

ATTACHMENTS

**Under Separate Cover
Council Meeting**

6.00pm Tuesday 22 February 2022

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7.7 Review of Audit and Risk Committee Charter
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AUDIT AND RISK COMMITTEE CHARTER



Audit and Risk Committee Charter

AUDIT AND RISK COMMITTEE CHARTER

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AUDIT AND RISK COMMITTEE CHARTER

1. PREFACE

Section 53 (1) of the Local Government Act 2020 (the Act) states that “a Council must establish an Audit and Risk Committee”. Section 54 (1) of the Act states “a Council must prepare and approve an Audit and Risk Committee Charter.”

This Charter has been developed in response to the Act requirements. It has been developed with reference to the model Audit Charter provided by the Institute of Internal Auditors North America, as recommended in “Audit and Risk Committees - A Guide to Good Practice for Local Government” issued by Local Government Victoria in January 2011.

2. INTRODUCTION

The Audit and Risk Committee plays an important role in providing oversight of Golden Plains Shire Council’s governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Committee performs its role by providing independent oversight to the governing board, the Council, in overseeing internal and external audit functions¹.

3. BACKGROUND

The Committee’s previous Charter, in accordance with Section 139 of the Local Government Act 1989, was reviewed and approved by Council on 25 February 2020.

This Charter has been developed, in accordance with the Section 54(7) of the Local Government Act 2020, which states: *A Council must approve the first Audit and Risk Committee Charter and establish the first Audit and Risk Committee on or before 1 September 2020.*

4. PURPOSE

The purpose of the Audit and Risk Committee is to provide a structured, systematic oversight of Council’s governance, risk management and internal control practices. The Committee assists the Council and management by providing advice and guidance on the adequacy of initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit activity, external auditors and other providers of assurance
- Financial statements, performance and public accountability reporting.

¹ Section 54(2)(d) of the Local Government Act 2020

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In broad terms, the Audit and Risk Committee reviews each of the items noted above and provides the Council with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

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

5. MANDATE

The Audit and Risk Committee has been established under Section 53 of the Local Government Act 2020 (and previously Section 139 of the Local Government Act 1989). The Act states that the Audit and Risk Committee is not a delegated committee.²

6. AUTHORITY

The Audit and Risk Committee Charter sets out the authority of the Audit and Risk Committee to carry out the responsibilities established for it by the Council as articulated within the Committee Charter.

In discharging its responsibilities, the Audit and Risk Committee will be supported by the Director Corporate Services, who can facilitate provision of relevant information, records data and reports it considers necessary to discharge its duties. Some information may be denied due to legal or confidentiality reasons.

The Committee has no delegated authority from Council unless specifically provided by Council from time to time and any such authority shall be temporary and may only relate to specific matters as directed by Council.

The Audit and Risk Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Director Corporate Services will facilitate Committee requests.

The Committee may request engagement of counsel or other advisors it deems necessary to carry out its duties.

The Audit and Risk 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;

² Section 53(2) of the Local Government Act 2020

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- Retain counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer;
- 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.

The Audit and Risk Committee, through the Independent Committee Members, will assist the Director Corporate Services in the:

Assessment of tenders for the internal audit contract recruitment process for new Independent Committee members.

The Committee will receive recommendation reports which after formal acceptance, will be provided to the Council. Only the Council can formally appoint Independent Committee Members and internal auditors, which will be subject to a resolution at a Council Meeting.

7. COMPOSITION OF THE COMMITTEE³

The Committee will consist of five members as follows:

- Two Councillors (one of which must be the Mayor);
- At least three independent members.

The Committee Members should collectively possess sufficient knowledge of audit, specific industry knowledge, IT, law, governance, and control. The Act has specific requirements about the Audit and Risk Committee collectively having expertise in financial management and risk⁴, experience in public sector management⁵, and precluding any person who is a member of Council staff of the Council⁶ from being a Committee Member.

Because the responsibilities of the Audit and Risk Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically reevaluate members' competencies and the overall balance of skills on the Audit and Risk Committee in response to emerging needs.

³ Section 53(3) of the Local Government Act 2020: An Audit and Risk Committee must— (a) include members who are Councillors of the Council; and (b) consist of a majority of members who are not Councillors of the Council

⁴ Section 53(3)(b)(i) of the Local Government Act 2020

⁵ Section 53(3)(b)(ii) of the Local Government Act 2020

⁶ Section 53(3)(c) of the Local Government Act 2020

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8. CHAIR OF THE COMMITTEE

The Chair of the Audit and Risk Committee must not be a Councillor of the Council.⁷ Unless directly appointed by Council, the Audit & Risk Committee will appoint a chair.

The election of the Chair shall take place in accordance with the process for the election of the Mayor under the Golden Plains Shire Council Governance Rules. The Chair is re-affirmed on an annual basis and the appointed Chair is capped to a three year term.

The Chair will preside over meetings of the Audit & Risk Committee.

9. TERMS OF OFFICE

Councillors

Councillor Committee Members shall be appointed annually by the Council.

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;

Independent Committee Members

Independent Committee Members shall be appointed for an initial term of up to three years.

Independent members may be reappointed for two additional three-year terms subject to satisfactory performance, that is, a maximum of nine years.

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.

10. QUORUM

A quorum of any meeting will be at least two independent members and at least one Councillor.

11. OPERATIONAL PRINCIPLES

Audit and Risk Committee Values

The Audit and Risk Committee will conduct itself in accordance with the code of values and ethics of the Council and in accordance with the Local Government Act 2020. The Audit and Risk Committee expects that management and staff will adhere to these requirements.

⁷ Section 53(4) of the Local Government Act 2020: A chairperson of an Audit and Risk Committee must not be a Councillor of the Council.

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Communications

The Audit and Risk Committee expects that all communication with management and staff of the organisation as well as with any external assurance providers will be direct, open, and complete.

Work Plan⁸

The Audit and Risk Committee will collaborate with the Director Corporate Services to establish a work plan to ensure that the responsibilities of the Audit and Risk Committee are scheduled and will be carried out.

Meeting Agenda

The Director Corporate Services will establish agendas for Audit and Risk Committee Meetings in consultation with the Chair.

The Director Corporate Services shall circulate the agenda and supporting documentation to members of the Committee a reasonable period in advance of each meeting (one week is the expected advance period).

Information Requirements

The Audit and Risk Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information that is scheduled on an agenda will be provided to the Audit and Risk Committee one week prior to each meeting. Information that is sought at a Committee Meeting will be provided at the next meeting.

Preparation and Attendance

Audit and Risk Committee members are obligated to prepare for and participate in meetings. Participation can be in person, via teleconference or video conference.

Conflict of Interest, Misuse of Position and Confidential Information

Section 123 (misuse of position), 125 (confidential information) and Division 2 of Part 6 (conflict of interest) of the Act apply to a member of the Audit and Risk Committee who is not a Councillor as if the member were a member of a delegated committee.⁹

All Committee Members are expected to be aware of these provisions of the Local Government Act 2020. Failure to comply with the provisions of the Act may result in the Committee Member's appointment being terminated.

Conflict of Interest

Audit and Risk Committee Members must disclose any conflicts of interest to the Chair of the Audit and Risk Committee. Where the conflict is related to the Chair of the Audit and Risk Committee it must be disclosed to the Mayor.

⁸ Section 54(3) of the Local Government Act 2020

⁹ Sections 53(5) of the Local Government Act 2020

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Once a conflict of interest is identified the member of the Audit and Risk Committee must:

1. Disclose the conflict of interest immediately before the matter is considered in the meeting, including the:
 - a) Type of interest and class; and
 - b) The nature of the interest.
2. Notify the Chair that they are leaving the meeting.
3. Leave the room and vicinity while the matter is being considered and await the Chair's direction to return.
4. Notify the Chair prior to the meeting if they are not going to be present at the meeting.

If details are private in nature then the nature of the interest can be declared to the Chair in writing prior to the meeting and the disclosure will simply be the type of interest and class.

Disclosure of conflicts of interest must be Minuted.

Independent Committee Members of the Audit and Risk Committee will be required to sign an Initial Personal Interest Form upon commencement of their term, and a Biannual Personal Interests Return as required under the Local Government Act 2020.

Misuse of Position

Audit and Risk Committee Members must not intentionally misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person, or cause, or attempt to cause, detriment to council or another person.

Confidential Information

Audit and Risk Committee Members must not intentionally or recklessly disclose information that they know, or should reasonably know, is confidential information.

Independent Committee Members of the Audit and Risk Advisory Committee will be required to sign a Confidentiality Agreement upon commencement of their term.

Orientation and Training

Audit and Risk Committee Members will receive formal orientation training on the purpose and mandate of the Audit and Risk Committee and on the organisation's objectives. A process of continuing education will be established.

12. OPERATIONAL PROCEDURES

Meetings

Meetings shall be held not less than four times per annum and timing will be set to ensure that the Committee can properly discharge its responsibilities pursuant to this Charter. Members of the Audit and Risk Committee are expected to attend every meeting of the Committee.

Special meetings may be convened as required. The Director Corporate Services will convene a meeting at the request of the Chairperson, a Committee Member, or the external and internal auditors.

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Where a matter is required to be dealt with by the Audit and Risk Committee between meetings, it will be undertaken by circulating resolution. The report outlining the matter and a request to vote on the item will be sent via email.

Meeting Procedures

Meetings to be conducted in accordance with the procedures set out in the Golden Plains Shire Council Governance Rules, with any necessary modifications.

Minutes

The keeping of minutes to be in accordance with the Golden Plains Shire Council Governance Rules.

Minutes of the meeting will be prepared and provided in draft form within two weeks after the meeting. The minutes will be provided in a report summarising the meeting content to Council after each Committee Meeting.

Required Attendance

The Chief Executive Officer and Director Corporate Services are required to attend every meeting. Officers who have authored reports will be required to attend to speak to their reports, but are not required to attend the whole meeting. Attendance can be in person, via teleconference or video conference.

Secretariat Services

Secretarial and administrative support will be provided to the Audit and Risk Committee by a member of the Governance Team.

Remuneration of Committee Members

Councillors Committee Members are not remunerated for their role on the Audit and Risk Committee.

Remuneration will be paid to each Independent Committee Member¹⁰.

The Council to set the remuneration by resolution at a formal Council Meeting on an annual basis.

Responsibilities

It is the responsibility of the Audit and Risk Committee to provide Council with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the organisation:

Values and Ethics

To obtain reasonable assurance with respect to the organisation's values and ethics practices, the Audit and Risk Committee will:

- Review and assess the policies, procedures, and practices established to monitor conformance with the code of conduct and ethical policies by all managers and staff.

¹⁰ Section 53(6) of the Local Government Act 2020: A Council may pay a fee to a member of an Audit and Risk Committee who is not a Councillor of the Council.

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- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all managers and staff.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

Organisational Governance

To obtain reasonable assurance with respect to governance process, the Audit and Risk Committee will:

- review and provide advice on the governance process established and maintained within the organisation and the procedures in place to ensure that they are operating as intended.
- monitor compliance of policies and procedures with the overarching governance principles, the Local Government Act 2020, relevant regulations and any Ministerial directions¹¹.

Financial and performance reporting¹²

- 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.

Risk Management

To obtain reasonable assurance with respect to risk management practices, the Audit and Risk Committee will:

- Provide oversight on significant strategic and operational risk exposures and control issues, including fraud and corruption risks, governance issues, and other matters needed or requested by senior management and the Council.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.
- Annually review the risk profile.
- Obtain an annual report on management's implementation and maintenance of an

¹¹ Section 54(2)(a)(i) and (ii) of the Local Government Act 2020

¹² Section 54(2)(b) of the Local Government Act 2020

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- appropriate enterprise wide risk management process.
- Provide oversight of the adequacy of the combined assurance being provided.

Fraud and corruption

To obtain reasonable assurance with respect to procedures for the prevention and detection of fraud, and corruption the Audit and Risk Committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud and corruption.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that appropriate anti-fraud and corruption programs and controls are in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems, the Audit and Risk Committee will:

- Consider the effectiveness of the control framework, including risk management, fraud prevention¹³, and information technology security and control.
- Review and provide advice on the control of the organisation as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the Council.
- Monitor the systems and processes for Council's cyber security controls to ensure these are adequate.

Compliance

The Audit and Risk Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.
- Review the process for communicating the code of conduct to staff and for monitoring compliance.
- Obtain regular updates from management regarding compliance matters.

Charter Review

This Charter will be reviewed by the Committee on an annual basis, and the Committee will provide a report to the Council recommending that the Council approve the Charter. Only the Council can approve the Charter at a formal Council Meeting.

¹³ Section 54(2)(c) of the Local Government Act 2020

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13. OVERSIGHT OF INTERNAL AUDIT ACTIVITY AND OTHER ASSURANCE PROVIDERS**Internal Audit Activity**

To obtain reasonable assurance with respect to work of the internal audit activity, the Audit and Risk Committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and endorse the Internal Audit Charter at least annually to ensure that it accurately reflects the Audit and Risk Committee's purpose, authority, and responsibility.
- Provide the Committee Charter to the Council for approval at a Council Meeting.

Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
- Review and approve proposed risk-based internal audits and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the Chief Executive Officer whether any internal audit engagements or non-audit engagements have been completed but not reported to the Audit and Risk Committee; if so, enquire whether any matters of significance arose from such work.
- Enquire of the Chief Executive Officer whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the Audit and Risk Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The Audit and Risk Committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- Have exclusive meetings with external auditors and internal auditors to discuss sensitive matters.
- Monitor management's progress on action plans.

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To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the Audit and Risk Committee will regularly review reports on the progress of implementing approved management actions plans and audit recommendations resulting from completed audit engagements, internal and external.

Financial Statements and Public Accountability Reporting

The Audit and Risk Committee is responsible for oversight of the independent audit of the financial statements and performance statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The Audit and Risk Committee will:

- Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- Review significant accounting and reporting issues, concluding complex or unusual transactions and highly judgements areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the annual financial statements and performance statement, and consider whether they are complete, consistent with information known to Committee Members, and reflect appropriate accounting standards.
- Review with management and the external auditors all matters required to be communicated to the Audit and Risk Committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Review interim financial reports with management and consider whether they are complete and consistent with the information known to Committee Members.

Other Responsibilities

In addition, the Audit and Risk Committee will:

- Perform other activities related to this Charter as requested by the Council.
- Institute and oversee special investigations as needed.
- On an annual basis undertake an assessment of its performance against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council Meeting¹⁴.

Reporting on Audit and Risk Committee Performance

The Audit and Risk Committee will prepare a biannual audit and risk report that describes the committee's activities and includes its findings and recommendations and provide a copy of the biannual report to the Chief Executive Officer for tabling at the next Council Meeting¹⁵.

¹⁴ Section 54(4)(a) and (b) of the Local Government Act 2020

¹⁵ Section 54(5)(a) and (b) of the Local Government Act 2020

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The report should include:


- A summary of the work the Audit and Risk Committee performed to fully discharge its responsibilities.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risks, controls, and compliance processes, including details of any significant emerging risks or legislative changes impacting the organisation.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.

The Committee may report to the Council at any time regarding any other relevant matter it deems of sufficient importance.

14. REVIEW OF CHARTER

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

15. DOCUMENT INFORMATION

DOCUMENT TYPE:	Audit & Risk Committee Charter
DOCUMENT STATUS:	Adopted by Council
DOCUMENT OWNER POSITION:	Director Corporate Services
APPROVED BY:	Council
DATE ADOPTED:	28 July 2020
VERSION NUMBER:	1
REVIEW DATE:	28 July 2021
DATE RESCINDED:	N/A
EVIDENCE OF APPROVAL:	 Signed by Chief Executive Officer
FILE LOCATION:	INT20/105FAC94