City of Port Phillip Audit & Risk Committee Charter

1 PURPOSE

As part of Council's governance obligations to its community, Council has constituted an Audit & Risk Committee to provide the Council with oversight over:

- Internal and external financial reporting;
- Management of financial and other risks;
- Effectiveness of the internal and external audit function;
- The compliance framework and its external financial and performance accountability and responsibilities including the external financial and performance framework

The Audit & Risk Committee (the Committee) is an independent advisory Committee to Council established under section 139 of the *Local Government Act 1989*.

The Committee Charter (the Charter) has been developed with regard to *'Audit Committees – A Guide to Good Practice for Local Government'*, January 2011 issued by the Minister for Local Government.

The Charter sets out the committee's objective, authority, composition and tenure, roles and responsibilities and reporting and administrative arrangements.

The Committee's objective is to provide appropriate independent advice and recommendations to Council on matters relevant to the Committee's Charter to facilitate decision-making by Council in relation to the discharge of Council's accountability requirements.

The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibilities. The Committee does not have any management function and is therefore independent of management.

The internal and external auditors and other assurance providers support the Committee by providing independent and objective assurance on internal corporate governance, risk management, internal control and compliance.

An Audit & Risk Committee annual calendar of activities is provided at each meeting to ensure the Committee can effectively discharges its responsibilities.

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2 MEMBERSHIP

2.1 The Council will appoint as members of the Committee:

- the Mayor and one other Councillor; and
- three (3) independent members, one of whom will be appointed by Council as Chairperson.

2.2 Council will appoint Committee members and the Committee Chairperson.

2.3 In addition to the committee members, the following have a standing invitation to attend the committee meetings: The Chief Executive Officer, the Director of CEO's Office, the Manager Organisational Performance, the Chief Financial Officer, the Coordinator Risk & Assurance and other Council employees at the invitation of the Chair.

2.4 The internal and external auditors will attend relevant sections of the Committee meetings at the invitation of the Chair.

3 CHAIRPERSON

3.1 Section 139 of the *Local Government Act 1989* requires that the chairperson of an audit committee -

(a) must not be a Councillor; and

(b) must not be a member of Council staff; and

(c) must be suitably qualified.

3.2 A Chairperson will be elected annually for a period of twelve months.

3.3 A Chairperson can be elected for successive terms.

3.4 The Chairperson shall have a casting vote on occasions where there is an equal number of votes on a matter.

3.5 The Chairperson may require any report prepared by the Committee to be listed on the agenda for the next ordinary meeting of the Council.

3.6 In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the independent members present.

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4 TERMS OF APPOINTMENT

4.1 The external members will be selected from the broader community after having invited applications by public advertisement in appropriate places such as the Council's website and other channels.

4.2 At least two of the external members of the Committee will be members of CPA Australia (CPA status), the Institute of Chartered Accountants Australia (CA status) and/or the Institute of Internal Auditors, with governance experience, including company directorship desirable.

4.3 External members shall be appointed for a term of up to three years. At the conclusion of their first term, existing members will be eligible to apply to be reappointed which is at the discretion of Council.

4.4 The term of each independent member should be arranged so that there is an orderly rotation of membership and avoidance of more than one member retiring at the same time.

4.5 In the event of an independent member resigning / retiring before the expiry of their term, the vacancy will be filled at the discretion of the Council. Further, should the resignation / retirement of two or three of the independent members coincide, the Council may extend one member's term by one year to ensure continuity.

4.6 If the Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a Council meeting.

4.7 Remuneration will be paid to each independent member of the Committee as determined by Council. Annual increases in the remuneration of Committee members will be limited to increases in the Consumer Price Index (CPI All Groups Melbourne) and adjusted annually on 1 January.

5 MEETINGS

5.1 The Committee will meet at least four times per year, with authority to convene additional meetings, as circumstances require.

5.2 A schedule of meetings will be developed and agreed by members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines.

5.3 All Committee members are expected to attend each meeting in person or through teleconference.

5.4 A quorum of any meeting will be at least two independent members (which may include the Chairperson) and at least one Councillor.

5.5 All members shall have full and equal voting rights unless a member is unable to vote due to a conflict of interest.

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5.6 The CEO will facilitate the meetings of the Committee and, in consultation with the Chairperson, invite members of management, auditors or others to attend meetings to provide pertinent information, as necessary.

5.7 The agenda and supporting documentation will be circulated to members of the Committee at least one (1) week in advance of each meeting.

5.8 Minutes will be prepared as soon as practical after the meeting and approved by the Chairperson, and shall be distributed to Committee members within two (2) weeks of the meeting. Items designated as confidential by the Committee, as determined by the criteria in the *Local Government Act 1989*, will be noted in a separate confidential minutes of the Committee.

5.9 The Chairperson will sign the minutes following the confirmation of the minutes at a subsequent meeting.

5.10 The Office of CEO shall provide secretarial and administrative support to the Committee.

6 REPORTING

6.1 The Committee may report to Council on any matters of significance as determined by the Committee.

6.2 The Chairperson shall formally report to Council at least annually about Committee activities, issues and related recommendations through an annual report. The report should describe the Committee's composition, number of meetings held and attended by Committee members, audit processes, details of any remuneration paid to independent members during the reporting period and a summary of work completed by the internal and external auditor during the year.

6.3 The Chairperson to meet with Councillors informally at least annually, where the Audit & Risk Committee Annual Calendar will be shared.

6.4 The Committee Charter and details of its members will be published on Council's website.

7 DUTIES AND RESPONSIBILITES OF MANAGEMENT

The duties and responsibilities of Council officers are to:

7.1 Keep the Committee informed of the organisation's financial reporting, regulatory compliance, risk management and risk exposures;

7.2 Keep the Committee informed of the findings of any relevant examinations by regulatory agencies, internal auditor and external auditor observations so that the Committee can monitor management's response to these findings;

7.3 Facilitate through the CEO, the operation of the Committee by providing secretariat services and officer advice in respect of matters before the Committee.

7.4 Provide a comprehensive induction for all newly appointed Committee members to enable them to understand the Council and their duties and responsibilities. This includes all relevant information regarding the Committee's responsibilities and the Council's operations.

8 DUTIES AND RESPONSIBILITES OF THE COMMITTEE

The duties and responsibilities of the Committee include:

8.1 Financial Reporting

8.1.1 Consider major accounting policies, as well as significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, recent accounting / professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.

8.1.2 Receive annual attestation from management to the effectiveness of key internal controls and response to audit recommendations in certifying the financial report.

8.1.3 Review the organisation's annual financial reports, and consider whether they are complete, consistent with information known to Committee members, reflects appropriate accounting principles and recommend their signing by Council.

8.1.4 Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards including any difficulties encountered with the audit.

8.1.5 Review the internal financial reporting packages for adequacy.

8.2 Risk Management and Internal Controls (including Business Continuity Planning)

8.2.1 Provide advice on the Council's risk management framework and controls.

8.2.2 Consider evidence and reviews of the operation of the Council's risk management internal controls framework from the Strategic Risk and Internal Audit Group, management, internal audit and external audit.

8.2.3 Consider the effectiveness of internal controls surrounding the Digital and Technology Services environment (including governance and disaster recovery).

8.2.4 Review the adequacy and timeliness of treatment plans / actions developed to mitigate Council's material business risk exposures.

8.2.5 Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council.

8.2.6 Review Council's fraud and corruption prevention and detection framework and oversee any subsequent investigation of any suspected cases of fraud and/or corruption.

8.2.7 Review the project portfolio and associated risks.

8.2.8 Receive an annual update on Council's insurance coverage to ensure its alignment with

Councils risk profile.

8.2.9 Monitor processes and practices of Council to ensure effective business continuity.

8.3 Internal Audit and Core Compliance

8.3.1 Review with management (with input from the internal auditor) the activities, staffing, and organisational structure of the internal audit function.

8.3.2 Review with management and the Internal Auditor the Internal Audit Charter annually.

8.3.2 Review and endorse the annual risk-based Internal audit plan and all major changes to the plan as well as ensuring a comprehensive Audit Universe document is maintained.

8.3.3 Endorse the detailed scope for each audit project associated with the plan.

8.3.4 Consider internal audit and core compliance findings and review management's responses in terms of content, commitment and timelines to implement recommendations, and monitor progress of their completion.

8.3.5 Provide an opportunity for the Committee to meet with the internal auditors to discuss any matters that the Committee or internal auditors believe should be discussed privately.

8.4 External Audit

8.4.1 Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.

8.4.2. Consider external audit findings and review management's responses in terms of content, commitment and timelines to implement the recommendations, and monitor progress of their completion.

8.4.3 Provide an opportunity for the Committee to meet with the external auditors, to discuss any matters that the Committee or the external auditors believe should be discussed privately.

8.4.4 Review on an annual basis the performance of the External Auditor

8.5 Compliance

8.5.1 Receive and review management assurances and relevant evidence in relation to the systems and processes to monitor the effectiveness of compliance with legislation and regulations.

8.5.2 Review of Council's Codes of Conduct (Councillor & Staff) for adequacy.

8.5.3 Consider the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations and monitor management's response to these findings.

8.5.4 Receive reports from management on any material breaches of legislation.

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8.6 Other

8.6.1 Consider the findings and recommendations of relevant performance audits undertaken by the Victorian Auditor-General and their implication for Council.

8.6.2 Perform other activities related to this Charter as requested by the Council.

9 PERFORMANCE EVALUATION

9.1 The Committee will evaluate its own performance, both of individual members and collectively on an annual basis using a self-assessment tool which will be reviewed, adopted and completed by the Committee.

10 ORDINARY RETURNS

10.1 In accordance with Sections 81(5) and 139 (4A) of the *Local Government Act 1989*, and Section 7 of the Local Government (General) Regulations 2015, Audit and Risk Committee Members must twice yearly submit an Ordinary Return:

- On 31 December or within 40 days of 31 December each year.
- On 30 June or within 40 days of 30 June each year.

11 CONFLICTS OF INTEREST

11.1 In accordance with Section 79 of the *Local Government Act 1989*, members of the Committee will be required to disclose all conflicts of interest.

11.2 Members of the Committee must be fully aware of their responsibilities regarding the management of interests in relation to the discharge of their duties as a member of the Committee and must declare any conflicts of interest at the commencement of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest will be appropriately minuted.

11.3 Where a member/invitee at Committee meetings declares a real or perceived conflict of interest, the member/invitee will be excused from Committee deliberations on the issue.

11.4 Failure to comply with the provisions of the *Local Government Act 1989* regarding conflicts of interest may result in prosecution and the member's appointment being terminated by the Council.

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12 INDEMNITY FOR MEMBERS OF THE COMMITTEE

12.1 Council will include independent members of the Audit & Risk Committee in its relevant insurance policy coverage for the services they provide to the Council.

13 REVIEW OF COMMITTEE CHARTER

13.1 The Committee will review and assess the adequacy of the Audit & Risk Committee Charter annually and recommend any changes to Council for approval.

13.2 The next review date will be June 2020.