



South Gippsland Shire Council

AUDIT AND RISK COMMITTEE CHARTER

Policy Number C08
 Council Meeting Date TBC
 Next Review Date 25 August 2024

COUNCIL POLICY

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PURPOSE

South Gippsland Shire Council (Council) has established an Audit & Risk Committee (the Committee) pursuant to Section 53 of the Local Government Act 2020 (the Act) to support Council in discharging its oversight 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; and
- Council's performance with regard to compliance with its policies and legislative and regulatory requirements.

The Committee is also responsible for ensuring that Council's policies and procedures comply with the over-arching Governance Principles, the Act and regulations and any Ministerial Directions.

The Committee acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter. This Charter has been developed in accordance with Section 54 of the Act.

The appointment of Independent Members to the Committee as outlined in this Charter enables the Committee to provide advice to Council on matters related to its responsibilities, based on a broad set of skills and experience.

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

MANDATE AND 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 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 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;

- Endorse 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;
- 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; and
- Seek resolution on any disagreements between management and the external auditors on financial reporting, reviewing all auditing, planning and outcomes.

The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

VALUES

The Committee will conduct itself in accordance with the code of values and ethics of the Council and in accordance with the Act. All communication with management and staff of the organisation, as well as with any external assurance providers will be respectful, direct, open, and complete.

APPOINTMENT AND TENURE

The Committee will comprise up to four members appointed by Council. This will include one Councillor and up to three Independent Members. The Mayor is an observer at meetings and has the right to speak.

All Members may serve a maximum of two consecutive terms of three years, subject to satisfactory performance.

Independent Members

1. Independent Members must collectively have expertise in financial management and reporting and risk management and also experience in public sector management;
2. Council will maintain an Audit and Risk Committee Independent Member Skills Matrix to ensure a broad range of skills and knowledge to support Council to fill any specific knowledge gaps that exist at a given time;
3. 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; and



4. Remuneration will be paid to Independent Members as endorsed by Council from time to time.

Councillor Members

1. Councillor members will be appointed to the Committee by Council annually; and
2. Should an appointed Councillor member not be able to attend a Committee meeting, Council may 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. Council will appoint the Chairperson of the Committee;
2. 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; and
3. The term of the Chair is to be one (calendar) year.

RECRUITMENT - INDEPENDENT MEMBERS

The recruitment of Independent Members will generally follow the process for the recruitment of staff, and will provide for the following as a minimum:

- Advertising the position in the metropolitan press, local press, online recruitment websites, on the Council Notice Board and Council website, as well as with the Australian Institute of Company Directors and Women on Boards;
- Making available to applicants an information package containing the required skills and qualifications, the Audit and Risk Committee Charter and Audit and Risk Policy, most recent Annual Report, forthcoming Audit Program, three recent Audit and Risk Committee meeting reports, term of office, details of remuneration and Council contact person; and
- A panel consisting of the Mayor, Chief Executive Officer and Committee Chair will be established to assess applications, interview shortlisted candidates and recommend a preferred candidate to Council for appointment.

GENDER EQUALITY AND DIVERSITY

Council is an equal opportunity employer and values gender equality and diversity. Council has a legal duty to consider and promote gender equality and take necessary and proportionate action towards achieving gender equality in accordance with Section 7 of the Gender Equality Act 2020 (Vic). Council encourages applications for Committee membership from a range of business and community disciplines and backgrounds.



TRAINING AND INDUCTION

Immediately after appointment, new members of the Committee will be inducted.

Independent Members will be required to sign a Deed of Confidentiality committing them to maintain the confidentiality of information declared confidential under the Local Government Act 1989 and Local Government Act 2020.

All members of the Committee are required to undergo police checks prior to participating on the Committee.

FEES AND EXPENSES

Council may pay a fee to an Independent Member.

The fees are adjusted by the annual percentage increases made to Mayoral and Councillor Allowances as determined by Government Gazette.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. A schedule of meetings will be developed annually and agreed by members.

The Chief Executive Officer will facilitate the meetings of the Committee and invite members of management, auditors or others to attend meetings to provide pertinent information, as necessary.

Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.

Minutes will be prepared for all meetings and presented to Council for noting at the next appropriate open Council meeting.

Where a matter is required to be dealt with by the 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.

The Committee may meet in closed session, immediately prior to the commencement of the scheduled Committee meetings (or during the meeting if required) with the internal auditor, external auditor or management in attendance if requested by the Committee.

PREPARATION AND ATTENDANCE

All Committee members are expected to prepare for and participate in each meeting, in person or by means of telephone or video conference.

The Chief Executive Officer and the Director Corporate and Community Services are required to attend every meeting. Officers who have authored reports may 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.



OBSERVERS

All Councillors, that are not current Committee members, are able to attend meetings as Observers. The Committee may also invite other persons to attend its meetings if it determines that this is necessary for it to properly carry out its functions. However, determination to issue invitations will be considered in consultation with the Chief Executive Officer.

QUORUM

A Committee meeting requires a quorum of three members.

REMOVAL OF COMMITTEE MEMBERS

Council has the power to remove members from the Committee.

In the event that a member of the Committee is not physically present for any three (3) meetings in any twelve (12) month period, unless Council at an open meeting resolves otherwise, a vacancy occurs, and a position shall be filled following public advertising.

If Council proposes to remove a member for any reason, it must give public notice of its intention to do so and must afford the member an opportunity to be heard at a Council meeting which is open to the public if the member being removed desires.

Council will ensure that a performance review is conducted and the principles of natural justice including the “no-bias” rule and the “hearing rule” are adhered to in relation to any recommendation to Council to remove any Committee member.

RESPONSIBILITIES

The Committee will carry out the following responsibilities:

1. Financial and Performance Reporting

- 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;
- 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.

2. Internal Controls

- 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; and
- Assess whether the control environment is consistent with Council's Governance Principles.

3. Risk Management

- Review annually the effectiveness of Council's Risk Management Framework;
- Review Council's risk appetite statement(s) 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.

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 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.

5. Internal Audit

- Review and endorse 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 endorse 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 manager 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;
- Monitor processes and practices to ensure that the independence of the audit function is maintained;
- Determine the level of satisfaction with the internal audit function, having regard to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing;
- 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;
- Provide advice to Council and Chief Executive Officer on whether to exercise an extension to the Internal Audit Contract, and in doing so, consider the Internal Auditor's performance, Council's Procurement Policy and any relevant contractual terms; and
- Recommend to Council, if necessary, the termination of the internal audit contractor.

The Chair will be consulted during the evaluation of any tender to appoint an Internal Auditor. The Committee, following the tender evaluation, will receive a confidential



briefing on the recommendation arising from the tender evaluation and provide advice regarding the recommendation to the Council and Chief Executive Officer.

6. External audit

- Annually review and endorse 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. Compliance

- 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. Governance - Policies and Procedures

The following are the overarching governance principles as set out in Section 9 of the Act. Section 54(2)(a) of the Act specifies that the responsibilities of the Committee include ensuring that all Council policies and procedures comply with these overarching governance principles:

- a. Council decisions are to be made and actions taken in accordance with the relevant law;



- b. priority is to be given to achieving the best outcomes for the municipal community, including future generations;
- c. the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;
- d. the municipal community is to be engaged in strategic planning and strategic decision making;
- e. innovation and continuous improvement is to be pursued;
- f. collaboration with other Councils and Governments and statutory bodies is to be sought;
- g. the ongoing financial viability of the Council is to be ensured;
- h. regional, state and national plans and policies are to be taken into account in strategic planning and decision making; and
- i. the transparency of Council decisions, actions and information is to be ensured.

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; and
- The Chairperson will prepare a report to Council through the Chief Executive Officer on the Committee's activities twice per annum. 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.

REPORTING ON AUDIT COMMITTEE PERFORMANCE

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.

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.

REVIEW OF CHARTER



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

OTHER RESPONSIBILITIES

Conduct a review of Independent Members' performance, at the discretion of / by the Mayor and Chief Executive Officer.

Adopt an Audit and Risk Committee Annual Work Program.

ATTACHMENTS

Attachment 1 - Committee Member Regulatory Obligations

SUPPORTING INFORMATION	
<i>Legislative Provisions</i>	<i>Audit Committees - A Guide to Good Practice for Local Government, January 2011 Local Government Act 2020</i>
<i>Council Supporting Documents</i>	<i>Audit Committee Charter and Terms of Reference Audit Policy (C55) Fraud and Corrupt Conduct Policy (C19)</i>
<i>File Number</i>	<i>TRIM Ref: D6833620</i>
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<i>Policy Review</i>	
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1.0	11 August 2011
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4.0	16 December 2015
5.0	22 February 2017
6.0	26 April 2018
7.0	28 August 2019

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Attachment 1 - Committee Member Regulatory Obligations

Guidance to Members

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Section	Requirement
Misuse of Position	
123(1)	A Committee member must not intentionally misuse their position to: <ol style="list-style-type: none"> 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 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"> Making improper use of information acquired as a result of being a member of the Committee; or Disclosing information that is confidential information; or Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or 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 Using public funds or resources in a manner that is improper or unauthorised; or 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 general conflict of interest as described in Section 127; or 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>	