City of DAREBIN

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# AUDIT AND RISK COMMITTEE CHARTER

October 2026

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## 1. PURPOSE

The Audit and Risk Committee (the Committee) is a committee established in accordance with section 53 and 54 of the Local Government Act 2020 (the Act) to assist Darebin City Council (Council) in fulfilling its responsibilities relating to external financial and performance reporting, risk and financial management, corporate governance, internal control systems and providing advice to drive continuous improvement.

In accordance with section 53 (2) of the Act, the Committee does not have any delegated powers, including executive powers, management functions or delegated responsibility.

In accordance with section 54 (2) of the Act, the Committee is established to assist Council in discharging its responsibilities to:

- **a.** monitor the compliance of Council policies and procedures with:
  - **I.** the Act and the regulations and any Ministerial directions
  - **II.** the overarching governance principles
- **b.** monitor Council's 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.

In line with Council's commitment to environmental sustainability and social justice, the Committee in discharging the above responsibilities, particularly as they relate to policy compliance and auditing of Council functions and processes, will give due regard to the advancement of Council's environmental and social objectives.

## 2. AUTHORITY

The Committee is not a delegated Committee but is responsible to Council. The Council authorises the Committee, within its responsibilities to:

- **a.** Obtain any information it requires from any official or external party (subject to any legal obligation to protect information).
- **b.** Discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations).
- **c.** Request the attendance of any official, including Councillors and Council Officers, at Committee meetings.
- **d.** Seek resolution on any disagreements between management and the external auditors on financial reporting.
- **e.** Support resolution of differences of opinion between management and the internal auditors on internal audit recommendations.

## 3. RESPONSIBILITIES

In accordance with section 54 (2) of the Act, the Committee has the following responsibilities:

### 3.1 Financial Management (Section 54(2b))

Monitor financial and performance reporting. Specific matters the Committee may address include:

- **a.** Review significant financial and reporting issues, including complex or unusual transactions and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.

**b.** Review the results of the annual external audit in conjunction with management and the external auditors, including any difficulties encountered.
**c.** Review the annual financial report, performance report and governance and management checklist, and consider whether the reports are complete, consistent with information known to Committee members and reflect appropriate accounting principles and make a formal recommendation to Council.
**d.** Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
**e.** Review the process for the consolidation of financial information of council related entities into the financial reports of the council.
**f.** Assess information from internal and external auditors that affects the quality of financial reports. For example, actual and potential material audit adjustments, financial report disclosures, non-compliance with legislation and regulations, internal control issues.
**g.** Review any changes to Council's accounting policies and procedures and the methods of applying them, with the input of management, external and internal auditors, ensuring that they are in accordance with the stated Financial Reporting Framework and accounting standards.
**h.** Review of the 10-year Financial Plan along with the Revenue and Rating Plan.
**i.** Monitor the long-term financial plan assumptions against current year.
**j.** Overview of financial assumptions established to inform the development of the next year's draft 4-year budget.

### 3.2 Internal Control Environment

Monitor Internal controls. Specific matters the Committee may address include:

**a.** Review whether management's approach to maintaining an effective internal control framework is sound and effective.
**b.** Consider the scope of the internal auditors' review of internal controls over financial reporting and obtain reports from the internal and external auditors on significant findings and recommendations, together with management's responses.

### 3.3 Risk Management (Section 54(2c))

Monitor and provide advice on Risk management and fraud prevention systems and controls. Specific matters the Committee may address include:

**a.** Review the risk management framework annually.
**b.** Monitor the systems and process that are in place to manage strategic and operational risks.
**c.** Monitor the process of review of Council's risk profile.
**d.** Consider the adequacy of actions taken to ensure that material risks have been dealt with in a timely manner to minimise exposures.
**e.** Receive reports on the annual renewal of the insurance program and provide advice on strategic reviews of insurance programs.
**f.** Monitor the effectiveness of business continuity planning and processes, including whether business continuity and disaster recovery plans have been regularly updated and tested.
**g.** Monitor and provide advice on fraud prevention systems and controls (section 54(2c)). Specific matters the Committee may address include:
    I. Receive summary reports from management on all suspected and actual frauds, thefts and material breaches of legislation, ensuring reporting to the Council and/or relevant authorities and monitor the effectiveness of the management responses; and

II. Monitor the Council's fraud prevention and detection framework, including fraud risks and any action taken with respect to actual and suspected instances of fraud.

**h.** Receive updates on the review of Policies (Operational and Council).
**i.** Receive summary reports from the Information Service Department on Penetration Testing (internal and external).
**j.** Monitor work by the Council to mitigate and plan for climate change risks.

### 3.4 Internal Audit (Section 54(2d))

Oversee the Internal audit function (section 54 (2d)). Specific matters the Committee may address include:

**a.** Monitor the implementation, review and endorse the three-year rolling and annual strategic internal audit plans, and any major changes to the plans, and ensure that the plans are aligned with Council's risk profile.
**b.** Review and approve the memorandum of planning (MAP) for each internal audit to ensure that the audit objectives and scope are fit for purpose.
**c.** Receive internal audit reports and provide advice to Council on significant issues raised and associated actions, including the identification of good practice.
**d.** Review with management and the Internal Auditor, the Charter, activities, staffing and organisational structure of the internal audit function
**e.** Monitor the implementation of agreed management actions.
**f.** Monitor processes and practices to ensure that the appropriateness and independence of the internal audit function is maintained.
**g.** Monitor the performance of the internal audit provider, taking into consideration the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
**h.** Ensure that opportunities are provided for the internal auditor to meet in-camera with the Committee, as required.
**i.** Ensure that opportunities are provided to explore other internal audits in line with Council's environmental, social and sustainability objectives.
**j.** Oversee periodic testing of whether audit actions reported as completed by Management have been effectively implemented.

### 3.5 External Audit (Section 54(2d))

Oversee External audit. Specific matters the Committee may address include:

**a.** Annually review the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.
**b.** Ensure that significant findings and recommendations made by the external auditor, and management's responses to them are appropriate and are acted on in a timely manner.
**c.** Provide advice on the resolution of any disagreements between management and the external auditors on financial reporting.
**d.** Ensure that opportunities are provided for the external auditor to meet in-camera with the Committee, as required.
**e.** Maintain awareness of Local Government performance audits undertaken by VAGO and consider the findings and recommendations of performance audits relevant to Council for action/implementation, where appropriate.
**f.** Review strategy for addressing the recommendations from annual VAGO Results of Audits: Local Government.

### 3.6 Compliance Management (Section 54(2a))

Monitor the compliance of Council Policies and Procedures in accordance with the overarching governance and principles, the Act and the regulations and any ministerial directions. Specific matters the Committee may address include:

- **a.** Review the effectiveness of the systems and processes that monitor compliance with legislation and regulations.
- **b.** Monitor the implementation of actions associated with identified instances of non-compliance.
- **c.** Receive reports on the findings of any examinations by regulatory agencies and monitor management's response to these findings.
- **d.** Receive regular updates from management about compliance matters.
- **e.** Review Council's compliance with procedures associated with 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 accounting, internal accounting controls or auditing matters or other matters likely to affect the council or its compliance.
- **f.** Comply with legislative and regulatory requirements imposed on the Committee members, including not misusing their position (s123 of the Act) to gain an advantage for themselves/another or to cause detriment to the council and disclosing conflicts of interest (s125 of the Act).
- **g.** Assess the status of Council's policy framework to ensure the embedding of the governance principals.
- **h.** Review the Governance and Management Checklist.
- **i.** Review reports on Gifts, Benefits and Hospitality; Interstate and Overseas Travel.
- **j.** Review Councillor expenses.
- **k.** Review Chief Executive Officer (CEO) credit card transactions (if applicable) or expenses report.

## 4. MEMBERSHIP

### 4.1 Composition of membership

**1.** The Committee comprises **five** members appointed by Council, made up of two Councillors and three external members.

In accordance with section 53 of the Act, the Committee must:

- Include members who are Councillors of the Council (3a);
- Consist of a majority of members who are not Councillors of the Council and who collectively have:
  - expertise in financial management and risk (3b i),
  - expertise in public sector management (3b ii)
  - not be a member Council staff (3c)

**2.** In accordance with Council's commitment to cultural diversity and gender equality, composition of the Committee will aim for gender balance and culturally diverse representation, including Aboriginal and Torres Strait Islander representation, through Committee membership.

**3.** Council will appoint two external members and the independent Chairperson through a merit-based recruitment process that also seeks value of connection to the Darebin community and achieves diversity of membership as outlined at (2).

4. The external members appointed by Council are to be natural persons with an appropriate level of skill and experience relating to local government, finance, audit, risk or management experience.

5. The external members are to be appointed for a three-year term, with an option for a further three-year term by mutual consent.

6. Council may adjust the initial period of appointment to allow for mid-term appointments and to avoid situations where all external member terms expire within close proximity of each other. This initial period of appointment must be more than one year, and no more than three years.

7. Where vacancies exist, Council shall determine a mechanism for filling those vacancies.

8. The Chairperson of the Committee must be an independent member (section 53(b)). In accordance with Section 53 of the Act, they:

    - must not be a Councillor or
    - must not be a member of Council staff

9. Management will recruit and recommend the Chairperson to Council for appointment.

10. The Chairperson is to be appointed for a three-year term.

11. 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 members.

12. Where any Councillors members' Councillor term ends or is terminated, vacancy in the Councillors member of the Committee exists.

    Committee may decide on substituting this vacancy with another Councillor, preferably Deputy Mayor, to hold the next meeting.

    Council should then take an immediate action to appoint new Councillor to permanently fill this vacancy and notify the Committee before the next meeting is to be hold.

13. The two Councillor members to comprise:

    - The Mayor; and
    - One Councillor.

    There shall be two proxies appointed annually from amongst the remaining Council members, to attend in the event that the Mayor or the Councillor member is unable to attend a Committee meeting.

    All other Councillors may attend as observers.

### 4.2 Quorum for Meetings

1. A quorum of a minimum of two external members and one Councillor will be necessary to transact the business of the Committee and must attend the full meeting.

2. CEO, Executive Manager Governance & Communications, Head of Governance & Risk and Chief Financial Officer will be invited to all meetings as advisors or observers, they

will not form part of the Committee. All General Managers will be invited and attend for at least the review of the 'Outstanding Audit Actions Report' and any 'Audit Scope or Internal Audit Reports' presented to the Committee for consideration in their respective portfolios.

3. Other management representatives or Council Officers may be invited to attend meetings as advisors or observers, they will not form part of the Committee. They will attend if they are required to prepare a report for the Committee in their area of responsibility.

4. The Committee reserves the right to meet at any time without non-members or with invited non-members.

5. A representative(s) of VAGO will be invited to attend meetings of the Committee, as an observer. Such representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (section 125) and conflict of interest (part 6, division 2) as outlined within this Charter and the Act.

6. A representative(s) of the appointed internal audit contractor will be invited 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 obligations of confidentiality (section 125) and conflict of interest (part 6, division 2) as outlined within the Act.

7. Membership of the Committee will be reviewed periodically (but at least every three years) by 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. Councillor members will be appointed for a one-year term of office.

   The initial appointment of external Committee members shall be for a three-year period. An external member may serve no more than two full terms in any one position before the position must be publicly advertised. This does not preclude existing members from being re-appointed through a competitive process.

## 5. FEES

1. In accordance with section 53 of the Act, Council will pay a fee to all external members with the amount determined by Council, considering an assessment of the market and the recommendation to the CEO.

2. Fees will consist of a Member fee (paid to all external members) and a Chairperson fee (paid to the Chair).

3. The Member fee payment:

   a. will be exclusive of GST
   b. will be made quarterly following receipt of a Tax Invoice from the external member (including the purchase order provided by Council) after each scheduled quarterly meeting; and
   c. will not be paid to an external member that was absent from the meeting without leave from the Committee.

4. The Chairperson fee payment:

**a.** will be made each quarter following receipt of a Tax Invoice from the external member (including the purchase order provided by Council) after each scheduled quarterly meeting; and
**b.** will not be paid to an external member acting or temporary holding the role of Chair.

**5.** Council does not have to pay a Member fee or Chairperson fee to a Committee member who does not want to receive a fee.

**6.** In accordance with section 53(6) of the Act, Council will pay a fee to an external member and the fee will be based on a per annum fee, which will be indexed in alignment with the rate cap % each 1 July.

**7.** Payment of the fee will be made each quarter to the external member following receipt of a Tax Invoice (including the purchase order provided by Council) after each meeting.

**8.** No less than once every Council term, the fee paid to the external members will be benchmarked, against no less than five other peer Councils, to provide the Council with the information required to appropriately review the fees.

**9.** External members may also be paid for attendance at special Committee meetings on the following basis:

- The Executive Manager Governance & Communications will determine if the special meeting is an additional engagement to a scheduled quarterly meeting.
- Fees for special meetings will be determined by the Executive Manager Governance & Communications and communicated to Committee members.
    - Unless determined otherwise, fees for special meetings will be calculated on a pro-rata basis proportionate to the length of the meeting compared to a scheduled quarterly meeting length of three (3) hours.

## 6. MEETINGS

**1.** The Committee will meet at least four times a year plus a meeting to consider the annual financial accounts and performance statements. Special meetings may be held to meet other responsibilities of the Committee.

**2.** All Committee members are expected to attend each meeting, in person or through teleconference or video conference. Failure to attend a meeting will result in non-payment of the Member fee for the associated quarter.

**3.** The Chair is required to call a meeting if asked to do so by the Council by way of a Council Resolution, or decide if a meeting is required should it be requested by another member, internal auditor or VAGO.

**4.** The CEO or their delegate will facilitate the meetings of the Committee and invite whoever is necessary for the orderly and effective conduct of the committee business. The CEO is required to attend meetings to provide pertinent information, as necessary.

## 7. ADMINISTRATION

In accordance with section 54 (6a) of the Act, the CEO will appoint a Council officer to provide secretariat support to the Committee. The secretariat will:

**1.** Ensure the agenda prior to each meeting is approved by the CEO of Council.

2. Prepare meeting agendas and supporting papers, which will be circulated at least one week prior to the meeting.

3. Prepare and maintain meeting minutes. Minutes will:
   - include relevant elements of the Committee's discussion.
   - be reviewed by the Coordinator Audit & Risk or Coordinator Governance Services, Head of Governance & Risk and Executive Manager Governance & Communications.
   - be circulated within two weeks of the meeting to each member and committee observers, as appropriate.

4. Administer the approval of draft minutes as follows
   - Draft minutes of each meeting will be provided to the Chairperson for review and approval.
   - Following the Chairperson's approval, the draft minutes will be circulated to all Committee members to be approved.
   - Approval of minutes requires written approval by a majority of Committee Members. Written approval will be provided via email or other mechanism as determined by the Head of Governance & Risk.
     - If the Audit and Risk Committee approves the draft minutes, including any changes to the minutes that are agreed to by the Audit and Risk Committee members, summary minutes will be provided to the next Council meeting. Approved minutes will still be listed as an item for the Audit and Risk Committee to note.
     - If the Audit and Risk Committee does not approve the draft minutes, the draft minutes will be listed as an Agenda item at the next Audit and Risk Committee meeting for discussion. The summary minutes will not be presented to Council until draft minutes are adopted by the Audit and Risk Committee.

## 8. PLANNING

The Committee will develop a forward meeting schedule that includes the dates and location for each meeting for the forthcoming year.

In accordance with section 54(3) of the Act, the Committee will develop an annual work program that includes the timing of reporting for all the responsibilities outlined in this Charter.

## 9. SUPPORT

To facilitate the operation of the Committee, the CEO or their delegate has responsibility to provide:

- Any necessary training for members in relation to their responsibilities under the Act.
- Any information required by the Committee to enact its responsibilities under this Charter.
- Officer advice in respect of matters before the Committee.
- Formal meetings with Council staff, the internal auditors or the external auditors as requested by the Committee, in accordance with the execution of its responsibilities under this Charter.
- Secretariat and logistical support to the Committee.

## 10. REPORTING

1. Officers will prepare biannual reports on the Committee that describes activities, findings, and recommendations in accordance with section 54(5a) of the Act for reporting to Council.

2. Committee members will attend Councillor briefings as required, to report on financial and other relevant matters.

3. Officers will prepare a report for inclusion in the City of Darebin Council Annual Report describing the Committee's composition, responsibilities and how they were discharged, and any other information required by regulation, including approval of non-audit services.

4. The Committee will prepare an Annual Committee Performance Report that includes an annual assessment of the Committee's performance against this Charter in accordance with Section 54(4a) of the Act. This report will be provided to the CEO for presentation to Council annually in accordance with Section 54(4b) of the Act.

5. Internal and external audit reports shall not be made public.

6. In accordance with section 54(6b) of the Act, the CEO is required to table reports upon request by the Chair of the Committee.

## 11. INDUCTION

All new members will receive an induction by the Head of Governance & Risk and the Coordinator Governance Services to assist them in meeting their responsibilities.

## 12. EVALUATING PERFORMANCE

In accordance with section 54 (4a) of the Act, the Committee must complete an annual self-assessment to evaluate the Committee's performance, as well as the performance of the internal auditors, and to confirm that the Committee has met its responsibilities under this Charter. The assessment will be provided to the CEO for tabling at Council.

## 13. CONFLICTS OF INTEREST

1. Committee recommendations must be transparent and accountable, they must 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.

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

3. Division 2 of Part 6 of the Act applies to a member of the Committee who is not a Councillor, as if the member were a member of a delegated Committee (s53(5)). An external member has a conflict of interest if they have:

    **a.** a general conflict of interest within the meaning of section 127 of the Act; or
    **b.** a material conflict of interest within the meaning of section 128 of the Act.

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

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

5. 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. Where required by the Chair, the member will be excused from the meeting or from the Committee's decision of the relevant agenda item(s). The Chair is also responsible for deciding if they should excuse themselves from the meeting or from the Committee's decision of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

## 14. MISUSE OF POSITION

Section 123 of the Act applies to a member of the Committee who is not a Councillor, as if the member were a member of a delegated Committee (s53(5)). The requirements include:

1. The external member must not intentionally misuse their position:

   **a.** to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
   **b.** to cause, or attempt to cause, detriment to the Council or another person.

2. For the purposes of this section, circumstances involving the misuse of a position by a person who is, or has been, a Councillor or member of a delegated committee include:

   **a.** making improper use of information acquired as a result of the position the person held or holds
   **b.** disclosing information that is confidential information
   **c.** directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff
   **d.** exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform
   **e.** using public funds or resources in a manner that is improper or unauthorised
   **f.** participating in a decision on a matter in which the person has a conflict of interest.

## 15. CONFIDENTIAL INFORMATION

Information presented to the Committee should be treated by all parties as confidential information.

External Members are to self-manage suitable security controls of Committee papers (digital or paper) and destroy copies of Committee documents on a cyclical basis and/or at the conclusion of their term.

Section 125 of the Act applies to a member of the Committee who is not a Councillor, as if the member were a member of a delegated Committee (s53(5)). The requirements include:

1. Unless subsection (2) or (3) applies, a person who is, or has been, an external member must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.

**2.** Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.

**3.** A person who is, or has been, an external member may disclose information that the person knows, or should reasonably know, is confidential information in the following circumstances:

- **a.** for the purposes of any legal proceedings arising out of this Act
- **b.** to a court or tribunal in the course of legal proceedings
- **c.** pursuant to an order of a court or tribunal
- **d.** in the course of an internal arbitration and for the purposes of the internal arbitration process
- **e.** in the course of a Councillor Conduct Panel hearing and for the purposes of the hearing
- **f.** to a Municipal Monitor to the extent reasonably required by the Municipal Monitor
- **g.** to the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector
- **h.** to a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry
- **i.** to the extent reasonably required by a law enforcement agency.

## 16. INDEMNITY

The Council will indemnify and keep indemnified each independent member of the committee against all actions or claims whether arising during or after their term of appointment in respect of anything necessarily done or reasonably done or omitted to be done in good faith –

- **a.** In the performance of a duty or function or the exercise of an any matter under the Act, regulations, a local law or this charter.
- **b.** In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a matter under the Act, regulations, a local law or this charter.

## 17. ARTIFICIAL INTELLIGENCE USAGE

Members are requested not to use artificial intelligence (AI) tools or systems to review, analyse, or process Audit and Risk Committee papers or related documents.

## 18. REVIEW OF THE COMMITTEE CHARTER

The Committee will review and assess the adequacy of this Charter every two years, considering any relevant legislative requirements. The Charter, including amendments to the Charter, will be approved by Council.