

Audit and Risk Committee Charter

1 Background

Section 53 of the *Local Government Act 2020* (“the Act”) requires all councils to establish an audit and risk committee. Central Goldfields Shire Council (“Council”) has constituted an Audit and Risk Committee (“the Committee”) to meet this requirement. Section 54 of the Act requires that councils must prepare and approve an Audit and Risk Committee Charter.

This Charter has been developed to comply with the Act and facilitate the operation of the Committee and sets out its functions and responsibilities, authority, composition, remuneration, meetings, responsibilities, publicly available information and review.

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.

The Committee has the authority to:

- Endorse 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;
- Approve internal and external audit plans, including internal audit plans with an outlook of greater than one year;
- Provide advice and make recommendations to Council on matters within its areas of responsibility, including new and revised policies relevant to the work of Audit and Risk;
- Request the CEO to retain counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities;
- Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee’s requests) and external parties;
- Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.
- The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

3 Functions and Responsibilities

The Committee’s functions and responsibilities are to:

- Monitor the compliance of Council policies and procedures with:
 - The overarching governance principles;
 - The Act and the regulations and any Ministerial directions.
- Monitor Council financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls;

- Have an annual work program (detailed in section 7 below);

Undertake an annual assessment of its performance against the Charter, and provide a copy of the assessment to the CEO (for tabling at the next Council meeting);

- Provide a Biannual Report of its activities to Council;
- Enhance the credibility and the objectivity of the financial reporting of Council;
- Support the identification and management of enterprise wide material risks of Council;
- Advise Council on systems and processes designed to ensure compliance with the Act and other relevant laws and regulations and consistency of best practice guidelines;
- Advise Council on the establishment, effectiveness and maintenance of controls and systems to safeguard financial and physical resources, and mitigation of risks that may adversely affect achievement of Council objectives;
- Advise Council on the establishment, effectiveness and maintenance of controls and systems to safeguard its governance obligations and promote a culture of accountability and transparency;
- Advise Council on the systems and processes which protect against fraud, corruption and irregularities.

The Committee has no executive role. It is independent of management and reports to the Council providing advice to facilitate Council decision making.

4 Membership and tenure

The Committee will consist of five voting members appointed by Council, three of whom must be independent members. Council employees cannot be members of the Committee.

Independent Members

- Independent members will be appointed for three-year terms;
- Independent members may be reappointed for two additional three-year terms subject to satisfactory performance, that is, a maximum of nine years;
- Independent members must collectively have expertise in financial management and reporting and risk management and also experience in public sector management;
- Independent members' terms of appointment will be set so that as far as possible only one member retires at a time in order to minimise the loss of knowledge of Council's business that may occur on change of membership;
- Remuneration will be paid to independent members as approved by Council from time to time;¹

Councillor Members

- Councillor members will be appointed to the Committee by Council annually;
- 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;

Chairperson

- The Chairperson of the Committee must be an independent member;

¹ Further detail at part 4.6 of the Charter.

- When a vacancy arises in the position of Chair, Council undertake recruitment to appoint the Chairperson of the Committee, in accordance with 4.2, and determine the term;
- Current independent members will be eligible to be considered in the recruitment for a Chairperson;
- 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;

4.1 Quorum for Meetings

- A quorum shall comprise at least one Councillor member and two independent members;

4.2 Recruitment and Selection

- Council will develop maintain a skills matrix to identify the skills and/or experience required by the Committee;
- On the retirement or resignation of an Independent Member, the skills matrix will be considered to identify the skills and/or experience to be sought in a new Independent Member;
- An advertisement seeking a new Independent Member will be published in an appropriate public market identifying any specific skills and experience sought by the Committee;
- Applications for the vacancy will be reviewed and shortlisted by the CEO or delegate, in consultation with the Chair or, if the Chair is not available, an Independent Member of the Committee;
- A panel will be convened to interview and recommend to the Committee for endorsement a candidate's appointment. The panel will comprise of the following:
 - The Chair, or an Independent member if the Chair is unavailable;
 - One or more Councillor member of the Committee; and
 - The CEO or delegate(s).
 - The panel may recommend a single candidate or a short list for the Committee's consideration.
 - The Committee will provide its recommendation of a candidate's appointment to the next practicable Council Meeting.

4.3 Induction

All Independent Members are to be provided with an induction to Council and the Committee. The induction material must include, but is not limited to:

- Relevant financial reports;
- Audit reports;
- Minutes of the last four Committee meetings;
- The internal auditors reports from the previous 12 months;
- Reports on any relevant investigations;
- Council's risk registers;
- Relevant Council policies and procedures; and
- The Committee Charter.

If the Independent Member/s require a one on one induction, Council officers, as directed by the CEO, will undertake the induction for the new Independent Member/s.

All Councillors are provided with the Committee Charter, Minutes of the last four Committee Meetings and details of the qualifications and experience of the Independent Members of the Committee as part of the Councillor induction program.

4.4 Role of the Chair

The role of the Chair is to:

- In consultation with the CEO, or delegate, set the matters to be included on the agenda for each meeting of the Committee;
- Chair all meetings of the Committee and oversee how the meetings are conducted;
- Determine the actions to be taken in relation to items discussed at the meeting;
- Participate in the evaluation for the appointment of the internal auditor;
- Lead the annual assessment of the performance of the Committee and provide a copy of the annual assessment to the CEO for tabling at the next Council Meeting.

4.5 Decision making out of session

The Chair of the Committee has authority to refer any matter for a discussion and decision making out of session, e.g. via email. Any decisions made out of session will need to be ratified at the next Committee Meeting.

4.6 Remuneration

Section 53(6) of the Act allows for the payment of a fee to Independent Members of the Committee.

Council will pay a sitting fee to the Chair and Independent Members of the Committee. This fee will be reviewed as part of Council's annual budget process, and will be subject to annual CPI indexation.

In addition, each Independent Member will be entitled to claim up to \$500.00 per annum in travel expense based on the per kilometre rate set by the Commissioner of Taxation.

4.7 Insurance and Indemnity

Council must indemnify and keep indemnified each member of the Committee, exercising any function or power on behalf of a Council against all actions or claims (whether arising during or after the term of office or employment of that Councillor or member) in respect of any act or thing done or omitted to be done in good faith in the exercise or purported exercise of any function or power conferred on the Committee or member of the Committee under this or any other Act.

Council's insurance policies shall cover members of the Committee while engaged in the business of the Committee.

5 Meetings

- The Committee will meet at least four times a year, with the authority to convene additional meetings, as circumstances require;
- All Committee members are expected to attend each meeting, in person or via teleconference;
- The Committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary;
- The Committee may hold private meetings with the auditors if required;
- Committee members and the internal and external auditors can request the Chairperson to convene additional meetings if they feel that is justified to address unexpected matters that may have arisen;
- Meeting agendas and related papers will be prepared and provided to members, five days in advance of meetings (wherever possible);
- Minutes of meetings will be kept and action items recorded and monitored;
- The CEO, General Manager Corporate Performance, General Manager Infrastructure Assets and Planning, General Manager Community Wellbeing and Manager Governance Property and Risk will attend the meetings in an “ex officio” capacity. On the direction of the CEO, other Council officers may attend the Committee in an “ex officio” capacity, or at the request of the Committee;
- Any Councillors may attend meetings in an “ex officio” capacity.

6 Committee Member Obligations

Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to misuse of position as a member of the Committee (Section 123), confidential information (Section 125) and conflict of interest (Sections 126 to 131). Details about these obligations are included in Appendix 1 to this Charter.

Upon appointment, Independent Members are required to sign a confidentiality agreement (Appendix 2).

Committee Members must act in accordance with the confidentiality provisions in sections 3 and 125 of the *Local Government Act 2020*. Additionally Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Committee, except in accordance with any direction of the Council.

Failure to comply with the provisions of the Act with regard to conflicts of interest and other offenses carrying a statutory penalty may result in the Member’s appointment being terminated.

The Committee members are also required to complete Personal Interest Returns within 30 days of becoming a Member of the Committee and Biannual Personal Interest Return every six months.

In addition to any declarations made in a Return of Interest, members of the Committee must declare any past or current relationships that may or may be perceived to, impair their independence. This is required even if these relationships would not be considered a conflict of interest under the relevant sections of the Act. Such relationships include (but are not limited to) employment, consulting, advisory, supplier or contractual roles or relationships.

7 Responsibilities of the Committee

The Committee will carry out the following responsibilities.

7.1 Financial and Performance Reporting

- At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report and the audit thereof;
- At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- Review the annual financial report and annual performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose Council's financial performance and position;
- Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- Recommend the adoption of the annual financial report and annual performance statement to Council; and
- Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

7.2 Internal Control Environment

- Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a three to four year period;
- Determine whether systems and controls are reviewed regularly and updated where required;
- Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;
- Ensure that a programme is in place to test compliance with systems and controls;
- Assess whether the control environment is consistent with Council's Governance Principles.

7.3 Risk Management

- Review annually the effectiveness of Council's risk management framework;
- Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- Review Council's risk profile and the changes occurring in the profile from meeting to meeting;
- Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- Review the insurance programme annually prior to renewal; and
- Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

7.4 Fraud Prevention Systems and Controls

- Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least very two years;
- Receive reports from management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event; and
- Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

7.5 Internal Audit

- Review the Internal Audit Charter annually to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- Review progress on delivery of annual internal audit plan;
- Review and approve proposed scopes for each review in the annual internal audit plan;
- Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- Meet with the leader of the internal audit function at least annually in the absence of management;
- Monitor action by management on internal audit findings and recommendations;
- Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work;
- Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change;
- Recommend to Council, if necessary, the termination of the internal audit contractor.

7.6 External Audit

- Annually review and approve the external audit scope and plan proposed by the external auditor;
- Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information;
- Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner;
- Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- Meet with the external auditor at least annually in the absence of management.

7.7 Compliance Management

- Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;
- Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- Obtain briefings on any significant compliance matters; and
- Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC, Victoria Government Inspectorate, etc. and monitor Council's responses.

8 Reporting of ARC activities

- Minutes of Committee meetings will be provided to Council at the first available opportunity after Committee approval;
- The Chairperson will prepare a report to Council through the Chief Executive Officer on the Committee's activities twice per annum. The report will be endorsed by the Committee (out of session) before being provided to the Chief Executive Officer. One of these reports will be prepared after the meeting at which the annual financial report and the annual performance statement have been considered and recommended to Council for adoption, such report indicating how the Committee has discharged its responsibilities as set out in this Charter for the previous year.

8.1 Performance Evaluation

- The Committee shall undertake a process to evaluate its performance annually and report the outcomes of the evaluation process to Council through the Chief Executive Officer, including recommendations for any opportunities for improvement. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.
- As part of the annual performance evaluation, the Audit and Risk Committee will consider the skills matrix (4.2) to ensure the Committee can effectively undertake its role.
- Committee members may request through the Chair for appropriate training to be sourced to assist them to fulfil their role.

8.2 Committee Member Regulatory Obligations

- Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to misuse of position as a member of the Committee (Section 123), confidential information (Section 125) and conflict of interest (Sections 126 to 131). Details about these obligations are included in Appendix A to this Charter.

8.3 Review of Charter

- The Committee shall review and assess the adequacy of the Charter annually and submit requests to Council through the Chief Executive Officer for revisions and improvements for approval.

9 Control Information

| | |
|---------------------------------|---|
| Author | Manager Governance, Property and Risk |
| Responsible Officer | General Manager Corporate Performance |
| Date adopted by Council: | 19 December 2023 |
| Revision History | March 2011 November 2013 June 2015 March 2017 (Version 2) March 2019 March 2020 July 2020 February 2022 December 2023 |
| Next Review | September 2024 |

Appendix 1

Guidance to Members

| LGA Section | LGA Requirement |
|--|---|
| Misuse of Position | |
| 123(1) | A Committee member must not intentionally misuse their position to: <ul style="list-style-type: none"> a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or b) Cause, or attempt to cause, detriment to the Council or another person |
| 123(3) | Circumstances involving misuse of a position by a member of the Committee include: <ul style="list-style-type: none"> a) Making improper use of information acquired as a result of being a member of the Committee; or b) Disclosing information that is confidential information; or c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or 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; or e) Using public funds or resources in a manner that is improper or unauthorised; or f) Participating in a decision on a matter in which the member has a conflict of interest. |
| Confidential Information | |
| 125 | A member of the Committee must not intentionally or recklessly disclose information that the member knows, or should reasonably know, is confidential information. There are some exemptions to this requirement, the key one being that if the information disclosed by the member has been determined by Council to be publicly available. |
| Conflicts of Interest | |
| 126 | A member of the Committee has a conflict of interest if the member has: <ul style="list-style-type: none"> a) A general conflict of interest as described in Section 127; or b) A material conflict of interest as described in Section 128. |
| 127 | A member of the Committee has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the members private interests could result in that member acting in a manner that is contrary to their public duty as a member of the Committee. |
| 128 | A member of the Committee has a material conflict of interest in a matter if an affected person would gain a benefit or suffer a loss depending on the outcome of the matter. |
| <p>Please Note</p> <p><i>The above guidance is not verbatim from the Act and does not include all details as explained in Part 6, Division 1 of the Act. For a full understanding of the requirements of the Act in relation to the matters summarised above, members are expected to make themselves fully aware of the requirements of the Act.</i></p> | |

Appendix 2

AUDIT AND RISK COMMITTEE CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made the _____ day of _____ 20_____

BETWEEN

AND CENTRAL GOLDFIELDS SHIRE COUNCIL

I herewith agree that I must not, whether during or after my membership of the Central Goldfields Shire Council Audit and Risk Committee, unless expressly authorised by the Chief Executive Officer or in accordance with the law, make any disclosure or use of:

- a. Any information or trade secrets of the Council;
- b. The position of the Council or any Councillor or Council Officer on any confidential matter;
- c. 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.

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:

.....

Name:

AUDIT AND RISK COMMITTEE MEMBER

Signed for and on behalf of Central Goldfields Shire Council

.....

Lucy Roffey

CHIEF EXECUTIVE OFFICER