



City of Port Phillip Audit & Risk Committee Charter

Version 1, June 2022

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1 Preface

Section 53 (1) of the Local Government Act 2020 (the Act) states that “a Council must establish an Audit and Risk Committee”. Section 54 (1) of the Act states “a Council must prepare and approve an Audit and Risk Committee Charter.”

This Charter has been developed in response to the Act requirements. It has been developed with regard to “*Audit Committees - A Guide to Good Practice for Local Government*” issued by the Minister for Local Government and the Victorian Auditor-General’s report on *Audit Committee Governance* issued in August 2016.

2 Introduction

The Audit and Risk Committee (the Committee) plays an important role in providing oversight of Port Phillip Council’s governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Committee performs its role by providing independent oversight to the Executive and the Council, in overseeing internal and external audit functions¹.

3 Background

The Committee’s previous Charter was reviewed and approved by Council on 1 September 2021. This Charter has been developed in accordance with the Section 54(7) of LG Act 2020.

4 Purpose

The Committee is an advisory committee of the Council established to assist the Council discharge its responsibilities under the Act Section 54 (1), (2), (3) 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, including the external financial and performance framework;
- monitor and provide advice on risk management and fraud prevention systems and controls;
- oversee internal and external audit function;

¹ Section 54(2)(d) of the Local Government Act 2020

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 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 (work program) is provided at each meeting to ensure the Committee can effectively discharge its responsibilities Section 54(3)

5 Mandate

The Audit Committee has been established under Section 53 of the Local Government Act 2020 (and previously Section 139 of the Local Government Act 1989). The Act states that the Audit and Risk Committee is not a delegated committee.

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.

6 Membership

6.1 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.

6.2 Council will appoint Committee members and the Committee Chairperson.

6.3 In addition to the committee members, the following have a standing invitation to attend the committee meetings: The Chief Executive Officer, the GM Governance & Organisational Capability, the Manager Governance and Organisational Performance, the Chief Financial Officer, the Coordinator Risk & Assurance, and other Council employees at the invitation of the Chair.

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

7 Chairperson

7.1 In accordance with section 53 of the Act, the Chair of the Committee -

- (a) must not be a [Councillor](#) (section 53(4)); and
- (b) must not be a [member of Council staff](#) (section 53(3c); and
- (c) must be suitably qualified.

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

7.3 A Chairperson can be elected for successive terms.

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

7.5 The Chairperson may require any report prepared by the Committee to be listed on the agenda for the next ordinary meeting of the [Council](#).

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

8 Terms of Appointment

8.1 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.

8.2 At least two 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, having experience in financial management and risk (Section 53(3b i)); experience in public sector management (Section 53(3b ii)), governance experience, with experience on community and government boards desirable.

8.3 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.

8.4 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.

8.5 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.

8.6 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.

8.7 Pursuant to section 53(6) of the Act, 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) as confirmed by CFO and adjusted annually on 1 January.

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

9 Meetings

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

9.2 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.

9.3 All Committee members are expected to attend each meeting in person or via virtual meetings (where required).

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

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

9.6 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.

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

9.8 Minutes will be prepared as soon as practicable 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 2020*, will be noted in separate confidential minutes of the Committee.

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

9.10 The Manager Organisational Performance shall provide secretarial and administrative support to the Committee.

10 Reporting Section (5)

10.1 In accordance with Section 54(5a) of the Act, the Committee must prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and

10.2 In accordance with Section 54(5b) of the Act, the Committee must provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.

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

10.4 The Chairperson to meet with Councillors informally biannually, where the Audit & Risk Committee Annual Calendar (work program) will be shared.

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

11 Duties and Responsibilities of Management Section 54 (6)

The duties and responsibilities of Council officers are to:

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

11.2 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;

11.3 Facilitate through the CEO, the operation of the Committee by ensuring the preparation and maintenance of agendas, minutes and reports of the Audit and Risk Committee;

11.4 Table reports and annual assessments of the Audit and Risk Committee at Council meetings when required by this Act and when requested by the chairperson of the Audit and Risk Committee.

11.5 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.

12 Duties and Responsibilities of the Committee

The duties and responsibilities of the Committee include:

12.1 Financial and Performance Reporting (Section 54(2b))

12.1.1 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.

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

12.1.3 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.

12.1.4 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.

12.1.5 Review the internal financial reporting packages for adequacy.

12.2 Risk Management and Internal Controls (including Fraud and Business Continuity Planning) (Section 54(2c))

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

12.2.2 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.

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

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

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

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

12.2.7 Review the project portfolio and associated risks.

12.2.8 Receive an annual update on Council's insurance coverage to ensure its alignment with Council's risk profile.

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

12.3 Internal Audit and Core Compliance (Section 54(2d))

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

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

12.3.3 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.

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

12.3.5 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.

12.3.6 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.

12.4 External Audit (Section 54(2d))

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

12.4.2. 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.

12.4.3 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.

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

12.5 Compliance (Section 54(2a))

12.5.1 Monitor the compliance of Council policies and procedures with –

- the overarching governance principles; and
- this Act and the regulations and any Ministerial directions.

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

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

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

12.6 Other

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

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

13 Performance Evaluation Section 54 (4)

13.1 In accordance with Section 54(4a) of the Act, the Committee will undertake an annual assessment of its own performance against the Charter, both of individual members and collectively, using a self-assessment tool which will be reviewed, adopted, and completed by the Committee.

13.2 In accordance with Section 54(4b) of the Act, the Committee will provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

14 Conflicts of Interest

14.1 In accordance with Section 127 of the Act (general conflict of interest) and 128 of the Act (material conflict of interest), members of the Committee will be required to disclose all conflicts of interest.

14.2 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.

14.3 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.

14.4 Failure to comply with the provisions of the *Local Government Act 2020* regarding conflicts of interest may result in prosecution and the member's appointment being terminated by the Council.

15 Indemnity for Members of the Committee

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

16 Review of Committee Charter

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

16.2 The next review date will be June 2023



City of Port Phillip

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