

# **ATTACHMENT TO AGENDA ITEM**

**Ordinary Meeting**

**20 March 2018**

**Agenda Item 9.6      Review of Audit and Risk Management Committee  
Charter**

**Attachment 1      DRAFT Revised ARMC Charter.....371**



## GREATER SHEPPARTON CITY COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

#### Purpose

The Audit and Risk Management Committee (Committee) is an independent advisory Committee to Council formed pursuant to S139 of the Local Government Act 1989 (the Act).

The primary objective of the Committee is to assist Council in fulfilling its governance and oversight responsibilities in areas including:

- External reporting, including financial reports, the performance statement and the annual report
- External Audit
- Internal Audit
- Risk Management and internal control
- Compliance
- Fraud and Corruption.

Council has constituted the Committee to assist it in discharging its responsibility to exercise due care, diligence and skill in the following areas:

- Reviewing the effectiveness of risk oversight and management;
- Assessing Council's fraud risk and action to mitigate fraud risk;
- Assessing the effectiveness of the internal control system in relation to accounting and financial records and reporting;
- Assessing the adequacy of financial management practices;
- Exercising oversight of systems in place to protect Council assets;
- Reviewing the adequacy of internal and external reporting (financial and non-financial) to users of financial reports;
- Exercising oversight over compliance with applicable laws, regulations, standards and best practice guidelines;
- Obtaining an independent, effective and efficient external audit;
- Considering significant matters raised during the services provided by both internal audit and external audit.

#### Role

The Committee is a formally appointed committee of the Council and is responsible to that body. The 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 Committee does not have any management functions and is therefore independent of management.

The role of the Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter.

The Committee must adopt an annual work program which reflects the Committee's responsibilities as outlined below:

#### External Reporting

- Review the annual financial statements and performance statement presented by management, together with reports and opinions from the external auditor;
- Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern;
- Review recent regulatory and professional pronouncements and understand their impact on the financial statements;
- Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management;
- Review all matters required to be communicated to the audit committee under Australian Auditing Standards with management and the external auditor, such as significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations;
- Provide a recommendation to Council whether the financial statements and performance statement should be approved, based on review of the financial statements, note disclosures and other information;
- Review the other sections of the annual report before it is released and consider whether the information is understandable and consistent with members' knowledge about the Council and its operations, and is unbiased;
- Review management's processes for ensuring that information put into the public domain is consistent with published financial information and is balanced and transparent.

#### External Audit

- Assess the quality and effectiveness of the audit conducted and evaluate performance of the auditor;
- Review the audit plan for coverage of material risks and financial reporting requirements;
- Monitor and review auditor independence and objectivity;
- Establish ongoing communications with the auditors and ensure access to the Committee
- Review reports from the external auditors (including auditor's reports, closing reports and management letters)
- Discuss with the external auditors matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or

access to information, significant disagreements with management and the adequacy of management response.

#### Internal Audit

- Provide input into assessing the effectiveness and evaluate performance of the Internal Audit Partner and the internal audit function;
- Provide input into recommending to the Executive Leadership Team on the appointment and replacement of the Internal Audit Partner
- Review and provide feedback to management on the selection and approval of the internal auditors
- Review the internal audit structure, independence and access to senior management and the Committee;
- Review the internal audit plan and any significant changes made to the plan;
- Review reports of results of internal audit engagements, audit-related activities, team capability and audit performance
- Enquire of the Internal Audit Partner to determine any scope or budget limitations that may impede the execution of internal audit responsibilities

#### Risk Management, fraud and internal control

- Consider the impact of Council's culture on risk management and internal control;
- Monitor changes in the economic and business environment, including consideration of emerging trends and other factors related to Councils risk profile;
- Review the effectiveness of processes for identifying the entity's risks and the appropriateness of the risk management procedures to maintain activities within Council's risk appetite
- Consider the adequacy and effectiveness of the internal control and risk management framework by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies;
- Understand the processes management has implemented for managing insurable risks and, if applicable, self-insurance including assessing the adequacy of insurance cover
- Review the business continuity planning process and be satisfied that material risks are identified and appropriate business continuity plans are in place
- Review management's anti-fraud/corruption strategies and programs
- Enquire of management, the internal auditor and the external auditor whether they are aware of any actual, suspected or alleged fraud or corruption affecting Council and how they responded to such instances.

#### Compliance

- Monitor the impact of changes in key laws, regulations, internal policies and accounting standards affecting Council's operations;
- Review the effectiveness of Council's systems, policies and procedures that relate to compliance with laws, regulations, internal policies and

- accounting standards, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance
- Obtain regular updates from management and the Manager Corporate Governance about compliance matters that may have a material impact on Council's financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and Council policies
  - Review reporting to monitor compliance with procurement policies and guidelines
  - Discuss with management whether all regulatory compliance matters of the Council have been considered in the preparation of financial statements, such as compliance with accounting standards and the requirement for the financial statements to reflect a 'true and fair' view.

#### Other responsibilities

- Perform other activities related to this charter as requested by the Council.

#### Membership

The Committee will consist of six voting members – **two (2) Councillors and four (4) external independent persons**. All members shall have full voting rights with the Chairperson having a casting vote.

Each member must be financially literate and at least one member must have accounting or related expertise.

Councillors have direct responsibility for selecting the members of the Committee, including the Chair, who will be independent and not a Councillor. Vacant positions on the Committee will be advertised, and applications will be presented to Councillors at a briefing session, for them to make a selection. Where interviews are required to make a final selection, this activity will be conducted by the two Councillors who are members of the Committee.

The evaluation of all independent candidates by Councillors will take into consideration the following key qualities:

- A thorough understanding of local government;
- A mindset that is independent of Council's management;
- Strong communication skills;
- High levels of personal integrity and ethics;
- Sufficient time available to devote to executing responsibilities; &
- Financial literacy

Composition of the Committee will be reviewed annually by Councillors to ensure the appropriate balance of skills, knowledge and experience. If the Council proposes to remove a member of 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 Councillor Briefing, if that member so requests. In addition, the council may remove a member of the committee if he/she fails to attend three (3) consecutive meetings without

Greater Shepparton Audit and Risk Management Committee      Page 4  
Charter ~DRAFT 07 December 2017

leave of the committee by a carried resolution, or on the recommendation of the committee.

Appointments of external persons shall be made by Council by way of a public advertisement and be for a maximum term of three (3) years with retiring members eligible for re-appointment for a further one (1) term of a maximum of three years.

An appropriate induction program will be conducted by management for new committee members upon appointment.

Each member of the Committee must complete a "Register of Interest" return (twice yearly) and sign a confidentiality agreement (appendix "A") on appointment.

In the event of an external independent member being elected to Council or any Council Committee they must automatically resign from the Committee.

Remuneration will be paid to each external independent member of the Committee as a set fee per meeting. The Committee Chair will be paid a higher fee than other independent members to reflect the extra responsibilities of this role. Remuneration will be reviewed annually by the Council.

A quorum shall consist of **four** voting members of the Committee.

The Chief Executive Officer, Director Corporate Services, Manager Corporate Governance, Manager Finance and Rates and Team Leader Risk and Assurance or delegates shall attend all meetings. Other members of the Council or Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.

Representatives of the external auditor should be invited to attend at the discretion of the Committee but **must** attend meetings considering the annual audit strategy, draft annual financial report and results of the external audit.

The Internal auditor is to provide a status report of the Internal Audit Plan at all ordinary meetings.

Members of the Committee will be covered by Council's insurance policies while engaged in the business of the Committee.

#### Meetings

The Committee shall meet at least quarterly. The meetings will be held in camera. The Team Leader Risk and Assurance will act as Committee secretary.

The meetings will be formally structured with an agenda and the discussion papers circulated two weeks before the meeting.



Minutes of meetings will be prepared and circulated to Committee members within four weeks of each Committee meeting.

A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines.

Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee.

Members of the Committee will not directly or indirectly release or make available to any person information related to the work or discussions of the Committee except in accordance with any direction of the Council.

#### Reporting

Minutes of each Committee meeting shall be presented to Councillors at a briefing to be given by one of the member Councillors and the Council may invite the Chairperson to attend the briefing.

The Chairperson may request to meet with the Mayor and/or Council to report on Committee issues.

The Chairperson shall prepare a bi-annual audit and risk report that describes the activities of the Committee and include its findings and recommendations and provide a copy of the biannual report to the Chief Executive Officer for tabling at the next meeting.

#### Review

The committee will conduct an annual review of its performance and effectiveness against this Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

Appendix A

GREATER SHEPPARTON CITY COUNCIL  
AUDIT AND RISK MANAGEMENT COMMITTEE  
Confidentiality Agreement

THIS AGREEMENT is made the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

BETWEEN

AND

I hereby agree that I must not, whether during or after my membership of the Greater Shepparton City Council Audit and Risk Management Committee, unless expressly authorized by the Chief Executive Officer or in accordance with law make any disclosure or use of:

Any information or trade secrets of the council:

The position of the council or of any councilor or council officer on any confidential matter:  
or

Any other information whatsoever, the disclosure of which may be detrimental to the interest of the council or of any other person who has provided it to the council on a confidential basis, unless I am required to disclose the information by law. I must use my best endeavours to prevent the improper publication or disclosure or use of any such information by anyone else.

The termination or expiry of my membership of the committee, for whatever reason, does not affect or derogate from my obligations of confidentiality set out above.

Signed by:

.....  
Xxxxxx  
COMMITTEE MEMBER

Signed for and on behalf of Greater Shepparton City Council:

.....  
Peter Harriott  
CHIEF EXECUTIVE OFFICER