



City of  
**STONNINGTON**

# Audit and Risk Committee Charter

24 October 2022 | VERSION 1.0

Date resolved by Council: 24 October 2022  
Commencement Date: 24 October 2022  
Responsible Directorate: Chief Executive Officer  
Author: Executive Manager Legal and Governance

## INTRODUCTION

The Audit & Risk Committee (the Committee) is appointed by the Council as an advisory Committee to oversee and monitor:

- issues relevant to the integrity of the Council's financial reporting framework;
- the Enterprise Risk and Opportunity Management framework and policies, internal control frameworks, compliance and internal audit activity; as well as
- meeting with the External and Internal Auditors and Management to foster an ethical and accountable environment.

## PURPOSE

The Stonnington City Council has established the Committee pursuant to Section 53 of the *Local Government Act 2020* (the Act) to support the Council in discharging its oversight responsibilities related to financial and performance reporting, risk management, fraud prevention systems and controls, maintenance of a sound internal control environment, assurance activities including internal and external audit and the Council's performance with regard to compliance with its policies and legislative and regulatory requirements.

The Committee acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter. This Charter has been developed in accordance with Section 54 of the Act.

The appointment of independent members to the Committee as outlined in the Charter enables the Committee to provide advice to the Council on matters related to its responsibilities based on broader skills and experience than might otherwise be the case and in so doing bring additional benefits to the Council.

The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

## AUTHORITY

The Committee is directly responsible to the Council for discharging its responsibilities as set out in the Charter. The Committee has no delegated authority from the Council unless specifically provided by the Council from time to time and any such authority shall be temporary and may only relate to specific matters as directed by the Council.

The Committee has the authority to:

- Endorse key documents and reports that must be approved by the Council, including annual financial reports, annual performance statements, new or revised policies and other documents that assist in maintaining a strong internal control environment;
- Approve internal and external audit plans, including internal with an outlook of greater than one year;
- Provide advice and make recommendations to the Council on matters within its areas of responsibility;
- Retain counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer;
- Seek any relevant information it requires from the Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties; and
- Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.

The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

## MEMBERSHIP AND TENURE

### The Committee will:

- (a) include members who are Councillors of the Council; and
- (b) consist of a majority of members who are not Councillors of the Council (independent members) and who collectively have:
  - (i) expertise in financial management and risk; and
  - (ii) experience in public sector management; and
  - (iii) digital transformation and cyber risk management expertise.
- (c) not include any person who is a member of Council staff.

The Committee is to comprise four (4) independent members and three (3) Councillors [note: subject to the Council decision], and be chaired by an independent member.

Councillor members are appointed by the Council annually at the time the Council considers the formal Councillor Assignments. The appointments made by the Council will normally include the Mayor, Deputy Mayor and one other Councillor. The Council, in its absolute discretion, may appoint a Councillor member to a two year term.

Independent members shall be appointed for a term of three years or as otherwise determined by the Council. At the conclusion of their initial term, existing members will be eligible to apply to be reappointed at the discretion of the Council for a further term. A maximum of nine years may be served by an independent member. The Council will consider the terms of existing independent members when appointing an independent member to stagger the expiry terms of independent members to ensure seamless continuity of the Committee's function.

Independent members will be recruited via public advertising and appointed by the Council on the recommendation of a selection panel comprised of the Chief Executive Officer, Mayor or delegate, Executive Manager Legal and Governance and a Councillor member of the Committee.

At the absolute discretion of the Chief Executive Officer, the Chief Executive Officer may consult with the Independent Members of the Committee about the recruitment and selection process.

The Chair is appointed by the Council (or its delegate(s)) for a two year term from the independent members of the Committee on the basis that any independent member (including the incumbent Chair) may nominate for the role. In the absence of the appointed Chair, the meeting will appoint an acting Chair from the independent members present. In the event that the chair is vacated before the Chair term has expired, the Council will appoint an acting Chair until a replacement has been selected. Where an independent member resigns mid-term, a new independent member will be recruited as soon as is practicable. This new appointee shall be appointed for a two year term or as otherwise determined by the Council.

Should the resignation or retirement of more than one independent member coincide then the Council may extend the remaining independent member's term by one year to ensure continuity.

## REMUNERATION AND INDEMNITY

The Council will pay a sitting fee to Independent Members of the Committee with an additional amount paid to the Chair as set by the Council from time to time. The fee will be indexed each year in accordance with the rate cap and adjusted on 1 July. The fee amount may be rounded up so as to be divisible by the number of meetings held each year.

Payment will be made on receipt of an invoice from Independent Members after each Committee meeting.

Independent members of the Committee are indemnified by the Councillors and Officers Liability insurance cover.

## ROLE OF THE CHAIR

The role of the Audit and Risk Committee Chair includes, but is not limited to:

- Meet with Management before and after each Committee meeting to assist with ensuring agendas and meetings are prepared and conducted effectively covering all required matters.
- Discuss with Management any proposed changes to the Committee members' roles and responsibilities before any reports proposing such changes are prepared for Committee consideration.
- Chairing meetings of the Committee in accordance with the formal meeting agenda distributed by the Council's Legal and Governance Team.
- Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening.
- Providing time during Committee Meetings for any Committee member to raise any issue they believe relevant.
- Review minutes of Committee meetings prior to their distribution to Committee members to ensure they accurately reflect agreed meeting outcomes.

The Chair has no executive authority on behalf of the Council but can be consulted as required, as a sounding board by the Chief Executive Officer or the Executive Manager Legal and Governance.

## MEETINGS, QUORUM AND VOTING

### Meeting frequency including structure, quorum and voting is set out below:

- A schedule of meetings will be developed annually and agreed by members. The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- The Chief Executive Officer will ensure the preparation and maintenance of agendas, minutes and reports of the Committee.

- All Committee meetings, agenda papers and discussions are to be treated as confidential.
- Committee meetings are to be structured with the use of an agenda and supporting papers.
- Audit and Risk Committee agendas and supporting papers should be well documented and circulated ten (10) business days in advance of the next meeting to allow members time to review the information before the meeting.
- Draft minutes are to be provided to the Chair within ten (10) business days after the meeting for clearance and then to the Audit and Risk Committee members.
- Following adoption by the Committee, the minutes will be signed by the Chair.
- Voting and the resolutions of motions before the Committee are to be conducted in accordance with the City of Stonnington Governance Rules.
- The Chief Executive Officer is expected to attend all meetings, and internal auditors will be invited to attend all meetings except in situations where the Chair deems such attendance inappropriate. External Auditors may also be invited to attend any Committee meeting at the discretion of the Chair.
- The Chair will convene a special meeting of the Committee at the request of the Council.
- The Chair and the Chief Executive Officer may convene a special meeting of the Committee or at the request of a Committee member, the Internal Auditor or External Auditor.
- All Committee members are expected to attend each meeting in person. The Chair, in consultation with the Chief Executive Officer will determine when it is appropriate for member attendance through electronic means of communication.
- A quorum for meetings of the Committee will be four members with a minimum of one Councillor member and two independent members.

Councillors who are not members of the Committee but have an interest in the business of the Committee may attend meetings in an observer capacity and may speak to an item when invited to do so.

## COMMITTEE MEMBER OBLIGATIONS – CONFLICT OF INTEREST AND USE OF INFORMATION

Committee members will have access to information about the day to day operations of the Council including information that may be commercial in confidence. All reports tabled at the Committee meetings shall be considered as confidential reports. The requirements in Section 125 of the Local Government Act 2020 regarding confidential information apply to Committee members.

Members of the Committee must be fully aware of their responsibilities with regard to the management of their interests in relation to the discharge of their duties as members of the Committee, in particular, with regard to the use or misuse of confidential information and the disclosure of conflicts of interest. The requirements in Division 2 of Part 6 of the Local Government Act 2020 regarding conflicts of interest apply to Committee members. The requirements in Section 123 of the *Local Government Act 2020* regarding misuse of position apply to Committee members.

Details about these obligations are included in Appendix A to this Charter.

## RESPONSIBILITIES

The Committee will carry out the following responsibilities.

### 1. Financial and Performance Reporting

- 1.1 Review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their affect on the annual financial report and the audit thereof;

- 1.2 Review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on the Council's performance indicators;
- 1.3 Review the annual financial report and annual performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose the Council's financial performance and position;
- 1.4 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- 1.5 Recommend the adoption of the annual financial report and annual performance statement to the Council; and
- 1.6 Review the appropriateness of the format and content of periodic management financial reports and performance statements to the Council as required.

### 2. Internal Control Environment

- 2.1 Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a four year period;
- 2.2 Determine whether systems and controls are reviewed regularly and updated where required;
- 2.3 Monitor significant changes to systems and controls to assess whether those changes significantly impact the Council's risk profile;
- 2.4 Ensure that a programme is in place to test compliance with systems and controls; and
- 2.5 Assess whether the control environment is consistent with the Council's Governance Principles.

### 3. Risk Management

- 3.1 Review the effectiveness of the Council's risk management framework;
- 3.2 Review the Council's risk appetite statement and the degree of alignment with the Council's risk profile;

- 3.3 Review the Council's risk profile and the changes occurring in the profile from meeting to meeting;
- 3.4 Review the Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- 3.5 Review the insurance programme annually prior to renewal; and
- 3.6 Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

### 4. Fraud Prevention Systems and Controls

- 4.1 Review the Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes reports from management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event; and
- 4.2 Review reports by management about the actions taken by the Council to report such matters to the appropriate integrity bodies.

### 5. Internal Audit

- 5.1 Review the Internal Audit Plan regularly to determine that it provides an appropriate functional and organisational framework to enable the Council's internal audit function to operate effectively and without limitations;
- 5.2 Review and approve the strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- 5.3 Review progress on delivery of the annual internal audit plan;
- 5.4 Review and approve proposed scopes for each review in the annual internal audit plan;
- 5.5 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- 5.6 Meet with the leader of the internal audit function at least annually in the absence of management;
- 5.7 Monitor action by management on internal audit findings and recommendations;

- 5.8 Review the effectiveness of the internal audit function and ensure that it has appropriate authority within the Council and has no unjustified limitations on its work;
- 5.9 Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change; and
- 5.10 Recommend to the Council, if necessary, the termination of the internal audit contractor.

### 6. External Audit

- 6.1 Annually review and approve the external audit scope and plan proposed by the external auditor;
- 6.2 Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information;
- 6.3 Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner;
- 6.4 Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- 6.5 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor the Council's responses to them; and
- 6.6 Meet with the external auditor at least annually in the absence of management.

### 7. Compliance Management

- 7.1 Review the systems and processes implemented by the Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;
- 7.2 Review the processes for communicating the Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;

- 7.3. Obtain briefings on any significant non compliance matters;
- 7.4. Review reports on Gifts, Benefits and Hospitality; and
- 7.5. Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations involving the Council or other agencies), such as the Ombudsman, IBAC, Victoria Local Government Inspectorate and monitor the Council's responses.

## 8. REPORTING TO COUNCIL

The Committee will report to the Council as follows:

- 8.1. the Committee will prepare a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations, and provide a copy of the biannual report to the Chief Executive Officer for tabling at the next Council meeting.
- 8.2. the Chair may request to brief the Council on a significant issue on the recommendation of the Committee and otherwise as requested by the Council.
- 8.3. copies of all Committee, agendas, minutes, formal resolutions are to be provided to the Council and confirmation of this will be provided back to the next Committee meeting. In addition all reports tabled at Committee meetings can be accessed at any time by Councillors via Docs on Tap.

## 9. Performance Evaluation

- 9.1. The Committee will undertake a process to evaluate its performance annually and report the outcomes of the evaluation process to the Council through the Chief Executive Officer, including recommendations for any opportunities for improvement.
- 9.2. MembershipThe evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

## 10. REVIEW OF CHARTER

- 10.1. The Committee shall review and assess the adequacy of the Charter and may make recommendations to the Council through the Chief Executive Officer regarding the Charter.
- 10.2. Any changes to the Charter must be approved by the Council.

## Appendix A

### Committee Member Regulatory Obligations

#### Guidance to Members

LGA Section	LGA Requirement
<b>Misuse of Position</b>	
123(1)	A Committee member must not intentionally misuse their position to: <ul style="list-style-type: none"> <li>a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or</li> <li>b) Cause, or attempt to cause, detriment to the Council or another person</li> </ul>
123(3)	Circumstances involving misuse of a position by a member of the Committee include: <ul style="list-style-type: none"> <li>a) Making improper use of information acquired as a result of being a member of the Committee; or</li> <li>b) Disclosing information that is confidential information; or</li> <li>c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or</li> <li>d) Exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform; or</li> <li>e) Using public funds or resources in a manner that is improper or unauthorised; or</li> <li>f) Participating in a decision on a matter in which the member has a conflict of interest.</li> </ul>
<b>Confidential Information</b>	
125	A member of the Committee must not intentionally or recklessly disclose information that the member knows, or should reasonably know, is confidential information. There are some exemptions to this requirement, the key one being that if the information disclosed by the member has been determined by Council to be publicly available.
<b>Conflicts of Interest</b>	
126	A member of the Committee has a conflict of interest if the member has: <ul style="list-style-type: none"> <li>a) A general conflict of interest as described in Section 127; or</li> <li>b) A material conflict of interest as described in Section 128.</li> </ul>
127	A member of the Committee has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the members private interests could result in that member acting in a manner that is contrary to their public duty as a member of the Committee.
128	A member of the Committee has a material conflict of interest in a matter if an affected person would gain a benefit or suffer a loss depending on the outcome of the matter.

#### Please Note

*The above guidance is not verbatim from the Act and does not include all details as explained in Part 6, Division 1 of the Act. For a full understanding of the requirements of the Act in relation to the matters summarised above, members are expected to make themselves fully aware of the requirements of the Act*



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