

Audit and Risk Committee Charter

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Amendment History

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1.0	Creation	Corporate Governance	December 2019
2.0	Annual Review	Corporate Governance	March 2021
3.0	Annual review	Corporate Governance	June 2022
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1. Purpose

The *Local Government Act 2009 (LG Act)* provides that each large local government must establish an audit committee.

This Audit and Risk Committee Charter (**charter**) sets out the objective, role, authority, membership, tenure, reporting and other requirements that apply to and govern the Audit and Risk Committee (**committee**) of the Logan City Council (**Council**), in accordance with the LG Act and the *Local Government Regulation 2012 (LG Reg)*.

2. Establishment of Audit and Risk Committee

The committee:

- a) is established:
 - i. to satisfy the requirement under section 105(2) of the LG Act that each large local government must establish an audit committee
 - ii. to provide advice and guidance to Council in accordance with this charter
- b) is governed by the requirements for audit committees set out in the LG Act and the LG Reg.

3. Role of Audit and Risk Committee

3.1. Section 105(4) of the LG Act provides that the committee is to:

- a) monitor and review:
 - i. the integrity of financial documents
 - ii. the internal audit function
 - iii. the effectiveness and objectivity of the Council's internal auditors
- b) make recommendations to Council about any matters that the committee considers need action or improvement.

3.2. The committee has the additional role of assisting Council and the chief executive officer to discharge their responsibilities by:

- a) monitoring and reviewing the risk management function and internal control systems
- b) providing an independent and objective forum to promote transparency, accountability and ethical behaviour and culture.

4. Authority

4.1. The scope of responsibility for the committee covers, at a minimum, those matters outlined in schedule 1.

4.2. The committee has the authority to make recommendations to the Council on matters in its scope of responsibility as outlined in this charter.

4.3. As soon as practicable after each committee meeting, the committee must submit a written report to Council about:

- a) the matters considered at the committee meeting
- b) the committee's recommendations about the matters
- c) the chairperson's insights of the meeting.

4.4. The committee:

- a) is an advisory committee only
- b) has no executive powers, delegated powers or management responsibilities in respect of Council

- c) in performing a monitoring, oversight, review and advisory role in accordance with this charter, is authorised to:
 - i. request or recommend investigations into matters in its scope of responsibility
 - ii. request the attendance of any Council employee, including executive staff, at committee meetings
 - iii. conduct meetings with Council's internal and external auditors, as necessary
 - iv. seek advice from external parties, as necessary.

5. Independence Criteria and Resourcing

5.1. The committee is to be independent from Council's management to ensure it has no real or perceived bias, or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.

5.2. The chairperson and independent committee members:

- a) must not currently be a councillor of any other council
- b) must not be a candidate at the last election of Council
- c) must not be a person who has held office in Council during its previous term
- d) must not be currently employed by Council, or have been employed by Council during the last 12 months
- e) must not have a close personal or business relationship with a councillor or a person who is an employee or a contractor at Council that may lead to an actual or perceived conflict of interest
- f) must not currently, or within the last 3 years, have provided any material goods or services (including consultancy, legal, internal audit and advisory services) to Council which directly affect matters considered by the committee
- g) must not be (or have a close family member who is) a substantial shareholder, owner, officer or employee of a company that has a material business or contractual relationship, direct financial interest or material indirect financial interest with the Council or a related entity which could be considered an actual or perceived conflict of interest
- h) must possess and maintain a suitable skills and experience mix to satisfy the requirements of this charter
- i) must liaise closely with management and internal and external auditors to carry out their responsibilities.

5.3. The committee:

- a) will receive the full support of Council and the full co-operation, involvement and support of senior management
- b) are administratively supported by Council.

6. Confidentiality of Information

6.1. Subject to clauses 6.2 and 6.3, information and documents provided and created by the committee are confidential and are not to be made publicly available.

6.2. The committee may release confidential information where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention, or disclosure is otherwise required by law.

6.3. The committee may release Council information to external parties if that release of information:

- a) is to assist the committee to fulfil its responsibilities
- b) has the approval of the chief executive officer, if required.

7. Conflicts of Interest

7.1. Committee members must provide written declarations to the committee stating that they do not have any conflicts of interest that would preclude them from being members of the committee.

7.2. Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest.

7.3. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue.

7.4. Details of conflicts of interest declared at meetings must be appropriately recorded.

8. Annual Work Plan

8.1. The work of the committee must be planned and executed to ensure that no Council activity or function as required in this charter is missed by the committee and that Council receives value from their oversight.

8.2. The committee should prepare an annual work plan to ensure that the committee covers all of its work responsibilities at the appropriate time of the year.

8.3. The annual work plan should be reviewed at least once every 2 years to ensure it remains relevant and appropriate.

8.4. The committee may vary the annual work plan at any time to address new or emerging risks. This is ordinarily done at meetings of the committee.

9. Composition and Meetings

9.1. Consistent with the requirements of section 210(1)(b) of the LG Reg, the committee must consist of at least 3 and no more than 6 members, including:

- a) no more than 2 councillors (councillor members)
- b) up to 4 persons who:
 - are independent from and external to Council
 - meet the minimum selection criteria set out in this charter (external members)
- c) at least 1 member with significant experience and skills in financial matters.

9.2. To ensure the independence of the committee, the composition of the committee will endeavour, wherever possible, to have a majority of external members.

9.3. The following are considered to be core attendees at committee meetings:

- a) Council's external auditors
- b) Council's internal auditors
- c) Chief Executive Officer
- d) Director, Organisational Services
- e) Corporate Governance Manager
- f) Risk and Compliance Program Leader
- g) Internal Audit Coordinator

- h) Corporate Meetings Officers (for meeting minutes).
- 9.4. All other invitees need only attend the meeting to present their report and will be advised when their attendance is required.
- 9.5. For the avoidance of doubt, observers at a committee meeting are not members of the committee.

10. Appointment, tenure and remuneration of councillor members

- 10.1. Council must, by resolution, appoint the councillor members.
- 10.2. Council must appoint the councillor members:
 - a) generally, at the commencement of the Council term
 - b) if there is a vacancy during the Council term, as soon as practicable after the vacancy occurs.
- 10.3. Councillor members are not entitled to remuneration on the basis that they are being remunerated in their capacity as a councillor.
- 10.4. A councillor member may resign from the committee at any time by notice in writing to the chairperson and the chief executive officer.

11. Appointment, tenure and remuneration of external members

- 11.1. When a vacancy arises on the committee, an open advertising process will be commenced requesting applications from interested persons for the position.
- 11.2. A panel consisting of the chairperson of the committee and 2 senior executives of Council will consider the applications and conduct interviews, having regard to the requirements outlined in this charter.
- 11.3. Appointments of external members are made having regard to the following criteria:
 - a) demonstrated knowledge in one of more of the following areas – business operations, information systems and cybersecurity, fraud, risk management, financial management, corporate governance or audit
 - b) demonstrated knowledge of legislative, regulatory and industry standards applying to government agencies and/or large business enterprises and a high level of understanding of best practice internal controls, risk management and corporate governance
 - c) understanding of complex issues and the importance of transparency, accountability and probity in a public authority
 - d) extensive experience working in a large organisation at a senior leadership level, preferably in a local government environment, with demonstrated business acumen
 - e) strong ethical values, sense of integrity, the ability to inquire and give direct and honest opinions to promote best practice.
- 11.4. Possession of a relevant professional qualification or membership (e.g. Institute of Internal Auditors (IIA), CPA Australia (CPA), Chartered Accountants Australia and New Zealand (CA), Institute of Public Accountants (IPA)), will be highly regarded.
- 11.5. When selecting external members, Council should ensure the committee has an appropriate mix of skills, knowledge and experience necessary to successfully perform its role and add value to Council.
- 11.6. External members will be requested to have appropriate background checks undertaken prior to appointment.
- 11.7. Subject to clause 11.14, external members will be appointed for:

- a) an initial term of 4 years
 - b) for a further 4 year term.
- 11.8. Reappointment of an external member is on the basis that the member continues to meet the independence and eligibility requirements outlined in this charter.
- 11.9. Where possible, new appointments should be made on a staggered basis, to ensure continuity and succession planning.
- 11.10. External members are remunerated as follows:
- a) Chairperson - \$3,000 (ex GST) per meeting
 - b) Other external members - \$2,250 (ex GST) per meeting.
- 11.11. The external member remuneration set out in this charter is reflective of the time requirements in both preparation and attendance at meetings of the committee and any other meetings reasonably requested by Council.
- 11.12. Council will issue a letter of appointment setting out the terms and conditions of appointment for external members, consistent with this charter.
- 11.13. External committee members are required to comply with the Code of Conduct.
- 11.14. Council may, by resolution, remove an external member where that member has:
- a) breached the Code of Conduct
 - b) performed unsatisfactorily or not to expectations, based on their contributions to the committee
 - c) declared, or is found to be in, a position of a conflict of interest which is unresolvable
 - d) been declared bankrupt or found to be insolvent
 - e) been charged with a serious criminal offence.
- 11.15. A committee member may resign at any time by written notice to the chairperson and the chief executive officer.

12. Appointment of chairperson

- 12.1. The committee must nominate an external member to be the chairperson of the committee. That nomination will need to be adopted by resolution of Council, as required by section 210(3) of the LG Reg.
- 12.2. The chairperson must preside at each meeting of the committee.
- 12.3. If the chairperson is absent or unable to preside, a member chosen by the members present at the meeting will preside.

13. Committee meetings

- 13.1. Section 207 of the LG Reg requires audit committees to meet at least twice each financial year however the committee usually meets up to 5 times each financial year.
- 13.2. The committee can hold closed (in-camera) meetings whenever confidential, or sensitive issues are to be discussed with only members of the committee present.
- 13.3. If significant unexpected issues arise, the committee may nominate, or the chief executive officer may request, the committee to hold additional meetings.
- 13.4. A quorum for any committee meeting is at least half the number of members of the committee, including at least 1 councillor member.

14. Evaluation, review and amendment

14.1. Evaluation of committee activities

- a) The committee must, prior to the end of each calendar year, undertake a self-assessment of its performance over the previous 12 months.
- b) The committee will provide a report of the annual review outcomes to Council.
- c) At least once every Council term, the committee will have an external review of the effectiveness of its operations and activities.
- d) The chairperson will provide each individual member with feedback on that person's contribution to the committee's activities at least once during each member's term. This assessment will include a review of any training needs of the member.

14.2. Review of this charter

- a) The committee must review this charter every 2 years to ensure it remains consistent with the committee's authority, objectives and responsibilities.
- b) If the committee considers that amendments to this charter are required, the committee can recommend a report to Council seeking adoption of an amended charter.
- c) This charter may only be amended by resolution of Council.

15. Definitions

In this charter, unless the context otherwise requires:

Term	Meaning
Committee	means the audit and risk committee of the Logan City Council established in accordance with of <i>Local Government Act 2009</i> .
Chairperson	means the person appointed as chairperson of the committee in accordance with this charter.
Charter	means this document.
Code of Conduct	Means the Code of Conduct for Logan City Council staff, which provides a set of standards and behaviours supported by Council's corporate values and are guided by sound ethics.
Council	means Logan City Council.
Councillor	has the meaning given in the <i>Local Government Act 2009</i> .
Councillor member	has the meaning given in this charter.
External audit	the external audit function conducted by the Auditor-General and the Queensland Audit Office in accordance the <i>Local Government Regulation 2012</i> .
External member	has the meaning given in this charter.
Internal audit	means the internal audit function established by Council in accordance with the <i>Local Government Act 2009</i> .
LG Act	means the <i>Local Government Act 2009</i> .
LG Reg	means the <i>Local Government Regulation 2012</i> .
Member	means an external member or a councillor member.

Schedule 1 – Scope of responsibility

Area	Activities
Internal Audit	<ul style="list-style-type: none"> • Contribute to the development of the internal audit program including review and endorsement of Council’s strategic internal audit plan. • Oversee and monitor the delivery of the internal audit program. • Monitor and review the internal audit progress report, including the recommendations in the report and the actions to which the recommendations relate. • Review the effective and efficient operation of the internal audit function.
External Audit	<ul style="list-style-type: none"> • Review the auditor-general's audit report and auditor-general's observation report regarding Council’s financial statements for the preceding financial year.
Financial Management	<ul style="list-style-type: none"> • Provide an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process prior to the statements being certified and provided to the auditor-general.
Coronial Reports	<ul style="list-style-type: none"> • Monitor the implementation of recommendations received from the State Coroner.
Risk and Compliance Management	<ul style="list-style-type: none"> • Monitor whether Council has in place current and comprehensive enterprise risk management and compliance frameworks and associated procedures for effective identification, assessment, management and reporting of key risks and compliance with statutory obligations. • Monitor whether Council has in place current and comprehensive internal control processes governing compliance and policy management which effectively prescribes policy position, key corporate compliance requirements and a reporting framework. • Determine whether a sound and effective approach has been followed in establishing business continuity planning and disaster management arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested. • Monitor whether Council has in place a current cyber security control strategy.
Fraud and Complaints	<ul style="list-style-type: none"> • Oversee fraud and complaint management as reported by Council.
Continuous Improvement	<ul style="list-style-type: none"> • Provide advice and guidance in areas where there are opportunities to improve the efficiency and effectiveness of Council’s operations.