**THE CITY OF GREATER GEELONG**



AUDIT AND RISK COMMITTEE CHARTER

**VERSION:** 4

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**Responsible Officer:** MANAGER INTEGRITY AND RISK

**Authorising Officer:** DIRECTOR CUSTOMER AND CORPORATE SERVICES

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# Introduction

## BACKGROUND

The Committee’s Charter has been developed and adopted in accordance with the Section 54(7) of the *Local Government Act (Vic) 2020* (the Act). It is subsequently updated to adapt the Committee tenure & membership provision.

## PURPOSE

The City of Greater Geelong (Council) has established an Audit & Risk Committee (Committee) pursuant to section 53(1) of the Act.

The purpose of the Committee is to provide a structured, systematic oversight of Council’s governance, assurance, risk management and internal control practices to assist Council to discharge its obligations in relation to these matters. This oversight mechanism also serves to provide confidence in the integrity of these practices, the Council and the City.

## COMMITTEE’S RESPONSIBILITIES

The Committee is responsible for1:

* Monitoring compliance of Council policies and procedures with:
  + The overarching governance principles set out in section 9 of the Act; and
  + The Act and the regulations and any Ministerial Directions;
* Monitoring Council financial and performance reporting;
* Monitoring and providing advice on risk management and fraud prevention systems and controls; and
* Oversight of the internal and external auditor functions.

1 Section 54(2) LGA 2020

# Definitions

This section defines the key terms used in this Charter.

**CITY**

The City of Greater Geelong organisation, led by the Chief Executive Officer.

**COMMITTEE**

The Audit and Risk Committee established pursuant to section 53(1) of the Act.

**COUNCIL**

The City of Greater Geelong Council comprised of elected Councillors and led by the Mayor.

**DELEGATED COMMITTEE**

Means a Committee established by Council pursuant to section 63 of the Act.

**LGA**

The *Local Government Act (Vic) 2020*

# The Charter

## AUTHORITY

The Committee is directly responsible to the Council for its performance in discharging its responsibilities as set out in this Charter.

The Committee has no delegated authority from Council2.

The Committee has no executive authority to implement actions in areas over which management has responsibility and has no delegated financial responsibilities.

The Committee has no management functions and is independent of management.

## SUPPORT

The Committee will have access to appropriate management support to enable it to discharge its responsibilities effectively, including3:

* 1. Appropriate support for development of meeting agendas and papers, minute taking during meetings and follow up actions arising from meetings;
  2. The provision of any information that it deems necessary including records, data and reports;
  3. Attendance of management and other relevant employees at meetings as appropriate; and
  4. Access to independent experts where it considers that necessary to execute its duties, subject to prior agreement with the Chief Executive Officer.

## OBJECTIVE

The Committee’s objective is to oversee the matters detailed in section 4 as well as:

* 1. The integrity of external reporting, including both periodic management financial reports and external financial reports;
  2. The scopes of work, objectivity, performance and independence of the external and internal auditors;
  3. The maintenance of effective systems and controls to safeguard Council’s financial and physical resources;
  4. The maintenance of policies, systems and procedures designed to ensure that Council complies with relevant statutory and regulatory requirements and best practice guidelines; and
  5. The maintenance of frameworks, strategies and systems that enable effective recognition of material risks arising from Council’s strategies and operations and actions taken to manage those risks.

In carrying out its work, the Committee must promote the City’s values and appropriate ethical and governance standards and practices.

2 Section 53(2) LGA 2020

3 Section 54(6) LGA 2020

## 

## OVERSIGHT

The Committee will provide oversight of a number of governance and operational functions as detailed below.

### Financial Reporting

The Committee will:

* + 1. Review significant accounting and external reporting issues, including complex or unusual transactions and highly judgmental areas, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report;
    2. Review the annual financial report and performance statement and consider whether they are complete, consistent with information known to Committee members and reflects appropriate accounting treatments;
    3. Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors;
    4. Recommend the adoption of the annual financial report and performance statement to Council; and
    5. Review the appropriateness of the framework and content of periodic management financial reporting to Council.

### Risk Management

The Committee will:

* + 1. Monitor and provide advice on risk management practices and risk profile;
    2. Monitor and provide advice on fraud prevention systems and controls;
    3. Review the insurance program annually prior to renewal; and
    4. Monitor management process and systems in relation to cyber security, including strategy, assets protection, testing and recovery.

### Systems and controls to safeguard the City’s resources

The Committee will:

* + 1. Review the adequacy and effectiveness of systems and controls for providing a sound internal control framework;
    2. Review policies and procedures in place for the setting and management of delegations of authority annually;
    3. Keep informed of any actual or suspected instances of fraud or corruption within the City;
    4. Review the Chief Executive Officer’s expense reports; and
    5. Review the expense reports for Councillors and all members of Delegated Committees in accordance with the Act4.

4 Section 40(2) LGA 2020

### External Audit

The Committee will:

* + 1. Annually review the audit scope and approach proposed by the external auditor, including the extent of reliance on internal audit activity;
    2. Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope or access to information;
    3. Monitor progress of implementation and appropriateness of significant findings and recommendations made by the external auditor, and management’s responses to them, are appropriate and acted upon in a timely manner;
    4. Consider the findings and results of any relevant performance audits undertaken by the external auditor and monitor implementation of recommendations by Council; and
    5. Meet with the external auditor at least annually in the absence of management.

### Internal Audit

The Committee will:

* + 1. Review with management the Internal Audit Charter, activities, resourcing and organisational structure supporting the internal audit function;
    2. Review the provision of internal audit services and the performance of the Internal Auditor annually;
    3. Review and recommend to the Council for approval the three-year rolling strategic internal audit plan, the annual internal audit plan and any major changes to them, ensuring the proposed strategic internal audit plan appropriately considers the City’s strategic risks;
    4. Review and approve proposed scopes for each review in the annual internal audit plan;
    5. Review all reports and provide advice to Council on significant issues identified in audit reports and action being taken on issues raised, including identification and dissemination of good practice;
    6. Monitor action by management on significant internal audit findings and recommendations;
    7. Meet with the Internal Auditor at least twice per year in the absence of management and confirm it has no unjustified limitation on its work;
    8. Monitor processes and practices to ensure that the independence of the internal audit function is maintained; and
    9. Be consulted during any procurement process for internal audit services.

### Compliance Management

The Committee will:

* + 1. Review the systems and processes implemented by management for monitoring compliance with legislation and regulations and the results of management’s follow up of any instances of non-compliance; and
    2. Keep informed of the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies) and monitor management’s response to the findings.

### Other matters referred by Council

The Committee will undertake any other activities as requested by Council from time to time.

### Work Plan

A work plan will be established to ensure that the responsibilities of the Committee are carried out, including oversight of the functions in this section.5

The work plan will be reviewed and approved at least annually by the Committee.

## COMMITTEE MEMBERSHIP

#### Committee Members and Tenure

* 1. The Committee will be comprised of five voting members, being;
     1. three independent members; and
     2. two Councillor members6 being the;
        + Mayor or Deputy Mayor as delegate; and
        + one Councillor or nominated Councillor as delegate
  2. Committee members will be appointed by the Council and:
     1. Councillor Committee members will be appointed annually by Council; and
     2. Independent members will be appointed for a period of up to three years.
  3. Independent members may serve a maximum of three consecutive terms of three years. Independent members seeking reappointment for a subsequent term must express their interest in doing so to the Chief Executive Officer no later than 4 months before the end of their current term.

#### Chairperson

* 1. The Chairperson will be an independent member7 and will be elected by the Committee annually.

#### Skills, Experience and Knowledge of Committee Members

* 1. Committee Members should collectively possess sufficient knowledge of audit, risk, IT, law, governance, finance and performance reporting, control environments and assurance processes as well as specific industry knowledge.

5 Section 54(3) LGA 2020

6 Section 53(3) LGA 2020

7 Section 53(4) LGA 2020

* 1. Independent members must collectively have experience in:
     1. public sector management8; and
     2. financial management and risk.

#### Recruitment of Independent Members

* 1. Independent members will be appointed by a public expression of interest process run by the City. The interview panel for the recruitment of independent members shall include one current Committee member.

**Remuneration of Independent Members**

* 1. Remuneration will be paid to independent members9. Fees will be based on a fee per meeting, set by the Chief Executive Officer, which will be indexed by 2% each 1 July.

#### City Employees Ineligible for Membership

* 1. City employees are not eligible to be members of the Committee10.

#### Termination of Membership

* 1. A Committee member who does not comply with their obligations under the Act may have their membership terminated.

## MEETINGS

#### Meeting Frequency

* 1. The Committee should meet as required but will hold at least four scheduled meetings per annum plus a meeting to consider the annual financial accounts.
  2. A schedule of meetings will be determined on an annual basis.
  3. With the approval of the Committee Chairperson, the Committee may meet at other times at the request of any Committee member, the Mayor, Council or the external or internal auditors.
  4. The Committee may hold a meeting by correspondence to consider matters between scheduled meetings. The meeting will be conducted by circulating resolution. The report outlining the matter and a request to vote on the item will be sent by email.
  5. Any Councillor may attend as an observer.
  6. The Committee may invite any person to attend meetings.
  7. The Chief Executive Officer and the Director Customer and Corporate Services are required to attend meetings.
  8. City officers who have prepared reports for the Committee, and their Director, will be required to attend the meeting to present their report at the allocated time.
  9. Attendance at a meeting may be in person, via teleconference or video conference.
  10. All Committee members are expected to prepare adequately to participate in meetings.

8 Section 53(3)(i) LGA 2020

9 Section 53(6) LGA 2020

10Section 53(3)(c) LGA 2020

#### Meeting Administration

* 1. The meeting agenda will be set by the City in consultation with the Committee Chairperson.
  2. Meeting agendas and papers should be available to Committee members at least one week prior to meetings.
  3. The Chief Executive Officer will be responsible for preparation and maintenance of agendas, minutes and reports of the Committee11.

## MINUTES & REPORTING

* 1. Minutes of each meeting will be provided to the Chairperson within 7 days of each meeting, and following the Chairperson’s approval:
     1. Shall be circulated to all Committee members; and
     2. Be reported to the Council and the next Council meeting under a confidential report.
  2. The Committee must prepare a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations12 and provide a copy of the biannual report to the chief executive Officer, who must table the report at the next council meeting13.
  3. The CEO must table a copy of the Committee’s annual performance assessment at the next Council meeting14.
  4. Before the Annual Report is approved each year, the Committee shall report in writing to the Council on its activities for the year.
  5. The Chairperson will meet with Council regularly, and not less than two times per year to brief Councillors on the Committee’s activities.

## INDUCTION AND TRAINING

* 1. Council will provide newly appointed members with appropriate induction information to assist them in gaining an understanding of the business.
  2. The Chief Executive Officer will provide opportunities for ongoing development of independent members which may include the opportunity to attend relevant Council briefing sessions, site visits, industry conferences, regulatory briefings and other organizational briefings or updates.

## PERFORMANCE EVALUATION

The Committee shall undertake an annual assessment of its performance against the Charter and report the results to the Chief Executive Officer15.

## CONFLICTS OF INTEREST

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 management of any conflicts of interest as and when they may arise.

11 Section 54(6)(a) LGA 2020

12 Section 54(5)(a) LGA 2020

13 Section 54(5)(b) LGA 2020

14 Section 54(4)(b) LGA 2020

15 Section 54(4)(a) LGA 2020

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 Division 1A of the Act.

Members of the Committee are required to comply with sections 123 (misuse of position), 125 (confidential information) and Division 2 of Part 6 (conflict of interest) of the Act16, which includes, among other things, the following requirements:

### Conflict of Interest

Committee members must disclose any conflicts of interest to the Chairperson. Where the conflict is related to the Chairperson, it must be disclosed to the Mayor.

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

* 1. Disclose the conflict of interest immediately before the matter is considered in meeting including the:
     1. Type of interest and class; and
     2. The nature of the interest.
  2. Notify the Chairperson that they are leaving the meeting;
  3. Leave the room and vicinity while the matter is being considered and await the Chairperson’s direction to return; and
  4. Notify the Chairperson 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 Chairperson 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 recorded in the minutes.

### 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.

### Confidential Information

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

Independent members will be required to sign a Confidentiality Agreement upon commencement of their term.

Failure to comply with the provisions of the Act regarding conflicts of interest may result in prosecution for breach of the Act and the member’s appointment being terminated by Council.

16 Section 53(5) LGA 2020

# Implementation of this Charter

## MONITORING AND REPORTING

The Manager Integrity and Risk is responsible for monitoring and reporting against this Charter.

## ADVICE AND ASSISTANCE

The Manager Integrity and Risk manages the provision of advice to the organisation regarding this Charter.

A person who is uncertain how to comply with this Charter should seek advice from this person.

## RECORDS

The City must retain records associated with this policy and its implementation for at least the period shown below.

|  |  |  |  |
| --- | --- | --- | --- |
| **Record** | **Retention / Disposal Authority** | **Retention Period** | **Location** |
| Agendas | Director, Customer | Permanent | REX |
|  | and Corporate |  |  |
|  | Services |  |  |
| Minutes | Director, Customer | Permanent | REX |
|  | and Corporate |  |  |
|  | Services |  |  |
| Correspondence | Director, Customer | 7 years | REX |
|  | and Corporate |  |  |
|  | Services |  |  |
| Letters of Appointment | Director, Customer |  |  |
|  | and Corporate |  |  |
|  | Services |  |  |
| **REVIEW** |  |  |  |

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

# References

* *Local Government Act (Vic) 2020*
* Internal Audit Charter