

Council Policy
AUDIT AND RISK COMMITTEE
CHARTER

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1. PURPOSE

The purpose of this Charter is to outline the role, responsibilities, composition and operating guidelines of the Audit and Risk Committee of Noosa Shire Council (Council).

2. LEGISLATIVE MANDATE

The Audit and Risk Committee is an advisory committee of Council, established and governed in accordance with section 105 of Queensland's *Local Government Act 2009* and Subdivision 2 of the *Local Government Regulation 2012*, which require each local government to establish an Audit Committee.

3. AUTHORITY AND INDEPENDENCE

The Audit and Risk Committee (Committee) has authority to review and make recommendations to Council on any matters within its scope of responsibility as outlined in this Charter. This includes:

- Seeking information it requires from Council's management and staff, all of whom are required to cooperate with the Committee's requests;
- Meeting and discussing matters with Council officers, internal auditors and external auditors, as required;
- Requesting the attendance of any employee, including the Chief Executive Officer and executive staff, at formal Committee meetings; and,
- Seeking advice from external parties, as necessary.

The Committee has no formal decision making role. The Committee reports to Council.

Furthermore, the Committee is independent of Council's management and does not have any executive powers, delegated responsibilities or authority to implement actions over which management has responsibility. However, it is expected that the Committee needs to liaise with management and auditors to carry out its responsibilities.

4. ROLE & RESPONSIBILITY

The key duties of the Committee through its respective functions are to assist Council to discharge the responsibilities of due care and diligence in relation to:

- The delivery of the organisation's outputs efficiently, effectively and economically so as to obtain optimal value for money;
- Optimising the organisation's performance in terms of quality, quantity, timeliness, cost and where appropriate, location;
- Reporting organisational financial and operational information to the users of its reports in a relevant, reliable and timely manner;
- Ensuring the integrity and consistency of the organisation's corporate culture relative to ethical conduct and probity, including in relation to its tendering, contracting and other procurement processes; and
- Initiating special investigations as it sees fit, or as directed by Council, in relation to matters set out in this Charter.

Furthermore, the Committee shall have a clear view of the maturity and performance of Council's core corporate governance systems. This includes Council's:

- Financial accounting processes, reporting and financial sustainability,
- Compliance frameworks,

- Governance structure, including financial delegations, adequate oversight, and reporting on significant projects or outsourced functions,
- Internal audit and other assurance providers, including external audit,
- Operational performance monitoring, and
- Risk management, including fraud and corruption risk.

This will be achieved by the Committee providing prompt and constructive advice to Council, particularly where issues are identified that could present a material risk or threat to the Council.

Furthermore, the role of the Committee is to provide independent assurance, oversight, monitoring, review and advisory activities to Council on the following responsibility areas outlined below.

4.1 Financial statements and reporting

- Review the appropriateness of accounting policies adopted by Council and ensure the accounting policies adopted are relevant to council and its specific circumstances.
- Review the appropriateness of significant assumptions and critical judgements made by management, particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.
- Review the financial statements for compliance with prescribed accounting and other requirements.
- Review the results of the external audit and any significant financial issues identified.
- Exercise scepticism by questioning and seeking full and adequate explanations for any complex or unusual transactions and their presentation in the financial statements.
- Analyse the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Monitor and assess progress against agreed financial statement preparation and auditing milestones.
- Review with management and the external auditors any significant adjustments or changes between draft and final financial statements.
- Review Council's draft financial statements prior to submission to the Auditors and review of the final financial statements prior to adoption by Council.
- Review the draft annual report before release and consider the consistency of financial information being reported.

4.2 External Audit

- Review the external auditor's proposed audit scope, approach, client strategy and audit fees for the ensuing year, including coordination of audit effort with internal audit.
- Review the external auditor's closing reports, long form audit reports and observation reports relating to council's interim and final audit, and monitor management's responsiveness to external audit recommendations and the timeliness of implementation of agreed actions with particular emphasis given to recommendations where a Significant Deficiency has been identified.
- Provide input and feedback on financial statement and performance audit coverage proposed by external audit, and provide feedback on the audit services provided.

4.3 Internal Audit

- Assess and contribute to the internal audit planning processes relating to the risks and threats to Council, taking into account the financial and operational environment in which it operates and its performance management framework.

- Review and approve the annual internal audit plan, its scope and progress, and any significant changes to it, including any difficulties or restrictions on scope of activities to ensure it aligns with Council's risks and provides adequate coverage
- Provide advice to Council on the annual internal audit budget and oversight of the internal audit function, including the independence, adequacy of skills and resourcing for internal audit.
- Review internal audit findings, responses by management and monitor implementation of agreed outcomes.
- Assess the sufficiency of management's planned actions to address findings and recommendations.

4.4 Risk Management

- Review Council's risk management framework for identifying, monitoring and managing significant risks, including fraud.
- Review Council's performance against the risk management framework, including whether it is operating within the risk appetite set by Council.
- Consider reports on changes in the corporate and directorate risk profile, including consideration of emerging risk areas.
- Satisfy itself that insurance arrangements are appropriate and in alignment with Council's risk management framework, where appropriate. This includes annually review Council's insurance coverage.
- Liaise with management to ensure there is a common understanding of the key risks to Council. These strategic risks will be clearly documented in a strategic risk register which will be regularly reviewed to ensure it remains up-to date.
- Assess and contribute to the audit planning processes relating to the risks and threats to Council.
- Consider identified opportunities to improve the efficiency and effectiveness of Council's operations.
- Review effectiveness of Council's processes for identifying and escalating risks, particularly strategic risks.
- Advise Council regarding the management of its strategic risks.

4.5 Fraud and corruption controls

- Monitor and assess whether management has in place a current and comprehensive fraud and corruption control strategy, including Council's policy, plan, actions and targets together with self-assessment tools.
- Consider reports on fraud and/or corruption that outline any identified allegations of fraud and/or corruption, the status and/or outcomes of significant investigations and any changes to identified fraud and/or corruption risk profiles.
- Assess the adequacy of fraud and/or corruption reporting systems and reporting to capture, monitor and report on fraudulent and/or corrupt activities including Public Interest Disclosures in an efficient, effective and timely manner.

4.6 Governance, compliance and reporting

- Assess and enhance Council's corporate governance framework, including its systems of internal controls.
- Consider how management identifies any required changes to the design or implementation of key internal controls.
- Recommend governance and internal control improvements for management consideration.

- Provide oversight and seek assurance on a risk informed basis that Council's policies and procedures are in place to support an effective control environment, informed risk management, and frameworks that promote compliance with legislative requirements.
- Appraise Council's financial, operational and compliance reporting processes.
- Assess whether the agency uses appropriate benchmarks, targets and trend analysis.
- Review Council's draft Annual Report prior to adoption by Council.
- Consider whether management has in place an overall compliance and accountability framework together with relevant policies and procedures which reflect legislative, regulatory and policy requirements, and that these are periodically reviewed and updated.
- Monitor the effectiveness of the system and structure for ensuring compliance with laws and regulations, with particular focus on the Local Government Act and other legislative requirements relevant to Audit and Risk Committee areas of focus.
- Review the findings of any examinations by external regulatory agencies, and monitor management's implementation of improvement recommendations including timeliness of implementation.
- Communicate and bring awareness to the work that this Committee undertakes to Council and the community.

5. RELATIONSHIPS

5.1 Internal Audit

The Committee will act as a forum for internal audit and oversight of its planning, monitoring and reporting processes. This process will form part of Council's governance processes to ensure that Council's internal audit function operates effectively, efficiently and economically. Within this context, Council does not have a dedicated resource to perform the internal audit function. Its practice is to engage external providers to undertake approved internal audits. The internal audit function is governed by Council's [Internal Audit Policy](#).

The internal auditor will be invited to present on audit reports and recommendations.

The Chair of the Committee may interact directly with Council's Internal Audit provider as required.

5.2 External Audit

The Committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the consideration of external audit findings to ensure they are balanced with the views of management.

The Committee will consult with external audit on that function's proposed audit strategy and audit fees for each year and ensure that an integrated audit process occurs, to the extent practicable. Furthermore, the Committee will report letters and reports provided by an external auditor.

5.3 Executive and line management

The Committee will liaise closely with Council executive management and ensure, to the extent practicable, that there is no material overlap between the internal and external audit functions. The Committee will ensure that there is a frank and meaningful exchange of information between executive management where this is necessary or desirable.

In respect to Council's line management, the Committee will focus on assessing whether the actions proposed to address audit concerns are reasonable, satisfactory and cost-effective and will ultimately enhance the effectiveness and efficiency of Council's operations.

6. MEMBERSHIP AND MEETINGS

6.1 Membership

Membership of the Committee will observe legal requirements and in accordance with section 210 of the *Local Government Regulation 2012*, the Committee will consist of two Councillors.

Additionally, the Council, by resolution, will appoint two independent external members with the appropriate qualifications to the Committee. At least one member will have significant experience and skills in finance matters.¹

Committee members are independent of Council's management and are objective with diverse experience which creates a solid foundation for robust and insightful discussions and questions.

The Chief Executive Officer (CEO) cannot be a member of the Committee, but is a standing invitee to committee meetings. The CEO will provide a strategic update to the Committee at each meeting.

Upon invitation, meetings may be attended by relevant managers and technical officers, as appropriate and required by the Committee.

Non-Committee Councillors may attend meetings in an observer capacity.

A representative of the Queensland Audit Office will be invited to attend meetings of the Committee and to contribute where appropriate.

Collectively, the Committee shall possess:

- A thorough understanding of the core activities of Council and the environment in which it operates, including its strengths, weaknesses, opportunities and threats;
- A commitment to the continual improvement of the outputs that the organisation delivers and that contribute to the achievement of Council's priorities;
- Strong business acumen and management skills;
- A high level of understanding of best practice internal control, risk management and corporate governance;
- A sound knowledge of information systems and emerging technology;
- A high level of competency in financial and operational reporting and the ability to analyse complex financial reports including Council's Operating Statement, Statement of Financial Position, Cash Flow Statement and Notes to and forming part of those statements;
- An inquiring attitude, objectivity and independence; and
- A strong, demonstrated sense of probity and ethical conduct.

6.2 Rotation of members

Periodic rotation of Committee Members contributes to maintaining the independence of the Committee and introduces new perspectives to deliberations. It is important to balance stability of membership against the benefits of periodically refreshing committee membership, to maintain a sufficient level of knowledge and experience on the Committee.

In accordance with best practice, a phased approach to the rotation of independent Committee members to preserve an appropriate level of knowledge and expertise on the Committee is preferred. To lessen the loss of an experienced member, the Council may wish to have new members join the Committee before existing members depart.

¹ *Local Government Regulation 2012* (QLD) s 210(1)(b)(ii)

6.3 Term of appointment

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. In accordance with Queensland Treasury Guidelines, it is preferred that independent members are appointed for a minimum of two years with a maximum tenure of six years.

6.4 Chair

The Chair, appointed by Council, will be external to the Council and is suitably qualified, sourced via an expression of interest.

The Chair will possess sound communication and strong leadership skills. The Chair will regularly consult with, and report to, the CEO to ensure the Committee's agenda, style and discussion are providing the level of assurance Council needs and expects.

Noting the Audit Committee Guidelines issued by Queensland Treasury, this arrangement should be for an initial period of no longer than three years, with any extension of the Chair, based on performance, for a further three years, giving a maximum of six years of service.

6.5 Secretary

A secretary/secretariat function will be appointed by the CEO to facilitate the committee's meetings and reporting duties.

The Secretary, in consultation with the Chair, will be responsible for the preparation and circulation of the meeting agenda and accurately minuting all decisions of the Committee.

The Secretary will also be responsible for the timely tabling of all correspondence, reports and other information relevant to the Committee's activities and operations.

6.6 Meetings

Meetings shall be conducted on a formal basis and be effectively minuted by the Secretary as to proceedings and decisions. Meeting agendas must be prepared and distributed to all members of the Committee at least seven (7) days prior to a meeting. Minutes of meetings must be prepared and distributed to Committee members as soon as possible after the conclusion of the meeting and must be confirmed as an accurate record of the meeting at the next subsequent meeting of the Committee.

In the setting of the Committee Agenda, there will be an emphasis on the most significant risks and threats to Council and the ongoing evaluation of what is being done to mitigate such risks.

The Committee shall meet at least three times per year and the schedule of meetings will be agreed in advance. In addition, the Committee Chairperson may call such additional meetings as may be necessary to address any matters referred to the Committee or in respect of matters that the Committee wishes to pursue.

A quorum shall consist of at least three (3) members. As far as practicable, decisions of the Committee shall be regarded as its collective decision or advice. However, where there is material dissension to a decision, a minority view may be placed before the Council.

6.7 Other attendees at committee meetings

The Chairperson may invite a representative of external audit or other appropriate persons to attend any meeting of the Committee and to present and comment on appropriate items.

Where advice is required in relation to a matter subject to a committee inquiry and it is considered sufficiently material to warrant the services of a specialist external consultant, the Committee may request Council assistance.

6.8 Committee reports

The Audit and Risk Committee must prepare prompt and timely meeting minutes and reports to Council as soon as practicable after each meeting outlining relevant matters that have been considered by it, as well as the Committee's opinions and recommendations thereon.

A summary of the role and achievements of the Committee shall be included in the Annual Report of Council together with a statement that the Committee has observed the terms of its Charter.

7. ADMINISTRATIVE ARRANGEMENTS

7.1 Schedule of meetings

The Committee will maintain and update an Audit and Risk Committee forward meeting schedule that includes proposed agenda items for each meeting for the forthcoming year to demonstrate how it intends to discharge its responsibilities under this Charter.

7.2 Ethical practices

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

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. 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 the organisation. Further, members must treat all information received as confidential and not publicly comment on matters relative to activities of the Committee other than as authorised by Council.

7.3 Conflicts of Interest

Committee members are required to declare any interests that could constitute a real, potential or perceived conflict of interest with respect to participation on the Committee. The declaration must be made on appointment to the Committee and in relation to specific agenda items at the outset of each committee meeting, and be updated as necessary.

As such, members who become aware of a conflict of interest or issues which may affect their objectivity on matters raised within the Committee should advise the Chair immediately. In the case of the Chair, they are to advise the CEO.

7.4 Induction of new members

New members of the Committee will be provided with induction material to allow the members to familiarise themselves with Council and to facilitate their understanding of its principal operations and activities, corporate governance arrangements, corporate practices and culture.

New members will receive relevant information and briefings upon their appointment to assist them in meeting their obligations under this Charter. Further training may be made available if required.

8. COMMITTEE PERFORMANCE REVIEW

On an annual basis the Committee Chair will:

- Assess the performance of the Committee and take appropriate action if required in respect of areas where there is a perceived need for enhancement of its role, operational processes or membership; and,
- Provide each individual member of the Committee with feedback on that person's work

performance and professional contributions to the Committee’s activities for the year.

9. REVIEW OF CHARTER

The Charter will be reviewed annually by the Committee to ensure it remains consistent with the Committee’s authority, objectives and responsibilities.

Any substantive changes to the Charter will be recommended by the Committee for consideration and, if appropriate, adoption by Council.

10. DEFINITIONS

Charter means a document which outlines the role, responsibilities, operational requirements and reporting obligations of the Audit and Risk Committee.

Independent external member means a professional, experienced individual appointed to the Audit and Risk Committee by Council, who is independent of Council and councillors.

Audit Committee means a committee that is established in accordance with section 105(2) of the Queensland *Local Government Act 2009* and that:

- (a) Monitors and reviews –
 - i. the integrity of financial documents, and
 - ii. the internal audit function; and
 - iii. the effectiveness and objectivity of the local government’s internal auditors; and
- (b) makes recommendations to the local government about any matters that the audit committee considers need action or improvement.

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	New Policy		Council	28/08/14
1.1	Updated Policy	Y	Council	27/08/15
1.2	Updated Policy	Y	Council	17/11/16
1.3	Updated Policy	Y	Council	19/10/2017
1.4	Updated Policy	Y	Council	20/12/2018
1.5	Updated Policy	Y	Committee	21/02/2020
1.5	Updated Policy	Y	Council	19/03/2020
1.6	Updated Policy	Y	Council	21/05/2020
1.7	Updated Charter	Y	Council	18/03/2021
1.8	Updated Charter	Y	Council / ARCo	17/03/2022