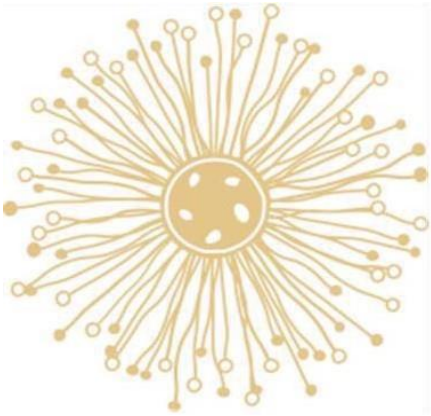
AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER



Amendment List		
Council Resolution Date	**Committee Reference and Date**	**Resolution no.**
3 November 2004	City Management and Finance Committee No. 2004(09) of 26 October 2004	43.04
27 May 2008	Audit Committee No. 2008(01) of 14 May 2008; City Management and Finance Committee No.2008 (02) of 20 May 2008	8, 7
20 July 2010	City Management and Finance Committee No. 2010 (07) of 13 July 2010	6
18 October 2011	Audit Committee No. 2011(04) of 12 October 2011; City Management and Finance Committee No. 2011(10) of 10 October 2011.	3
15 November 2011	Audit Committee No. 2011(05) of 2 November 2011; City Management and Finance Committee No. 2011(11) of 8 November 2011	5
25 February 2014	Audit Committee No. 2014(01) of 12 February 2014 - City Management and Finance Committee No. 2014(02) of 18 February 2014. (No change)	5
25 August 2015	Audit Committee No. 2015(03) of 5 August 2015 - City Management and Finance Committee No. 2015(08) of 18 August 2015	5
17 August 2016	Audit Committee No. 2016(02) of 3 August 2016 – City Management, Finance and Community Engagement Committee No. 2016(05) of 9 August 2016	5
14 November 2017	City Management, Finance and Community Engagement Committee No. 2017(11) of 9 November 2017 – Audit Committee No. 2017(01) of 27 November 2017	9, 6
18 September 2018	Council Ordinary Meeting of 18 September 2018	

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1. INTRODUCTION

The Local Government Act requires that each large local government must establish an audit committee. The Charter defines the role, responsibilities, composition and guidelines of the Audit and Risk Management Committee (the Committee) within Council.

The Committee does not take over management responsibilities within Council.

2. PURPOSE

The Committee acts as an independent, oversight, assurance and advisory service to Council in the effective discharge of its responsibilities prescribed in the Local Government Act, the Local Government Regulation and other relevant legislation and prescribed requirements by monitoring and reviewing:

- The governance structure.
- Values and ethics.
- The integrity of financial documents and public accountability reports.
- The internal and external audit functions.
- Risk management.
- Internal control.
- Management action plans.
- Assurance providers

The Committee can recommend to Council and management about any matters that it considers needs action or improvement.

These terms of reference set the principles and standards for the Audit and Risk Management Committee to:

2.1 Enhance the ability of members to fulfil their legal responsibilities.

2.2 Add to the credibility and objectivity of financial reports.

2.3 Enhance the independence and effectiveness of the Council's Internal Audit Branch.

2.4 Oversee the application of appropriate accounting and disclosure policies and procedures.

2.5 Monitor existing corporate policies and recommend new corporate policies that aim to prohibit unethical, questionable or illegal activities.

2.6 Provide a communication link between management, internal auditors/external auditors and Council.

2.7 Promote the need for public accountability of managers to Council, the ratepayers and other interested parties.

2.8 Support measures to improve governance, risk and internal controls.

3. AUTHORITY, INDEPENDENCE AND ACCESS

3.1 In discharging its responsibilities the Audit and Risk Management Committee has the authority to:

- Conduct or request investigations into matters within its scope of responsibility and in accordance with the Local Government Act.
- Access information, records and personnel of the Council for such purpose;
- Request the attendance of any employee, including executive staff, at committee meetings;
- Conduct meetings with the Council's internal and external auditors and risk manager as necessary; and
- Seek advice from external parties to meet its responsibilities, as necessary provided that Council approval will be required prior to committing to any expenditure required in seeking that advice.

3.2 The Committee will need to liaise closely with management and internal and external auditors to carry out its responsibilities. Whilst the primary responsibility for financial and other reporting, risk, internal control and compliance with laws, regulations and ethics within Council rests with management, the Audit and Risk Management Committee may exercise a monitoring and review role.

3.3 The Committee will have unrestricted access to all information it deems necessary, including documents and officials, and have adequate resources in order to fulfil its oversight responsibilities.

4. CONFIDENTIALITY

4.1 The Committee members are responsible and accountable for maintaining the confidentiality of the information they receive during the conduct of their function.

5. ETHICAL PRACTICES

5.1.1 The Committee members will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity, probity and not engage knowingly in acts or activities that have the potential to bring discredit to Council.

5.1.2 The Committee members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Committee members must not use Council information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of Council.

5.1.3 The Committee members must not publicly comment on matters relative to activities of the Committee other than as authorised by Council.

5.1.4 Members who become aware of a conflict of interest or issue which may affect their objectivity on matters raised within the Committee should advise the Chairperson immediately. Should the Chairperson experience such a conflict he/she is to advise the Chief Executive Officer.

6. MEMBERSHIP

6.1 The Committee will be composed of five members, including the Chairperson, as follows:

6.1.1 The Interim Administrator and two Members of the Interim Management Committee.

6.1.2 Two independent external members, chosen and appointed by Council to ensure impartiality and an appropriate mix of skills. When selecting an external member, Council must have regard to that person having an appropriate accounting or similar background to provide additional expertise to Council. No additional paid professional work may be performed for Council during the period of appointment to the Audit and Risk Management Committee.

6.1.3 The term of an independent external member shall be four years and Council may approve one only extension of four years to that term.

6.1.4 As provided by Section 210(1) of the Local Government Regulation Council will appoint one of the members of its Audit and Risk Management Committee to be Chairperson.

6.2 The Committee has the ability to co-opt any persons as advisers, from time to time for a particular period. No remuneration will apply to these advisers.

6.3 Council can, at any time, appoint a stand-in or replacement Interim Management Committee Member to the Audit and Risk Management Committee.

6.4 The External Auditor, Advisers and Ex Officio members are non-voting observers.

6.5 The Chief Executive Officer (CEO), the Chief Financial Officer, the Internal Audit Manager and the Corporate Services and Risk Manager should attend all meetings as Ex Officio observers but have no voting rights.

6.6 Other Council officers may attend meetings as required by invitation of the Committee.

6.7 The membership of the Committee may be reviewed during the life of the Committee but will be reviewed following the completion of each general local government election.

7. DUTIES AND RESPONSIBILITIES

In accordance with the principles, for an Audit Committee set out in the Act, the Regulation and accepted best practice, the duties and responsibilities of the Committee are as follows:

7.1. ***External Audit***

7.1.1 Oversee Council compliance with the Local Government Act and other relevant legislation requirements for financial reporting.

7.1.2 Review the scope of the total audit activities with the external auditors and provide input and feedback on the external auditor's proposed audit strategy and audit plan including financial statements, and consult on audit fees for the year.

7.1.3 Review of effectiveness of the annual audit, to ascertain whether emphasis is being placed on areas where the Committee, management or the auditors believe special attention is necessary.

7.1.4 Review the findings and recommendations of external audit, management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented in effectively addressing control deficiencies.

7.2. ***Internal Audit***

7.2.1 Ascertain that the activities undertaken by the Internal Audit Branch are in accordance with the Internal Audit Branch Charter and the International Standards for the Professional Practice of Internal Auditing.

7.2.2 Review the internal audit's charter, resources and budget such that this charter maintains and enforces internal audit's independence from management.

7.2.3 Monitor whether the Internal Audit Branch is receiving the co-operation of all levels of management; and in light of its functions and activities, is viewed as a highly regarded function of Council.

7.2.4 Review the planning and scope of internal audit activities and assess the resultant recommendations and findings.

7.2.5 Assess whether all significant recommendations of the Internal Audit Branch have been properly implemented by management in effectively addressing control deficiencies. Any reservations the Internal Audit Branch may have about control risk, and accounting and disclosure practices should be discussed by the Committee.

7.2.6 Review the Three Year Strategic and Annual Internal Audit Plans to assess that it covers the material business risks of the Council.

7.2.7 Monitor the extent of reliance on internal audit work by the external auditors to facilitate completeness of coverage and the effective use of audit resources.

7.2.8 Be consulted and provide advice in the appointment and dismissal of the Internal Audit Manager.

7.2.9 Review and monitor the effectiveness and objectivity of internal audit.

The Audit and Risk Management Committee's responsibilities do not extend to managing the day-to-day activities of Internal Audit Branch. This is a function which is carried out by the CEO.

7.3. *Financial Statements*

7.3.1 Review the appropriateness of accounting policies adopted by Council and ensure the accounting policies adopted are relevant to Council and its specific circumstances.

7.3.2 Review the appropriateness of significant assumptions and judgments made by management particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.

7.3.3 Review the financial statements for compliance with prescribed accounting and other requirements.

7.3.4 Review, with management and the external auditors, the results of the external audit and any significant issues identified.

7.3.5 Analyse the Council's financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.

7.3.6 Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

7.3.7 Recommend approval of the Financial Statements (including sustainability ratios) to the CEO and Mayor.

7.3.8 Review the final draft financial statements prior to its approval by Council, taking on board any external audit comments. In particular the review should focus on but not limited to:

(i) significant changes in accounting policies and practices
(ii) major judgmental areas
(iii) significant audit adjustments
(iv) proposed departures from accounting standards

7.4 Risk Management

7.4.1 Review the risk management framework for identifying, escalating, monitoring and managing significant enterprise risks, including fraud.

7.4.2 Assess the impact of the Council's risk management framework on its control environment and satisfy itself that the insurance arrangements are appropriate.

7.4.3 Assess and contribute to the audit planning processes relating to the risks and threats to Council.

7.4.4 Determine whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

7.4.5 Monitor whether the risk management framework/program is receiving support from all levels of management.

7.5 Fraud and Corruption Control

7.5.1 Review the process of developing and implementing the Council's fraud control arrangements and satisfy itself that Council has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.

7.5.1 Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in Council.

7.6 Internal Control Framework

7.6.1 Review the adequacy of the internal control environment, structure and systems, including information technology security and control.

7.6.2 Review whether relevant policies and procedures are in place, up-to-date and complied with, including those for the management and exercise of delegations.

7.7 Compliance

7.7.1 Determine whether management has considered legal and compliance risks as part of Council's risk assessment and management arrangements.

7.7.2 Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and policies including statutory regulations for any subsidiaries of Council.

7.7.3 Review the findings of any examinations by regulatory agencies, and any auditor observations.

7.7.4 Review the Council's Code of Conduct and recommend changes as appropriate.

7.7.5 Review policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues.

7.8 Other Matters

7.8.1 Determine whether Council is receiving reliable and timely management information.

7.8.2 Review the proposed Annual Report of Council.

7.8.3 Recommend special projects or investigations on any matter within its terms of reference.

8. MEETINGS, RECORDS AND REPORTING STRUCTURE

8.1 The Committee shall meet at least four times a year. The CEO with the Audit and Risk Management Committee's agreement will set the date, time and place for the meetings. Before setting the date, time and place for a Committee meeting, the CEO must, if practicable, consult with the Chairperson of the Committee. In addition, the CEO will call a meeting if requested to do so by any Committee member, or the internal or external auditors.

8.2 A quorum shall consist of three members, at least one of which must be the Interim Administrator. If there is a split vote by members on a resolution the Chairperson at the meeting may exercise a casting vote on the resolution.

8.3 The external auditors shall be given notice of all meetings and sent an agenda. The external auditors shall have the right to attend and speak.

8.4 The Committee Branch shall prepare an agenda supported by necessary explanatory documentation and circulate it to the Audit and Risk Management Committee members, any other Council officer requested to attend and the external auditors, if practicable at least five (5) days before the day of the meeting.

8.5 The Committee Branch will provide secretarial functions to the meetings and prepare a Report of each meeting which will be provided to Audit and Risk Management Committee members and permanent attendees one week after the meeting, at the latest.

8.6 The Report of the Audit and Risk Management Committee meeting will be presented to the next meeting of the City Management and Finance Committee for its consideration.

8.7 The Committee Branch will provide relevant extracts of the Report, upon its adoption by Council, to relevant officers for information and action.

8.8 The Audit and Risk Management Committee may hold periodic private 'in camera'[1] meetings with the Internal Audit Manager and/or external audit generally without senior management being present through a formal process and included in the annual Audit and Risk Management Committee planner.

[1] Source: 'Better Practice Guide – Public Sector Audit Committees', Australian National Audit Office, 2015.

9. INDUCTION

9.1 New members to the Committee will be provided with induction material on their appointment to assist them to meet their Committee responsibilities to allow the members familiarise themselves with the environment and to facilitate their understanding of its principal operations and activities, corporate practices and culture.

10. SELF EVALUATION

10.1 At least biennially, the Audit and Risk Management Committee will assess the performance and achievements of the Committee for the previous period and ensure that it is meeting its objectives efficiently and effectively.

10.2 Confirm biennially that all responsibilities outlined in this charter have been carried out.

10.3 Where this evaluation highlights a need for enhancements to the role, operational processes or membership of the Committee, the Chairperson should take action to ensure such enhancements are implemented.

11. REVIEW OF THE CHARTER

11.1 This Charter will be reviewed annually by the committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.

12. APPROVAL OF THE CHARTER

12.1 The Charter is endorsed by the Chair of the Committee and approved by Council.