



Yarra Ranges Council Audit and Risk Management Committee Charter

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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, with reference to “*Audit Committees - A Guide to Good Practice for Local Government*” issued by Local Government Victoria in January 2011.

The Governance Rules to be adopted and kept in force by Council under section 60 of the Act do not apply to the Audit Committee until Council resolves, or the Audit and Risk Management Committee with the approval of Council resolves, otherwise.

2. Introduction

Yarra Ranges Council is committed to good governance, public transparency and accountability to the Yarra Ranges community. The Audit and Risk Management Committee (Audit Committee) plays an important role in providing oversight of Yarra Ranges Council’s governance, risk management, financial management and internal control practices, and driving continuous improvement. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Audit Committee performs its role by providing independent assurance to Council, in overseeing internal and external audit functions¹.

3. Background

The Audit Committee’s previous Charter was reviewed and endorsed by Council on 25 July 2017. This Charter has been developed in accordance with the Section 54(7) of the Act, which states: *A Council must approve the first Audit and Risk Committee Charter and establish the first Audit and Risk Committee on or before 1 September 2020.*

4. Purpose

Pursuant to section 53(2) of the Act, the Committee is not a delegated committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility. Pursuant to section 54(2) of the Act, the Audit Committee assists the Council and management by providing advice and guidance on the adequacy of initiatives for:

- compliance management
- governance structure
- risk management and fraud prevention
- internal control framework
- oversight of the internal audit activity, external auditors and other providers of assurance, and
- financial statements, performance and public accountability reporting.

In broad terms, the Audit Committee reviews each of the items noted above and provides the Council with independent advice and guidance regarding the adequacy and effectiveness of management’s practices and potential improvements to those practices.

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

5. Mandate

The Audit Committee has been established by Council under Section 53.1 of the Local Government Act 2020 (and previously Section 139 of the Local Government Act 1989).

6. Authority

The Audit Committee Charter sets out the authority of the Audit Committee to carry out the responsibilities established for it by the Council.

In fulfilling its role, the Audit Committee may request:

- Any explanatory information that it deems necessary to discharge its responsibilities unless that information is protected due to legal or confidentiality reasons. In discharging its responsibilities, the Audit Committee will be supported by the Director Corporate Services (or their delegate), who will facilitate provision of relevant information, records data and reports as the Audit Committee requests.
- Engagement of counsel or other advisors it deems necessary to carry out its duties.
- Attendance of any official, including Councillors and Council Officers, at Audit Committee meetings.

The Audit Committee is empowered to:

- Recommend to Council the appointment of and oversee all audit and non-audit services performed by the internal audit contractor. The annual financial audit is undertaken by the Auditor-General Victoria or their appointed contractor.
- Resolve any disagreements between management and the internal auditor or external auditor regarding internal audit recommendations, financial reporting, and other matters.
- Endorse all internal auditing services performed by the internal audit contractor.
- Preapprove all internal auditing services performed by the internal audit contractor.

The Audit Committee, through the Independent Committee Members, will assist (as required) the Director Corporate Services in the assessment of tenders for the internal audit contract.

The Audit Committee will be provided with a recommendation report in relation to the tender process, which after formal acceptance, will be provided to the Council.

The Audit Committee recognises that the primary responsibility for management of Council's operations is controlled by the CEO and the Audit Committee is an advisory committee to Council.

7. Composition of the Audit Committee²

The Audit Committee will be comprised of up to five members, with the majority being independent members as follows:

- two Councillors, and
- three independent members.

The Mayor may appoint an additional alternate Councillor member, preferably being the preceding mayor,

² Section 53(3) of the Local Government Act 2020: An Audit and Risk Committee must— (a) include members who are Councillors of the Council; and (b) consist of a majority of members who are not Councillors of the Council

who may attend and act on behalf of the nominated Councillor Representative in order to achieve a quorum of members present.

The collective of independent members will have expertise in financial management and risk³, and experience in public sector management⁴, while the Audit Committee as a whole will collectively possess sufficient knowledge of audit, specific industry knowledge, IT, law, governance, and control to undertake its role under this Charter. The Act precludes any person who is a member of staff of the Council⁵ from being a Member of the Audit Committee.

As the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, members' competencies will be periodically reevaluated to ensure the overall balance of skills on the Audit Committee remains appropriate to respond to Council's needs. This will occur in line with the annual Audit Committee performance assessment.

8. Chair of the Audit Committee

The Chair of the Audit Committee must be an independent member of the Audit Committee and be appointed by Council.⁶ The whole Audit Committee may recommend appointment or reappointment of the Chair to the Council subject to a satisfactory performance review of the Audit Committee. The Chair will be appointed for a term of up to three years.

In the absence of the Chairperson from the meeting, the members present at the meeting will appoint another independent member as Acting Chairperson for that meeting.

9. Terms of Office

9.1 Councillors

Councillor Committee Members will be appointed annually by the Council in line with the allocation of other Councillor delegated responsibilities.

9.2 Independent Committee Members

The Audit Committee, through the Independent Committee Members, will assist (as required) the Director Corporate Services in the recruitment process for new Independent Committee Members. Following selection through the recruitment process and completion of appropriate due diligence checks, an Independent Committee Member will be appointed for an initial term of up to three years. At the end of this term, and after a performance review, an Independent Committee Member may be reappointed for a further term without the need for another formal application. The maximum term of an independent Committee Member is three terms or nine years (whichever is the lesser).

The terms of each Independent Committee Member will be arranged so that there is an orderly rotation of membership and avoidance (where possible) of more than two members ceasing at the same time.

³ Section 53(3)(b)(i) of the Local Government Act 2020

⁴ Section 53(3)(b)(ii) of the Local Government Act 2020

⁵ Section 53(3)(c) of the Local Government Act 2020

⁶ Section 53(4) of the Local Government Act 2020: A chairperson of an Audit and Risk Committee must not be a Councillor of the Council.

10. Quorum

A quorum of any meeting will be at least two independent members and at least one Councillor.

11. Operational Principles

11.1 Audit Committee Values

The Audit Committee will conduct itself in accordance with Council's Values, the Councillor Code of Conduct, the ethics of the Council, and in accordance with the Act. The Audit Committee expects that management and staff will adhere to these requirements.

11.2 Conflict of Interest, Misuse of Position and Confidential Information

Section 123 (misuse of position), section 125 (confidential information) and Division 2 of Part 6 (conflict of interest) of the Act apply to a member of the Audit Committee who is not a Councillor as if the member were a member of a delegated committee.⁷

All Audit Committee members are expected to be aware of these provisions of the Act. Failure to comply with the provisions of the Act may result in the member's appointment being terminated.

Conflict of Interest

Audit Committee members must disclose any conflicts of interest to the Chair of the Audit Committee. Where the conflict is related to the Chair of the Audit Committee it must be disclosed to the Mayor, or in the absence of the Mayor, the Councillor Representative.

Once a conflict of interest is identified, the member of the Audit Committee must:

1. Disclose the conflict of interest at the commencement of the meeting at which the matter is being considered, including the:
 - a) Type of interest and class; and
 - b) The nature of the interest.
2. Notify the Chair that they are leaving the meeting for the hearing of this matter.
3. Leave the room and vicinity while the matter is being considered and await the Chair's direction to return.
4. Notify the Chair prior to the meeting if they are not going to be present at the meeting.

If details are private in nature then the nature of the interest can be declared to the Chair in writing prior to the meeting and the disclosure will simply be the type of interest and class. Disclosure of conflicts of interest must be minuted.

Independent Committee Members of the Audit Committee will be required to sign an Initial 'Personal Interests Return Form' upon commencement of their term, and a Biannual 'Personal Interests Return Form' as required under the Act.

Misuse of Position

Audit Committee members must not intentionally misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person, or cause, or attempt to cause, determinant to Council or another person.

⁷ Sections 53(5) of the Local Government Act 2020

Confidential Information

Audit Committee members must not intentionally or recklessly disclose information that they know, or should reasonably know, is confidential information.

Independent Committee Members of the Audit Committee will be required to sign a Confidentiality Agreement upon commencement of their term.

11.3 Communications

The Audit Committee expects that all communication with management and staff of the organisation as well as with any external assurance providers will be direct, open, and complete.

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11.4 Work Plan

The Audit Committee will endorse an annual work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

11.5 Meeting Agenda

Agendas for Audit Committee Meetings will be developed in consultation with and approved by the Chair. Agendas and supporting documentation will be circulated to members of the Audit Committee a minimum of one week in advance of each meeting. Late items must be agreed by the Chair.

11.6 Information Requirements

The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information that is scheduled on an agenda will be provided to the Audit Committee a minimum of one week prior to each meeting. Information that is sought at an Audit Committee meeting will be provided at the next meeting unless otherwise agreed.

11.7 Preparation and Attendance

Audit Committee members are obligated to prepare for and participate in meetings. Participation can be in person, via teleconference or video conference. Members are expected to:

- Apply good analytical skills, objectivity and sound judgement.
- Express opinions frankly, ask probing questions and pursue further follow up where appropriate.
- Treat all attendees with an appropriate level of respect and professional courtesy.

11.8 Induction and Training

Audit Committee members will receive formal induction training on the purpose and mandate of the Audit Committee and on the organisation's objectives. A process of continuing education will be established as required.

⁸ Section 54(3) of the Local Government Act 2020

12. Operational Procedures

12.1 Meetings

Meetings will generally be held five times per annum, and no less than four times, with one meeting (generally August) being allocated to consider and endorse (if appropriate) Council's annual financial and performance statements. Timing of meetings will be set to ensure that the Audit Committee can properly discharge its responsibilities pursuant to this Charter. Members of the Audit Committee are expected to attend every meeting of the Audit Committee, however should unavoidable circumstances arise, members must notify the Chair of their absence.

Due to the nature of the work of the Audit Committee and the potential sensitivity of the material being considered, meetings are closed to the public.

Upon written request from an Audit Committee member, the CEO or the external or internal auditors, the Chair may convene a special meeting of the Audit Committee within fourteen calendar days of the Chair receiving a written request.

Where a matter is required to be dealt with by the Audit Committee between meetings, it will be undertaken by circulating resolution. A report outlining the matter and a request to vote on the item will be sent by Council's management via email, with the outcome of the vote endorsed at the next Audit Committee meeting.

12.2 Minutes

Minutes of all Audit Committee meetings will be prepared and provided in draft form within two weeks following each meeting. The Audit Committee members will endorse the minutes within two weeks of receipt. Once agreed, the draft minutes will be provided to Councillors in a report summarising the meeting content. Minutes will remain draft until they are approved at the next Audit Committee meeting.

The minutes will include a record of current and outstanding actions required to be undertaken from previous Audit Committee meetings.

12.3 Required Attendance

The Chief Executive Officer, Director Corporate Services, Manager Financial Services or their nominated representatives are required to attend every meeting. Officers who have authored reports may be required to attend to speak to their reports, but are not required to attend the whole meeting. At the discretion of the Audit Committee, other Councillors or Council Officers may be invited to attend meetings to provide advice and information when required. Attendance can be in person, via teleconference or video conference.

Internal and external audit representatives will be required to attend every meeting unless requested not to do so by the Chair. The Audit Committee will meet in camera (separately from management) with both the internal and external auditors at least once a year.

12.4 Secretariat Services

Secretariat and administrative support will be provided to the Audit Committee by a member(s) of Council's management team.

12.5 Remuneration of Committee Audit Members

Councillor Committee members are not remunerated for their role on the Audit Committee.

Remuneration will be paid to each Independent Committee Member⁹. The Council sets the remuneration by resolution at a formal Council Meeting. Set fees per meeting apply for each Independent Committee Member and the Chair, 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. Remuneration will be reviewed at the appointment of a new Independent Member.

12.6 Responsibilities

It is the responsibility of the Audit Committee to provide Council with independent, objective advice and assurance on the adequacy of management's arrangements with respect to the following aspects of the management of the organisation:

Financial and Performance Reporting

The Audit Committee will¹⁰:

- Obtain 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).
- Review the process for the management and governance of the use of data, information and knowledge.
- 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.
- Assess significant estimates and judgements in financial reports by asking management about the processes used, and then asking management and external auditors for the basis of their conclusions.
- 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.
- Review the appropriateness of accounting policies and disclosures to present a true and fair view.
- Assess whether a comprehensive process has been established for the purposes of legislative disclosure reporting requirements.
- 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.
- Seek the external auditor for an independent opinion on management's:
 - technical compliance with accounting standards,
 - proper application of the accounting principles, and
 - clarity in financial disclosure practices as used or proposed in the financial report of the Council.
- Review the quarterly financial report provided to Council and monitor the financial performance and sustainability of Council.

⁹ Section 53(6) of the Local Government Act 2020: A Council may pay a fee to a member of an Audit and Risk Committee who is not a Councillor of the Council.

¹⁰ Section 54(2)(b) of the Local Government Act 2020

- Recommend to the Council whether the financial report including the performance statement should be approved based on the Committee's assessment of them.
- Review best practice recommendations contained in Victorian Auditor General's performance audits and ensure Council is compliant.

Organisational Governance

To obtain reasonable assurance with respect to governance process, the Audit Committee will:

- Review and provide advice on the governance process established and maintained within the organisation and the procedures in place to ensure that they are operating as intended.
- Monitor compliance of policies and procedures with the overarching governance principles, the Act, relevant regulations and any Ministerial directions¹¹.

Risk Management

To obtain reasonable assurance with respect to risk management practices, the Audit Committee will:

- Provide oversight on significant strategic and operational risk exposures and control issues, including fraud and corruption risks, governance issues, and other matters needed or requested by senior management and the Council.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.
- Annually review the risk profile.
- Obtain an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process.
- Provide oversight of the adequacy of the combined assurance being provided.

Fraud and corruption

To obtain reasonable assurance with respect to procedures for the prevention and detection of fraud, and corruption the Audit Committee will:

- Oversee management's arrangements for the prevention, detection and deterrence of fraud and corruption.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that appropriate anti-fraud and corruption programs and controls are in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems, the Audit Committee will:

- Consider the effectiveness of the control framework, including risk management, fraud prevention¹², and information technology security and control.
- Review and provide advice on the control of the organisation as a whole and its individual units.

¹¹ Section 54(2)(a)(i) and (ii) of the Local Government Act 2020

¹² Section 54(2)(c) of the Local Government Act 2020

- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance (e.g. VAGO, IBAC, Office of the Victorian Ombudsman) to senior management and the Council, and where required, monitor implementation of control strengthening measures.

Compliance Management

To obtain reasonable assurance with respect to the organisation's values and ethics practices, the Audit Committee will:

- Review and assess the policies, procedures, and practices established to monitor conformance with the code of conduct and ethical policies by all managers and staff.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all managers and staff.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.
- Review the process for communicating the code of conduct to staff and for monitoring compliance.
- Obtain regular updates from management regarding compliance matters.

Responsibilities of the Audit Committee may be revised or expanded in consultation with, or as requested by the CEO and Council.

12.7 Charter Review

This Charter will be formally reviewed by the Audit Committee every four years, in line with Council elections, and endorsed by the incoming Council within six months of the election. An interim review will occur every two years in line with the annual Audit Committee performance assessment.

Subject to the nature of the changes identified, approval will be as follows:

- Material changes including legislative changes - The Audit Committee will provide a report to Council recommending that the Council approve an updated Charter. Only Council can approve significant changes to the Charter at a formal Council Meeting.
- Administrative or insignificant changes as determined by the Audit Committee – The CEO may authorise these changes.

13. Oversight of Internal Audit Activity and Other Assurance Providers

13.1 Internal Audit Activity

To obtain reasonable assurance with respect to work of the internal audit activity, the Audit Committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and endorse the Internal Audit Charter within six months of the Audit Committee Charter being endorsed by Council to ensure that it accurately reflects the Audit Committee's purpose, authority, and responsibility.
- Monitor processes and practices to ensure that independence of the internal audit function is maintained.

Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
- Review and approve proposed risk-based internal audits and make recommendations concerning internal audit projects.
- On an annual basis, review and endorse the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan, and recommend to Council for approval.
- Review the internal audit activity's performance relative to its audit plan.

Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the Chief Executive Officer whether any internal audit engagements or non-audit engagements have been completed but not reported to the Audit Committee; if so, enquire whether any matters of significance arose from such work.
- Enquire of the Chief Executive Officer whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.
- Have in camera meetings with internal auditors to discuss sensitive matters (if required).

13.2 External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the Audit Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The Audit Committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- Have in camera meetings with external auditors to discuss sensitive matters (if required).
- Monitor management's progress on action plans.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the Audit Committee will regularly review reports on the progress of implementing approved management actions plans and audit recommendations resulting from completed audit engagements, internal and external.

14. Other Responsibilities

The Audit Committee will:

- Perform other activities related to this Charter as requested by the Council.
- Institute and oversee special investigations as needed.
- On an annual basis undertake an assessment of its performance against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council Meeting¹³.

15. Reporting on Audit Committee Performance

The Audit Committee will prepare a report every six months that describes their activities. The report will include:

- A summary of the work the Audit Committee performed to fully discharge its responsibilities.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risks, controls, and compliance processes, including details of any significant emerging risks or legislative changes impacting the organisation.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.

A copy of the report will be provided to the Chief Executive Officer for tabling at the next Council Meeting¹⁴. The Audit Committee may report to the Council at any time regarding any other relevant matter it deems of sufficient importance.

¹³ Section 54(4)(a) and (b) of the Local Government Act 2020

¹⁴ Section 54(5)(a) and (b) of the Local Government Act 2020