

7.3.2 REVIEW OF AUDIT AND RISK COMMITTEE CHARTER

Responsible Manager:	Kate Heissenbuttel, Manager Corporate Performance
Responsible Director:	Danny Wain, Chief Financial Officer

RECOMMENDATION

That Council endorses the amended Audit and Risk Committee Charter.

BACKGROUND

The Audit and Risk Committee is an independent advisory committee to Monash City Council established under sections 53 and 54 of the Local Government Act 2020 (the Act). A Committee Charter has been developed to set out the Committee's objectives, authority, composition and tenure, roles and responsibilities and reporting, administrative and governance arrangements. The Committee Charter was last adopted in July 2021 and is required to be reviewed biennially.

DISCUSSION

As part of the review process, management has made some proposed changes to the Charter in alignment with the Act, relevant legislations, established guidelines and good practices in local government as well as Council's existing policies and processes. A copy of the Charter with proposed changes from the management was shared with the Audit and Risk Committee members in August 2023 to seek any feedback.

An updated version which incorporated suggestions by the Committee members was tabled at the Audit and Risk Committee at its meeting on 14 September 2023 for review and endorsement. In conducting the review, the Audit and Risk Committee has determined that some further changes are required.

- Edit the paragraphs under Section 5.3 as follows:

‘Members of the Committee are required to comply with sections 123, 125 and Part 6, Division 2: sections 126-131 of the Act which includes, amongst other things, the following requirements:

- Declare and manage any conflicts of interest which arise in accordance with the Act;
- Not misuse their position on the Committee for personal benefit or to the detriment of Council; and
- Not disclose confidential information obtained through their role on the Committee’;

Whilst Division 3: sections 132 – 134 of the Act do not apply to independent members of an Audit and Risk Committee, independent members are required to comply with the spirit of those provisions:

- Submit six monthly interest returns on the form specified by Council (noting this is in accordance with good governance practices rather than a legislative requirement under the Act).

The revised Charter is attached with the changes as recommended. Following adoption by the Council, the amended Charter will be updated on the Council's website.

POLICY IMPLICATIONS

Section 54 of the Local Government Act (2020) requires that a Council must prepare and approve an Audit and Risk Committee Charter.

SOCIAL IMPLICATIONS

There are no social implications to this report.

CONSULTATION

Community consultation was not required.

HUMAN RIGHTS CONSIDERATIONS

There are no human rights implications to this report.

GENDER IMPACT ASSESSMENT

A GIA was not completed because this policy/program/service does not have a 'direct' and 'significant' impact on the community.

FINANCIAL IMPLICATIONS

There are no financial implications to this report.

CONCLUSION

The Audit and Risk Committee recommends that the Audit and Risk Committee Charter, as amended, be adopted.

CONFIDENTIAL

This is no confidential information in this report.



ATTACHMENT LIST

1. Audit and Risk Committee Charter 2023_ Final Clean [**7.3.2.1** - 13 pages]
2. Audit and Risk Committee Charter 2023_ Final Track Changes [**7.3.2.2** - 13 pages]



AUDIT AND RISK COMMITTEE CHARTER

September 2023



Contents

1	PURPOSE OF CHARTER	3
2	Authority	3
3	COMMITTEE'S DUTIES AND RESPONSIBILITIES.....	4
3.1	External Reporting	4
3.2	External Audit	4
3.3	Internal Control Environment.....	5
3.4	Internal Audit.....	5
3.5	Risk Management	6
3.6	Ethical Behaviour	7
3.7	Matters Referred to the Committee by Council.....	7
4	COMMITTEE OPERATIONS	8
4.1	Meetings	8
4.2	Reporting	9
5	COMMITTEE GOVERNANCE	10
5.1	Membership.....	10
5.2	Performance Evaluation	12
5.3	Conduct.....	12
5.4	Insurance and indemnity	12
5.5	Review of Committee Charter	12



This Charter has been prepared to ensure compliance with the new Local Government Act 2020 as required.

1 PURPOSE OF CHARTER

The Audit and Risk Committee (the Committee) is an independent advisory committee to Monash City Council (Council) established under sections 53 and 54 of the Local Government Act 2020 (the Act) to assist Council in fulfilling its responsibilities relating to external financial and performance reporting, risk management, corporate governance, internal control environment and providing advice to drive good governance and continuous improvement.

The Committee Charter (the Charter) has been developed with regard to 'Audit Committees - A Guide to Good Practice for Local Government'¹, January 2011 issued by the Minister for Local Government and the Victorian Auditor-General's report on *Audit Committee Governance*² issued in August 2016.

The Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities and reporting, administrative and governance arrangements.

The Committee's objective is to provide appropriate independent advice and recommendations to Council on matters relevant to the Committee's Charter in order to facilitate decision-making by Council in relation to the discharge of Council's accountability requirements.

The Committee will provide oversight and guidance on the following matters:

- Council financial and performance reporting;
- compliance of Council policies and procedures with the Act, including the overarching governance principles, and other relevant legislation and regulations;
- the effectiveness of the management and reporting of Council's risk management and fraud and corruption prevention systems and processes;
- the effectiveness of Council's system of internal controls;
- the effectiveness of the internal and external audit functions;
- the provision of an effective means of communication between the external auditor, internal audit, Management, and Council; and
- Any other matter considered relevant to the duties and reasonability's of the committee.

The Committee establishes an Annual Work Plan to enable it to discharge its responsibilities effectively pursuant to the requirements of the Charter and reviews the Annual Work Plan at every meeting.

2 Authority

The Committee does not have executive powers or authority to implement actions and does not have any delegated functions, duties, powers or financial responsibility or authority. The Committee does not have any management functions. The Committee is therefore independent of the Council and Management.

¹ [Audit Committees Guidelines-A-guide-to-good-practice-for-local-government.pdf \(localgovernment.vic.gov.au\)](https://www.localgovernment.vic.gov.au/audit-committees-guidelines-a-guide-to-good-practice-for-local-government.pdf)

² [Audit Committee Governance | Victorian Auditor-General's Office](#)



3 COMMITTEE'S DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee include:

3.1 External Reporting

The Committee will:

- 3.1.1** Review Council's draft annual financial report and annual performance statement, focusing on:
 - the reporting requirements of accounting policies and Approved Accounting Standards;
 - changes to reporting requirements due to changes in accounting policies and Approved Accounting Standards;
 - the assumptions used and processes applied 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 of financial and non-financial information; and
 - significant changes to the content of reports, the operating results, financial position and performance indicators in comparison to the prior year.
- 3.1.2** Review and when satisfied it is appropriate recommend to Council the adoption in principle of the Annual Financial and Performance Statements and review any significant changes and the reasons for those changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 3.1.3** Review significant accounting and external reporting issues and understand their effect on the annual financial report and the audit thereof.
- 3.1.4** Review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators.
- 3.1.5** Review the completeness of corporate governance processes as prescribed in the Governance and Management Checklist of the Local Government (Planning and Reporting) Regulations 2020.

3.2 External Audit

The Committee will:

- 3.2.1** Be briefed by the External Auditor on the audit strategy prior to the commencement of each year's audit process;
- 3.2.2** Discuss and review with the External Auditor the scope and the planning of the audit;



- 3.2.3** Discuss and review with the External Auditor issues arising from the audit, including all significant Management Letter items and the potential impact of those items on Council's system of internal control;
- 3.2.4** Seek resolution on any differing views between Management and the External Auditors on audit findings and recommendations.
- 3.2.5** Ensure significant findings and recommendations made by the external auditor and Management's proposed responses are received, discussed and appropriately actioned by Management;
- 3.2.6** Review on an annual basis the performance of the external auditor; and
- 3.2.7** Meet with the external auditor at least once in each year without Management in attendance.

3.3 Internal Control Environment

The Committee will:

- 3.3.1** Maintain an awareness of local government performance audits undertaken by the Victorian Auditor-General's Office (VAGO) and any other relevant reviews, such as those undertaken by Australian and Victorian public sector integrity bodies, including the Australian National Audit Office, the Independent Broad-Based Anti-Corruption Commission (IBAC), the Local Government Inspectorate and the Victorian Ombudsman and consider relevant recommendations for action or implementation where appropriate;
- 3.3.2** Confirm that Management is aware of these external reviews and have considered the relevant recommendations for action or implementation;
- 3.3.3** Review the adequacy and effectiveness of key systems and controls as a basis for providing a sound internal control framework;
- 3.3.4** Monitor that key policies, procedures, systems and controls are reviewed regularly and updated where required; and
- 3.3.5** Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of Management's response to any instance of non-compliance.

3.4 Internal Audit

The Committee will:

- 3.4.1** Be consulted by Council officers on any proposal or process by Council to appoint or terminate Council's internal audit service provider;
- 3.4.2** Review the scope of the Internal Audit Plan and recommend to Council the approval of the Internal Audit Plan for the coming year. This review should consider whether, over a period of three 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 programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements;
- 3.4.3** Review the proposed scopes for each internal audit and provide recommendations;
- 3.4.4** Review internal audit reports and monitor the implementation of recommendations by Management;
- 3.4.5** Review the level of resources allocated to internal audit and the effectiveness of the function;
- 3.4.6** Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive Officer;
- 3.4.7** Facilitate liaison between the internal and external auditors to promote compatibility, to the extent appropriate, between their audit programs with a view to minimizing duplication;
- 3.4.8** 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 and review Management's responses to, and actions taken as a result of, the issues raised;
- 3.4.9** Seek resolution on any differing views between Management and the internal auditors on audit findings and recommendations;
- 3.4.10** Meet with the internal auditor at least once in each year without Management in attendance;
- 3.4.11** 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; and
- 3.4.12** Ensure that a representative(s) of the Committee and a member of Council's Executive Leadership Team (ELT) not directly involved in the management of the Internal Audit Contract are included on the tender evaluation panel tasked with making recommendations to Council for the appointment of a new internal auditor.

3.5 Risk Management

The Committee will:

- 3.5.1** Review the effectiveness of Council's risk management framework, ensuring it has appropriate risk management processes and adequate management information systems in place;
- 3.5.2** Review Council's risk appetite statement with risk tolerance level and the degree of alignment with Council's risk profile;



- 3.5.3** Review Council's risk profile including the council's strategic risk register and the changes occurring in the profile from meeting to meeting; Consider the adequacy of actions taken to ensure that material risks have been dealt with in a timely manner to minimise exposures;
- 3.5.4** Review to ensure that Council has appropriate insurance and claims management processes in place; and
- 3.5.5** Escalate to Council when the Committee considers that Management is not responding as it should on concerns about the Risk and Opportunity Management Framework.

3.6 Ethical Behaviour

The Committee will:

- 3.6.1** Receive updates from Management of any suspected cases of fraud, corruption, legislative breach or serious misconduct impacting Council;
- 3.6.2** Recommend any specific measures or investigations identified as necessary or desirable by the Committee to Council and/or Management;
- 3.6.3** Monitor any breaches of ethical standards and monitor the implementation of recommendations arising from reports presented;
- 3.6.4** Monitor and provide advice on fraud prevention systems and controls;
- 3.6.5** Monitor any subsequent investigation, including the investigation of any suspected cases of fraud, corruption, legislative breach, serious misconduct or breaches of conflict of interest; and
- 3.6.6** Review the findings of any examinations by regulatory or other independent agencies, and any auditor (internal or external) observations and confirm that Management have taken appropriate action as a result of the findings.

3.7 Matters Referred to the Committee by Council

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



4 COMMITTEE OPERATIONS

4.1 Meetings

The following requirements shall apply to meetings of the Committee:

- 4.1.1** The Committee shall meet as required, but at least quarterly, each year.
- 4.1.2** The Chief Executive Officer, the Chief Financial Officer, Manager Corporate Performance (or their nominated representatives) and internal auditor should attend all meetings, unless otherwise determined by the Committee, having regard to the nature and sensitivity of the matters being discussed.
- 4.1.3** Other members of Management or Council Officers may be invited to attend at the discretion of the Committee.
- 4.1.4** Representatives of the external auditor will attend a meeting to consider the draft annual financial report and results of the external audit and have a standing invitation to attend other meetings.
- 4.1.5** A quorum of any meeting will be at least two independent members (which may include the Chairperson) and at least one Councillor member.
- 4.1.6** Committee members can attend the meeting via dial-in or video conference, and will be included as part of the quorum.
- 4.1.7** 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.
- 4.1.8** Additional meetings shall be convened at the discretion of the Chairperson or at the written request of:
 - any two members of the Committee;
 - the Chief Executive Officer (independently or at the request of Council);
 - the Internal Auditor;
 - or the External Auditor.
- 4.1.9** A schedule of meetings will be developed and agreed by the Committee. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines as advised by the Chief Executive Officer to the Committee from time to time.
- 4.1.10** The agenda and supporting documentation for Committee meetings will be circulated by the Chief Executive Officer or their delegate to members of the Committee at least one (1) week in advance of each meeting.
- 4.1.11** Minutes will be taken at each meeting, documenting attendance, formal recommendations and actions arising.
- 4.1.12** Draft minutes will be prepared by the Chief Executive Officer or their delegate within one (1) week of the meeting for approval by the Chairperson for circulation to members and shall be distributed to Committee members within two (2) weeks of the meeting. Any items designated as "Confidential" by the Committee (which must only be on the basis that the item is considered to be confidential pursuant to the Act) will be noted in separate Confidential Minutes of the Committee.



- 4.1.13** The Chairperson will sign the minutes following the confirmation of the minutes at a subsequent meeting.
- 4.1.14** The unconfirmed minutes will be reported to Council as soon as practicable but not more than two months following the Committee meeting, with any Confidential Minutes reported to Council confidentially.
- 4.1.15** Where a matter is required to be dealt with by the Committee between meetings, a report outlining the matter and a request to vote on the item will be sent by the Chief Executive Officer or their delegate via email, with the outcome to be endorsed and minuted at the next Committee meeting.
- 4.1.16** The Corporate Services Directorate shall provide secretarial and administrative support to the Committee.

4.2 Reporting

- 4.2.1** The Committee may report to Council on any matters of significance as determined by the Committee.
- 4.2.2** The Committee Chairperson must prepare and when approved by the committee provide to the Chief Executive Officer a bi-annual audit and risk report which:
 - describes and summarises the activities of the Committee during the past 6 months;
 - provides any findings and recommendations in relation to the functions of the Committee;
 - request that the Chief Executive Officer table the report at the next Council meeting.
- 4.2.3** The Chairperson is entitled to attend any Assembly of Councillors' meeting at any other time to bring any particular matters to the attention to Councillors which the Chairperson or Committee sees fit. Such meetings may be held with or without Management present at the determination of the Chairperson following consultation with the Mayor.
- 4.2.4** The Charter and details of its members will be published on Council's website.
- 4.2.5** Council's Annual Report will contain information on the membership 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.



5 COMMITTEE GOVERNANCE

5.1 Membership

The Committee will be comprised of five members:

- one (1) independent Chairperson;
- two (2) independent members; and
- two (2) Councillors (plus one alternate Councillor).

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

Management will recruit and recommend the independent members including Chairperson to Council for appointment. A selection panel will be formed comprising at least one independent member and one Councillor representative for the recruitment of independent members. Following the selection process, Management will make a recommendation to the Council on a suitable candidate to be appointed.

In accordance with Council's commitment to cultural diversity and gender equality, composition of the Committee will aim for gender balance and culturally diverse representation, including Aboriginal and Torres Strait Islander representation, through Committee membership.

Chairperson

- 5.1.1 The Chairperson shall be an independent member of the Committee.
- 5.1.2 The Chairperson shall have a casting vote on occasions where there is an equal tally of votes on a matter. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the independent members present.

Independent Members

- 5.1.3 New independent member appointments will be publicly advertised in places determined by the Chief Executive Officer to be appropriate, such as statewide and local newspapers, the Council's website, the online 'Directorships Opportunities' listing provided by the Australian Institute of Company Directors and other channels.
- 5.1.4 Applications for independent membership will be assessed against appropriate criteria. The criteria will fall within the areas of:
 - level and breadth of senior business, management, finance and accounting and/or audit experience and qualifications;
 - level of familiarity with Government and in particular local government operations, including financial reporting, auditing requirements, risk management, business ethics and corporate governance; and
 - previous Audit and/or Risk Committee experience.
- 5.1.5 Independent members should also have the ability to provide Councillors, the Chief Executive Officer and Management with well-rounded and professional advice concerning the adequacy of Council's administrative, operational, financial and accounting systems and controls, performance reporting regimes, and risk management processes.

- 
- 5.1.6** Independent members (including the Chairperson) shall be appointed by Council for a term of up to three years. At the conclusion of their first term, existing members will be eligible to apply to be reappointed for one additional three-year term.
 - 5.1.7** Subject to sub-clauses 4.1.8 and 4.1.10, a person can only serve in the positions of independent member or Chairperson for a maximum of 6 consecutive years.
 - 5.1.8** A person may be an independent member of the Committee for 9 consecutive years, provided that during that time the person has been both Chairperson and independent member, such that the person has not served in either role for more than 6 years.
 - 5.1.9** The terms of each member should be arranged so that there is an orderly rotation of membership and avoidance of more than one member retiring at the same time.
 - 5.1.10** Should the resignation/retirement of two of the independent members coincide, Council may extend one independent member's term by one year to ensure continuity, even if doing so will result in the independent member exceeding the maximum term limits in sub-clauses 4.1.7 and 4.1.8.
 - 5.1.11** Council may, at its discretion, remove an independent member from the Committee before the expiry of their term. If Council proposes to remove an independent member (including the Chairperson) from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting.
 - 5.1.12** Remuneration will be paid to each independent member of the Committee as determined by Council from time to time. 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.
 - 5.1.13** All new independent members will receive an induction by the Chief Financial Officer to assist them to meet their Committee responsibilities.
 - 5.1.14** Council can make annual appointments of observers to the Committee for a maximum period of 12 months to enable exchange of relevant experience and knowledge for the Committee's benefit. Any appointed observers will be expected to attend all meetings and will be under the mentorship of one of the independent members. The observer will be subject to the same Conflicts of Interests and Register of Interests compliance requirements as outlined in this Charter for members as well as Confidentiality requirements as outlined in the letter of appointment. The Committee may, having regard to the nature and sensitivity of the matters being discussed, determine from time to time that an observer will be excluded from part or all of a Committee meeting.

Councillor Members

- 5.1.15** Councillor members and an alternate Councillor member will be appointed to the Committee by Council annually.
- 5.1.16** The alternate Councillor member will be entitled and expected to attend a Committee meeting whenever an appointed Councillor member is unable to do so, either on a meeting by meeting basis or for the remainder of their term.
- 5.1.17** Any Councillor who is not a member of the committee, may attend any meeting of the committee as an observer but shall not participate in discussion or voting.



5.2 Performance Evaluation

In accordance with section 54 (4a) of the Act, the Committee must undertake an annual assessment of its performance against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

5.3 Conduct

Members of the Committee are required to comply with sections 123, 125 and Part 6, Division 2: sections 126-131 of the Act which includes, amongst other things, the following requirements:

- Declare and manage any conflicts of interest which arise in accordance with the Act;
- Not misuse their position on the Committee for personal benefit or to the detriment of Council; and
- Not disclose confidential information obtained through their role on the Committee.

Whilst Division 3: sections 132 – 134 of the Act do not apply to independent members of an Audit and Risk Committee, independent members are required to comply with the spirit of those provisions:

- Submit six monthly interest returns on the form specified by Council (noting this is in accordance with good governance practices rather than a legislative requirement under the Act)

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. Management of interests includes the proper management of any conflicts of interest as and when they may arise.

Members of the Committee must also be fully aware of the statutory definitions of general and material conflicts of interest as set out in Part 6 Division 2 of the Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the independent member's appointment being terminated by Council.

5.4 Insurance and indemnity

Whilst the Act has omitted the requirement to indemnify independent Committee members, Monash continues the practice of indemnifying members. Council will indemnify, and keep indemnified, independent Committee members against all actions or claims (whether arising during or after the term of office of that member) in respect of any act or thing done or omitted to be done in good faith:

- In the performance of their duties and functions as independent members of the Committee; or
- In the reasonable belief that the act or omission was in the performance of their duties and functions as independent members of the Committee.

5.5 Review of Committee Charter

The Committee will review the Committee Charter on at least a biennial basis, or as required following relevant changes to the Act or other related Acts and Regulations, and recommend any



changes to Council for approval.

The next review date will be September 2025.



AUDIT AND RISK COMMITTEE CHARTER

September 2023



Contents

1	PURPOSE OF CHARTER	3
2	Authority	3
3	COMMITTEE'S DUTIES AND RESPONSIBILITIES	4
3.1	External Reporting	4
3.2	External Audit	4
3.3	Internal Control Environment.....	5
3.4	Internal Audit.....	5
3.5	Risk Management	6
3.6	Ethical Behaviour	7
3.7	Matters Referred to the Committee by Council.....	7
4	COMMITTEE OPERATIONS	8
4.1	Meetings	8
4.2	Reporting	9
5	COMMITTEE GOVERNANCE	10
5.1	Membership.....	10
5.2	Performance Evaluation	12
5.3	Conduct.....	12
5.4	Insurance and indemnity	12
5.5	Review of Committee Charter	13



This Charter has been prepared to ensure compliance with the new Local Government Act 2020 as required.

1 PURPOSE OF CHARTER

The Audit and Risk Committee (the Committee) is an independent advisory committee to Monash City Council (Council) established under sections 53 and 54 of the Local Government Act 2020 (the Act) to assist Council in fulfilling its responsibilities relating to external financial and performance reporting, risk management, corporate governance, internal control environment and providing advice to drive good governance and continuous improvement.

The Committee Charter (the Charter) has been developed with regard to 'Audit Committees - A Guide to Good Practice for Local Government'¹, January 2011 issued by the Minister for Local Government and the Victorian Auditor-General's report on *Audit Committee Governance*² issued in August 2016.

The Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities and reporting, administrative and governance arrangements.

The Committee's objective is to provide appropriate independent advice and recommendations to Council on matters relevant to the Committee's Charter in order to facilitate decision-making by Council in relation to the discharge of Council's accountability requirements.

The Committee will provide oversight and guidance on the following matters:

- Council financial and performance reporting;
- compliance of Council policies and procedures with the Act, including the overarching governance principles, and other relevant legislation and regulations;
- the effectiveness of the management and reporting of Council's risk management and fraud and corruption prevention systems and processes;
- the effectiveness of Council's system of internal controls;
- the effectiveness of the internal and external audit functions;
- the provision of an effective means of communication between the external auditor, internal audit, Management, and Council; and
- Any other matter considered relevant to the duties and reasonability's of the committee.

The Committee establishes an Annual Work Plan to enable it to discharge its responsibilities effectively pursuant to the requirements of the Charter and reviews the Annual Work Plan at every meeting.

2 Authority

The Committee does not have executive powers or authority to implement actions and does not have any delegated functions, duties, powers or financial responsibility or authority. The Committee does not have any management functions. The Committee is therefore independent of the Council and Management.

¹ [Audit Committees Guidelines-A-guide-to-good-practice-for-local-government.pdf \(localgovernment.vic.gov.au\)](https://www.localgovernment.vic.gov.au/audit-committees-guidelines-a-guide-to-good-practice-for-local-government.pdf)

² [Audit Committee Governance | Victorian Auditor-General's Office](#)



3 COMMITTEE'S DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee include:

3.1 External Reporting

The Committee will:

- 3.1.1** Review Council's draft annual financial report and annual performance statement, focusing on:
 - the reporting requirements of accounting policies and Approved Accounting Standards;
 - changes to reporting requirements due to changes in accounting policies and Approved Accounting Standards;
 - the assumptions used and processes applied 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 of financial and non-financial information; and
 - significant changes to the content of reports, the operating results, financial position and performance indicators in comparison to the prior year.
- 3.1.2** Review and when satisfied it is appropriate recommend to Council the adoption in principle of the Annual Financial and Performance Statements and review any significant changes and the reasons for those changes that may arise subsequent to any such recommendation but before the financial report is signed.
- 3.1.3** Review significant accounting and external reporting issues and understand their effect on the annual financial report and the audit thereof.
- 3.1.4** Review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators.
- 3.1.5** Review the completeness of corporate governance processes as prescribed in the Governance and Management Checklist of the Local Government (Planning and Reporting) Regulations 2020.

3.2 External Audit

The Committee will:

- 3.2.1** Be briefed by the External Auditor on the audit strategy prior to the commencement of each year's audit process;
- 3.2.2** Discuss and review with the External Auditor the scope and the planning of the audit;



- 3.2.3** Discuss and review with the External Auditor issues arising from the audit, including all significant Management Letter items and the potential impact of those items on Council's system of internal control;
- 3.2.4** Seek resolution on any differing views between Management and the External Auditors on audit findings and recommendations.
- 3.2.5** Ensure significant findings and recommendations made by the external auditor and Management's proposed responses are received, discussed and appropriately actioned by Management;
- 3.2.6** Review on an annual basis the performance of the external auditor; and
- 3.2.7** Meet with the external auditor at least once in each year without Management in attendance.

3.3 Internal Control Environment

The Committee will:

- 3.3.1** Maintain an awareness of local government performance audits undertaken by the Victorian Auditor-General's Office (VAGO) and any other relevant reviews, such as those undertaken by Australian and Victorian public sector integrity bodies, including the Australian National Audit Office, the Independent Broad-Based Anti-Corruption Commission (IBAC), the Local Government Inspectorate and the Victorian Ombudsman and consider relevant recommendations for action or implementation where appropriate;
- 3.3.2** Confirm that Management is aware of these external reviews and have considered the relevant recommendations for action or implementation;
- 3.3.3** Review the adequacy and effectiveness of key systems and controls as a basis for providing a sound internal control framework;
- 3.3.4** Monitor that key policies, procedures, systems and controls are reviewed regularly and updated where required; and
- 3.3.5** Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of Management's response to any instance of non-compliance.

3.4 Internal Audit

The Committee will:

- 3.4.1** Be consulted by Council officers on any proposal or process by Council to appoint or terminate Council's internal audit service provider;
- 3.4.2** Review the scope of the Internal Audit Plan and recommend to Council the approval of the Internal Audit Plan for the coming year. This review should consider whether, over a period of three 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 programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements;
- 3.4.3** Review the proposed scopes for each internal audit and provide recommendations;
- 3.4.4** Review internal audit reports and monitor the implementation of recommendations by Management;
- 3.4.5** Review the level of resources allocated to internal audit and the effectiveness of the function;
- 3.4.6** Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive Officer;
- 3.4.7** Facilitate liaison between the internal and external auditors to promote compatibility, to the extent appropriate, between their audit programs with a view to minimizing duplication;
- 3.4.8** 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 and review Management's responses to, and actions taken as a result of, the issues raised;
- 3.4.9** Seek resolution on any differing views between Management and the internal auditors on audit findings and recommendations;
- 3.4.10** Meet with the internal auditor at least once in each year without Management in attendance;
- 3.4.11** 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; and
- 3.4.12** Ensure that a representative(s) of the Committee and a member of Council's Executive Leadership Team (ELT) not directly involved in the management of the Internal Audit Contract are included on the tender evaluation panel tasked with making recommendations to Council for the appointment of a new internal auditor.

3.5 Risk Management

The Committee will:

- 3.5.1** Review the effectiveness of Council's risk management framework, ensuring it has appropriate risk management processes and adequate management information systems in place;
- 3.5.2** Review Council's risk appetite statement with risk tolerance level and the degree of alignment with Council's risk profile;



- 3.5.3** Review Council's risk profile including the council's strategic risk register and the changes occurring in the profile from meeting to meeting; Consider the adequacy of actions taken to ensure that material risks have been dealt with in a timely manner to minimise exposures;
- 3.5.4** Review to ensure that Council has appropriate insurance and claims management processes in place; and
- 3.5.5** Escalate to Council when the Committee considers that Management is not responding as it should on concerns about the Risk and Opportunity Management Framework.

3.6 Ethical Behaviour

The Committee will:

- 3.6.1** Receive updates from Management of any suspected cases of fraud, corruption, legislative breach or serious misconduct impacting Council;
- 3.6.2** Recommend any specific measures or investigations identified as necessary or desirable by the Committee to Council and/or Management;
- 3.6.3** Monitor any breaches of ethical standards and monitor the implementation of recommendations arising from reports presented;
- 3.6.4** Monitor and provide advice on fraud prevention systems and controls;
- 3.6.5** Monitor any subsequent investigation, including the investigation of any suspected cases of fraud, corruption, legislative breach, serious misconduct or breaches of conflict of interest; and
- 3.6.6** Review the findings of any examinations by regulatory or other independent agencies, and any auditor (internal or external) observations and confirm that Management have taken appropriate action as a result of the findings.

3.7 Matters Referred to the Committee by Council

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



4 COMMITTEE OPERATIONS

4.1 Meetings

The following requirements shall apply to meetings of the Committee:

- 4.1.1** The Committee shall meet as required, but at least quarterly, each year.
- 4.1.2** The Chief Executive Officer, the Chief Financial Officer, Manager Corporate Performance (or their nominated representatives) and internal auditor should attend all meetings, unless otherwise determined by the Committee, having regard to the nature and sensitivity of the matters being discussed.
- 4.1.3** Other members of Management or Council Officers may be invited to attend at the discretion of the Committee.
- 4.1.4** Representatives of the external auditor will attend a meeting to consider the draft annual financial report and results of the external audit and have a standing invitation to attend other meetings.
- 4.1.5** A quorum of any meeting will be at least two independent members (which may include the Chairperson) and at least one Councillor member.
- 4.1.6** Committee members can attend the meeting via dial-in or video conference, and will be included as part of the quorum.
- 4.1.7** 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.
- 4.1.8** Additional meetings shall be convened at the discretion of the Chairperson or at the written request of:
 - any two members of the Committee;
 - the Chief Executive Officer (independently or at the request of Council);
 - the Internal Auditor;
 - or the External Auditor.
- 4.1.9** A schedule of meetings will be developed and agreed by the Committee. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines as advised by the Chief Executive Officer to the Committee from time to time.
- 4.1.10** The agenda and supporting documentation for Committee meetings will be circulated by the Chief Executive Officer or their delegate to members of the Committee at least one (1) week in advance of each meeting.
- 4.1.11** Minutes will be taken at each meeting, documenting attendance, formal recommendations and actions arising.
- 4.1.12** Draft minutes will be prepared by the Chief Executive Officer or their delegate within one (1) week of the meeting for approval by the Chairperson for circulation to members and shall be distributed to Committee members within two (2) weeks of the meeting. Any items designated as "Confidential" by the Committee (which must only be on the basis that the item is considered to be confidential pursuant to the Act) will be noted in separate Confidential Minutes of the Committee.



- 4.1.13** The Chairperson will sign the minutes following the confirmation of the minutes at a subsequent meeting.
- 4.1.14** The unconfirmed minutes will be reported to Council as soon as practicable but not more than two months following the Committee meeting, with any Confidential Minutes reported to Council confidentially.
- 4.1.15** Where a matter is required to be dealt with by the Committee between meetings, a report outlining the matter and a request to vote on the item will be sent by the Chief Executive Officer or their delegate via email, with the outcome to be endorsed and minuted at the next Committee meeting.
- 4.1.16** The Corporate Services Directorate shall provide secretarial and administrative support to the Committee.

4.2 Reporting

- 4.2.1** The Committee may report to Council on any matters of significance as determined by the Committee.
- 4.2.2** The Committee Chairperson must prepare and when approved by the committee provide to the Chief Executive Officer a bi-annual audit and risk report which:
 - describes and summarises the activities of the Committee during the past 6 months;
 - provides any findings and recommendations in relation to the functions of the Committee;
 - request that the Chief Executive Officer table the report at the next Council meeting.
- 4.2.3** The Chairperson is entitled to attend any Assembly of Councillors' meeting at any other time to bring any particular matters to the attention to Councillors which the Chairperson or Committee sees fit. Such meetings may be held with or without Management present at the determination of the Chairperson following consultation with the Mayor.
- 4.2.4** The Charter and details of its members will be published on Council's website.
- 4.2.5** Council's Annual Report will contain information on the membership 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.



5 COMMITTEE GOVERNANCE

5.1 Membership

The Committee will be comprised of five members:

- one (1) independent Chairperson;
- two (2) independent members; and
- two (2) Councillors (plus one alternate Councillor).

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

Management will recruit and recommend the independent members including Chairperson to Council for appointment. A selection panel will be formed comprising at least one independent member and one Councillor representative for the recruitment of independent members. Following the selection process, Management will make a recommendation to the Council on a suitable candidate to be appointed.

In accordance with Council's commitment to cultural diversity and gender equality, composition of the Committee will aim for gender balance and culturally diverse representation, including Aboriginal and Torres Strait Islander representation, through Committee membership.

Chairperson

- 5.1.1** The Chairperson shall be an independent member of the Committee.
- 5.1.2** The Chairperson shall have a casting vote on occasions where there is an equal tally of votes on a matter. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the independent members present.

Independent Members

- 5.1.3** New independent member appointments will be publicly advertised in places determined by the Chief Executive Officer to be appropriate, such as statewide and local newspapers, the Council's website, the online 'Directorships Opportunities' listing provided by the Australian Institute of Company Directors and other channels.
- 5.1.4** Applications for independent membership will be assessed against appropriate criteria. The criteria will fall within the areas of:
- level and breadth of senior business, management, finance and accounting and/or audit experience and qualifications;
 - level of familiarity with Government and in particular local government operations, including financial reporting, auditing requirements, risk management, business ethics and corporate governance; and
 - previous Audit and/or Risk Committee experience.
- 5.1.5** Independent members should also have the ability to provide Councillors, the Chief Executive Officer and Management with well-rounded and professional advice concerning the adequacy of Council's administrative, operational, financial and accounting systems and controls, performance reporting regimes, and risk management processes.

- 
- 5.1.6** Independent members (including the Chairperson) shall be appointed by Council for a term of up to three years. At the conclusion of their first term, existing members will be eligible to apply to be reappointed for one additional three-year term.
 - 5.1.7** Subject to sub-clauses 4.1.8 and 4.1.10, a person can only serve in the positions of independent member or Chairperson for a maximum of 6 consecutive years.
 - 5.1.8** A person may be an independent member of the Committee for 9 consecutive years, provided that during that time the person has been both Chairperson and independent member, such that the person has not served in either role for more than 6 years.
 - 5.1.9** The terms of each member should be arranged so that there is an orderly rotation of membership and avoidance of more than one member retiring at the same time.
 - 5.1.10** Should the resignation/retirement of two of the independent members coincide, Council may extend one independent member's term by one year to ensure continuity, even if doing so will result in the independent member exceeding the maximum term limits in sub-clauses 4.1.7 and 4.1.8.
 - 5.1.11** Council may, at its discretion, remove an independent member from the Committee before the expiry of their term. If Council proposes to remove an independent member (including the Chairperson) from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting.
 - 5.1.12** Remuneration will be paid to each independent member of the Committee as determined by Council from time to time. 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.
 - 5.1.13** All new independent members will receive an induction by the Chief Financial Officer to assist them to meet their Committee responsibilities.
 - 5.1.14** Council can make annual appointments of observers to the Committee for a maximum period of 12 months to enable exchange of relevant experience and knowledge for the Committee's benefit. Any appointed observers will be expected to attend all meetings and will be under the mentorship of one of the independent members. The observer will be subject to the same Conflicts of Interests and Register of Interests compliance requirements as outlined in this Charter for members as well as Confidentiality requirements as outlined in the letter of appointment. The Committee may, having regard to the nature and sensitivity of the matters being discussed, determine from time to time that an observer will be excluded from part or all of a Committee meeting.

Councillor Members

- 5.1.15** Councillor members and an alternate Councillor member will be appointed to the Committee by Council annually.
- 5.1.16** The alternate Councillor member will be entitled and expected to attend a Committee meeting whenever an appointed Councillor member is unable to do so, either on a meeting by meeting basis or for the remainder of their term.
- 5.1.17** Any Councillor who is not a member of the committee, may attend any meeting of the committee as an observer but shall not participate in discussion or voting.



5.2 Performance Evaluation

In accordance with section 54 (4a) of the Act, the Committee must undertake an annual assessment of its performance against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

5.3 Conduct

~~Whilst Members of the Committee are required to comply with~~ sections 123, 125 and Part 6, Division 2: sections 126-131 ~~and Division 3: sections 132 – 134~~ of the Act which includes, amongst other things, the following requirements ~~do not apply to Independent Members of an audit and risk committee, independent members are required to comply with the spirit of those provisions and:~~

- ~~• Submit six monthly interest returns on the form specified by Council, noting this is in accordance with good governance practices rather than a legislative requirement under the Act;~~
- Declare and manage any conflicts of interest which arise in accordance with the Act;
- Not misuse their position on the Committee for personal benefit or to the detriment of Council; and
- Not disclose confidential information obtained through their role on the Committee.

Whilst Division 3: sections 132 – 134 of the Act do not apply to independent members of an Audit and Risk Committee, independent members are required to comply with the spirit of those provisions:

- Submit six monthly interest returns on the form specified by Council (noting this is in accordance with good governance practices rather than a legislative requirement under the Act);

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. Management of interests includes the proper management of any conflicts of interest as and when they may arise.

Members of the Committee must also be fully aware of the statutory definitions of general and material conflicts of interest as set out in Part 6 Division 2 of the Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the independent member's appointment being terminated by Council.

5.4 Insurance and indemnity

Whilst the Act has omitted the requirement to indemnify independent Committee members, Monash continues the practice of indemnifying members. Council will indemnify, and keep indemnified, independent Committee members against all actions or claims (whether arising during or after the term of office of that member) in respect of any act or thing done or omitted to be done in good faith:

- In the performance of their duties and functions as independent members of the Committee; or
- In the reasonable belief that the act or omission was in the performance of their duties



and functions as independent members of the Committee.

5.5 Review of Committee Charter

The Committee will review the Committee Charter on at least a biennial basis, or as required following relevant changes to the Act or other related Acts and Regulations, and recommend any changes to Council for approval.

The next review date will be September 2025.