

1109 Audit and Risk Committee

Statutory Policy



PURPOSE

- 1) Council's Audit and Risk Committee is to operate in accordance with the requirements of the Local Government Act 2009, Local Government Regulation 2012, and the Audit and Risk Committee Charter (Attachment A).

The Audit and Risk Committee has authority to review and make recommendations to Council on any matters within the scope of its responsibilities, as outlined in the Audit and Risk Committee Charter.

SCOPE

- 2) The scope of the Audit and Risk Committee's assurance, oversight and advisory responsibilities is outlined in the Audit and Risk Committee Charter.

DEFINITIONS

Term	Definition
Council	Means North Burnett Regional Council (NBRC)
Audit Committee	Means a committee that – (a) Monitors and reviews – i. the integrity of financial documents; and ii. the internal audit function; and iii. the effectiveness and objectivity of the local government's internal auditors; and (b) Makes recommendations to the local government about any matters that the audit committee considers need action or improvement.
Charter	A document which outlines the role, responsibilities, operational requirements and reporting obligations of the audit committee.
Independent external member	A professional, experienced individual appointed to the audit committee by Council, who is independent of Council and councillors.

POLICY

OBJECTIVES

- 3) This policy and the attached Audit and Risk Committee Charter, outline the purpose, operation and reporting obligations of the North Burnett Regional Council (Council) Audit and Risk Committee.

POLICY STATEMENT

- 4) Council's Audit and Risk Committee is to operate in accordance with the requirements of the Local Government Act 2009, Local Government Regulation 2012, and the Audit and Risk Committee Charter (Attachment A).

ROLES AND RESPONSIBILITIES

- 5) The Audit and Risk Committee's primary duties are:
 - a) Provide reasonable assurance that NBRC's strategic objectives are realised and achieved through effective and efficient measures within the standard framework of internal control and risk management

- b) Oversee the internal audit and risk management functions to enhance NBRC's governance, internal control systems and decision-making processes
- c) Monitor and review the integrity of financial documents
- d) Monitor the implementation of risk management plan and strategy to ascertain that control measures are adopted to manage significant operational risks
- e) Promote transparency, integrity and ethical conduct within NBRC
- f) Ensure that adequate resources are allocated for the efficient and effective performance of internal audit and risk management functions.

APPLICABLE LEGISLATION AND REGULATION

- 6) Applicable legislation and regulation:
 - a) Local Government Act 2009
 - b) Local Government Regulation 2012
 - c) Financial Accountability Act 2009

RELATED DOCUMENTS

- 7) Related documents are:
 - a) Attachment A – Audit and Risk Committee Charter
 - b) 1110 Internal Audit Policy
 - c) 1176 Fraud and Corruption Prevention Policy
 - d) 2213 Enterprise Risk Management Policy

RESPONSIBLE OFFICER

Chief Executive Officer

REVIEW DATE

30/06/2023

REVISION HISTORY

Version	Meeting	Approval Date	History
1	General Meeting	8 April 2008	New Policy
2	Policy and Planning	7 June 2011	Revised
3	Policy and Planning	2 October 2012	Revised
4	General Meeting	15 December 2015	Revised
5	General Meeting	15 August 2018	Revised
6	General Meeting	28 September 2022	Revised

Audit and Risk Committee Charter

AUGUST 2022

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1. PURPOSE

This charter sets out the objectives, authority, responsibilities, composition, tenure, reporting and administrative arrangements associated with the Audit and Risk Committee of the North Burnett Regional Council (Council).

2. LEGISLATIVE MANDATE

The Audit and Risk Committee is an advisory committee of Council, established and governed in accordance with the Local Government Act 2009 and Local Government Regulation 2012, which require each local government to establish an efficient and effective internal audit function and each large local government must establish an Audit Committee.

3. OBJECTIVE

The primary objective of the Audit and Risk Committee is to promote good corporate governance through the provision of independent assurance, oversight and advice to Council and the Chief Executive Officer on matters relating to fraud and corruption control, risk management, internal control, governance, compliance, audit, financial statement preparation and financial management.

4. SCOPE

The scope of Audit and Risk Committee responsibilities under this charter include the operations and activities of the Council and its controlled entities.

5. AUTHORITY

The Audit and Risk Committee has authority to review and make recommendations to Council on any matters within its scope of responsibility as outlined in this charter. In doing so the committee is empowered to:

- seek any information it requires from management and staff and controlled entities, all of whom are required to cooperate with the committee's requests
- meet and discuss matters with council officers, internal auditors and external auditors as required
- seek resolution of any disagreements between management and auditors regarding audit matters and the financial statements
- request the attendance of any employee, including the Chief Executive Officer, at formal committee meetings.

6. INDEPENDENCE

As an advisory committee of Council, the Audit and Risk Committee is independent of management and does not have any executive powers, delegated responsibility or authority to implement actions over which management has responsibility. The committee needs to liaise closely with management and internal and external auditors to carry out its responsibilities.

The Committee will be provided with adequate resources in order to fulfil its oversight responsibilities.

Whilst the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within Council rest with management, the Audit and Risk Committee exercises a monitoring, oversight, review and advisory role.

7. REPORTING LINE

The Audit and Risk Committee will report to Council.

8. COMPOSITION

Local Government Regulation 2012 section 210 requires the composition of the Audit Committee to consist of at least three and no more than six members and include:

- at least one Councillor but no more than two councillors nominated by Council; and
- between one and four independent external members as determined by Council.

Council may resolve from time to time to change the composition of the Audit and Risk Committee.

The members, taken collectively, should have a broad range of skills and experience relevant to the committee's responsibilities. At least one member will have significant accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

The Chief Executive Officer cannot be a member of the Audit and Risk Committee, but is a standing invitee to committee meetings, as are Council's nominated General Manager Corporate and Community and Governance Policy and Risk Advisor.

Other management and staff are invited to attend meetings as required.

A representative of the Queensland Audit Office (or its nominated contract audit firm) will be invited to attend meetings of the committee to contribute where relevant and appropriate.

9. APPOINTMENT AND TENURE

Local Councillor members will generally be appointed to the committee for the full council term unless otherwise determined by Council.

Independent external members will be recruited via a publicly advertised merit-based selection process and will be appointed for the period determined by Council - generally between two and four years. Appointments of external members to the committee will be staggered to ensure appropriate continuity and succession planning.

External members may be recommended for appointment for subsequent terms following a review of their performance by the Chief Executive Officer and discussion with the Chair of the Committee. External members generally serve on the committee for a maximum of two council terms, unless otherwise determined by Council.

Remuneration of external independent members of the committee is set by Council in recognition of the skills and experience, time commitment and responsibilities assumed and required to fulfil the role.

10. CHAIR

Council will nominate one of the independent external members as the committee Chair. The Chair will receive additional remuneration as determined by Council in recognition of the additional time and responsibilities associated with this role.

Appointment to the position of Chair may be rotated so as to ensure appropriate continuity and succession planning.

11. COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee will provide oversight, monitoring, review and advisory activities in the following responsibility areas:

11.1 Financial Statements and Reporting

- Monitor and assess progress against agreed financial statement preparation and auditing milestones.

- Review Council's draft annual financial statements (including draft financial sustainability statements) prior to their provision to the external auditors including for compliance with relevant accounting standards and other relevant policies.
- Monitor and review asset revaluation programs, processes, policies, activities and outcomes including the quality and timeliness of preparation.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Monitoring management's readiness/planning for forthcoming changes in accounting standards.
- Provide guidance to management in relation to the simplification and readability of Council's financial statements.
- Review with management and the external auditors any significant adjustments or changes between draft and final financial statements.
- Review Council's final financial statements (including final financial sustainability statements) and provide advice to the Chief Executive Officer on whether appropriate action has been taken in response to audit recommendations and adjustments.
- Recommend the signing of the draft financial statements by the Mayor and Chief Executive Officer.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- Satisfy itself about the adequacy of key internal controls supporting the timeliness and integrity of Council's financial statement preparation process.
- Consider management representations made in accordance with Council's Management Representation Policy.
- Consider the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements.
- Review the draft annual report before release and consider the consistency of financial information being reported.
- Review, evaluate and provide advice on Council's significant accounting and financial management policies including any substantive changes to these policies.
- Overview the process of preparation of Council's controlled entities' financial statements to ensure an efficient process is undertaken and that such financial statements comply with relevant accounting standards and legislation.
- Encourage the Council's controlled entities to adopt consistent financial reporting approaches and statements.
- Receive and review reports issued by the Queensland Audit Office (or its nominated contractor) in relation to Council's controlled entities and monitor any required actions arising.
- Monitor policies, processes and activities for the creation and cessation of controlled entities including any transfer/transition of functions between such entities and consequent implications for financial reporting.

11.2 External Audit

- Review the external auditor's proposed audit scope, approach and client strategy for the ensuing year, including coordination of audit effort with internal audit.
NB: The Council's external auditors are the Queensland Audit Office (QAO) or its nominated contractors.
- Review the external auditor's closing reports, long form audit reports and observation reports relating to council's interim and final audit and monitor management's responsiveness to external audit recommendations and the timeliness of implementation of agreed actions with particular emphasis given to recommendations where a Significant Deficiency has been identified.
- Provide input and feedback on financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided.
- Monitor the undertaking of QAO Performance Audits where Council is a participant in that audit.
- Review Auditor-General observation reports issued to Council's controlled entities and monitor management's responsiveness in addressing recommendations.
- As required, meet separately with the external auditors to discuss any matters that the committee or external auditors believe should be discussed.
- Monitor and review the effectiveness, independence, and objectivity of Council's external auditors.
- Provide advice to the Chief Executive Officer on action to be taken on significant issues raised in relevant external audit reports or better practice guides.
- Monitor sector wide Auditor-General reports, including management's response to those with relevant observations and recommendation for Council.

11.3 Internal Audit

- Contribute to the development of internal audit plans and resourcing through participation in annual planning workshops.
- Review and if appropriate, endorse the risk-based annual Internal Audit Plan and three-year Strategic Audit Plan prepared by the Internal Audit Unit, and monitor implementation of the Internal Audit Plan and approve any changes thereto.
- Assess opportunities to support the development, review and oversight of the internal control environment by identifying appropriate business improvement activities.
- Monitor and assess the adequacy of the activities, staffing and resource levels, independence and organisational placement of the internal audit function.
- Review internal audit progress reports for the current and preceding financial years and monitor management's progress and timeliness in addressing audit recommendations and actions.
- Monitor and assess the effectiveness of the internal audit function, with reference to the Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing.
- Review internal audit reports and provide advice to the Chief Executive Officer on significant issues identified in audit reports and action to be taken, including identification and dissemination of good practice.
- As required, meet separately with the Governance Policy and Risk Advisor to discuss any matters that the committee or Internal Audit Unit believe should be discussed.
- Review the Internal Audit Charter, resources, and budget annually such that the Charter

maintains and enforces Internal Audit's independence from management.

11.4 Governance and Internal Controls

- Monitor management's approach to maintaining an effective internal control framework, including external parties such as contractors, suppliers, business partners and advisers.
- Consider how management identifies any required changes to the design or implementation of key internal controls.
- Monitor whether management has taken steps to embed a culture that promotes the proper use of council resources and is committed to ethical and lawful behaviour.
- Understand the scope of internal and external auditors' review of internal controls, and obtain reports on significant findings and recommendations, together with management's responses including the timeliness of implementation of agreed actions.
- Review and consider the relevance of better practice guidance and reports released by external review agencies.
- Recommend governance and internal control improvements for management consideration.

11.5 Fraud and Corruption Control

- Contribute to the identification or potential fraud and corruption matters and possible mitigation and/or management strategies.
- Monitor and assess whether management has in place a current and comprehensive fraud and corruption control strategy, including Council's policy, plan, actions and targets together with self-assessment tools.
- Monitor the process of developing and implementing fraud and corruption control arrangements including mechanisms in place to identify, assess and manage fraud and corruption risks.
- Consider reports on fraud and/or corruption that outline any identified allegations of fraud and/or corruption, the status and/or outcomes of significant investigations and any changes to identified fraud and/or corruption risk profiles.
- Assess whether there are adequate responsibility structures in place, with roles, responsibilities and accountabilities clearly defined.
- Assess the adequacy of fraud and/or corruption reporting systems and reporting to capture, monitor and report on fraudulent and/or corrupt activities including Public Interest Disclosures in an efficient, effective and timely manner.

11.6 Risk Management

- Monitor whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification, assessment, management and reporting of key business and financial risks.
- Consider whether a sound and effective approach has been followed in managing key risks including those associated with major projects, programs, services and activities, major economic, social and health events.
- Consider reports on changes in the corporate and directorate risk profile, including consideration of emerging risk areas.
- Consider 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.

- Consider risk and probity matters associated with significant procurement activities.
- Consider opportunities which have been identified to improve the efficiency and effectiveness of the Council's operations.
- Consider factors and risks affecting the effectiveness of Council operations, for example, supply chain issues, culture across the organisation, no. of vacancies, etc.

11.7 Legislative and Policy Compliance

- Consider whether management has in place an overall compliance and accountability framework together with relevant policies and procedures which reflect legislative, regulatory and policy requirements, and that these are periodically reviewed and updated.
- Monitor the effectiveness of the system and structure for ensuring compliance with laws and regulations, with particular focus on the Local Government Act and other legislative requirements relevant to Audit and Risk Committee areas of focus.
- Monitor the effectiveness of regulatory and compliance activities associated with the Council's democratically elected representatives.
- Review the findings of any examinations by external regulatory agencies and monitor management's implementation of improvement recommendations including timeliness of implementation.
- Monitor the process for communicating the code of conduct to council personnel and to external parties where appropriate, and for monitoring compliance therewith.
- Obtain and review regular updates from management and Council's legal counsel regarding compliance matters.
- Consider whether management has appropriately considered legal and compliance risks as part of Council's enterprise risk management plan.
- Monitor compliance with relevant regulations for Council's activities including statutory regulations for Council's controlled entities.

12. MEMBER RESPONSIBILITIES

Members of the committee are expected to observe the legal requirements of the *Local Government Act 2009*, and the *Local Government Regulation 2012*.

Members are expected to at all times:

- Act in the best interest of Council.
- Apply good analytical skills, objectivity and judgement.
- Monitor external environments to identify and raise matters which are of relevance to the work and responsibilities of the Committee.
- Maintain confidentiality of information and documentation considered by the committee.
- Participate by expressing opinions constructively and openly, raise issues that relate to the committee's responsibilities and pursue independent lines of enquiry.
- Contribute the necessary time required to review agenda papers prior to attending meetings.

13. REPORTING

Following each meeting of the committee a report (minutes) is to be provided to the next Council meeting round, outlining the:

- matters reviewed by the committee
- recommendations to Council relating to the matters reviewed by the committee
- any additional recommendations that the committee wishes to bring to the attention of Council.

Consistent with the Local Government Regulation 2012 (Chapter 8, Part 2) this non-confidential report is tabled and discussed in an open session of Council.

Upon receipt of the Auditor-General's certification of Council's financial statements each year, the committee will present a written annual report to Council on the operation and activities of the committee, including such matters as:

- A summary of work the committee performed in the discharge of its responsibilities during the preceding year.
- A summary of Council's progress in addressing the findings and recommendations made in internal and external audit and Auditor-General reports to parliament.
- The outcomes of the external auditor's report on the financial statements of the Council and its controlled entities and subsequent inclusion in the Council's Annual Report.
- An assessment of Council's risk, control and compliance framework, including details of any significant emerging risks and issues or legislative changes affecting Council.
- Details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.

The Chair will attend Council to present the annual report of the Audit and Risk Committee.

The committee may, at any time, report to the Chief Executive Officer on any other matter it deems of sufficient importance.

14. ADMINISTRATIVE ARRANGEMENTS

14.1 General

The committee will maintain and update an Audit and Risk Committee Forward Meeting Schedule that includes the dates, location and proposed agenda items for each meeting for the forthcoming year to demonstrate how it intends to discharge its responsibilities under this Charter.

14.2 Meetings

- 14.2.1 The committee will meet at least four times a year, with authority to convene additional meetings as required to consider financial statement and annual planning matters.
- 14.2.2 Meetings are closed to the public due to the sensitive nature of items that are considered by the Committee. Information disclosed to members of the Committee is confidential to the Committee.
- 14.2.3 Council management may be invited by the Audit and Risk Committee to attend meetings, as and when required, to discuss any item affecting their respective roles.

14.3 Attendance at Meetings and Quorums

A quorum of the Audit and Risk Committee meeting will be four members of the committee. If the Chair is absent, the member chosen by the members present as Chair for the meeting presides.

14.4 Agenda Papers and Minutes

A quorum of the Audit and Risk Committee meeting will be four members of the committee. If the Chair is absent, the member chosen by the members present as Chair for the meeting presides.

- 14.4.1 Meeting agendas will be prepared and provided to members one week in advance of each meeting. The Chair of the committee will be given the opportunity to contribute to the development of the agenda.
- 14.4.2 Minutes of committee meetings will be reviewed and signed-off by the Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate. Notes of actions arising will be maintained with appropriate timelines.
- 14.4.3 Meeting agendas are deemed confidential due to the sensitive nature of the items that are included in the papers.
- 14.4.4 The committee will provide Council with a written report (minutes) about the matters reviewed at each meeting and the committee's recommendations about the matters as soon as practicable after the meeting.
- 14.4.5 Council's Corporate Assurance Branch will provide secretariat support to the Audit and Risk Committee.

14.5 Conflicts of Interest

A quorum of the Audit and Risk Committee meeting will be four members of the committee. If the Chair is absent, the member chosen by the members present as Chair for the meeting presides.

- 14.5.1 Members of the committee are required to provide declarations declaring any potential or actual conflicts of interest or related parties they may have in relation to their responsibilities. Initial declarations will be recorded in the minutes of the relevant meeting.
- 14.5.2 As they arise between meetings, or at the beginning of each committee meeting, members are required to declare any new or changed potential or actual conflicts of interest or related parties that may apply to specific matters on the meeting agenda.
- 14.5.3 Where there is an actual, potential or perceived conflict of interest or where it may be otherwise required and as agreed by the other members of the committee present, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately recorded.

14.6 Performance Review and Assessment

The Chair of the Audit and Risk Committee, in consultation with the Chief Executive Officer, will initiate a review of the performance of the committee at least annually.

14.7 Induction of New Members

A quorum of the Audit and Risk Committee meeting will be four members of the committee. If the Chair is absent, the member chosen by the members present as Chair for the meeting presides.

- 14.7.1 New members of the Audit and Risk Committee will be provided with induction material to allow the members to familiarise themselves with the organisation and to facilitate their understanding of its principal operations and activities, corporate governance arrangement, corporate practices and culture.
- 14.7.2 New members will receive relevant information and briefings upon their appointment

to assist them to understand and meet their responsibilities under this Charter.
Further training may be made available if required.

14.8 Review of Charter

A quorum of the Audit and Risk Committee meeting will be four members of the committee. If the Chair is absent, the member chosen by the members present as Chair for the meeting presides.

- 14.8.1 Every two years, (or as necessary) due to council, legislative and regulatory changes, the committee will review and confirm the appropriateness of the Audit and Risk Committee Charter.
- 14.8.2 Any substantive changes to the charter will be recommended by the committee for consideration and, if appropriate, adoption by Council.

15. RELATED DOCUMENTS

Documents
Audit and Risk Committee – Forward Meeting Schedule

16. RESPONSIBLE OFFICER

General Manager Corporate and Community

17. REVIEW DATE

Inline with Policy review

REVISION HISTORY

Version	Meeting	Approval Date	History
1	General	28 September 2022	New