

City of Port Phillip Audit & Risk Committee Charter

Adopted by Council 16 Aug 2017



I PURPOSE

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

- 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.

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

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 in order 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 discharge 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

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 audit 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.

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.
- 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.

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- 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 January 1.

5 MEETINGS

- 5.1 The Committee will meet at least five 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.
- 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. Any items designated as "Confidential" by the Committee (which must only be on the basis that the item is considered to be confidential pursuant to the Local Government Act 1989) will be noted in separate Confidential Minutes of the Committee.
- 5.9 The Chairperson will sign the minutes following the confirmation of the minutes at a subsequent meeting.

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- 5.10 The Organisational Performance Division 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 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 Committee Charter and details of its members will be published on Council's website.

7 DUTIES AND RESPONSIBILITIES OF MANAGEMENT

The duties and responsibilities of council officers are to :

- 7.1 keep the Committee informed regarding financial reporting, regulatory compliance, risk management and risk exposures of the organisation;
- 7.2 keep the Committee informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations in order that the Committee may 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 including all necessary and relevant information regarding the Committee's responsibilities and the council's operations and background to enable them to understand the council and their duties and responsibilities.

8 DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The duties and responsibilities of the Committee include:

8.1 Financial Reporting

- 8.1.1 Oversight of accounting policies that materially impact the financial statements.

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- 8.1.2 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 8.1.3 Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 8.1.4 Receive attestation from management to the effectiveness of key internal controls and response to audit recommendations in certifying the financial report.
- 8.1.5 Review the annual financial report, and consider whether it is complete, consistent with information known to Committee members, reflects appropriate accounting principles and recommend their signing by Council.
- 8.1.6 Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.

8.2 Internal Control

- 8.2.1 Oversee the framework for internal controls and review the mechanisms in place to comply with the framework.
- 8.2.2 Understand the scope of internal and external auditors' review of internal controls and obtain reports on significant findings and recommendations, together with management's responses.
- 8.2.3 Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk, so that all employees have an understanding of their roles and responsibilities in respect of internal control and risk management.
- 8.2.4 Regularly review policies and procedures supporting the existing internal control framework.
- 8.2.5 Consider the effectiveness of internal controls surrounding the Business Technology environment (including governance & disaster recovery).

8.3 Risk Management

- 8.3.1 Oversee the framework for risk management and review the mechanisms in place to comply with the framework.
- 8.3.2 Monitor the systems and process via the council's risk profile
- 8.3.3 Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to the Council.
- 8.3.4 Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council.
- 8.3.5 Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- 8.3.6 Review Project Portfolio and associated risks.

8.4 Business Continuity Planning

- 8.4.1 Oversee the framework for business continuity and review the mechanisms in place to comply with the framework.

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8.4.2 Monitor processes and practices to ensure effective business continuity plans are in place.

8.5 Internal Audit and Compliance

- 8.5.1 Oversee the framework for internal audit and review the mechanisms in place to comply with the framework.
- 8.5.2 Oversight of the Core Compliance Program and outcomes.
- 8.5.3 Review with management and the Internal Auditor the charter, activities, staffing, and organisational structure of the internal audit function.
- 8.5.4 Annually review and endorse the Internal Audit Plan and monitor for alignment with the organisations risks.
- 8.5.5 Review audit reports, findings, management responses, accountabilities and timelines for corrective actions.
- 8.5.6 Monitor processes and practices to ensure that the independence of audit function is maintained.
- 8.5.7 As part of the Committee's annual assessment of performance, determine the level of satisfaction with the internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- 8.5.8 Provide an opportunity for the Committee to meet with the internal auditor(s) to discuss any matters that the Committee or internal auditor believes should be discussed privately.

8.6 External Audit

- 8.6.1 Monitor the external audit process and review the mechanisms in place to comply with the process.
- 8.6.2 Note the external auditor's proposed audit scope and approach, including any reliance on Internal auditor activity.
- 8.6.3 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

8.7 Compliance

- 8.7.1 Oversee the framework for compliance and review the mechanisms in place to comply with the framework
- 8.7.2 Review the systems and processes to monitor effectiveness of compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 8.7.3 Keep informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations and monitor management's response to these findings.
- 8.7.4 Obtain regular updates from management about compliance matters.

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8.8 Other

- 8.8.1 Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure the council implements relevant recommendations.
- 8.8.2 Perform other activities related to this charter as requested by the council.
- 8.8.3 Review and assess the adequacy of the Committee's charter annually, requesting Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

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 with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper disclosure of any conflicts of interest, as and when they may arise.
- 11.3 Members of the Committee must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in sections 77A, 77B, 78, 78A, 78B, 78C and 78D of the Act.
- 11.4 Failure to comply with the provisions of the Act with regard to conflicts of interest may result in prosecution and the member's appointment being terminated by the Council.

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12 REVIEW OF COMMITTEE CHARTER

- 12.1 The Committee will review the committee Charter on an annual basis and recommend any changes to Council for approval.
- 12.2 The next review date will be: June 2018.