevant elements of the Committee's discussion.

Minutes must be reviewed by the Chief Executive Officer of Council and Committee Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

10 Conflicts of Interest

Committee recommendations must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly. If a conflict of interest exists, it must be declared and managed. Committee members are required to provide written declarations, through the Chair, to the Council declaring any material personal interests they may have in relation to their responsibilities.

Division 2 of Part 6 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee. An independent member has a **conflict of interest** if they have:

- (a) a general conflict of interest within the meaning of section 127 of the Act
- (b) a material conflict of interest within the meaning of section 128 of the Act.

Members of the Committee will provide declarations in accordance with statutory requirements.

External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s).

Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

11 Misuse of Position

Section 123 of the Local Government Act 2019 applies to Independent Members, as if the member were a member of a delegated Committee. The Independent Member must not intentionally misuse their position -

(a) to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or

(b) to cause, or attempt to cause, detriment to the Council or another person.

12 Confidential Information

Section 125 of the Local Government Act 2019 applies to Independent Members, as if the member were a member of a delegated Committee. The requirements include:

(1) Unless subsection (2) or (3) applies, a person who is, or has been, an Independent Member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

(2) Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.

(3) A person who is, or has been, an Independent Member may disclose information that the person knows, or should reasonably know, is confidential information in the following circumstances—

(a) for the purposes of any legal proceedings arising out of this Act;

(b) to a court or tribunal in the course of legal proceedings;

(c) pursuant to an order of a court or tribunal;

(d) in the course of an internal arbitration and for the purposes of the internal arbitration process;

(e) in the course of a Councillor Conduct Panel hearing and for the purposes of the hearing;

(f) to a Municipal Monitor to the extent reasonably required by the Municipal Monitor;

(g) to the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector;

(h) to a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry;

(i) to the extent reasonably required by a law enforcement agency.

13 Recruitment

A position description for independent members will be established and maintained for each of the four independent member positions. The position description will include a matrix skills assessment that identifies the particular blend of skills and experience required for each particular role.

14 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

15 Review of the Committee Charter

At least once a year the Committee will review this charter. This review will include consultation with the Council.

Any substantive changes to the charter will be recommended by the Committee and must be formally approved by the Council.

John Watson, Chair

Joelle Tabone, Independent Member

Craig Burke, Independent Member

Lisa Tripodi, Independent Member

Cr Lambros Tapinos, Councillor Member

Cr Oscar Yildiz, Councillor Member

Cr Mark Riley, Councillor Member