

CITY OF GREATER BENDIGO

AUDIT AND RISK COMMITTEE CHARTER

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The City of Greater Bendigo has established an Audit and Risk Committee (the Committee) in accordance with section 53(1) of the *Local Government Act 2020* (the Act).

1. Purpose

Council is committed to good governance, public transparency and accountability to the City of Greater Bendigo's community. The Audit and Risk Committee (the Committee) has been established to strengthen Council's governance, risk management, financial management and to drive continuous improvement. Pursuant to section 53(2) of the Local Government Act 2020 (the Act), the Committee is an advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility.

The Committee is an advisory committee of the Council established to assist the Council to discharge its responsibilities under the Act to:

- monitor the compliance of Council policies and procedures with:
 - the overarching governance principles
 - the Act and the regulations and any Ministerial directions
 - other relevant laws and regulations
- monitor internal controls
- monitor Council financial and performance reporting
- monitor and provide advice on risk management and fraud prevention systems and controls
- oversee internal audit function
- oversee external audit functions.

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Council.

The Committee operates to advise the Council on how best to fulfil its responsibilities and facilitate decision making by providing a forum for improving communication between the Council members and senior management, finance, risk and compliance managers, internal auditors and external auditors.

The overarching Governance Rules will not apply to the Committee, with the exception of the section that specifically relates to the Audit and Risk Committee.

2. Authority

2.1 The Council authorises the Committee, within its responsibilities, to:

- 2.1.1 endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, new or revised policies and other documents that assist in maintaining a strong internal control environment
- 2.1.2 endorse the 3 year Strategic Internal Audit Plan, which will then be adopted by Council. The Committee will have the authority to make necessary changes throughout the year to adapt to new information and risks as they arise
- 2.1.3 obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- 2.1.4 discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations)
- 2.1.5 request the attendance of any official, including Councillors and Council Officers at Committee meetings
- 2.1.6 obtain legal or other professional advice at the City's expense, as considered necessary to meet its responsibilities, subject to prior agreement with the Chief Executive Officer
- 2.1.7 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.

3. Membership

3.1 Composition of membership

The Committee comprises of seven members (three Councillors and four independent, external members), appointed by Council. In accordance with the Act the members must:

- include members who are Councillors of the Council (section 53(3)(a))
- consist of a majority of members who are not Councillors of the Council and who collectively have:
 - expertise in financial management and risk (Section 53(3)(b)(i))
 - experience in public sector management; (Section 53(3)(b)(ii))
- not be a member of Council staff (Section 53(3)(c)).

3.1.1 Independent Members

- Each independent member will be appointed for an initial period of three years
- ARC members terms commence and are reviewed on the 1 October each year
- Each independent member may be reappointed for one additional term subject to satisfactory performance, that is, a maximum of six years
- The Chair, in conjunction with management, will undertake formal reviews of performance and review the independence of independent audit and risk committee members before re appointing them for additional terms
- Following the completion of the terms, the position must be publicly advertised. This does not preclude existing members from being re-appointed through a competitive process
- The position will be publicly advertised by no later than 20 August each year for vacating members. A recruitment process is then undertaken with interviews of potential candidates by the Chairperson of the ARC, the Mayor and the Chief Executive Officer
- Upon selection of the newly proposed independent member, the appointment will be recommended to Council. Council must resolve to accept the recommended appointment
- The appointment terms of each independent member will be set so that as far as possible only one member's term concludes at a time in to maintain a level of continuity and minimise the loss of knowledge of Council's business
- Independent members must collectively have expertise in financial management and reporting and risk management and experience in public sector management
- Remuneration paid to independent members will be reviewed by Council on at least one occasion during its term.

3.1.2 Councillor Members

- Councillor members will be appointed to the Committee by Council annually
- Should an appointed Councillor member not be able to attend a Committee meeting, Council can appoint an alternate member to act in such circumstances, either on a meeting by meeting basis or for the entire year
- All Councillors are able to observe Committee meetings and will have access to Committee agendas and minutes
- Only Councillors formally appointed to the Committee, or appointed as an alternate member in the absence of an appointed member, are able to vote on resolutions.

3.1.3 Chairperson

- The Chairperson of the Committee must be an independent member

- The Committee will appoint the Chairperson who in accordance with section 53 of the Act must not be a Councillor (Section 53(4)) and must not be a member of Council staff (Section 53(3)(c)). The appointment will then be approved by Council.
- The Chairperson will be appointed for a one year term and will be appointed at the first meeting post the 1st October each year. Upon their election, the new Chair will take over as Chairperson of the meeting
- For the appointment of the Chair, if only one independent member nominates for the position, the Acting Chairperson of the meeting must declare that independent member is elected to the position. If more than one of the independent members are nominated, a secret ballot must be held. The candidate who receives the most votes through the ballot will be elected as the Chairperson
- In the absence of the Chairperson, independent members of the Committee may be contacted prior to the committee to seek their interest to Chair the meeting, so they can attend the pre Committee meeting or if notified of the Chairpersons absence at short notice the Committee will elect a temporary Chairperson for the meeting from the remaining independent members who are present.

3.1.4 Quorum for Meetings

- A quorum shall comprise of at least one Councillor member and two independent members.

4. Functions

In accordance with section 54(2) of the Act, the functions and responsibilities of the Committee include:

4.1 Monitor compliance (Section 54(2)(a)).

- 4.1.1 Review the systems and processes implemented by the City for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance
- 4.1.2 Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code
- 4.1.3 Obtain briefings on any significant compliance matters
- 4.1.4 Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC, Victoria Government Inspectorate, etc. and monitor Council's responses.

4.2 Monitor internal controls

- 4.2.1 Review the effectiveness of key policies, systems and controls for providing a sound internal control environment over a three year period and determine if the systems and controls are reviewed regularly and updated where required
- 4.2.2 Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile
- 4.2.3 Ensure that a program is in place to test compliance with systems and controls
- 4.2.4 Assess whether the control environment is consistent with Council's Governance Principles.

4.3 Monitor Council financial and performance reporting (Section 54(2)(b))

- 4.3.1 At least annually review significant accounting and external reporting issues, including material or unusual transactions, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report

- 4.3.2 At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes
- 4.3.3 Review with management and the external auditors the results of audits, including any difficulties encountered by the auditors and how they were resolved
- 4.3.4 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 Council's financial performance and position
- 4.3.5 Recommend the adoption of the annual financial report and annual performance statement to Council
- 4.3.6 To review and be briefed on the City's annual budget processes and Financial Plan
- 4.3.7 Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

4.4 Monitor and provide advice on risk management and fraud prevention systems and controls. (Section 54(2)(c))

- 4.4.1 Review the City's risk management framework and implementation strategy annually
- 4.4.2 Review the management of strategic risks and other significant risks, including controls in place and treatment plans
- 4.4.3 Assess adequacy of Council processes to manage insurable risks and to review the insurance program annually
- 4.4.4 Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested
- 4.4.5 Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs at least every two years
- 4.4.6 Receive summary reports from management on fraud, thefts and material breaches of legislation, ensuring reporting to the Council and/or relevant authorities
- 4.4.7 Review reports by management about the actions taken by the City to report such matters to the appropriate integrity bodies.

4.5 Oversee internal audit function (Section 54(2)(d))

- 4.5.1 Review the Internal Audit Charter to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively
- 4.5.2 Review and endorse the three year strategic internal audit, the annual internal audit plan and make required changes to the plan as it may arise throughout the year. The progress against this plan will be reported to the Committee at each meeting
- 4.5.3 Review and approve proposed scopes for each review in the annual internal audit plan
- 4.5.4 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
- 4.5.5 Meet with the Internal Auditor at least annually in the absence of management
- 4.5.6 Monitor action by management on internal audit findings and recommendations
- 4.5.7 Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work

- 4.5.8 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
- 4.5.9 Recommend to Council, if necessary, the termination of the internal audit contractor.

4.6 Oversee external audit function (Section 54(2)(d))

- 4.6.1 Annually review the external audit strategy and plan proposed by the external auditor
- 4.6.2 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
- 4.6.3 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
- 4.6.4 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and ensure the recommendations are distributed to appropriate areas for action/implementation where appropriate
- 4.6.5 Meet with the external auditor at least annually in the absence of management.

5. Reporting

- 5.1.1 In alignment with the Governance Rules, Public Transparency principles and Governance principles in the Act, minutes of Committee meetings will be provided to Council at the first available opportunity after clearance by the Committee Chairperson following each Committee meeting
- 5.1.2 The Chairperson will prepare a report to Council on the Committee's activities twice per annum including the Committee's findings and recommendations along with agreed actions. One of these reports will be prepared after the meeting at which the annual financial report and the annual performance statement have been considered and recommended to Council for adoption. This report should also include how the Committee has discharged its responsibilities as set out in this Charter for the year. The reports will be provided to the Chief Executive Officer for presentation to Council
- 5.1.3 The Chair of the Committee, or a representative on behalf of the Committee, will present the Annual Committee Performance Report to a Councillor Briefing prior to the report being presented to Council
- 5.1.4 Internal audit reports and external audit reports shall not be made public
- 5.1.5 Management will assist the Committee to initiate a self-assessment of the performance of the Committee annually. The review will invite input from the Council, each Committee member, senior management, internal audit, VAGO (or their contracted representative), and any other relevant stakeholders. The self-assessment will be reported through the Annual Committee Performance Report.

6. Administrative Arrangements

6.1 Meetings

- 6.1.1 The committee will meet at least four times per year. One or more special meetings may be held to review the Council's annual financial statements and performance statement, or to meet other responsibilities of the committee
- 6.1.2 The Committee will invite members of Council's management team, the internal and external auditors and other personnel as appropriate to attend meetings, particularly if there are reports/ audits being presented relevant to their area

- 6.1.3 The Chief Executive Officer, Director Corporate Performance, Manager Financial Strategy, Manager Governance as well as other nominated representatives will attend all meetings, except for confidential matters
- 6.1.4 All committee members are expected to attend each meeting, in person or via tele-or-video conference. Failure to attend a meeting will result in non-payment of members fees for the associated meeting
- 6.1.5 Committee members and the internal and external auditors can request the Chairperson to convene additional meetings if they feel that is justified to address unexpected matters that may have arisen
- 6.1.6 The Chair is required to call a meeting if asked to do so by the Council and decide if a meeting is required if requested by another member, internal audit or the VAGO.

6.2 Planning

- 6.2.1 The Committee will develop a forward meeting schedule that includes the dates and location for each meeting for the forthcoming year
- 6.2.2 In accordance with section 54(3) of the Act the Committee will develop an annual work program that includes the timing of reporting for all of the responsibilities outlined in this charter.

6.3 Secretariat

- 6.3.1 In accordance with section 54(6)(a) of the Act, the CEO will appoint a Council Officer to provide secretariat support to the Committee to ensure the preparation and maintenance of agendas, minutes and reports. The secretariat will:
- ensure the agenda for each meeting is approved by the Director, Corporate Performance and Committee Chair
 - the agenda and supporting papers are circulated at least one week before the meeting
 - ensure the minutes of the meetings are prepared and maintained. Minutes to include relevant elements of the Committee's discussion
- 6.3.2 Minutes must be reviewed by the Director, Corporate Performance of Council and the Committee Chair and circulated within three weeks of the meeting to each member and committee observers, as appropriate and then provided to Council at the next opportunity.

6.4 Induction

- 6.4.1 The Committee will adopt and maintain a program of induction, training and awareness raising for its members, with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.

6.5 Removal of a member

- 6.5.1 If the Council proposes to remove a member of the ARC, it must give written notice of its intention to do so and afford the member an opportunity to be heard by Council. However, ultimately Council retains the discretion to remove a member by resolution, provided that a replacement member is promptly appointed using the process described in clause 6.4.

7. Conflicts of Interest

Committee recommendations must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly. If a conflict of interest exists, it must be declared and managed. Committee members are required to provide written declarations, through the Chair, to the Council declaring any material personal interests they may have in relation to their responsibilities.

Division 2 of Part 6 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee. An independent member has a **conflict of interest** if they have:

- (a) a general conflict of interest within the meaning of section 127 of the Act
- (b) a material conflict of interest within the meaning of section 128 of the Act

Members of the Committee will provide declarations in accordance with statutory requirements.

External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

8. Misuse of Position

Section 123 of the Act applies to Independent Members, as if the member were a member of a delegated Committee. The Independent Member must not intentionally misuse their position (section 123(1)):

- (a) to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person or
- (b) to cause, or attempt to cause, detriment to the Council or another person.

Section 123(3) of the Act outlines circumstances involving misuse of a position by a member of the Committee, which include:

- a) Improper use of information acquired as a result of being a member of the Committee; or
- b) Disclosing information that is confidential information; or
- c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or
- 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
- e) Using public funds or resources in a manner that is improper or unauthorised; or
- f) Participating in a decision on a matter in which the member has a conflict of interest.

9. Confidential Information

Section 125 of the Act applies to Independent Members, as if the member were a member of a delegated Committee. The requirements include:

(1) Unless subsection (2) or (3) applies, a person who is, or has been, an Independent Member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

(2) Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.

(3) A person who is, or has been, an Independent Member may disclose information that the person knows, or should reasonably know, is confidential information in the following circumstances—

- (a) for the purposes of any legal proceedings arising out of this Act
- (b) to a court or tribunal in the course of legal proceedings
- (c) pursuant to an order of a court or tribunal

- (d) in the course of an internal arbitration and for the purposes of the internal arbitration process
- (e) in the course of a Councillor Conduct Panel hearing and for the purposes of the hearing
- (f) to a Municipal Monitor to the extent reasonably required by the Municipal Monitor
- (g) to the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector
- (h) to a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry
- (i) to the extent reasonably required by a law enforcement agency.

10. Review of the Committee Charter

The Committee shall review and assess the adequacy of the Charter every two years or earlier if necessary and will submit requests for any substantial changes through to Council via the Chief Executive Officer for approval of any revisions and improvements.

11. Register of Audit and Risk Committee Members

Independent Members

Committee Member	Appointment	Date Re-appointed	Review Date
Mr Warren Pollock	1 October 2016	1 October 2019	1 October 2022
Mr Graham Bastian	1 October 2014	1 October 2017	1 October 2020
Mr Shannon Buckley	1 October 2018	N/A	1 October 2021
Ms Jovana Obradovic-Tantra	1 October 2018	N/A	1 October 2021

Council Representatives

Committee Member	Initial Appointment	Date Re-appointed	Review Date
Cr Margaret O'Rourke	19 December 2016	20 November 2019	Annually
Cr Jennifer Alden	12 December 2018	20 November 2019	Annually
Cr Andrea Metcalf	20 November 2019		Annually

12. Revisions of the Charter

Council first adopted an Audit Committee Charter in April 2002. The following amendments have been made since that date:

Date of Revision	Changes made
June 2009	Update
7 December 2011	Updated Committee Members
5 April 2011	Updated Committee Members
23 May 2012	The Audit Committee
20 November 2014	The Audit Committee reviewed the Charter, but no changes were made.
19 December 2016	(Various amendments including changing of some Objectives). These amendments were as a result of a review conducted by the Committee.
9 March 2017	Various amendments). These amendments were as a result of a review conducted by the Committee, in accordance with Section 6.8 of the Charter.
2 March 2018	These amendments were recommended by the Division of Local Government in their revised internal Audit Guidelines issued in September 2010.
July 2018	Expanded scope of Charter to include Risk Management.
24 October 2018	Updated Committee members
12 December 2018	Updated Councillor members
(Insert Month) 2020	Full revision of the Charter to update as per the LG Act 2020