



## AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Director, Corporate Services		
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Records Number:	179384	Council/CEO Decision:	Council
Legislation Reference:	Section 86 of the <i>Local Government Act 2019</i>		

### 1 PURPOSE

Council has established and maintains an Audit and Risk Management Committee to provide additional oversight of the audit process and outcomes, effectiveness of internal controls, and risk management processes. The Audit and Risk Management Committee play a central role in independently reviewing Council's internal control processes and provides Elected Members with a level of assurance on the effectiveness of the Council's financial and corporate governance practices as well as compliance with legislative and regulatory requirements.

The purpose of this Charter is to outline the functions and responsibilities of the Audit and Risk Management Committee (the Committee) in assisting Council to fulfil its oversight and corporate governance responsibilities.

### 2 SCOPE

This policy applies to all elected members, employees and members who are appointed to or involved in Council's Audit and Risk Management Committee.

### 3 DETAILS

The Audit and Risk Management Committee's primary role is to provide independent assurance and advice to Council in the following areas:

- issues relevant to the integrity of Council's financial reporting
- financial and non-financial performance reporting
- risk management, including enterprise risk management, workplace health and safety, fraud and corruption prevention, business continuity planning and disaster recovery
- internal and external audit
- internal control framework including policies and procedures as they apply to:
  - financial reporting
  - management policies, for example entertainment expenses, use of corporate credit cards
  - administrative policies, for example information management, privacy and risk management

- compliance of Council policies and procedures with the overarching governance principles, the Act, the regulations, any Ministerial directions and other relevant legislation and regulations.

It does this through the provision of independent advice and recommendations on matters relevant to its Charter, to facilitate decision-making by Council.

## ESTABLISHMENT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Section 86 of the *Local Government Act 2019* requires Council to establish an Audit and Risk Management Committee to monitor and review the integrity of Council's financial management and its internal controls and to make recommendations to Council about matters within its remit that may require Council consideration.

The Audit and Risk Management Committee can assist in identifying areas where changes are required to reduce the risk of Council's exposure to fraud or unauthorised transactions and may also act as a conduit between Council and its auditors to help improve financial reporting, accountability and transparency within Council.

The Audit and Risk Management 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.

Members of the Audit and Risk Management Committee must be appointed by Council resolution.

The Audit and Risk Management Committee will play an active role in:

- developing and maintaining a culture of accountability, transparency and integrity
- facilitating the integration of good financial and corporate governance practices into day-to-day business activities and processes
- promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards, and
- fostering a culture of performance and achievement of outcomes.

## COMMITTEE ROLES AND RESPONSIBILITIES

The role of the Audit and Risk Management Committee is to:

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.
2. Review and recommend appointment of internal and external auditor to council.
3. Review and recommend adoption of the Annual Financial and Performance Statements to Council and review any significant changes and the reasons for the changes that may arise subsequent to any such recommendation but before the financial report is signed.
4. Provide oversight of Council's Risk Management Framework
5. Provide oversight of activities conducted by auditors and any other assurance providers.
6. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems in place to report on Council's risk profile and changes to it
7. Escalate to Council when the Committee considers that management is not responding as it should on concerns about the Risk Management Framework, and

8. Monitor reported related party transactions, the implementation of recommendations arising from reports presented and review the effectiveness of Council's internal control systems
9. Review the Council's fraud and corruption reporting framework as established under the Fraud and Corruption Reporting Policy to ensure the Council has appropriate processes and systems in place to ensure material fraud risks to the Council are treated and any alleged fraud activities are investigated
10. 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.

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

The independent Chairperson is responsible for:

- recommending to the Elected Members and Chief Executive Officer the appointment of Audit and Risk Management Committee members
- assisting committee members to maintain a good understanding of Council's objectives, business needs, risks and priorities
- settling the agenda for each meeting with the committee secretariat
- leading discussion and encouraging the participation of other members, and focusing the committee's deliberations on the most important issues
- seeking the input of observers or other experts to maximise their contribution to the deliberations of the committee
- summarising discussion outcomes and actions, including assigning responsibility and timeframes for actions
- reporting formally and informally to the Elected Members and Chief Executive Officer
- attending formal and informal meetings with the Chief Executive Officer, Directors and external auditor as required, and
- arranging for a periodic review of the performance of the Committee against its charter.

The independent representative is responsible for:

- attending Audit and Risk Management Committee meetings
- at the request of the Chairperson, being available for discussion with the Chairperson, other members, management or the external auditor between meetings of the Committee
- whenever necessary to facilitate the effective performance of the Committee's duties, attends meetings, workshops or briefings of the Council
- engage in discussion and contribute to the debate at meetings so that all matters on the agenda are dealt with effectively and appropriately, and
- engage in regular assessments of the effectiveness of the Committee's performance.

A member of the Audit and Risk Management Committee will not:

- improperly use information acquired as a member of the Committee to gain, directly or indirectly, a financial advantage for that person or someone else
- improperly use information acquired as a member of the Committee to damage Council's reputation
- release information that the member knows or should reasonably know is information that is private or confidential to Council
- make public or media comment on behalf of Council, unless the Member is authorised in accordance with Council's Media Policy.

### Conflicts of interest

Committee members will at all times discharge their duties and responsibilities honestly and with objectivity and will not engage knowingly in acts or activities that have the potential to bring discredit to Council or be considered a conflict of interest.

All committee members have an obligation to disclose to the committee, any material personal interest which relates to the business of Council. When an issue arises at a committee meeting, relating to such an interest, the Chairperson will advise the committee member not to attend the meeting while the matter is discussed and that they may not vote on such an issue, unless the non-conflicted members pass a resolution that the member may either remain for the discussion but not vote or remain for the discussion and vote.

The non-conflicted members will only pass such a resolution when they are strongly of the view that the nature of the conflict does not inhibit the conflicted member from deciding in the best interest of Council. Members have an obligation to disclose to the committee any other interest which the member believes is appropriate to disclose in order to ensure there is no actual or perceived conflict of interest.

## **COMMITTEE MEETINGS**

The Audit and Risk Management Committee will convene a minimum of twice in a twelve-month period. Alternatively, a committee meeting can be convened when Council or the Chairperson so requests. In such situations, a minimum of seven days' notice must be given unless it is an emergency meeting.

The meeting agenda and previous minutes are provided to committee members no less than seven calendar days prior to a scheduled meeting.

Meetings are conducted to allow a full and frank exchange of views while at the same time ensuring that a positive committee culture is maintained. A full set of minutes is to be kept.

In order to provide an even distribution of work over each financial year, the committee will adopt a twelve-month calendar, which includes all scheduled committee meetings.

Attendance at committee meetings by members can be in person and/or via audio/audio-visual conference. Audit and Risk Management Committee members should endeavour to attend at 100% of scheduled meetings.

### **Quorum**

A quorum consists of no less than three voting members.

### **Voting rights**

Those individuals who are officially appointed to the Audit and Risk Management Committee have equal voting rights. Where a vote is taken, and the result is undecided the Chairperson has the casting vote.

Alternate Elected Member has no formal voting rights unless attending as the replacement member.

## **REPORTING**

As soon as practicable after each Committee Meeting, the Chief Executive Officer must give Council a written report about the matters reviewed at the meeting and the Committee's recommendations about the matters.

## **SECRETARIAT SUPPORT**

Council will provide secretariat support to the Audit and Risk Management Committee to ensure minutes and agendas are provided to committee members.

Council will ensure the Audit and Risk Management Committee members have access to the agenda, meeting papers and prior unapproved minutes no less than seven (7) calendar days prior to a scheduled meeting.

## **COMMITTEE PERFORMANCE**

The Committee will evaluate their own performance collectively against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

## COMMITTEE MEMBERSHIP

The Audit and Risk Management Committee will comprise a minimum of four (4) members. This includes an independent Chairperson, one independent representative and two Elected Member. Council may appoint an alternate Elected Member to the Committee.

Council's Chief Executive Officer and the Director of Corporate Services are invited to attend all meetings as permanent attendees; however they have no voting rights.

Alternate Elected Member may attend and contribute at meetings but has no voting rights unless attending as a replacement member.

Non-permanent invitees may be requested to attend Committee meetings for the purpose of providing information to the Committee.

### Selection process

New independent member appointments will be merit and skill based through an open process.

Consideration should be given to the type of skills, personal attributes and practical experience each independent representative must have before being considered. Factors to consider include:

- level of knowledge and practical exposure on governance and financial management practices
- general level of understanding of local government and Council's operations
- capacity to dedicate adequate time to the committee
- depth of knowledge of regulatory and legislative requirements, and
- ability to maintain professional relationships particularly with Elected Members, staff and other stakeholders.

### Independent Chairperson

The independent Chairperson plays a pivotal role in the effective functioning of the Committee, with particular responsibilities to set the tone and direction of the committee's deliberations and is the most important appointee. The Chairperson needs to have expertise and experience in governance and to bring personal qualities and independence to the role that will openly and effectively involve all those the Committee needs to work with.

The requirements for the independent Chairperson include:

### Skills

- High level managerial skills to work independently, exercise initiative and meet deadlines.
- Excellent communication skills, both verbal and written.
- The ability to interpret legislative requirements and develop appropriate strategies and responses.

### Knowledge

- Significant experience in budget, financial and program management.
- The management of multi-disciplinary teams.
- Negotiating with external agencies and customer groups and delivering results in a complex environment.
- Familiarity with workplace health, safety and welfare and equity and diversity policies and practices.

### Experience / Qualifications

- Desirable qualification up to Bachelor Degree level in administration, finance and/or business management.
- Ability to deal with several issues/projects concurrently.

## Independent representative

The independent representative should have the ability to provide Elected Members, the Chief Executive Officer and Council's administration 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.

### Skills

- High level managerial skills to work independently, exercise initiative and meet deadlines.
- Excellent communication skills, both verbal and written.
- The ability to interpret legislative requirements and develop appropriate strategies and responses.

### Knowledge

- The role of local government.
- Experience in budget and financial management.
- Familiarity with workplace health, safety and welfare and equity and diversity policies and practices.

## Term of Appointment

All Audit and Risk Management Committee members (other than Council staff) are appointed for a two-year period and can be re-appointed by Council resolution. An individual can only serve in the positions of independent Chairperson or member for a maximum of three terms (or six consecutive years).

## Termination or resignation of Committee members

Audit and Risk Management Committee members can cease being a member of the committee if they provide, in writing, a letter of resignation to the Mayor through the Chief Executive Officer.

The Chairperson is appointed by Council for a set period and can be terminated by Council subject to the appointment agreement.

## Remuneration

Remuneration for independent members is at the discretion of Katherine Town Council. The Council will consider, among other matters, the time, commitment, responsibility required in undertaking duties, and parity with other local government entities equivalent to Council's size and complexity.

Fees will be paid to independent members on a per meeting basis in arrears.

Bona fide expenses incurred by independent members will be paid or reimbursed in accordance with Council's Expenses Policy.

## 5 ASSOCIATED POLICIES/DOCUMENTS

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Privacy policy

Confidential Information policy

Media policy

Advisory Committee Policy

## 6 REFERENCES AND RELATED LEGISLATION

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*Local Government Act 2019*

### Revision History

Version	Approval date	Details of change	Responsible officer
1	May 2015	Created	CEO
2	23 June 2020	Included risk management	CEO
3	7/06/2023	Revision for compliance with new <i>Local Government Act 2019</i>	Director, Corporate Services