



Audit and Risk Committee Charter 2023 - 2025

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AUDIT AND RISK COMMITTEE CHARTER 2023/2025

1. **Purpose**

The Audit and Risk Committee is established under section 53 of the *Local Government Act 2020* (the Act). In accordance with the definition of the Act the Audit and Risk Committee is not a delegated committee.

The Glenelg Shire Council Audit and Risk Committee is a skill-based group where independent members possess a range of skills and significant expertise in financial management and public sector management.

The Audit and Risk Committee's role is to support Council in discharging its responsibilities related to financial and performance reporting, risk management, fraud prevention systems and control, maintenance of a sound internal control environment, assurance activities including internal and external audit of Council's performance with regard to compliance with its policies and legislative and regulatory requirements.

This Charter has been developed in accordance with Section 54 of the *Local Government Act 2020*.

2. **Objectives and Responsibilities**

The primary objectives of the Audit and Risk Committee in accordance with Section 54(2) the *Local Government Act 2020* include the following:

- Monitor compliance of Council policies and procedures with the Overarching Governance Principles (Section 9 *Local Government Act 2020*), the *Local Government Act 2020* and Regulations, and any Ministerial Directions;
- Monitor Councils financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls;
- Oversee internal and external audit functions;
- Provision of advice and guidance on the adequacy of initiatives for values and ethics; and
- Provision of advice and guidance on governance matters.

The Audit and Risk Committee is also required to undertake the following functions and responsibilities under the *Local Government Act 2020*.

- Develop and adopt an annual work plan;
- Undertake an annual self-assessment of its performance against the Audit and Risk Committee Charter in accordance with Section 54(4a) of the *Local Government Act 2020*.

- The results of the annual self-assessment are to be tabled in a report of the Audit and Risk Committee at the next available Council Meeting; and
- Provide a biannual audit and risk report to the Council on the Audit and Risk Committee's activities, findings and recommendations in accordance with Section 54(5a) of the *Local Government Act 2020*. This report will be provided to the Chief Executive Officer for tabling at the next available Council Meeting.

The Audit and Risk Committee shall provide to the next available Council Meeting following each of its meetings a record of each meeting and any recommendations for Council's consideration.

Further details on the functions and responsibilities of the Audit and Risk Committee are provided in Appendix A.

3. Committee's Authority

The Audit and Risk Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter. The Committee does not have the power to direct any Council officer to undertake any work but may make recommendations to Council to assist in its decision-making process.

The Committee may also make recommendations to staff where those actions fall within the delegated authority of that staff member.

In accordance with section 54(6)(b) of the Act, the Chairperson may require any report and annual assessments of the Audit and Risk Committee to be listed on the agenda for the next Council Meeting of the Council.

The relationships between the Audit and Risk Committee, the Council and the Internal and External Auditors are important and are summarised as follows:

- The Council is responsible for the preparation of the financial statements of the organisation and the establishment and maintenance of a system of internal controls. It also manages the organisation's affairs, in compliance with applicable laws and regulations.
- The Audit and Risk Committee monitors the Council in the fulfilment of its duties by overseeing the financial reporting process, interacting with the Internal and External Auditors, monitoring internal controls and monitoring statutory compliance.
- The Auditor-General, as the External Auditor, expresses an opinion on the financial statements prepared by Management and may conduct performance audits of activities of the organisation. The External Auditor will report to Council on any weakness in internal control identified during the audit .
- The Internal Auditor's primary duty is to establish an Internal Audit Plan in conjunction with the Audit and Risk Committee and the Executive Team, and to implement the Plan with regular reports to both the Audit and Risk Committee and Chief Executive Officer.

4. Membership and Tenure

The Committee will consist of up to eight members appointed by Council, up to five of whom must be independent members and three appointed Councillors.

The term of the Audit and Risk Committee will commence on the date of appointment by Council and will conclude at the end of the term of the current Council.

The *Local Government Act 2020* requires that the membership of the Audit and Risk Committee must include members who are current elected Councillors whilst also ensuring that the majority of the committee consists of members that are not Councillors.

Independent Members

- The term of each independent member is four years. Independent members may be reappointed for one additional four year term subject to satisfactory performance, that is, a maximum of eight years.
- The appointment of independent members follows a public expression of interest process which may include newspaper advertisements. Interviews are conducted by the Mayor and Chief Executive Officer with a recommendation being made to Council.
- Where the publicly advertised expression of interest process is unsuccessful or not suitable for the circumstances in attracting a suitably qualified candidate, the Chief Executive Officer, following agreement by the Mayor, may identify and approach appropriately qualified person/s to submit an expression of interest.
- Independent members must collectively have expertise in financial management and reporting, risk management and also experience in public sector management.
- If Council proposes to conclude the appointment of a member of the Committee during the term of their appointment, it must give written notice to the member of its intention to do so. An independent member shall cease to hold office if they are absent from two consecutive meetings without a leave of absence with the agreement of the Chairperson.

Councillor Members

- Councillor Representatives will be appointed to the Audit and Risk Committee by the Council for the term of the current Council.

The membership will include the following:

- Mayor of the day; and
- Two Councillors.

Chairperson

- In accordance with the Act, the Chairperson must be an independent member, as Councillors are not permitted to undertake the role of Chairperson.
- The Chairperson will be elected by the members on a yearly basis.
- Should the Chairperson be absent from a meeting, the Audit and Risk Committee shall appoint another independent member as temporary Chairperson.

Induction of Independent Members

All new independent members of the Audit and Risk Committee will receive induction material and training where required to ensure they are cognisant with the administrative environment, operational profile and risk management processes of Council.

5. Remuneration

Independent members of the Audit and Risk Committee will be paid a meeting allowance for attending meetings. Councillors on the Audit and Risk Committee are not permitted to receive this meeting allowance.

The remuneration for the Council Term 2020 - 2024 for independent members is set at \$570 per meeting, with the Chairperson receiving \$633 per meeting.

A purchase order will be issued to each Independent Member prior to the Audit and Risk Committee Meeting and payment will be made on receipt of independent members invoice after each Audit and Risk Committee meeting.

All independent members will be responsible for their own travel costs incurred in attending meetings of the Audit and Risk Committee.

6. Meetings

The Audit and Risk Committee will meet at least four times per year, with authority to convene additional meetings, as circumstances require.

- A schedule of meetings will be developed annually and agreed by members;
- Meetings will usually be held at the Glenelg Shire Council, Municipal Offices, Reception Room, 71 Cliff Street, Portland, with the option of attending remotely via technological means.
- Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting.
- Once approved by the Chairperson, a copy of the minutes of each meeting of the Audit and Risk Committee will be provided to members and the minutes will also form part of the next available Council meeting agenda.

Meeting minutes for all Audit and Risk Committee meetings will be taken as read and confirmed as an accurate record of that meeting by the Audit and Risk Committee at its next meeting.

The following Council officers are attendees via a standing invitation by the Audit and Risk Committee but are not members of the Committee:

- Chief Executive Officer;
- Director Corporate Services;
- Chief Financial Officer; and
- Corporate Governance Coordinator.

Directors or their appropriate staff members are invited to attend where a report pertaining to their Department is being presented. Council officers with specialist skills and knowledge will be invited to attend Audit and Risk Committee meetings only to provide specific advice or information.

Council's Internal audit provider attends each meeting (either remotely via technological means or in person) to present their findings and recommendations to the Audit and Risk Committee on internal audits undertaken and to provide an Industry Update.

A standing invitation is also extended to the External Auditor.

7. Quorum

A quorum will be five committee members with a minimum of three independent members and at least two Councillors.

If a current Councillor Representative cannot be present at a meeting of the Audit and Risk Committee, a substitute (proxy) Councillor Representative can attend the Audit and Risk Committee meeting to maintain a quorum.

In all meetings the majority of members must be Independent members.

8. Decision-making

Recommendations to Council should be formed by a consensus. If a consensus is not achieved, decisions will be made by a vote (show of hands) of members.

The Chairperson and each Audit and Risk Committee member have one vote each.

The Chairperson shall have a casting vote on occasions where there are an equal number of votes on a matter.

The outcome of the vote must be included in the meeting minutes.

9. Integrity and Confidentiality

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 B to this Charter.

10. Personal Interest Returns

All Audit and Risk Committee members are also required to complete Personal Interest returns within 30 days of being appointed to the committee by 31 March and 30 September thereafter, in accordance with Section 132-136 of the *Local Government Act 2020*.

11. Media Comments

All media comments must be made in accordance with the Glenelg Shire Council Media Policy.

12. Insurance

The Glenelg Shire Council maintains a public liability and professional indemnity insurance which provides coverage for committees established under the *Local Government Act 2020*.

FUNCTIONS AND RESPONSIBILITIES

The following provides a further detailed scope of the functions and responsibilities of the Audit and Risk Committee, in accordance with Section 54(2) of the *Local Government Act 2020*.

1. Monitor the compliance of Council policies and procedures with:

The Overarching Governance Principles:

The Audit and Risk committee must monitor the compliance of Council policies and procedures with the following overarching governance principles (Section 54(2a)).

- Council decisions are to be made and actions taken in accordance with the relevant law;
- Priority is to be given to achieving the best outcomes for the municipal community, including future generations;
- The economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;
- The municipal community is to be engaged in strategic planning and strategic decision making;
- Innovation and continuous improvement is to be pursued;
- Collaboration with other Councils and Governments and statutory bodies is to be sought;
- The ongoing financial viability of the Council is to be ensured;
- Regional, state and national plans and policies are to be taken into account in strategic planning and decision making; and
- The transparency of Council decisions, actions and information is to be ensured

Local Government Act 2020, Regulations and Ministerial Directions:

- Review the organisations compliance with the requirement of the *Local Government Act 2020* and implementation of legislative policies, procedures, strategies and plans.

2. Monitor Council Financial and Performance Reporting (Section 54(2b))

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report;
- Review with Management and the External Auditors the results of the audit, including any difficulties encountered;
- Review the draft annual financial statements and consider whether they are complete, open and transparent, consistent with information known to Audit and Risk Committee members and reflects appropriate accounting principles;
- Review the draft annual performance statement and consider whether it is complete, open and transparent, consistent with information known to Audit and Risk Committee members and reflects appropriate reporting principles;

- Consider and where appropriate recommend that Council approve 'in principle' the financial statements and performance statement;
- Review with Management and the External Auditors all matters required to be communicated to the Audit and Risk Committee under the Australian Auditing Standards; and
- At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators.

3. Monitor and provide advice on Risk Management and Fraud Prevention Systems and Controls (Section 54(2c))

Risk Management

- Review annually the effectiveness of Council's risk management framework;
- Consider the adequacy of actions taken to ensure that the material business risks have been dealt with in a timely manner to mitigate exposures to Council;
- 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 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;
- Review the insurance programme annually; and
- Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

Fraud Prevention Systems and Controls

- Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan, Fraud and Corruption Risk Register and fraud awareness programmes at least every 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.

4. Oversee Internal and External Audit Functions (Section 54(2d))

Internal Audit

- Review with Management and the Internal Auditor the Internal Audit Charter regularly 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 recommend the three year Strategic Internal Audit Plan for approval by Council and all major changes to the plan.
- Monitor that the Strategic Internal Audit Annual Plan is linked with and covers the material business risks.
- Review and approve proposed scopes for each internal audit;

- Receive reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- Monitor action by management on internal audit findings and recommendations via the Audit and Risk Register;
- Periodically receive a report from the Internal Auditor on the status of items in the Strategic Internal Audit Plan and the implementation by Management of recommendations adopted by the Audit and Risk Committee.
- Review and recommend the annual Audit and Risk Committee Work Plan for approval by Council and all major changes to the plan.
- Monitor processes and practices to ensure that the independence of the audit function is maintained.
- As part of the Audit and Risk Committee's annual assessment of performance, determine the level of satisfaction with the internal audit function.
- Provide an opportunity for the Audit and Risk Committee to meet with the Internal Auditor to discuss any matters that the Audit and Risk Committee or Internal Auditor believes should be discussed privately.

External Audit

- Note the External Auditor's proposed audit scope and approach, including any reliance on internal auditor activity.
- 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;
- Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them;
- 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;
- Provide an opportunity for the Audit and Risk Committee to meet with the External Auditors to discuss any matters that the Audit and Risk Committee or the External Auditors believe should be discussed privately.

5. Provision of advice and guidance on governance matters.

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.

6. Internal Control Environment

- Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment.
- Understand the scope of Internal and External Auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
- Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile.

- Review Councillor expenditure as required by Section 40(2a) of the *Local Government Act 2020*.
- Review credit card expenditure from the office of the Chief Executive Officer.

7. Compliance Management

- Review the systems and processes to monitor the effectiveness of the system for monitoring compliance with legislation and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Keep informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations and monitor Management's response to these findings.
- Review Attestation reports provided by the Chief Executive Officer that reflect compliance/non-compliance with laws, legislation and policies.

8. Reporting Responsibilities

- Minutes of Committee meetings will be provided to Council at the first available opportunity after clearance by the Committee Chairperson following each Committee meeting;
- Prepare a Biannual Audit and Risk Report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations. 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.
- Undertake an annual assessment of its performance against the Audit and Risk Committee Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council Meeting.

9. Review of Charter

- Perform other activities related to this charter as requested by Council.
- Review and assess the adequacy of the Audit and Risk Committee charter every two years or earlier if necessary, requesting Council adoption of proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

Appendix B Committee Member Regulatory Obligations

Guidance to Members

| LGA Section | LGA Requirement |
|--|---|
| Misuse of Position | |
| 123(1) | A Committee member must not intentionally misuse their position to: <ol 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: <ol 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: <ol 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. |
| Please Note | |
| <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> | |