

GREATER SHEPPARTON CITY COUNCIL AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Roles and responsibilities of the Audit and Risk Management Committee
as per the Local Government Act 2020

*Committee
Charter*

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1 Purpose

Greater Shepparton City Council (Council) has established an Audit & Risk Management Committee (Committee) pursuant to Section 53 of the Local Government Act 2020 (the Act). The Committee's role is to support Council in its oversight of financial and performance reporting, fraud prevention and risk management, through sound internal controls and assurance activities such as compliance reviews, internal and external audits. Council's review and audit programs are to be established to ensure compliance with its policies and legislative requirements.

The Committee acts in this capacity through monitoring and oversight of compliance against Council policies and procedures with regards to:

- the overarching governance principles;
- the Act and the regulations;
- Ministerial directions; and
- any other relevant laws and regulations;

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Council.

The Committee operates to advise the Council on how best to fulfil its responsibilities and facilitate decision making by providing a forum for improving communication between the Council members and senior management, finance, risk and compliance managers, internal and external auditors.

This Charter has been developed in accordance with Section 54 of the Act.

2 Authority

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter. The Committee has no delegated authority from Council unless specifically provided by Council from time to time and any such authority shall be temporary and may only relate to specific matters as directed by Council.

The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

The Committee will, through the Chief Executive Officer, have access to appropriate administrative and management support to enable it to discharge its responsibilities effectively.

2.1 Committee Authority

The Committee has the authority to:

- 2.1.1** Review and recommend key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, new or revised policies and other documents that assist in maintaining a strong internal control environment;
- 2.1.2** Review and recommend internal and external audit plans, including internal audit plans with an outlook of greater than one year;
- 2.1.3** Provide advice and make recommendations to Council on matters within its areas of responsibility;
- 2.1.4** Seek resolution on any disagreements between management and the external auditors on financial reporting;
- 2.1.5** Seek resolution of any disagreement between management and the internal auditors on internal audit recommendations.
- 2.1.6** Retain counsel of relevant independent experts where it considers that is necessary to

execute its responsibilities, subject to prior agreement with the Chief Executive Officer;

- 2.1.7 Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
- 2.1.8 Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.

3 Membership

The appointment of independent members to the Committee (Independent Members) as outlined in this Charter enables the Committee to provide advice to Council on matters related to its responsibilities based on broader skills and experience than might otherwise be the case and in so doing bring additional benefits to Council. The Committee is to comprise of six members (two Councillors and four independent), appointed by Council.

3.1 Councillor Members of the Committee:

- 3.1.1 Councillor members will be appointed to the Committee by Council annually.
- 3.1.2 Should an appointed Councillor member not be able to attend a Committee meeting, Council can appoint an alternate member to act in such circumstances, either on a meeting by meeting basis or for the entire year.
- 3.1.3 Councillor members of the Committee do not receive any additional remuneration as a result of being a member of the Committee.

3.2 Independent Members of the Committee:

- 3.2.1 Independent members must collectively have expertise in financial management and reporting, risk management and also experience in public sector management. Independent members must have sufficient skills and experience to add value to the Committee.
- 3.2.2 Independent members of the Committee must not be a member of Council staff.
- 3.2.3 Independent members will be appointed as set out in section 10.
- 3.2.4 Independent Audit and Risk Management Committee members are to receive remuneration pursuant to section 53(6) of the Act.
- 3.2.5 The remuneration fee is determined through a resolution of Council.

3.3 Chairperson of the Committee:

- 3.3.1 The Chairperson must be an Independent member of the Committee.
- 3.3.2 Council will appoint the Chairperson of the Committee for a 12-month period.
- 3.3.3 If the Chairperson is unable to attend a meeting, the members in attendance at the meeting will appoint a Chairperson for that meeting from among the attending Independent members of the Committee.
- 3.3.4 Membership of the Committee will be reviewed periodically (but at least every three years) by the Council with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

4 Meetings

The Committee will convene for five scheduled meetings per year, additional meetings may occur if required with authorisation from Council.

4.1 Meeting Schedule

- 4.1.1** The Committee will set, at the final meeting of each calendar year, the schedule of meetings for the following calendar year.
- 4.1.2** Subject to Council or Committee scheduling requirements:
 - 4.1.2.1** Quarterly scheduled meetings are to be held in February, May, August and November
 - 4.1.2.2** Once annually, in September, the Committee shall meet to review the audited Annual Financial Statements and Performance Statement.
- 4.1.3** The Committee may convene, with authorisation from Council, additional meetings as necessary to ensure the performance of their functions as an Audit and Risk Management Committee.

4.2 Meeting Attendance

- 4.2.1** All Committee members are expected to attend each meeting, in person or via video conference.
- 4.2.2** Independent Members are remunerated for each meeting attended.
- 4.2.3** The internal auditor is required to attend Committee meetings, either in person or via video conference, to present the findings of any internal audits or other reports. Such a representative will be required to act in accordance with the governance principles in addition to the confidential information (Section 125) and conflict of interest (Part 6, Division 2) as outlined within the Act.
- 4.2.4** Council's external auditor is required to attend Committee meeting, either in person or via video conference, to present the findings of the annual financial and performance audit, and any preliminary reviews. Such a representative will be required to act in accordance with the governance principles in addition to the confidential information (Section 125) and conflict of interest (Part 6, Division 2) as outlined within the Act.
- 4.2.5** A representative(s) of VAGO have a standing invitation to attend meetings of the Committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the confidential information (Section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.

4.3 Quorum

- 4.3.1** A quorum shall comprise at least one Councillor member and two Independent members.
- 4.3.2** The quorum must be in attendance at all times during the meeting.

4.4 Attendance by Council staff

- 4.4.1** Council's Chief Executive Officer (CEO), or their nominated delegate, is required to attend Committee meetings, however he or she is not a member of the Committee.
- 4.4.2** In addition to the CEO, other Council Officers may be required to attend Committee meetings as advisers or observers, but will not be members of the Committee, these include, but not limited to:
 - 4.4.2.1** Director Corporate Services
 - 4.4.2.2** Manager Corporate Governance
 - 4.4.2.3** Manager Finance and Rates
 - 4.4.2.4** Team Leader Risk and Assurance
- 4.4.3** Additional Directors and Managers will be invited to attend if a Committee agenda item is central to their area of responsibility.

4.5 Confidential Business

- 4.5.1** The Committee has the authority to close the meeting to all non-members of the Committee, (with the exception of the CEO) as it is deemed necessary to consider matters with regards to confidential business. This can include meeting with either the external or internal auditors in private.
- 4.5.2** The Chairperson is to document the minutes of any Confidential Business undertaken by the Committee.

4.6 Administrative Support

- 4.6.1** The Chief Executive Officer is to ensure that an appropriate level of administrative support is provided to the Committee.
- 4.6.2** This administrative support shall ensure:
- 4.6.2.1** the agenda for each meeting is approved by the Committee Chair, Manager Corporate Governance and Director Corporate Services;
 - 4.6.2.2** the agenda and supporting papers are circulated, at least six Business Days prior to the meeting; and
 - 4.6.2.3** the minutes of the meetings are prepared and maintained, including the relevant elements of the Committee's discussion.
- 4.6.3** Minutes must be reviewed by the Director Corporate Services and the Committee Chair prior to circulation to each Committee member within 10 Business Days following the meeting. Council Officers and invitee guests will be provided with a copy of the minutes as appropriate.

5 Functions

The Committee will carry out the following functions:

5.1 Financial and Performance Governance

The Committee will:

- 5.1.1** Review the Annual Financial Statements and Performance Statement with management and the external auditors, including:
- 5.1.1.1** difficulties encountered during the audit;
 - 5.1.1.2** complex and/or unusual transactions identified during the audit;
 - 5.1.1.3** related-party transactions;
 - 5.1.1.4** any judgmental areas for adjustments recommended by External Auditors, for example, those involving valuation of assets and liabilities; environmental liability and other commitments and contingencies.
 - 5.1.1.5** consideration as to whether it is complete, consistent with information known to the Committee members, and reflects appropriate accounting principles and standards.
 - 5.1.1.6** all regulatory compliance matters have been considered in the preparation of the Annual Financial Statements and Performance Statement.
 - 5.1.1.7** all matters required to be communicated to the Committee under the Australian Accounting and Auditing Standards.
- 5.1.2** Review and recommend adoption of Annual Financial Statements and Performance Statement to Council;
- 5.1.2.1** review any significant changes and the reasons for the changes that may arise

subsequent to any such recommendation, but before Annual Financial Statements and Performance Statement is signed by the Principal Accounting Officer, nominated Councillors and the Chief Executive Officer.

- 5.1.3 Review the Councillor Expenses register, assessing any unusual claims for reimbursements.
- 5.1.4 Review the CEO credit card transactions to ensure all purchases have been made in accordance with the Credit Card Policy.
- 5.1.5 Review any litigation, claim or contingency which could have a material effect on Council's financial position or operating result.

5.2 External Audit

The Committee will:

- 5.2.1 Foster a positive working relationship with Victorian Auditor General's Office (VAGO) or its representative;
- 5.2.2 Be briefed by the External Auditor on the audit engagement and the overall audit strategy of the Victorian Auditor General's Office (VAGO) at the commencement of each year's audit process.
- 5.2.3 Review the External Audit report, performance report, and other reports and advise Council on significant issues identified.
- 5.2.4 Provide feedback to VAGO on draft strategies, reports and opportunities for improvements
- 5.2.5 Provide advice to management on action to be taken on significant issues raised in relevant VAGO reports or better practice guides.
- 5.2.6 Review the appropriateness, timeliness and effectiveness of the management responses to the recommendations by the External Auditor.
- 5.2.7 Review the performance of the External Auditors annually.
- 5.2.8 The Committee shall meet in private with the external auditors at least annually.

5.3 Internal Audit

The Committee will:

- 5.3.1 Maintain a three year audit plan which is reviewed annually
- 5.3.2 On a regular basis, review progress on the annual internal audit program.
- 5.3.3 Review Internal Audit reports, management responses and advise Council on significant issues identified.
- 5.3.4 Review the list of agreed actions from internal audit recommendations, to monitor completion of the agreed actions.
- 5.3.5 The Committee shall meet in private with the internal auditors at least annually.
- 5.3.6 At least annually, review the effectiveness of the internal audit function.

5.4 Compliance Reviews

The Committee will:

- 5.4.1 Review compliance with internal policies, plans and procedures.
- 5.4.2 Assess the Council's policy framework and procedures to ensure the embedding of the governance principles.
- 5.4.3 Review the Gift and Benefits Register to assess compliance with the Gift and Benefits

Policy.

- 5.4.4** Assess the Council's procurement framework with a focus on the probity and transparency of policies, procedures and processes.

5.5 Risk Management

The Committee will:

- 5.5.1** Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- 5.5.2** Review and confirm procedures are in place for the effective identification, and management of operational and financial risk.
- 5.5.3** Review whether a sound and effective approach has been adopted in developing risk management plans for all aspects of the Council's operations.
- 5.5.4** Consider the approach taken by Council to ensure that appropriate insurance arrangements are in place.
- 5.5.5** Receive and review reports on significant incidents, breaches of policy or appetite limits, risk treatment actions and risk profile updates.
- 5.5.6** Review Council's assessments of its material strategic and operational risks.
- 5.5.7** Review and consider the effectiveness of the Fraud Control Strategy in mitigating, preventing, investigating and prosecuting fraud or other illegal acts.
- 5.5.8** Monitor work undertaken by Council to mitigate and plan for climate change risk.
- 5.5.9** Review the appropriateness and effectiveness of Council's business continuity plan (including disaster recovery).

5.6 Internal Control Environment

The Committee will:

- 5.6.1** Review the effectiveness of the Council's internal control system with management and the internal and external auditors.
- 5.6.2** Assess whether management has controls in place to identify unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.
- 5.6.3** Review and report on Interstate (excluding interstate travel by land of less than three days) and Overseas Travel.
- 5.6.4** Review whether appropriate policies and procedures are in place for the management and exercising of delegations.
- 5.6.5** Consider the effectiveness of internal controls for the security of information technology systems and applications.
- 5.6.6** Should the need arise, meet periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the Council's internal control environment.

5.7 Legislative Compliance

The Committee will:

- 5.7.1** Monitor Council's processes regarding compliance with legislation and regulations.
- 5.7.2** Review any non-compliance examinations and/or investigations by other agencies and any auditor observations.

- 5.7.3 Review the effectiveness of the system for monitoring compliance with and changes to legislation and regulations and the results of management's investigation and follow-up of any instances of non-compliance.

5.8 Related Third Parties

The Committee will:

- 5.8.1 Review the processes for the identification, nature, extent and reasonableness of related-party transactions.
- 5.8.2 Review related party transactions arising from the end of year external audit process.

5.9 Ethics and Conduct

The Committee will:

- 5.9.1 Periodically review the Ethics Framework in place within Council.
- 5.9.2 Assess the internal process for management's identification and control of unethical behaviours or conduct.
- 5.9.3 Ensure the Internal Auditors have regard to ethics in the development of the internal audit plan and in the conduct of internal audit projects.
- 5.9.4 Review the outcomes of, and monitor any subsequent recommendations and management responses to, independent investigations into ethical matters and monitor the outcomes
- 5.9.5 Review whether the Council has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints under the Public Interest Disclosures Act 2012 and section 1317AA of the Corporations Act 2001 (Commonwealth), dealing with an accounting, internal accounting controls or auditing matters or other matters likely to affect the Council or its compliance with relevant legislation and regulations.

5.10 Other

The Committee will:

- 5.10.1 Within its purpose and authority, review and assess any other matter deemed necessary by the Committee or requested by the Council or Chief Executive Officer.
- 5.10.2 ~~At its discretion the Committee may consider complaints from the public which may expose inappropriate practices within Council.~~

6 Reporting to Council

The Committee is responsible for ensuring that Council is kept informed of any relevant matters that may arise from the Committee meetings.

6.1 Committee Minutes

- 6.1.1 Minutes from each Committee meeting will be presented to Council, summarising progress, matters discussed and any issues the Committee wishes to share with all Councillors.

6.2 Committee Performance Assessment

- 6.2.1 The Annual Performance Assessment undertaken under section 7.1 will be provided to the Chief Executive Officer for presentation to Council in accordance with Section 54(4b) of the Act.

6.3 Committee Biannual Activities Report

- 6.3.1 The Committee will prepare a biannual audit and risk report that describes the activities

of the Audit and Risk Management Committee and includes the Committees findings, recommendations, and agreed actions.

- 6.3.2** This report will be provided to the Chief Executive Officer for reporting to Council biannually.
- 6.3.3** The Chair of the Committee, or a representative on behalf of the Committee, will present the Activities Report to a Councillor Briefing prior to the report being presented to Council.

6.4 Other Reporting

- 6.4.1** Pursuant to section 54(6b) of the Act, the Chief Executive Officer is required to table reports to Council upon request by the Chairperson of the Audit and Risk Management Committee.

6.5 Internal Audit Reporting

- 6.5.1** The Strategic Internal Audit Plan is to be presented to a Councillor Briefing prior to commencement of each financial year.
- 6.5.2** Internal audit reports shall not be made public.

7 Performance Evaluation

7.1 Annual Performance Assessment

The Committee will:

- 7.1.1** Undertake an annual assessment of its performance against the Audit and Risk Committee Charter in accordance with section 54(4a) of the Act.

7.2 Review of Independent members performance

- 7.2.1** The Committee Chair, in conjunction with management, will undertake formal reviews of performance of the Independent members of the Audit and Risk Management Committee before directly reappointing them for a second term.
- 7.2.2** In relation to the Committee Chair, the CEO and one Committee Council Member will undertake a formal review of the performance of the Committee Chair before directly reappointing them for a second term.

8 Conflicts of Interest

8.1 Personal Interest Returns

- 8.1.1** The Committee must complete and submit Personal Interest Returns forms in accordance with the requirements of the Act.

8.2 Disclosure of Conflict of Interest

- 8.2.1** Division 2 of Part 6 of the Local Government Act 2020 applies to Independent Members, as if the member were a member of a delegated Committee. An Independent member has a conflict of interest if they have:
 - 8.2.1.1** a general conflict of interest within the meaning of section 127 of the Act
 - 8.2.1.2** a material conflict of interest within the meaning of section 128 of the Act.
- 8.2.2** Committee recommendations must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly.
- 8.2.3** Committee members are required to provide written declarations, through the Chair, to

the Council declaring any material personal interests they may have in relation to their responsibilities.

8.2.4 Members of the Committee will provide declarations in accordance with statutory requirements.

8.2.4.1 Independent members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

8.2.4.2 At the beginning of each Committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda.

8.2.4.3 Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s).

8.2.4.4 The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s).

8.2.4.5 Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

8.2.5 If a conflict of interest exists, it must be declared and managed.

9 Committee Integrity

Part 6 of the Local Government Act 2020 applies to Independent Members, as if the member were a member of a delegated Committee. Independent member must act with integrity at all times, they must not misuse their position, give direction to staff or reveal confidential information.

9.1 Misuse of position

9.1.1 Section 123 of the Local Government Act 2020 applies to Independent Members, as if the member were a member of a delegated Committee.

9.1.2 The Independent Member must not intentionally misuse their position:

9.1.2.1 to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or

9.1.2.2 to cause, or attempt to cause, detriment to the Council or another person.

9.2 Directing a member of Council Staff

9.2.1 Section 124 of the Local Government Act 2020 applies to Independent Members, as if the member were a member of a delegated Committee.

9.2.2 The Independent Member must not intentionally direct, or seek to direct, a member of Council staff.

9.3 Confidential Information

9.3.1 Section 125 of the Local Government Act 2020, an Independent member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

10 Appointment of Independent Members

10.1 Position Description

10.1.1 A position description for Independent members will be established and maintained for each of the four Independent member positions. A skills matrix assessment is to be established that identifies the particular blend of skills and experience required for each particular role.

10.2 Term of appointment for Independent Members

10.2.1 With the exception of 10.2.3 of this Charter, Independent Members will be appointed through a publicly advertised process and merit-based selection.

10.2.2 Independent members are to be appointed for an initial three-year term.

10.2.3 Independent members may be directly reappointed for a second three-year term, through Council resolution, following a review of the performance of the Independent member as set out in 7.2 of this Charter.

10.2.4 If the Independent Member is not directly reappointed for a second term, or at the conclusion of a second term on the Committee the Independent Member may seek re-appointment under 10.2.1.

10.2.5 An Independent Member may seek reappointment for a third and final term on the Committee through this process.

11 Induction and Training

11.1 Induction

11.1.1 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

11.2 Training

11.2.1 The Committee will adopt and maintain a program of induction, training and awareness-raising for its members, with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.

12 Review of the Committee Charter

The Committee shall review and assess the adequacy of the Charter every two years or earlier if necessary and submit requests to Council through the Chief Executive Officer for revisions and improvements for approval.

13 Appendix A – Confidentiality Agreement

**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 Councillor 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:

..... (Members name)

COMMITTEE MEMBER

Signed for and on behalf of Greater Shepparton City Council:

..... Peter Harriott

CHIEF EXECUTIVE OFFICER

14 Appendix B – Local Government Act 2020 Extract

Division 8—Audit and Risk Committee

Section 53 Council must establish an Audit and Risk Committee

- (1) A Council must establish an Audit and Risk Committee.
- (2) An Audit and Risk Committee is not a delegated committee.
- (3) An Audit and Risk Committee must—
 - (a) include members who are Councillors of the Council; and
 - (b) consist of a majority of members who are not Councillors of the Council and who collectively have—
 - i. expertise in financial management and risk; and
 - ii. experience in public sector management; and
 - (c) not include any person who is a member of Council staff of the Council.
- (4) The chairperson of an Audit and Risk Committee must not be a Councillor of the Council.
- (5) Sections 123 and 125 and Division 2 of Part 6 apply to a member of the Audit and Risk Committee who is not a Councillor as if the member were a member of a delegated committee.
- (6) A Council may pay a fee to a member of an Audit and Risk Committee who is not a Councillor of the Council.

Section 54 Audit and Risk Committee Charter

- (1) A Council must prepare and approve an Audit and Risk Committee Charter.
- (2) The Audit and Risk Committee Charter must specify the functions and responsibilities of the Audit and Risk Committee including the following—
 - (a) monitor the compliance of Council policies and procedures with—
 - i. the overarching governance principles; and
 - ii. this Act and the regulations and any Ministerial directions;
 - (b) monitor Council financial and performance reporting;
 - (c) monitor and provide advice on risk management and fraud prevention systems and controls;
 - (d) oversee internal and external audit functions.
- (3) An Audit and Risk Committee must adopt an annual work program.
- (4) An Audit and Risk Committee must—
 - (a) undertake an annual assessment of its performance against the Audit and Risk Committee Charter; and
 - (b) provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

- (5) An Audit and Risk Committee must—
 - (a) prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and
 - (b) provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.
- (6) The Chief Executive Officer must—
 - (a) ensure the preparation and maintenance of agendas, minutes and reports of the Audit and Risk Committee; and
 - (b) table reports and annual assessments of the Audit and Risk Committee at Council meetings when required by this Act and when requested by the chairperson of the Audit and Risk Committee.
- (7) A Council must approve the first Audit and Risk Committee Charter and establish the first Audit and Risk Committee on or before 1 September 2020.