

SOUTH GIPPSLAND SHIRE COUNCIL
COUNCIL POLICY



South Gippsland
Shire Council

AUDIT & RISK COMMITTEE CHARTER

Policy No.	C08	Adoption Date:	Council Meeting 15 February 2023
Revision Date:	February 2026		
Directorate:	Performance & Innovation	Department:	Financial Strategy
GOOD GOVERNANCE FRAMEWORK – OVERARCHING PRINCIPLES			
Supporting Pillar:	Pillar 7 - Risk & Compliance		
Link to Pillar:	The Audit and Risk Committee Charter is an identified element of the Risk & Compliance pillar of the Good Governance Framework.		

1. PURPOSE

- 1.1. The purpose of the Audit & Risk Charter (C08) (the Charter) is to support Council in discharging its oversight responsibilities and define the role of the Audit and Risk Committee.
- 1.2. This Charter has been developed pursuant to Section 54 of the *Local Government Act 2020* (the Act).

2. SCOPE

- 2.1. The Audit and Risk Committee (Committee) functions as an advisory Committee to Council.
- 2.2. The scope of this Charter applies to the whole of Council and the Committee. The oversight responsibilities relate to:
 - 2.2.1. Financial and non-financial performance reporting;
 - 2.2.2. Risk management;
 - 2.2.3. Fraud prevention systems and control;
 - 2.2.4. Maintenance of a sound internal control environment;
 - 2.2.5. Assurance activities including internal and external audit; and
 - 2.2.6. Council's performance with regard to compliance with its policies, legislative and regulatory requirements.
- 2.3. The Committee is also responsible for ensuring that Council's policies and procedures comply with the over-arching Governance Principles, the Act and any Ministerial Directions.



- 2.4. 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 knowledge, skills and experience.
- 2.5. The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

3. POLICY PRINCIPLES

Mandate and Authority

- 3.1. 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.
- 3.2. The Committee has the authority to:
 - 3.2.1. Endorse key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, new or revised policies relevant to its areas of responsibility and other documents that assist in maintaining a strong internal control environment;
 - 3.2.2. Endorse internal and external audit plans, including internal audit plans with an outlook of greater than one year;
 - 3.2.3. Provide advice and make recommendations to Council on matters within its areas of responsibility;
 - 3.2.4. 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;
 - 3.2.5. Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties (excluding internal and external audit) through the Chief Executive Officer;
 - 3.2.6. Seek resolution on any disagreements between management and the external auditors on financial reporting, review of auditing, planning and outcomes.
- 3.3. The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

Conduct

- 3.4. The Committee will conduct itself in accordance with Council's values and appropriate ethical, governance standards and practices 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 reflective of Council values and associated behaviour.

Appointment and Tenure

- 3.5. The Committee will comprise up to five members appointed by Council. This will include two Councillors and three Independent Members.
- 3.6. In addition, the Mayor of the day is an observer at meetings and has the right to speak (should they not be one of the appointed Councillors).
- 3.7. In the event of an independent member resigning/retiring before the expiry of their term then this vacancy will be filled as soon as possible to ensure a majority of independent members present at meetings.
- 3.8. All Independent Members may serve a maximum of two consecutive terms of three years, subject to satisfactory performance.
- 3.9. Performance issues will be addressed via the Chair in the first instance and if unresolved involve the CEO and Mayor.

Independent Members

- 3.9.1. Independent Members must collectively have expertise in financial management and reporting, risk management and also experience in public sector management;
- 3.9.2. Membership of the committee will be reviewed periodically (but at least every three years) by the Council with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspective and a suitable mix of qualifications, knowledge, skills and experience.
- 3.9.3. 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
- 3.9.4. Remuneration will be paid to Independent Members as per this Charter (Fees and Expenses).

Councillor Members

- 3.9.5. Councillor members will be appointed to the Committee by Council for a term of four years, or until the next Council election, whichever is the shorter term.
- 3.9.6. 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

- 3.9.7. The Chairperson of the Committee must be an Independent Member.



- 3.9.8. Council will appoint the Chairperson of the Committee via expression of interest from independent committee members;
- 3.9.9. 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
- 3.9.10. The term of the Chair is to be one (calendar) year.

Recruitment - Independent Members

- 3.10. The recruitment of Independent Members will generally follow the principles of the recruitment of staff, and will provide for the following as a minimum:
 - 3.10.1. The position must be externally advertised;
 - 3.10.2. Making available to applicants the required skills, knowledge, experience and qualifications, the Audit and Risk Committee Charter, most recent Annual Report, two recent Audit and Risk Committee meeting minutes, term of office, details of remuneration and Council contact person; and
 - 3.10.3. 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 unless 3.10.4 applies.
 - 3.10.4. If the recruitment is to fill a vacancy left by the current Committee Chair, a panel consisting of the Mayor and Chief Executive Officer, and another committee member will be established to assess applications, interview shortlisted candidates and recommend a preferred candidate to Council for appointment.

Gender Equality and Diversity

- 3.11. 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

- 3.12. Immediately after appointment, new members of the Committee will be inducted.
- 3.13. 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*.

Fees and Expenses

- 3.14. Council may pay a fee to an Independent Member.
- 3.15. If Council determines to pay a fee this will be determined by Council annually.



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

Meetings

- 3.17. 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.
- 3.18. 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.
- 3.19. Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 3.20. Minutes will be prepared for all meetings and presented to Council for noting at the next appropriate open Council meeting.
- 3.21. 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.
- 3.22. 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 and/or external auditor. The CEO may attend if requested by the Committee.
- 3.23. The Committee reserves the right to meet at any time without non-members or with invited non-members only.
- 3.24. The Committee meetings are closed to the public.

Preparation and Attendance

- 3.25. All Committee members are expected to prepare for and participate in each meeting, in person or by means of telephone or video conference.
- 3.26. The Chief Executive Officer and the Director Performance & Innovation or their delegate 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

- 3.27. 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.
- 3.28. A representative(s) of the appointed internal audit will be invited to attend meetings of the committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of



confidentiality (section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.

- 3.29. A representative(s) of VAGO will be invited to attend meetings of the committee, as an observer. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.

Quorum

- 3.30. A Committee meeting requires a quorum of two (2) independent members and one (1) Councillor. If a quorum cannot be achieved the meeting will need to be rescheduled.

Removal of Committee Members

- 3.31. Council has the power to remove members from the Committee based on performance..
- 3.32. In the event that a member of the Committee is not present for any two (2) meetings in any twelve (12) month period, unless there is a valid reason and Council at an open meeting resolves otherwise, a vacancy occurs, and a position shall be filled following public advertising.
- 3.33. 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.
- 3.34. 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:

Financial and Performance reporting

- 3.35. 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;
- 3.36. Review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council’s performance indicators;
- 3.37. 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;
- 3.38. Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;



- 3.39. Recommend the adoption of the annual financial report and annual performance statement to Council; and
- 3.40. Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

Internal Controls

- 3.41. Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment.
- 3.42. Review policies and procedures in place for the setting and management of delegations of authority annually;
- 3.43. Ensure that a program is in place to test compliance with systems and controls; and
- 3.44. Assess whether the control environment is consistent with Council's Governance Principles.

Risk Management

- 3.45. Monitor and provide advice on risk management practices and risk profile;
- 3.46. Review the insurance program annually prior to renewal; and
- 3.47. Monitor management process and systems in relation to cyber security, including strategy, assets protection, testing and recovery.
- 3.48. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems
- 3.49. Review management's overall risk profile, risk management framework and policy.
- 3.50. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately. Receive regular risk reports based on the following:
 - 3.50.1. Strategic Risks – bi-annually.
 - 3.50.2. Other risks – as agreed by the Committee e.g.: selected strategic risks 'in focus', high rated operational risks, significant project / program risks. 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

- 3.51. Monitor the effectiveness of fraud prevention policies throughout the organisation;

Receive summary reports from management on all suspected and actual frauds, thefts and material breaches of legislation, ensuring reporting to the Council and/or relevant authorities

Internal Audit

- 3.52. Review and recommend to Council for approval the three-year rolling strategic internal audit plan, the annual internal audit plan and any major changes to them,



ensuring the proposed strategic internal audit plan appropriately considers the Council's strategic risks;

- 3.53. Review progress on delivery of annual Internal Audit Plan;
- 3.54. Review and endorse proposed scopes for each review in the annual Internal Audit Plan;
- 3.55. Review all reports and provide advice to Council on significant issues identified in audit reports and action being taken on issues raised, including identification and dissemination of good practice;
- 3.56. Monitor action by management on significant internal audit findings and recommendations;
- 3.57. Meet with the manager of the internal audit function at least annually in the absence of management;
- 3.58. 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;
- 3.59. Monitor processes and practices to ensure that the independence of the internal audit function is maintained
- 3.60. Review on an annual basis the performance of the Internal Auditor. Where performance is not considered satisfactory discuss with Council and management the proposal to undertake a tender process for the appointment of a new internal auditor Council will appoint an outsourced internal auditor in accordance with Council's procurement policy to undertake a Council adopted internal audit plan.
- 3.61. Council is responsible for appointing the Internal Auditor.
- 3.62. The Chair, or their delegate will be part of an interview panel for short listed internal Auditors as part of a procurement process to form a recommendation to Council.
- 3.63. The Internal auditor is accountable to Council and has access to the Chief Executive Officer and other relevant Senior Managers, and the Chair of the Committee.

External audit

- 3.64. Annually review and endorse the external audit scope and plan proposed by the external auditor;
- 3.65. 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;
- 3.66. 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;
- 3.67. 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;



- 3.68. Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- 3.69. Meet with the external auditor at least annually in the absence of management.

Compliance

- 3.70. 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;
- 3.71. Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- 3.72. Review reimbursement of expenses of Councillor and members of a delegated committee
- 3.73. Obtain briefings on any significant compliance matters; and
- 3.74. Be kept informed of the findings of any examinations by regulatory agencies including VAGO, Victorian Ombudsman, IBAC and LG Inspectorate, and monitor management's responses to such findings.

Governance – Policies and Procedures

- 3.75. 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 over-arching governance principles:
 - 3.75.1. Council decisions are to be made and actions taken in accordance with the relevant law;
 - 3.75.2. priority is to be given to achieving the best outcomes for the municipal community, including future generations;
 - 3.75.3. the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;
 - 3.75.4. the municipal community is to be engaged in strategic planning and strategic decision making;
 - 3.75.5. innovation and continuous improvement is to be pursued;
 - 3.75.6. collaboration with other Councils and Governments and statutory bodies is to be sought;
 - 3.75.7. the ongoing financial viability of the Council is to be ensured;
 - 3.75.8. regional, state and national plans and policies are to be taken into account in strategic planning and decision making; and
 - 3.75.9. the transparency of Council decisions, actions and information is to be ensured.



Reporting Responsibilities

- 3.76. 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

Role of the Chair

- 3.77. 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, its findings and recommendations, and the committees annual performance survey results..
- 3.78. The Chairperson will Promote effective communications between the Committee, Council, the CEO, Council officers, the external auditors and internal auditors.
- 3.79. The Chairperson will ensure that meetings of the Committee:
- 3.79.1. run smoothly
 - 3.79.2. that the views of all Committee members are heard
 - 3.79.3. ensure effective contribution from members
 - 3.79.4. that adequate time is allowed for discussion of each issue and
 - 3.79.5. that the agenda and meeting papers properly reflect proceedings.

Reporting on Audit Committee Performance

- 3.80. 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

- 3.81. 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 Attachment 1 to this Charter.

Review of Charter

- 3.82. The adequacy of the Charter is to be reviewed and assessed by Council every four years or earlier as necessary and the Committee may submit requests to Council through the Chief Executive Officer for revisions and improvements for approval.

Other Responsibilities



- 3.83. Conduct a review of Independent Members' performance, at the discretion of / by the Mayor and Chief Executive Officer and/or as advised by the Chair of the committee.
- 3.84. Adopt an Audit and Risk Committee Annual Work Program.

4. RISK ASSESSMENT

This Policy mitigates Council's risks as described below:

Governance

- 4.1. This Policy supports Council's obligation to comply with sections 53 and 54 of the *Local Government Act 2020* and provides clarity around the requirements of the Audit and Risk Committee.

5. IMPLEMENTATION STATEMENT

Human Rights Charter

- 5.1. This Policy has considered the Charter of Human Rights and Responsibilities Act 2006 in its development.

Gender Equality

- 5.2. This Policy has considered the *Gender Equality Act 2020* in its development.

6. MONITORING, EVALUATION AND REVIEW

- 6.1. This Policy will be reviewed and adopted by Council on a four-year cycle.

7. REFERENCE DOCUMENTS

Legislative Provisions	Charter of Human Rights and Responsibilities Act 2006 Freedom of Information Act 1982 Local Government Act 1989 Local Government Act 2020
Council Supporting Documents	Fraud and Corrupt Conduct Policy (C19) Risk Management Policy (C35) Risk Management Framework
Related External Documents (<i>optional</i>)	Audit Committees - A Guide to Good Practice for Local Government, January 2011

8. REVISION HISTORY

Version	Approved By	Approval Date	Sections Modified	CM9 Ref#
1.0	Council	11 August 2011		
2.0	Council	27 June 2012		
3.0	Council	27 November 2013		
4.0	Council	16 December 2015		
5.0	Council	22 February 2017		



Version	Approved By	Approval Date	Sections Modified	CM9 Ref#
6.0	Council	26 April 2018		
7.0	Council	28 August 2019		
8.0	Council	26 August 2020		D8173120
9.0	Council	Insert date once approved		Insert once approved

9. Attachment Summary

9.1. Attachment 1 - Committee Member Regulatory Obligations - Guidance to Members

Attachment 1 - Committee Member Regulatory Obligations

Guidance to Members

Section	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: 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 <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>	