



# AUDIT & RISK COMMITTEE

## CHARTER

**Reviewed December 2024**

The Wellington Shire Council maintains an Audit & Risk Committee in accordance with Section 53 of the *Local Government Act 2020*.

The Audit & Risk Committee is an independent advisory Committee to Council. The primary objective of the Audit & Risk Committee is to assist Council in the effective conduct of its responsibilities for financial and non-financial reporting and performance, management of risk, information services governance, maintaining a reliable system of internal controls and facilitating the organisation's ethical development.

The Audit & Risk Committee is established to assist the co-ordination of and provide oversight of relevant activities of management, the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.

As part of Council's governance obligations to its community, it has constituted an Audit & Risk Committee to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial and non-financial reporting and performance;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines;
- the efficiency and effectiveness of the internal audit function;
- the provision of an effective means of communication between the external auditor, internal audit, management and the Council;
- oversight and guidance on the effectiveness of the management and reporting of Council's fraud and corruption prevention practices;
- a review of the effectiveness of Council processes and the outcomes of the external audit.

# AUDIT & RISK COMMITTEE

## TERMS OF REFERENCE

### **1 General**

- (a) The Audit & Risk Committee is a formally appointed committee of the Council and is responsible to that body. The Audit & Risk Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Audit & Risk Committee does not have any management functions and is therefore independent of management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

### **2 Membership**

- (a) The Audit & Risk Committee will comprise of two Councillors, and three external independent persons with suitable knowledge, skills and experience, all appointed by Council for periods varying to a maximum term of 3 years. External members may be re-appointed for subsequent terms, to a maximum of 9 years, following a public advertising process in accordance with 2 (b). A quorum shall be 3 (with a minimum of 2 independent members). The Chairperson shall be an external independent person elected on an annual basis at the first meeting of the Committee in the calendar year. Ideally, the Chairman's term will overlap the term of appointed Councillors to ensure continuity. The Chief Executive Officer should be required and entitled to attend all Audit & Risk Committee meetings.

External independent persons will have senior business and/or financial management/reporting knowledge, skills and experience and be conversant with the financial and other reporting requirements. The evaluation of potential members will be undertaken by the Mayor, Chief Executive Officer and Audit & Risk Committee Chair (or another independent member) taking account of the experience of candidates (as per the Committee's expertise matrix) and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.

- (b) Appointments of external persons shall be made by Council by way of a public advertisement and be for a maximum term of three years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.
- (c) If a Committee member is underperforming, a performance management process must be put in place, overseen by the Chair, unless it is the performance of the Chair in question then the Chief Executive Officer would oversee the process. Should the performance of the individual not improve then they would be asked to tender their resignation. If this is not forthcoming and the Council proposes to remove the member from the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be heard at a Council meeting which is open to the public, if that member so requests.

- (d) Remuneration will be paid to each independent member of the Committee (the basis may be an annual fee, with an additional amount paid to the Chairperson or a set fee per meeting, or another basis as appropriate). The remuneration amount will be determined by Council's Remuneration Committee annually allowing for an increase linked to the annual increase of Councillor allowances, benchmarking against other Councils or other considerations such as Council budget constraints.
- (e) The Chairperson shall ideally be appointed by external members of the Audit & Risk Committee subject to Council's approval.

At the November meeting of the Committee, Council representatives will request that any external members who want to nominate as Chair submit an Expression of Interest outlining their expertise and availability. Expressions of Interest are to be emailed to the Council representatives on the Committee.

At the first meeting of the following calendar year, during the In Camera session, the Committee, led by the Council representatives, will elect the Chair, via a vote, and the elected member will assume the Chair immediately.

Should external members not be able to elect a chairperson then Council representatives will cast the deciding votes.

Council's approval of the appointment will be ratified when Council receives the Committee meeting minutes.

In the absence of the appointed Chairperson from a meeting, an acting Chairperson will be appointed from the external members present.
- (f) Other members of Council or Council staff and the internal auditor (whether a member of staff or contractor) may be invited to attend at the discretion of the Committee to advise and provide information when required.
- (g) Representatives of the external auditor should be invited to attend at the discretion of the Committee but **must** attend meetings considering the review of the external audit plan, the draft annual financial report and results of the external audit.
- (h) Council shall provide secretarial and administrative support to the Committee.

### **3 Meetings**

- (a) Process

The Committee shall meet at least quarterly with an additional meeting held to consider the draft annual financial report and performance statement with the external auditors in attendance. Additional meetings may be convened at the discretion of the Chairperson, or at the written request of an independent member, or any of the member Councillors.
- (b) Declaration of Conflicts of Interest

Declaration of Conflicts of Interest will be in accordance with the requirements of the *Local Government Act 2020*.
- (c) Closure of Meetings to the Public

In accordance with Section 66(2) of the *Local Government Act 2020*.

### **4 Planning**

- (a) The Committee will develop an annual work plan.
- (b) The Committee will review the Charter and Terms of Reference annually.

## **5 Reporting**

- (a) The Audit & Risk Committee shall after every meeting forward the draft minutes of that meeting to the next practical ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- (b) The Committee shall report to the Council on a half yearly basis, or as required by Council, via a Council Workshop/Meeting, describing the activities of the Committee and including its findings, recommendations and annual performance evaluation (as per Section 54(5) of the *Local Government Act 2020*). The report shall be prepared by Management and the Committee Chair, endorsed by the Committee and presented to Council by the Chair. A copy of this report is to also be tabled at a Council meeting.
- (c) The Chairperson may require any report prepared by the Audit & Risk Committee to be listed on the agenda for the next practical ordinary meeting of the Council.

# **AUDIT & RISK COMMITTEE**

## **LIST OF DUTIES AND RESPONSIBILITIES**

(a) The following are the duties and responsibilities of the Audit & Risk Committee in pursuing its Charter:

- (1) To review the scope of the three-year internal audit plan and programme and the efficiency and effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
  - internal controls over significant areas of risk, including non-financial management control systems;
  - internal controls over revenue, expenditure, assets and liability processes;
  - the efficiency, effectiveness and economy of significant Council programmes; and
  - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- (2) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
- (3) Review the level of resources allocated to internal audit and the scope of its authority. The Chair of the Committee is to be involved in the evaluation of Internal Audit tenders.
- (4) Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- (5) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programmes.
- (6) 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 terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- (7) Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- (8) Review the process for the identification, nature, extent and reasonableness of related party transactions.
- (9) Review Council's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements;

- significant variances from prior years;
  - ensuring Council is financially sustainable.
- (10) Annually, make a recommendation to Council on the fairness of the annual financial report. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
  - (11) Discuss with the external auditor the scope of the audit and the planning of the audit.
  - (12) Discuss with the external auditor issues arising from the audit, including any management letter issues raised by the auditor and the resolution of such matters.
  - (13) Review the draft annual performance statement and make a relevant recommendation to Council.
  - (14) Review issues relating to competitive neutrality, financial reporting by Council business units and comparative performance indicators.
  - (15) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate with reports on any such matters to be reviewed by the Audit & Risk Committee including any incidents of fraud/corrupt conduct or suspected fraud/corrupt conduct.
  - (16) Monitor the effectiveness of fraud and corruption prevention practices.
  - (17) Monitor the progress of any major legal issues facing the Council.
  - (18) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
  - (19) Monitor compliance with other "non-financial" legislated policies (e.g. EEO, OH&S etc).
  - (20) Annually, receive a report detailing all reimbursements made to Councillors and members of a delegated committee, as per section 40 of the *Local Government Act 2020*.
  - (21) The Audit & Risk Committee Chair in conjunction with Council and the Chief Executive Officer should develop performance indicators (as discussed with the Committee) and monitor the performance of the Committee against these via completion of an annual performance evaluation survey.
  - (22) The Committee will agree to an Annual Plan of business to be considered at each meeting.
  - (23) The Committee will nominate one member to assess various aspects of the meeting including preparation, presentation, participation and process.
  - (24) Should there be a conflict of interest for outsourced internal audit providers who perform other consultancy work for the Council, the issue will be brought before the Audit & Risk Committee for deliberation.

- (25) Endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, annual budget, new or revised policies, risk framework and other documents that assist in maintaining a strong internal control environment.
- (b) The Audit & Risk Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.