Audit and Risk Committee Charter

Purpose

An independent Audit and Risk Committee is a fundamental component of a good governance structure.

The Audit and Risk Committee (the Committee) is an independent advisory committee to the Bass Coast Council (the Council) established under section 53 of the *Local Government Act 2020* (the Act). The Committee does not have any delegated powers, including executive powers, management functions or delegated responsibility.

The Committee's role is to monitor, review and advise Council on the standard of its financial control, risk management and corporate governance.

Specifically, the Committee must:

(a) monitor the compliance of Council policies and procedures with—

(i) the overarching governance principles; and

(ii) this Act and the regulations and any Ministerial directions;

(b) monitor Council financial and performance reporting;

(c) monitor and provide advice on risk management and fraud prevention systems and controls;

(d) oversee internal and external audit functions.

The Audit and Risk Committee Charter (the Charter) sets out the role of the committee, along with its objectives, authority, membership and tenure, roles and responsibilities and the administrative arrangements.

Audit and Risk Committee Duty

The Audit and Risk Committee is required to develop an annual work plan which specifically responds to the responsibilities as set out in the *Local Government Act 2020* and is informed by the following duties:

Governance

- Provide advice that will assist Council in fulfilling its corporate governance and oversight responsibilities as well as compliance with the Governance Principles in the Act.

Financial Report

- Review significant accounting and reporting issues, including complex and/or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand the potential effect on the financial report;

- Review with management the Quarterly Report to the Community (including the quarterly financial report and achievement against the Annual Action Plan) and the Councillor expenses report, to monitor performance and identify any matters of concern;
- Review with management and the external auditors the results of the audit, including any difficulties encountered;
- Review the annual financial report, and consider whether it is complete, consistent with information known to Audit and Risk Committee members, and reflects appropriate accounting principles; and
- Review with management and the external auditors all matters required to be communicated to the Audit and Risk Committee under the Australian Auditing Standards and Australian Accounting Standards.

Internal Control

- Review Council's overall framework and processes for design and implementation of internal control systems, and the mechanisms by which management monitors the effectiveness of controls; and
- Understand the scope of internal and external auditors' review of internal controls over financial reporting, and review reports on significant findings and recommendations, together with management's responses.

Risk Management

- Monitor the implementation and performance of Council's risk framework to ensure that the material operational risks to Council are managed appropriately;
- Monitor the process of review of Council's risk profile; and
- Consider the adequacy of actions taken to ensure that the material business risks have been dealt with in an appropriate way and timely manner to mitigate potential exposures to Council.

Business Continuity

- Monitor processes and practices of Council to ensure for effective business continuity through an annual review of the Business Continuity Plan.

Internal Audit

- Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function;
- Review and recommend the annual internal audit plan for approval by Council and all major changes to the plan;
- Monitor processes and practices to ensure that the independence of the internal audit function is maintained;
- As part of the Audit and Risk Committee's annual assessment of performance, determine level of satisfaction with internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing;

- Review the strategic internal audit approach to consider 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;
  - Internal controls over revenue, expenditure, assets and liabilities;
  - The efficiency, effectiveness and economy of significant Council programs and services which should also encompass services outsourced to external providers including shared service arrangements;
  - Compliance with regulations, policies, best practice guidelines and contractual arrangements
- Review all internal audit scope documents and reports and provide advice to the Council and Chief Executive Officer on significant issues identified in internal audit reports and action taken on issues raised, including identification and dissemination of good practice.
- Monitor management's implementation (including timeliness) of internal audit recommendations.
- Provide an opportunity for the Audit and Risk Committee to meet with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.

External Audit

- Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity; and
- Provide an opportunity for the Audit and Risk Committee to meet with the external auditors, to discuss any matters that the audit committee or the external auditors believe should be discussed privately.
- Discuss with the external auditor issues arising from any audit, including any management letter issued by the auditor and monitor management's implementation of audit recommendations.

Ethics and Statutory Compliance

- Monitor the process and arrangements made for complying with statutory obligations and requirements;
- Monitor ethical standards and related party transactions of both Councillors and staff;
- Receive a report at each meeting in relation to compliance with the relevant legislative obligations concerning ethical and statutory compliance issues, Councillor and staff Codes of Conduct, fraud and other matters concerning litigation.

Fraud and Corruption Prevention and Awareness

- Review the adequacy of Council's fraud and corruption prevention policies, procedures and plans, including fraud awareness programs and processes for reporting and investigations.
- Review the circumstances surrounding any instances of fraud and/or corruption and any identified internal control weaknesses, and monitor management's actions to address the issues.

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

Matters referred to the Committee by Council

- The Committee will address issues brought to its attention including responding to requests from Council for advice.

Meeting and Reporting Requirement

Meetings

The Audit and Risk Committee will meet at least four times a year with authority to convene additional meetings as circumstances require.

Meetings are closed to the public due to the sensitive nature of items that are considered by the Committee. Information disclosed to members of the Committee is confidential to the Committee.

All Audit and Risk Committee members are expected to attend each meeting either in person or through teleconference or video conference. It is recommended that Committee members give the Chair 48 hours' notice if they plan to attend the meeting virtually. The Chief Executive Officer will facilitate the meetings of the Audit and Risk Committee and invite members of management, internal auditors, external auditors or others to attend meetings to provide pertinent information, as necessary.

In the event of a tied vote on any item, the Chair will be given a casting vote.

Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials and minutes.

Reporting

Minutes of Committee meetings will be provided to Council at the first available opportunity after review by the Committee Chairperson following each Committee meeting.

The Committee will prepare an annual assessment of its performance against the Audit and Risk Committee Charter and provide a copy to the Chief Executive Officer for tabling at the next available Council meeting.

Twice a year the Committee will prepare a report to Council, through the Chief Executive Officer, describing the activities of the Audit and Risk Committee including its findings and recommendations.

The Chairperson will lead the development of the annual work plan, annual assessment and reports and is responsible for submitting them to the Chief Executive Officer.

Committee Governance

Membership

The Committee will consist of five members appointed by Council, three of whom must be independent members. Council employees cannot be members of the Committee.

Independent Members

- All new independent members will receive induction material and training to ensure familiarisation with Council's administrative environment, operational profile, risk management practices and Council Plan;

- Independent members will be appointed for three-year terms;
- Independent members may be reappointed for two additional two-year terms subject to satisfactory performance, that is, a maximum of seven years;
- Independent members must collectively have expertise in financial management and reporting, risk management and public sector management;
- 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 that may occur on change of membership;
- Remuneration will be paid to independent members as approved by Council from time to time;
- Council will publicly advertise for independent members of the Committee prior to the conclusion of a current member's final term or in the event of a vacancy.

Councillor Members

- Councillor members will be appointed to the Committee by Council annually;
- The Mayor must be one of the Councillor members;
- Should an appointed Councillor member not be able to attend a Committee meeting, Council can appoint an alternate member to act in such circumstances, either on a meeting by meeting basis or for the entire year.

Chairperson

- The Chairperson of the Committee must be an independent member;
- Council will appoint the Chairperson of the Committee;
- 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.

Quorum for Meetings

- A quorum shall comprise at least one Councillor member and two independent members.

Removal of a Member

In the event that an independent member is not present for any three (3) meetings in any twelve (12) month period, unless Council at an open meeting resolves otherwise, a vacancy occurs.

If Council proposes to remove a member of the Committee, it must give public notice of its intention to do so and must afford the member an opportunity to be heard at a Council meeting which is open to the public if the member being removed desires.

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. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

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).

Review of Audit and Risk Committee Charter

The Committee shall review and assess the adequacy of the Charter every two years or earlier if necessary and submit requests to Council through the Chief Executive Officer for revisions and improvements for approval.

Approval

Adopted by Council at its meeting held on	Date 11 December 2024
Signed by the Mayor, Cr Rochelle Halstead	
	

Revision History

Date	Version	Revision Description	Administered
19 August 2020	1	Established	Adopted by Council
23 November 2022	1.1	No substantive changes. Administrative update to include reference to the Australian Accounting Standards	Audit & Risk Committee
11 December 2024	2	Minimal change including formatting and grammar. Financial Report – additional clause regarding Quarterly Report and Councillor Expenses monitoring. Meetings – committee procedural information updated.	Adopted by Council