

AUDIT AND RISK COMMITTEE CHARTER

Policy Number	71	Doc. ID	
Policy Type:	Administrative		
Head of Power:	Local Government Act 2009 Local Government Regulation 2012 Crime and Corruption Act 2001		
Approval Authority	Council		
Responsible Officer	Chief Executive Officer		
Previous Approval Date	15 July 2024		
Policy Version Number	2		
Resolution	2024.12.18-OM-11		
Review:	24 February 2025	Council Meeting	
Next Review:	1 July 2026		

1. INTENT

The *Local Government Act 2009* enables local governments to establish an Audit Committee. At Council's Ordinary Meeting held 18 December 2024, Council resolved to change the title of the Audit Committee to the Audit and Risk Committee. This Charter defines the role, responsibilities, composition and guidelines of the Audit and Risk Committee within Council. The Audit and Risk Committee is to provide an oversight, advisory and assurance role only and does not have any delegated responsibility or management functions within Council.

2. POLICY OBJECTIVES

The Audit and Risk Committee acts as an independent, oversight, assurance and advisory service to Council in the effective discharge of its responsibilities prescribed in the *Local Government Act 2009*, the *Local Government Regulation 2012* and other relevant legislation and prescribed requirements by providing oversight, monitoring and reviewing:

- the governance structure;
- values and ethics;
- the integrity of financial documents, management and public accountability reports;
- the internal audit and corrupt conduct investigation's branch activities;
- legislative compliance;
- external audit;
- risk management;
- internal control including fraud;
- management action plans;
- assurance providers; and
- performance reporting.

The Audit and Risk Committee can provide recommendations to Council and management about any matters that it considers needs action or improvement.

These terms of reference set the principles and standards for the Audit and Risk Committee to:

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

3. COMMENCEMENT OF POLICY

This Policy will commence on adoption by Council.

4. HUMAN RIGHTS COMMITMENT

Council has considered the human rights protected under the *Human Rights Act 2019* (Qld) (the Act) when adopting and/or amending this policy. When applying this policy, Council will act and make decisions in a way that is compatible with human rights and give proper consideration to a human right relevant to the decision in accordance with the Act.

5. STRATEGIC LINKS

The Audit and Risk Committee's aim is to achieve the objectives of the whole organisation and therefore this charter relates to providing oversight of the systems, processes and controls that contribute to the following identified themes as contained in Council's Corporate Plan 2022-2027, where Council is:

- A sustainable and effective organisation;
- Engaged with its residents;
- A leader in the region which supports regional co-operation, resource sharing and partnerships; and
- Recognised as the sole road construction provider in the Shire.

6. POLICY

6.1 CONTEXT

This policy applies to members of the Audit and Risk Committee, Councillors and Council employees.

7. STANDARDS

7.1 SPECIFIC AND STANDARD

General

The Chairperson is the Charter owner and the Audit and Risk Committee is responsible for authorising and reviewing this Charter.

7.2 AUTHORITY, INDEPENDENCE AND ACCESS

In discharging its responsibilities, the Audit and Risk Committee has the authority to:

1. Conduct or request investigations into matters within its scope of responsibility and in accordance with the *Local Government Act 2009*;
2. Access information, records and personnel of the Council for such purpose;
3. Request the attendance of any employee, including executive staff, at committee meetings;
4. Conduct and minute meetings with the Council's internal and external auditors and risk manager as necessary;
5. Seek advice from external parties to meet its responsibilities, as necessary provided that Council approval will be required prior to committing to any expenditure required in seeking that advice;
6. The Audit and Risk Committee will need to liaise closely with management and internal and external auditors to carry out its responsibilities. Whilst the primary responsibility for financial and other reporting, risk, internal control and compliance with laws, regulations and ethics within Council rests with management, the Audit and Risk Committee should exercise an oversight, monitoring and review role.
7. The Audit and Risk Committee will have unrestricted access to all information it deems necessary, including documents and officials, and have adequate resources in order to fulfil its oversight responsibilities.

7.3 CONFIDENTIALITY

The Committee members are responsible and accountable for maintaining the confidentiality of the information they receive during the conduct of their function and should comply with the Code of Conduct.

7.4 ETHICAL PRACTICES

1. The Audit and Risk Committee members will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity, probity and not engage knowingly in acts or activities that have the potential to bring discredit to Council.
2. The Audit and Risk Committee members must also refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Audit and Risk Committee members must not use Council information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of Council.
3. The Audit and Risk Committee members must not publicly comment on matters relative to activities of the Committee other than as authorised by Council.
4. Members who become aware of a conflict of interest or issues which may affect their objectivity on matters raised within the Audit and Risk Committee should advise the Chairperson immediately. Should the Chairperson experience such a conflict he/she is to advise the Chief Executive Officer (CEO).

7.5 COMPOSITION AND MEMBERSHIP

1. *Composition and membership*

The Committee will be composed of four members, including the Chairperson, as follows:

- a) Two independent external members will be chosen and appointed by Council to ensure impartiality and an appropriate mix of skills.

- b) Two Councilors on a rotational basis with a four year term. If re-elected can serve another one four year term.
- c) When selecting an external independent member, Council must have regard to that person having a strong business, accounting, legal or similar background to provide additional expertise to Council.
- d) Independent external members will also need a high level understanding of internal controls, risk management, corporate governance and a sound knowledge of information systems and related technology.
- e) No additional paid professional work may be performed for Council during the period of appointment to the Audit and Risk Committee.
- f) As provided by Section 210(1) of the *Local Government Regulation 2012*, Council will appoint one of the external independent members of its Audit and Risk Committee to be Chairperson.
- g) The Chairperson must preside at each meeting of the Committee. If the appointed Chairperson is absent, a Member chosen by the Members present at the meeting must preside.
- h) The term of an independent external member shall be four years and Council may approve a further extension of four years to that term.

2. Other participants

- a) The Audit and Risk Committee has the ability to co-opt any persons as advisers, from time to time for a particular period. No remuneration will apply to these advisers.
- b) The External Auditor, Advisers and Ex Officio members are non-voting observers.
- c) The CEO and the Director Corporate Services should attend all meetings as Ex Officio observers but have no voting rights.
- d) Other Council officers may attend meetings as required by invitation of the Committee.
- e) The membership of the Committee may be reviewed during the life of the Committee but will be reviewed following the completion of each general local government election.

3. Removal of members

- a) The Audit and Risk Committee may remove any Members and appoint a replacement Member in accordance with section 7.5.1 of this Charter.

7.6 ROLES AND RESPONSIBILITIES

In accordance with the principles, for an Audit and Risk Committee set out in the Act, the Regulation and accepted best practice, the duties and responsibilities of the Committee are as follows:

1. External Audit

- a) Oversee Council compliance with the *Local Government Act 2009* and other relevant legislation requirements for financial reporting.
- b) Review the scope of the audit activities with the external auditors and provide input and feedback on the external auditor's proposed audit strategy and audit plan including financial statements, and consult on audit fees for the year.
- c) Review of effectiveness of the annual audit, to ascertain whether emphasis is being placed on areas where the Committee, management or the auditors believe special attention is necessary.
- d) Review the findings and recommendations of external audit, management responses to audit reports and the extent to which external audit recommendations

concerning internal accounting controls and other matters are implemented in effectively addressing control deficiencies.

2. *Internal Audit*

- a) Review the internal audit's charter, resources and budget such that this charter maintains and enforces internal audit's independence from management.
- b) Ascertain that the activities undertaken by the Internal Audit Branch (managed by Corporate Services Directorate) are in accordance with the Internal Audit Branch Charter and the International Standards for the Professional Practice of Internal Auditing.
- c) Monitor whether the Internal Audit Branch is receiving the co-operation of all levels of management; and in light of its functions and activities, is viewed as a highly regarded function of Council.
- d) Review the planning and scope of internal audit activities and assess the resultant recommendations and findings.
- e) Assess whether all significant recommendations of the Internal Audit Branch have been properly implemented by management in effectively addressing control deficiencies. Any reservations the Internal Auditors may have about control risk, and accounting and disclosure practices should be discussed by the Committee.
- f) Review the Internal Audit Plan to assess that it covers the key risks of the Council.
- g) Monitor the extent of reliance on internal audit work by the external auditors to facilitate completeness of coverage and the effective use of audit resources.
- h) The Audit and Risk Committee will assume joint responsibility with the CEO in the appointment and dismissal of the Chief Audit Executive.
- i) Review and monitor the quality, effectiveness and objectivity of internal audit.
- j) The Audit and Risk Committee's responsibilities do not extend to the administration of day-to-day activities of Internal Audit Branch. This is a function which is carried out by the CEO.

3. *Financial Statements*

- a) Review the appropriateness of accounting policies adopted by Council and ensure the accounting policies adopted are relevant to Council and its specific circumstances.
- b) Review the appropriateness of significant assumptions and judgments made by management particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.
- c) Review the financial statements for compliance with prescribed accounting and
- d) other requirements.
- e) Review, with management and the external auditors, the results of the external audit and any significant issues identified.
- f) Analyse the Council's financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- g) Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.
- h) Recommend approval of the Financial Statements (including sustainability ratios) to the CEO and Mayor.
- i) Review the final draft financial statements prior to its approval by Council, taking on board any external audit comments. In particular the review should focus on but not limited to:
 - (i) significant changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant audit adjustments; and
 - (iv) proposed departures from accounting standards.

4. *Risk Management*

- a) Provide oversight of the embedding of risk culture in policy setting, projects, programs and operating activities.
- b) Review the risk management framework for identifying, escalating, monitoring and managing significant enterprise risks, including fraud.
- c) Assess the impact of the Council's risk management framework on its control environment and satisfy itself that the insurance arrangements are appropriate.
- d) Assess and contribute to the audit planning processes relating to the risks and threats to Council.
- e) Determine whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- f) Monitor whether the risk management framework/program is receiving support from all levels of management.

5. *Fraud and Corruption Control*

- a) Review the process of developing and implementing the Council's fraud control arrangements and satisfy itself that Council has appropriate processes and systems in place to identify fraud and corruption risks as well as to detect, capture and effectively respond to fraud-related information.
- b) Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in Council.

6. *Internal Control Framework*

- a) Provide oversight of the adequacy of management review of the internal control environment, structure and systems, including information technology security and control.
- b) Provide oversight whether management is maintaining up-to-date, relevant policies and procedures and is in compliance, including those for the management and exercise of delegations.
- c) Report any significant control deficiencies to Council.

7. *Compliance*

- a) Determine whether management has considered legal and compliance risks as part of Council's risk assessment and management arrangements.
- b) Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and policies including statutory regulations for any subsidiaries of Council.
- c) Review the findings of any examinations by regulatory agencies, and any auditor observations.
- d) Review the Code of Conduct for Councillors in Queensland and recommend changes, as appropriate.
- e) Review policies and procedures relating to conflict of interest, misconduct, fraud and other related sensitive issues.

8. *Other Matters*

- a) Determine whether Council is receiving reliable and timely management information.
- b) Review the proposed Annual Report of Council.
- c) Recommend special projects or investigations on any matter within its terms of reference.
- d) Consider any governance issues that arise out of the performance assessment of the CEO and managers.

7.7 MEETINGS, RECORDS AND REPORTING STRUCTURE

The Committee shall meet at least four times a year. The CEO with the Audit and Risk Committee's agreement will set the date, time and place for the meetings. Before setting the date, time and place for a Committee meeting, the CEO must, if practicable, consult with the Chairperson of the Committee. In addition, the CEO will call a meeting if requested to do so by any Committee member, or the internal or external auditors.

- 1. A quorum shall consist of three members, including the two independent members.
- 2. The external auditors shall be given notice of all meetings and sent an agenda. The external auditors shall have the right to attend and speak.
- 3. The Committee Section shall prepare an agenda supported by necessary explanatory documentation and circulate it to the Audit and Risk Committee members, any other Council officer requested to attend and the external auditors, if practicable at least five (5) days before the day of the meeting. All other Councillors will have a standing invite to attend the Committee.
- 4. Council's Governance Officer will provide secretarial functions to the meetings and prepare a Report of each meeting which will be provided to Audit and Risk Committee members and permanent attendees one week after the meeting, at the latest.
- 5. The Report of the Audit and Risk Committee meeting will be presented to the next meeting of the Council for its consideration by the Director Corporate Services. The Corporate Services Directorate will provide relevant extracts of the Report, upon its adoption by Council, to relevant officers for information and action.
- 6. The Audit and Risk Committee may hold periodic private 'in camera'¹ meetings with the Chief Audit Executive and/or external audit without senior management being present through a formal process and included in the annual Audit and Risk Committee planner.

7.8 EDUCATION AND INDUCTION OF MEMBERS

- 1. New members to the Committee will be provided with induction material on their appointment to assist them to meet their Committee responsibilities to allow the members familiarise themselves with the environment and to facilitate their understanding of its principal operations and activities, corporate practices and culture.
- 2. Presentations to the Committee will be provided on key issues in Council such as transformation programs, strategic planning, legislative directions, procurement compliance and performance, governance success, information communications and related technology status, growth and development of the city, financial sustainability, infrastructure adequacy, asset management etc.

7.9 MONITORING AND SELF EVALUATIONS

¹ An in-camera meeting or session is a meeting (or a part of a meeting) of an organisation's board of directors that specifically excludes others such as executives or staff. See Definition section for more information.

1. At least biennially, the Audit and Risk Committee will assess the performance and achievements of the Committee for the previous period and ensure that it is meeting its objectives efficiently and effectively.
2. Confirm biennially that all responsibilities outlined in this charter have been carried out.
3. Where this evaluation highlights a need for enhancements to the role, operational processes or membership of the Committee, the Chairperson should take action to ensure such enhancements are implemented.

7.10 REMUNERATION

Council sets the remuneration for external members and will review that amount from time to time.

External Members are entitled to be remunerated by Diamantina Shire Council on a per Committee meeting basis, as follows:

1. For the External Member who is the Chairperson, \$2,000 (ex GST);
2. For the External Member who is the Deputy Chairperson, \$1,750 (ex GST).

There will be a compulsory annual on-site meeting at Bedourie with all Members of the Audit and Risk Committee. The per Committee meeting remuneration amounts are compensation for both preparation and attendance at meetings of the Committee by the External Members and other ancillary meetings. Reasonable expenses will be reimbursed to external members at the discretion of the CEO.

Diamantina Shire Council must set out terms and conditions for appointment of External Members in a letter of appointment issued to the External Member.

7.11 REVIEW OF CHARTER

This Charter will be reviewed every two years by the committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.

7.12 APPROVAL OF CHARTER

The Charter is endorsed by the Chair of the Committee and approved by Council.

7.13 BREACH OF POLICY

The CEO or delegate will be the final arbiter in respect to this policy and deal with any conduct in contravention of this policy at their discretion.

8. SERVICE STANDARDS

The Audit and Risk Committee Charter will be developed and presented to Council by the due dates for review.

9. DEFINITIONS

To assist in interpretation, the following definitions shall apply:

WORD / TERM	DEFINITION
Accountability	The obligation of an individual or organisation to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner
Add Value	The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.
Adequate Control	Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.
Assurance Services	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.
CEO	The Chief Executive Office of the Diamantina Shire Council or the CEO's delegate.
Charter	A formal document that defines the purpose, authority, and responsibility. The charter establishes the activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of activities.
Chief Audit Executive	Chief Audit Executive, currently the Director of Corporate Services, describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications.
Compliance	Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.
Conflict of Interest	Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.
Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management

WORD / TERM	DEFINITION
	responsibility. Examples include counsel, advice, facilitation, and training.
Control	Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved
Control Environment	<p>The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:</p> <ul style="list-style-type: none"> • Integrity and ethical values. • Management's philosophy and operating style. • Organisational structure. • Assignment of authority and responsibility. • Human resource policies and practices. • Competence of personnel.
Control Processes	The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organisation is willing to accept.
Corrupt Conduct	<p>Under the <i>Crime and Corruption Act 2001</i>, there are now two different types of corrupt conduct. "Type A" corrupt conduct involves conduct that affects, or could affect, a public officer (an employee of a public sector agency) so that the performance of their functions or the exercise of their powers:</p> <ul style="list-style-type: none"> • is not honest or impartial, or • knowingly or recklessly breaches public trust, or • involves the misuse of agency-related information or material. <p>Common examples of Type A corrupt conduct include fraud and theft, extortion, unauthorised release of information, obtaining or offering a secret commission and nepotism.</p> <p>"Type B" corrupt conduct involves specific types of conduct that impair, or could impair, public confidence in public administration. This may include:</p> <ul style="list-style-type: none"> • collusive tendering; or • fraud relating to an application for a licence, permit or other authority relating to public health or safety; the environment; or the State's natural, cultural, mining or energy resources, or

WORD / TERM	DEFINITION
	<ul style="list-style-type: none"> dishonestly obtaining public funds or State assets, or evading a State tax, levy or duty or fraudulently causing a loss of State revenue, or fraudulently obtaining or retaining an appointment. <p>Both Type A and Type B corrupt conduct must be either a criminal offence or serious enough to warrant dismissal.</p>
Council	Means Diamantina Shire Council as Council is the highest level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation's activities and hold senior management accountable.
Council Officer	Means all permanent, casual and temporary employees, contractors, volunteers, apprentices, trainees and work experience students.
ELT	Includes CEO and Directors of Diamantina Shire Council. ELT may include Senior Specialists from time to time.
External Service Provider	A person or firm outside of the organisation that has special knowledge, skill, and experience in a particular discipline.
Fraud	Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.
Governance	The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.
In-Camera Session	<p>An in-camera meeting or session is a meeting (or a part of a meeting) of an organisation's board of directors that specifically excludes others such as executives or staff.</p> <p>The term "in camera" is Latin for "in a chamber" or "in private," and these meetings provide the board with the opportunity to discuss sensitive or confidential matters, such as potential conflicts, legal issues, or sensitive financial information.</p>
Impairment	Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).
Independence	The freedom from conditions that threaten the ability of the activity to carry out responsibilities in an unbiased manner

WORD / TERM	DEFINITION
Information Technology Controls	Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.
Internal Audit Activity	A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. This function is currently being carried out by Council's Corporate Services Directorate.
International Professional Practices Framework	International Professional Practices Framework The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended
Manager	Includes employees designated as managers reporting directly to the CEO. This includes Directors and Chief Operating Officer.
"Must"	The Standards use the word "must" to specify an unconditional requirement.
Objectivity	An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.
Overall Opinion	The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management, and/or control processes of the organisation. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.
Policy	A policy is a statement of Council's position that provides context for procedures and guides.
Risk	The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
Risk Appetite	The level of risk that an organization is willing to accept.

WORD / TERM	DEFINITION
Risk Management	A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.
“Should”	The Standards use the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.
Significance	The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.
Standard	A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

10. RELATED POLICIES, LEGISLATION AND DOCUMENTS

Crime and Corruption Act 2001

Human Rights Act 2019

Local Government Act 2009

Local Government Regulation 2012

11. VERSION INFORMATION

PREVIOUS VERSION NUMBER	ADOPTED/APPROVED DATE
1 (Original)	15 July 2024 - 2024.07.25-OM-19
2	18 December 2024 - 2024.12.18-OM-11

12. DOCUMENT CONTROL

Only Council can approve amendments to this document by resolution of a Council Meeting, with the exception of administrative amendments which can be approved by the relevant ELT member. Any requests to change the content of this document must be forwarded to the Director Corporate Services.