

# AUDIT & RISK COMMITTEE CHARTER

Version Control		
Council Meeting Date	Resolution No.	Comments
22/11/2016	4720	
26/04/2017	4873	Updated following council's endorsement for an additional independent member, Council resolution 4827
11/7/2017	4982	Updated following council's endorsement of new Chair and additional independent member and noting change in Proxy arrangements
26/6/2018	5470	Updated to new branding template
25/06/2019	6141	Updated following appointment of two new Committee members (resolutions 6009 & 6067)
26/05/2020	6618	Updated following Local Government Elections and appointment of a new Alternate Member
28/10/2020	6932	Update to terms of office
24/03/2021	7192	Document readopted, no amendments made.
30/06/2021	7343	Amended to include all elected members to receive the agenda
27/04/2022	7803	Document readopted, no amendments made.
29/06/2022	7921	Updated following Council's appointment of Cr Moffat, replacing Cr Pickels
27 Sept 2023	8500	Updated to amend Chairperson and appointment of new External Members (resolutions A001258 and 8500),

The *Local Government Act 2009* (Act) requires that each large local government must establish an Audit Committee, Isaac Regional Council has therefore established the Audit & Risk Committee. In addition to those identified in the Act and *Local Government Regulation 2012* (Regulation) and Audit & Risk Committee Policy, this Charter defines the role and responsibilities of the Audit & Risk Committee (Committee) within Council and in particular how the Committee will operate and perform its functions.

This Charter should be read in conjunction with the Audit & Risk Committee Policy.

## PURPOSE

The primary objective of the Committee is to assist Council in fulfilling its oversight responsibilities relating to accounting and reporting requirements imposed under the Act and other relevant legislation, in particular relating to Audit and Internal Audit obligations.

## PRINCIPLES OF THE COMMITTEE

This Charter sets the principles and standards for the Committee to:

- Enhance the ability of members to fulfil their legal and governance responsibilities.
- Add to the credibility and objectivity of financial reports.
- Enhance the independence and effectiveness of the Council's Internal Audit function.
- Oversee the application of appropriate accounting and disclosure policies and procedures.
- Monitor existing corporate policies and recommend new corporate policies that aim to prohibit unethical, questionable or illegal activities.
- Provide a communication link between management, internal auditors/external auditors and Council.
- Promote the need for public accountability of managers to Council, the ratepayers and other interested parties.
- Support measures to improve governance, risk and internal controls.

## AUDIT & RISK COMMITTEE RESPONSIBILITIES:-

Key responsibilities are identified in the Audit & Risk Committee Policy. 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, internal control and compliance with laws, regulations and ethics within Council rests with management, the Committee may exercise a monitoring and review role.

### INTERNAL AUDIT ACTIVITIES

- Ascertain that the activities undertaken by Internal Audit are in accordance with the Internal Audit Policy and the International Standards for the Professional Practice of Internal Auditing.
- Review the Internal Audit Policy, resources and budget such that this charter maintains and enforces internal audit's independence from management.
- Monitor whether Internal Audit 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.
- Review the planning and scope of internal audit activities and assess the resultant recommendations and findings.
- Assess whether all significant recommendations of the Internal Audit reports have been properly implemented by management. Any reservations the Internal Auditor or Manager Governance & Corporate Services may have about control risk, and accounting and disclosure practices should be discussed by the Committee.
- Review the three year and annual Internal Audit Plans to assess that it covers the material business risks of the Council.
- 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.
- Review and concur in the tender process for the services of the Internal Audit.

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

## EXTERNAL AUDIT FOCUS

- Oversee Council compliance with the Act and other relevant legislation requirements for financial reporting.
- Review the scope of the total audit activities with the external auditors.
- 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.
- Review management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.
- 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:
  - significant changes in accounting policies and practices
  - major judgmental areas
  - significant audit adjustments
  - proposed departures from accounting standards

## OTHER MATTERS

- Determine whether Council is receiving reliable and timely financial management information.
- Review the proposed Annual Report of Council.
- Review the effectiveness of the control environment established by management including computerised information system controls and security.
- Review the effectiveness of the risk assessment/management policies and processes. In particular monitoring that Council risk management activity is not limited to insurance coverage but includes active risk minimisation.
- To assist the Audit Committee with its review the Committee will be provided periodically with an overview of the status of the following risk issues including but not limited to:
  - Council's major policies with respect to risk assessment and risk management, to ensure that they embrace best practice standards.
  - Progress on evolving, implementing and testing the Business Continuity Plan.
  - Significant information systems breaches, concerns and improvements.
  - Significant litigation issues.
  - The quality of Council's insurance cover, the cost of cover and other relevant insurance tender details (benchmarking with other councils will be relevant).
  - The status in implementing Risk Registers throughout the organisation.
  - Significant risk incidents and their outcomes.
  - Emerging risk issues, including major projects.
- Review and recommend all significant accounting policy changes.
- Monitor compliance with important regulations relevant to Council's activities including statutory regulations for any subsidiaries of Council.

- Review policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues.
- Ascertain whether fraud risks have been included in the assessment of the risk profile of Council.
- Oversee management's efforts to create and maintain a strong internal control environment, including the design and implementation of antifraud strategies and programs.
- Recommend special projects or investigations on any matter within its terms of reference.
- Oversee how management is monitoring the effectiveness of its compliance and ethics program and making changes as necessary.

## AUTHORITY

The Audit & Risk Committee is an advisory body only and has no line of authority however the Committee has full right of access to all levels of management through the Chief Executive Officer.

The Audit & Risk Committee reports directly to Council.

The Committee has the authority to conduct or authorise investigations into matters within its scope of responsibility and in accordance with the Act.

## MEMBERSHIP

As per the Audit & Risk Committee Policy and Council resolution, membership of the Audit & Risk Committee are appointed as follows. The table also represents the composition of the Audit & Risk Committee:

Chair	Mr Stephen Coates, External Representative
Members	Cr Sandra Moffat Cr Gina Lacey Peter Sheville, External Representative Kerry Phillips, External Representative
Alternates	Mayor Anne Baker Cr Simon West
Attendees/Contributors	Chief Executive Officer Directors

Meetings would be attended by relevant Managers (M2, M3, M4) and technical officers, as appropriate and required by the Committee.

## TERM OF OFFICE

The membership of the Audit & Risk Committee will be reviewed on an annual basis with a report made to Council.

Audit Committee Guidelines issued by Queensland Treasury, section 3.7, provides that the initial term of a Committee should be for no longer than three years, with extension of no more than three years, giving no more than a total period of service of six years.

To clarify, the six-year maximum term refers to all Members both external and Councillor representatives as follows:

- Two-year terms of no more than three consecutive terms.
- If achieved the six-year maximum, can return to the committee with a minimum break of twelve months.

- Preferred that External Members maximum term of six years is consecutive.

Preference is the rotation of members will be via a staggered basis to ensure continuity of knowledge. Alternate members are not captured in the six-year maximum term, with the Mayor being a perpetual alternate.

## **TERM OF CHAIR**

Council has determined that the Chair of the Committee will be by a suitably qualified external representative, sourced via expression of interest.

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.

## **EXTERNAL REPRESENTATION**

The appointment of an external representatives on Council's Audit & Risk Committee will be through an Expression of Interest, for an initial period of no longer than three years. Any extension of the arrangement will be based on performance, for a further three years, giving no more than a total period of service of six years.

Obtaining the services of a person external to the Council to serve as a member of the Audit & Risk Committee requires consideration of the qualifications of the person required.

The following are the initial selection criteria for the position of an external committee representative on the Audit & Risk Committee:

- hold a relevant tertiary qualification and membership of a recognised professional body or
- minimum qualification of a chartered accountant or certified accountant or Certified Practising Accountant ("CPA"); and/or
- experience in local government is not a requirement, however, the successful applicant will need to become familiar with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012; and
- it is desirable that the appointee have a broad understanding of the Isaac Regions community and an awareness of the Council functions and activities in the delivery of works and services to its community.

## **MEETING & ATTENDANCE**

### **ADVISORY COMMITTEE ADMINISTRATIVE GUIDELINE**

In addition to legislation, the role of the Chair and Members of the Audit & Risk Committee, preparation of agenda and matters relating to the administrative operations of the Audit & Risk Committee will be in line with Council's Meeting Standing Orders and the overarching Advisory Committee Administrative Guideline, adopted by council on 28 June 2016, Resolution No. 4546.

Where there is conflict, legislation will take precedence.

## **AGENDAS**

A copy of the agenda will be distributed to all Committee members at least five (5) business days before the commencement of the meeting.

Agendas will also be sent to all elected members of Isaac Regional Council.

## **FREQUENCY OF MEETINGS**

The Committee will meet as per the Annual Work Plan, with a minimum of four meetings a year, or as determined by the Chairperson.

## **QUORUM**

A quorum of the committee is a majority of its members. Where an elected member cannot be present, the Alternate/s will replace them on that occasion.

Where a quorum cannot be satisfied, the Chair is to determine if the meeting will proceed or be postponed.

Where the appointed Chair cannot attend, they are to delegate the role to another elected member on the Committee.

## **CONFLICT OF INTEREST**

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from committee discussions on the issue where a conflict exists.

## **VOTING**

Motions are decided on by a majority of its members present. If the votes are equal, the Committee Chair will have a casting vote.

## **SELF-ASSESSMENT**

The Committee will undertake a Self-Assessment each year, as per the Work Plan, at which time a review of this Charter and related Policies should take place.

## **ADMINISTRATION/SECRETARIAT**

Administration and secretariat for the Audit & Risk Committee will be provided by the Governance & Corporate Services Department and will assist the chair to develop and distribute agendas, papers, minutes and calendar.

## **REFERENCES**

The Audit Committee Guidelines issued by Queensland Treasury provide guidance on best practice for the operations of an Audit Committee