WARRNAMBOOL
CITY COUNCIL

AUDIT & RISK COMMITTEE CHARTER

May 2025

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1. PURPOSE

The Audit and Risk Committee (the Committee) is an independent advisory committee to Council established in accordance with section 53 of the *Local Government Act 2020* (the Act). The Committee is accountable to and reports directly to Council. Pursuant to section 54 of the Act, this charter specifies the Committee's functions and responsibilities.

The purpose of the Committee is to monitor compliance of Council policies and procedures with the overarching governance principles and the Act, monitor Council financial performance and reporting, monitor and provide advice on risk management and fraud prevention systems and controls, and oversee internal and external audit functions.

Through its functions the Committee will advise Council on the effectiveness of the organisation's governance, risk, and financial internal control systems, processes and compliance culture to provide the Council with assurance and confidence in the integrity of these activities.

The Committee's work is to be informed by the requirements of the Act, best practice in audit and risk, and principles of good governance.

2. AUTHORITY

The Committee acts in an advisory capacity only. The Committee is not a delegated committee of Council and has no delegated authority or financial responsibility.

The Committee does not have any management functions and is independent of management.

The Committee has the authority to:

- Resolve any disagreements between management and the external auditors on financial reports by making a determination.
- Review all strategic audit planning and audit outcomes.
- Seek any information it requires from Council members, officers and external parties via the Chief Executive Officer.
- Formally meet with Council officers, internal and external auditors as necessary.
- Address issues brought to the attention of the Committee, including responding to requests from Council for advice which is within the parameters of the Committee's Charter.
- The Chair can be consulted as required, as a sounding board by the Chief Executive Officer or their delegate on matters that arise regarding audit, risk management or governance related issues.

The Chief Executive Officer will determine the reasonability of any request made to officers by the Committee, in particular those not specifically stipulated in the Charter.

3. ROLE OF THE COMMITTEE

The Committee functions and responsibilities, as dictated by section 54(2) of the Act, are to:

a) Monitor the compliance of Council policies and procedures with
   a. The overarching governance principles; and
   b. The 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.

To achieve this, the Committee will review and advise Council on specific internal systems and procedures of Council through:

- Assessing relevant Council policies to monitor compliance with the Act, including the overarching governance principles as set out in section 9 of the Act;
- Ensuring the appropriate application of Council's accounting policies, including ensuring compliance with the financial management principles set out in section 101 of the Act;
- Assessing and ensuring reliable and complete financial and performance reporting;
- Appraising the level and effectiveness of business continuity plans and enterprise risk management practices, including risks, risk controls and mitigations recorded in the risk register;
- Assessing internal fraud and corruption controls and the results of any control testing undertaken;
- Ensuring that internal and external auditors provide independent and objective analysis and reporting on governance, risk management, fraud controls and financial management.

The Committee will do this through the adoption and actioning of an annual work plan which will assist in achieving the abovementioned.

4. MEMBERSHIP

The Committee will be comprised of five members:

- One (1) independent Chairperson;
- Two (2) independent members; and
- Two (2) Councillors

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

The following requirements will apply to members and the Committee Chairperson:

a) In accordance with section 53(4), the chairperson of an Audit and Risk Committee must not be a Councillor of the Council.
b) Council will appoint Committee members and the Committee Chairperson by Council resolution;
c) A quorum of any meeting will be 1 Councillor member and 1 independent member.
d) If the number of Councillor members in attendance is greater than the number of independent members the independent member voting power will be increased to match the total of the Councillor members in attendance.
e) The Chairperson shall have a casting vote on occasions where there is an equal tally of votes on a matter.

5. APPOINTMENT, TERM & CHAIR

5.1 Appointment

a) Applications for external membership shall be made by way of public notice inviting expressions of interest.
b) The evaluation of potential members will be undertaken initially by the Chair utilising officer input as required and subsequently by the Mayor and Chief Executive, taking into account the experience of applicants and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment will be put to Council.

c) The independent members will, collectively, have expertise in:
   a. financial management and risk,
   b. experience in public sector management;
   c. policy development and oversight;
   d. audit and audit programmes; and
   e. be conversant with the financial and other reporting requirements.
d) Councillors will be appointed to the committee by resolution of Council annually.
e) Remuneration will be paid to each external member of the Committee on the basis of an annual fee, with an additional amount paid to the Chairperson. 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 July 1.

5.2 Term

a) Independent members will be appointed on a term of no greater than four years. These members may have their term extended for a period no greater than a further four years at the discretion of the Council.
b) Where possible, the terms of external members should be arranged to ensure an orderly rotation and overlap of membership, relative to the elected Council's four year terms.
c) If an external member misses two consecutive meetings without providing written notice to the chairperson their position will become vacant.
d) If the Council proposes to remove an external member of the Committee, it must give written notice to the external member of its intention to do so and provide that external member with the opportunity to be heard by the Council, if that external member so requests.

5.3 Chair

a) The Chairperson shall be appointed by Council from the external members of the Committee.
b) In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external members present.
c) The role of the Chair includes:
   a. Assisting in determining the Agenda for Committee meetings
   b. Chairing meetings of the Committee in accordance with the meeting Agenda
   c. Preparation of the biannual Audit and Risk Committee Report that is to be provided to the Chief Executive Officer for tabling at the next practicable Council meeting.

6. MEETINGS

The following requirements shall apply to meetings of the Committee:

a) The Committee shall meet as required, but at least quarterly each year.
b) Members of the committee who cannot attend a scheduled meeting must provide notice in writing to the Chairperson no later than 48 hours prior to the meeting.
c) The Chief Executive, Director Corporate Strategies, Manager Financial Services, Manager Governance, Manager Organisational Development and the internal auditor should attend all meetings, except when the Committee chooses to meet 'in camera'. Other members of Council or Council staff may be invited to attend at the discretion of the Committee in consultation with the CEO, to advise and provide information when required.
d) The Committee, without management present, will meet separately with the internal auditor and the external auditor, at least annually, to discuss issues of relevant interest.

e) Representatives of the external auditor will attend a meeting to consider the draft annual financial and performance statements, and both the plans and the results of the external audit and may also be invited to attend other meetings at the discretion of the Committee.
f) A schedule of meetings and annual work plan will be developed and agreed by members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines.
g) Additional meetings shall be convened at the discretion of the Chairperson or at the written request of the Chief Executive Officer, or any two of the internal auditor, the external auditor, and members of the committee.
h) The agenda and supporting documentation will be circulated to members of the Committee at least one (1) week in advance of each meeting.
i) Minutes will be reported to the Council after every meeting inclusive of any report(s) to explain any specific recommendations and key outcomes.
j) The Corporate Strategies directorate shall provide secretarial and administrative support to the Committee.

7. REPORTING

a) The Committee will prepare a biannual (twice a year) audit and risk report that describes the activities of the Committee and includes its findings and recommendations and provide a copy of the report to the Chief Executive Officer for tabling at the next Council meeting.
b) The Committee may report, at any time, to Council on any matters of significance as determined by the Committee.
c) The Committee Chairperson will attend a briefing meeting of Councillors annually to:
   - Summarise the activities of the Committee during the previous financial year;
   - Provide any recommendations to councillors in relation to the functioning of the Committee;
   - Brief Council on key aspects of the Committee's proposed annual work plan for the following calendar year; and
   - Draw councillors' attention to any other matters which the Chairperson or Committee see as appropriate.
d) The Chairperson is entitled to attend any informal meeting of Council at any other time to bring any particular matters to the attention of Council which the Chairperson or Committee sees fit. Such meetings may be held with or without management present at the election of the Chairperson following consultation with the Mayor.
e) The Committee Charter and details of its members will be published on Council's website.
f) Council's Annual Report will contain information on the makeup of the Committee, 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.

8. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the Committee include:

8.1 External Reporting

a) Review Council's draft annual financial report, focusing on:
   a. Accounting policies and Approved Accounting Standards;
   b. Changes to accounting policies and Approved Accounting Standards;
   c. The process used in making significant accounting estimates;
   d. Significant adjustments to the financial report (if any) arising from the audit process;
   e. Compliance with accounting standards and other reporting requirements of financial and nonfinancial information; and

f. Significant variances (with explanations thereof) from prior year's figures.

b) Review and recommend adoption of the Annual Financial and Performance Statements to Council and review any significant changes and the reasons for the changes that may arise subsequent to any such recommendation but before the financial report is signed.

c) Review the completeness of management reporting on the legislative performance indicators and the governance and management checklist as prescribed in the *Local Government (Planning and Reporting) Regulations 2020*.

8.2 External Audit

The Committee will:

a) Oversee the external audit function

b) Be briefed by the external auditor on the audit engagement and the overall audit strategy of the Victorian Auditor General's Office (VAGO) at the commencement of each year's audit;

c) Discuss and review with the external auditor the scope of the audit and the planning of the audit;

d) Discuss and review with the external auditor issues arising from the audit, including all Management Letters issued by the auditor for completeness and appropriateness;

e) Ensure significant findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately actioned by management;

f) Offer the external auditor the opportunity to meet with the Committee in camera, without management present, at each meeting the external auditor attends;

g) Review on an annual basis the performance of the external auditors; and

h) Maintain an awareness of local government performance audits undertaken by VAGO and any other relevant reviews undertaken by bodies such as IBAC and consider recommendations for action or implementation where appropriate.

8.3 Internal Audit

The Committee will:

a) Oversee the internal audit function

b) Be kept informed by Council officers of any process to appoint or terminate Council's internal audit service provider and make recommendations to Council, or to the Chief Executive Officer where the appointment is made under delegation, regarding the appointment of the internal auditor;

c) Review the level of resources allocated to internal audit and the scope of its authority;

d) Review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of 3 years the internal audit plan systematically addresses:
   a. Internal controls over significant areas of risk, including non-financial management control systems;
   b. Internal controls over revenue, expenditure, assets and liability processes;
   c. The efficiency, effectiveness and economy of significant Council programmes; and
   d. Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements;

e) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive;

f) Review internal audit reports and monitor the implementation by management of recommendations made by internal audit.

g) Monitor the implementation of recommendations by management;

h) Facilitate liaison between the internal and external auditors to promote compatibility, to the extent appropriate, between their audit programmes;

i) Offer the internal auditor the opportunity to meet with the Committee in camera, without management present, at each meeting the internal auditor attends;

j) Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's Charter. Review management's response to, and actions taken as a result of, the issues raised; and
k) Review on an annual basis the performance of the internal auditor, including adherence to appropriate professional and quality standards, and where performance is not considered satisfactory, report to Council and make recommendations, which may, in extreme cases, include a recommendation that Council terminate the internal audit contract and undertake a tender process for the appointment of a new internal auditor.

8.4 Risk Management and Fraud Prevention

The Committee will:

a) Monitor the risk exposure of Council by determining if management has appropriate risk management frameworks, processes and adequate management information systems.
b) Monitor reported breaches of ethical standards and related party transactions and monitor the implementation of recommendations arising from reports presented and review the effectiveness of Council's internal control systems.
c) Monitor the progress of any major litigation involving Council.
d) Provide oversight of Council's risk management framework (including Council's health and safety management system) and activities conducted by the internal and external auditors and any other assurance providers, to give assurance over that framework.
e) Escalate to Council when the Committee feels that management is not responding as it wishes/should on concerns about the risk management framework.
f) Monitor and provide advice on fraud prevention systems and controls, including:
    - Reviewing processes in the prevention and management of fraudulent activity;
    - Reviewing reports of fraud from management, the status of ongoing investigations and recommendations to improve fraud controls;
    - Assessing the operational effectiveness of the fraud prevention controls; and
    - Ensuring that the internal audit program assists in identifying any potential fraud risks.
g) Review the expenditure of the Chief Executive Officer.

8.5 Ethical Behaviour

The Committee will:

a) Receive updates from management of any suspected cases of fraud, corruption or serious misconduct impacting Council;
b) Recommend any specific measures or investigations identified as necessary or desirable by the Committee to the Council;
c) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council, if appropriate.
d) Monitor any subsequent investigation, including the investigation of any suspected cases of fraud, corruption, serious misconduct or breaches of conflict of interest; and
e) Review the findings of any examinations by regulatory agencies (eg VAGO), and any auditor (registered internal or external auditors) observations. Other audits/investigation may also be reviewed if relevant to this committee.
f) Where a suspected fraud or corrupt behaviour is reported or detected and is deemed likely to have a material impact on Council's reputation or operations, in the opinion of the CEO, the CEO will inform the Chair of the Audit and Risk Committee of the incident subject to the limitations on disclosure that may be imposed by external integrity bodies, this may occur outside of the regular quarterly updates on ethical behaviour.

8.6 Financial Reporting and Financial Matters

a) The Committee will monitor Council financial reporting and performance.
b) The Committee will receive details of all reimbursements (for out-of-pocket expenses) for Councillors and delegated committee members.
c) The Committee will exercise an oversight function over compliance with Gifts Policy.

8.7 Council Policies and Procedures

The Committee will monitor the compliance of the Council's policies and procedures against the Act and associated regulations, including the overarching governance principles set out in section 9, and any Ministerial directions by:

a) Completing an initial review of relevant established, or newly created Council policies and procedures.
b) Assessing any amendments made to said policies against the principles.
c) Receiving reports from management on findings of any relevant examinations or investigations undertaken by integrity agencies and subsequent implications and amendments to Council policies and procedures.

8.8 Matters Referred to the Committee by Council

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

8.9 CEO Employment and Remuneration Policy

The Committee will oversee adherence of Council to the CEO Employment and Remuneration Policy.

9. ANNUAL WORKS PROGRAM

The Committee must adopt an annual works program, by no later than 1 May each year.

10. PERFORMANCE EVALUATION

a) The Committee, in conjunction with Council, and the Chief Executive Officer, should develop the Committee's performance indicators.
b) The Committee will assess its own performance on an annual basis using a Self-Assessment tool which will be reviewed, adopted and completed by the Committee.
c) The Committee will provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

11. CONFLICT OF INTEREST AND REGISTER OF INTERESTS

a) Committee members are obligated to declare any conflicts of interest when performing their duties and functions and must not take any action or make a decision on matters in which they have a conflict.
b) 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.
c) Management of interests includes the proper management of any conflicts of interest as and when they may arise.
d) Members of the Committee must also be fully aware of the statutory definitions of general and material interests which may give rise to a conflict of interest. These are set out in the Act.
e) Failure to comply with this section of the charter may result in the member's appointment being terminated by Council.

12. REVIEW OF THE COMMITTEE CHARTER

The Committee will review the Committee Charter every two years and recommend any changes to Council for approval.

The next review date will be: **May 2027**.