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# Audit and Risk Committee Guidelines



August 2020

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# Audit and Risk Committee Guidelines



**Prepared by position**  
**Functional area**  
**Date adopted**  
**Review date**

**Manager Financial Services**  
**Financial Services**  
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## Introduction

Council must establish an Audit and Risk Committee (the Committee) and prepare and approve an Audit and Risk Committee Charter (the Charter) under sections 53 and 54 of the *Local Government Act 2020* (the Act).

## Purpose

These guidelines support the Charter and are for the use of the Committee members, management and both internal and external auditors, to clarify the roles and responsibilities of each party, and to assist with communication and assessment of the effectiveness of risk management and internal control systems.

## Audit and Risk Charter

The Charter sets out the appropriate authority, composition, meeting requirements and responsibilities of the Committee to ensure good practice and compliance with the requirements of the *Local Government Act 2000*.

The Charter is adopted by Council to meet the needs of the operating environment and must be reviewed at least every four years by the Committee, as per the Audit Activity Calendar, to ensure it remains relevant to both Council and regulatory requirements.

## Role of the Audit and Risk Committee

The Committee is an independent advisory committee focusing on:

- Monitoring of risk management systems, internal control frameworks, compliance and internal audit activities
- Integrity of financial reporting
- Liaison between external auditors, internal auditors and management

The role of the Committee is set out in the Charter.

## Composition

The composition of the Committee is set out in the Charter as follows:

- The Committee will consist of at least three members, the majority of whom must be independent of Council.
- The Committee must include members who are Councillors of the Council.
- Members of Council staff must not be committee members.
- The Council will appoint the Committee members and the chairperson.

- The chairperson of the Committee must be independent.
- The majority of members of the Committee are required to demonstrate, collectively, expertise in financial management and risk and experience in public sector management.

Members will be provided with the opportunity to attend technical and professional development courses as relevant.

### **The Mayor**

The Mayor may be a member of the Committee if they are one of the Councillor Representatives.

If not a member of the Committee, the Mayor may attend meetings however the Committee retains the right to exclude the Mayor from a meeting if it is considered necessary.

### **The Chief Executive Officer and Council officers**

The Chief Executive Officer and Council officers may not be appointed to the Committee however the Chief Executive Officer should attend all meetings of the Committee and should invite other Council officers as appropriate.

The Committee retains the right to exclude the Chief Executive Officer and Council officers from a meeting if it is considered necessary.

### **Councillor Representatives**

The Councillor Representatives will be appointed annually at Council's December meeting.

### **Audit and Risk Committee chairperson**

The Committee chairperson must be an external independent member. The chairperson will be nominated annually by the Committee at its June meeting, and will be appointed subject to Council's approval at its July meeting.

In the absence of the chairperson, an acting chairperson will be appointed from the remaining independent members.

### **Independent members**

All positions for independent members will be appointed following public advertisement of the position. The Mayor and Chief Executive Officer are responsible for the evaluation of potential independent members, taking account of the following qualities:

- Knowledge of Council's operations
- Strong communication skills
- High levels of personal integrity and ethics
- Sufficient time available to fulfil responsibilities
- Expertise in financial and/or risk management
- Experience in public sector management

Following evaluation, the Chief Executive Officer will make a recommendation to Council for the appointment of the member.

The appointment of each of the three independent members should be staggered to ensure that only one new appointment is made in any one year.

### **Terms of office**

Councillor Representatives will be appointed for a one-year term. Independent members will be appointed for a three-year term and will be eligible to apply for reappointment following the completion of a term.

### **Induction of new independent members**

New independent members will be introduced to the other committee members and be given an induction by the Director Corporate Services, in order for the new member to understand the Committee's roles and responsibilities, and should include:

- Council's Audit and Risk Committee Charter and Audit and Risk Committee Guidelines
- Council's Risk Register
- Council's Councillor Code of Conduct and Staff Code of Conduct
- Statutory documents - Council Plan, Annual Budget and Annual Financial Report
- Recent Audit and Risk Committee minutes and appropriate supporting documents
- Financial policies, including Council's Fraud Policy, Procurement Policy and Procurement Guidelines
- Council's Business Continuity Plan

### **Honorariums**

The Act allows Council discretion to pay independent members a fee for serving as a member of the Audit and Risk Committee. A fee may not be paid to a Councillor or member of Council's staff.

The fee will reflect the time, commitment and responsibility involved in serving on the Committee, and will be paid annually at the completion of the financial year of service, as authorised by the Manager Financial Services.

The fee will be reviewed and set for the coming financial year by Council at its July meeting each year. The fee may be waived by mutual agreement between Council and a third party where a reciprocal arrangement is entered into for an appropriately qualified member of staff to take up a position as a member on the other party's Audit and Risk Committee.

### **Removal of a member**

If 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 the opportunity to be heard at a Council meeting which is open to the public.

### **Rights to obtain information**

The Committee may request information through the Chief Executive Officer, from any Council officer or relevant external party. The Committee has right of access to the Chief Executive Officer at any time, and may recommend to Council the instigation of special investigations.

### **Meetings**

As set out in the Charter:

- The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- All members of the Committee are expected to attend each meeting, in person or through teleconference or videoconference if approval is given by the Chairperson and the means are available.
- The Chief Executive Officer will facilitate the meetings of the Committee and invite members of management, auditors or others to attend meetings to provide pertinent information, as necessary.
- Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- Minutes will be prepared.

Meetings will be held at the Pleasant Creek Historical Precinct Council offices, Stawell. Meetings will be scheduled by agreement with the members, in August (financial report), November, February and June each year starting at 12pm and finishing at 2pm.

Agendas and appropriate supporting documents will be distributed by the Coordinator Financial Sustainability.

Agendas will be set by the Chief Executive Officer, based on the Audit Activity Calendar with contributions invited from Council officers or internal and external auditors.

Minutes will be circulated as soon as reasonably practicable following a meeting.

### **Authority**

As an advisory committee, the Committee (and its members) cannot have any executive powers, management functions or delegated responsibility.

### **Conflict of interest and misuse of information**

Members who have a conflict of interest in respect of a matter must disclose the conflict of interest in the manner required by the Council's *Governance Rules* and comply with the procedures specified in the *Governance Rules*.

Under section 123 *Local Government Act 2020*, it is an offence for a member of the committee to misuse his or her position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person or to cause, or attempt to cause, detriment to the Council or to another person.

Under section 125 *Local Government Act 2020*, it is an offence for a member of the committee to intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

### **Voting rights**

- All members of the Committee have full voting rights.
- The Mayor only has voting rights if appointed as a Council Representative on the committee.
- The Chief Executive Officer has no voting rights.
- Council officers have no voting rights.
- Invited guests have no voting rights.

### **Quorum**

A quorum is a majority of the Committee members.

### **Internal auditors**

In order to review the risks as identified in the Annual Audit Plan, management may source independent specialists to undertake internal audits.

Internal auditors will undertake reviews in order to provide independent and objective assurance to the Committee on corporate governance, risk management and internal control issues as identified, and are intended to add value and improve the Council's risk management and control processes and compliance.

All internal audit reports will be presented to the Committee, and any recommendation resulting from the audits will be added to the Outstanding Issues Report. An open invitation is extended to all internal auditors to attend Audit and Risk Committee meetings, and the committee may request a private meeting with any internal auditor if required.

### **External auditors**

As an independent party with knowledge of the Council's financial affairs, the external auditors are able to provide the Committee with valuable insight into Council's governance, risk management and internal controls.

The external auditors will advise the Committee on the audit strategy to be implemented during their annual audit of the financial statements and are responsible for communicating any matters arising during the audits to the committee. An open invitation is extended to the external auditors to attend meetings of the Committee, and the committee may request a private meeting with the external auditor if required.

### **Reporting**

#### *Annual Financial Report*

The annual financial report will be presented to the Committee for review at its August/September meeting each year. The external auditor will attend this meeting to present their opinion on management's preparation of the report to the committee. The committee may request to meet with the auditor privately if required. Based on the Committee's assessment, the annual financial report will be recommended to Council for approval.

### **Council Plan Action Status Report**

The Council Plan Action Status Report is the source document for reporting Council's progress on its achievement of the goals as set out in its Council Plan and is maintained by the Director Corporate Services. The Committee will review the progress of actions to address the goals at each meeting.

### **Fraud investigation reporting**

Any instance of suspected fraud will be investigated as set out in the Council's Fraud Policy and be reported to the Committee.

### **Risk Register**

Council's Risk Register is the source document for identification of Council's exposure to risk and is reviewed and maintained by the Council's Risk Management Committee. The Committee will review the significant residual risks and progress of actions to address the risks at each meeting.

### **Outstanding Issues Report**

Council officers will maintain an Outstanding Issues Report detailing progress on recommendations resulting from audits undertaken and the progress of actions to address the risks. The Outstanding Issues Report should be reviewed at each meeting of the Committee.

### **Audit Activity Calendar**

The Committee is responsible for the development of an Audit Activity Calendar setting out the activities to be undertaken each year (refer Appendix 1). The calendar should be reviewed annually at the June meeting.

### **Annual Audit Plan**

The Committee is responsible for the development of an Annual Audit Plan to determine which of the risks identified in the Council's Risk Register should be reviewed in that year. This should be undertaken at the June meeting of the Committee each year, forming the basis of Council's internal audit activity.

### **Annual Performance Review**

The Committee will undertake an annual self-assessment of its performance and effectiveness against the Committee Charter at the June meeting. (Refer Appendix 2)

### **Reporting to Council**

The biannual Audit and Risk Report describes the activities of the Committee, including its findings and recommendations and will be reported to the following Council meeting.

The minutes of the Committee meetings will be reported to the following Council meeting.

An annual Committee Activity Report will be presented to Council at the September Council meeting, including:

- Report on the Committee's activities for the past financial year
- Annual Performance Review for the past financial year
- Annual Audit Plan for the coming financial year

Annually, at the July Council meeting, Council will approve the appointment of the Committee chairperson, and determine the amount of the honorariums to be paid to independent members.

**Review history**

| Date        | Review details                                 | Action                                            |
|-------------|------------------------------------------------|---------------------------------------------------|
| August 2020 | New guidelines developed in line with LGA 2020 | Guidelines approved by Manager Financial Services |
|             |                                                |                                                   |
|             |                                                |                                                   |