

Central Goldfields Shire Council Audit and Risk Committee Charter



1. Background

Section 139 of the *Local Government Act 1989* (Vic) (“the Act”) requires all councils to establish an audit committee which is an advisory committee of council. Central Goldfields Shire Council (“Council”) has constituted an Audit and Risk Committee (“the Committee”) to meet this requirement.

This Charter has been developed to facilitate the operation of the Committee and sets out its purpose, authority, composition, remuneration, meetings, responsibilities, publically available information and review.

2. Purpose and Authority

The Committee’s primary objectives are to:

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

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

The Committee has the authority to:

- Endorse the external auditor’s proposed audit scope and approach, including coordination of audit effort with internal audit activity;
- Review and endorse the strategic audit plan and annual internal audit plan and recommend any changes to the plans;
- Conduct enquiries or authorise investigations into any matters within its scope of responsibility or as otherwise referred by Council;
- Subject to consultation with, and approval of, the Chief Executive Officer (CEO), retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
- Seek any information it requires from Council, Council staff and external parties;
- Meet with the CEO, council staff, internal and external auditors, or other parties, as necessary.

3. Composition

- The Committee will consist of three Independent Members and two Councillors;
- The Mayor cannot be a member of the Committee;
- The membership of the Committee must consist of a majority of Independent Members;
- The Council will appoint Committee members and the Committee Chair. The Chair of the Committee must be an Independent Member;
- Councillor member/s of the Committee will be appointed annually;
- Each Committee member must be financially literate, at least one member must have financial expertise, and at least one member must have specialist skill in strategic risk management;
- The Independent Members must have:
 - Expertise in financial management and risk; and
 - Experience in public sector management;
- Council staff cannot be members of the Committee.

3.1 Quorum

A quorum shall comprise two Independent Members and one Councillor.

3.2 Recruitment and Selection

- On the retirement or resignation of an Independent Member, a skills matrix will be used to identify the skills and/or experience to be sought in a new Independent Member;
- An advertisement seeking a new Independent Member will be published in a newspaper generally circulating in Victoria identifying any specific skills and experience sought by the Committee;
- Applications for the vacancy will be reviewed and shortlisted by the CEO or delegate, in consultation with the Chair, or if the Chair is not available, an Independent Member of the Committee;
- A panel will be convened to interview and recommend to Council a candidate's appointment. The panel will comprise of the following:
 - The Chair, or an Independent member if the Chair is unavailable;
 - One Councillor member of the Committee; and
 - The CEO or delegate(s).

3.3 Terms

Councillor member/s of the Committee will be appointed annually.

Independent Members will be appointed for a term of not less than one (1) year and not more than three (3) years by negotiation and agreement. Terms of Independent Members are to be staggered so that only one Independent Member's term ends each year.

Council is able to appoint an Independent Member for a second term without publically advertising the position. Following the completion of an Independent Member's second term the position must be publically advertised, although the Independent Member is able to apply for the position again.

3.4 Induction

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

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

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

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

3.5 Role of the Chair

The role of the Chair is to:

- In consultation with the CEO, or delegate, set the matters to be included on the agenda for each meeting of the Committee;
- Chair all meetings of the Committee and oversee how the meetings are conducted;
- Determine the actions to be taken in relation to items discussed at the meeting;
- Participate in the appointment of the internal auditor;
- Lead the annual assessment of the performance of the Committee and provide a copy of the annual assessment to the CEO for tabling at the next Council Meeting.
- Having regard to 7.6, develop the Audit and Risk Committee's Annual Report for inclusion in the Council Annual Report.

3.6 Decision making out of session

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

3.7 Remuneration

Section 139 (7) of the Act allows for the payment of a fee to Independent Members of the Committee.

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

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

3.8 Insurance

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

4. Meetings

- The Committee will meet at least four times a year, with the ability to convene additional meetings, as circumstances require;
- All Committee members are expected to attend each meeting, in person or via teleconference;
- The Committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary;
- The Committee may hold private meetings with the auditors if required;
- Meeting agendas and related papers will be prepared and provided to members, five (5) days in advance of meetings (wherever possible);
- Minutes of meetings will be kept and action items recorded and monitored;
- The CEO, General Manager Corporate Performance, General Manager Infrastructure Assets and Planning, General Manager Community Wellbeing and Manager Governance Property and Risk will attend the meetings in an "ex officio" capacity. On the direction of the CEO, other Council officers may attend the Committee in an "ex officio" capacity, or at the request of the Committee;
- Any Councillors may attend meetings in an "ex officio" capacity.

5. Confidentiality

Upon appointment, Independent Members are required to sign a confidentiality agreement (Appendix 1).

Committee Members must comply with Council's Confidentiality Policy. Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Committee, except in accordance with any direction of the Council.

6. Conflict of Interest and Returns of Interest

In accordance with Section 79 of the Act, Committee Members will be required to disclose all conflicts of interest.

Committee Members must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper disclosure of any conflicts of interest as and when they arise. Members must declare any conflicts of interest that apply to any matter to be considered at each meeting at the commencement of that meeting.

Committee Members must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in Sections 77A, 77B, 78, 78A, 78C and 78D of the Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the Member's appointment being terminated.

In accordance with Section 81 of the Act the Committee members are required by the Act to complete Primary Returns of Interest within 30 days of becoming a Member of the Committee and Ordinary Returns of Interest every six months.

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

7. Responsibilities of the Committee

7.1 External reporting

- Review the draft annual financial statements, and consider whether they are complete and transparent, consistent with information known to the Committee, and reflect appropriate accounting principles;
- Review significant accounting and reporting issues, complex or unusual transactions, high risk areas, significant accounting estimates, and changes to accounting, professional, regulatory or legislative requirements and understand their effect on the financial statements;
- Review with management and the external auditors the results of the audit including significant adjustments, any difficulties encountered and matters required to be communicated to the Committee under the Australian Auditing Standards;
- Review the draft annual performance statement and consider whether it is complete, open and transparent, consistent with information known to the Committee and reflects appropriate reporting principles;
- Review the report of operations in the annual report, including the governance and management checklist, and any related regulatory requirements before release, and consider the accuracy and completeness of the information;
- Recommend that Council approve 'in principle' the financial statements and performance statement, or provide other advice as considered appropriate;
- Recommend that Council approve the governance and management checklist for inclusion in the report of operations.

7.2 External audit

- Review the external auditor's proposed audit strategy prior to the commencement of the audit including the scope, approach, and any reliance on internal audit activity;
- Review recommendations arising out of the external audit and discuss management's response;
- Monitor management's implementation of the external auditor's recommendations;
- Meet with the external auditor to discuss any matters the Committee or the external auditor believes should be discussed privately;
- Monitor the performance of the external auditor.

7.3 Internal audit

- Recommend to Council the most appropriate method for the provision of the internal audit function including scope, level of resources and activities;
- Review the specification for the provision of internal audit services and participate in the tender evaluation process;
- Review and approve the strategic internal audit plan and annual internal audit plan ensuring they cover over a 3 year period; the internal controls over significant areas

of risk identified through the risk management framework; internal controls over revenue, expenditure, assets and liabilities processes; efficiency and effectiveness of Council operations; and compliance with relevant policies, procedures and regulations;

- Monitor the progress of the strategic internal audit plan and annual internal audit plan;
- Review recommendations arising out of internal audit reports and discuss management's response;
- Monitor management's implementation of the internal auditor's recommendations.
- Monitor processes and practices to ensure the independence of the internal audit function is maintained;
- Meet with the internal auditor to discuss any matters the Committee or the internal auditor believes needs to be discussed privately;
- Review on an annual basis the performance of the internal auditor including compliance with relevant auditing standards.

7.4 Internal Controls, Compliance, Fraud and Corruption

- Review management's approach to maintaining a sound and effective—internal control framework, including advice received on security and controls, including cyber security;
- Review 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;
- Review the findings of any examinations by regulatory agencies, and any associated auditor (internal or external) observations;
- Obtain regular updates from management on legal and regulatory compliance matters including investigation of any suspected cases of fraud and corruption;
- Consider the findings and recommendations of any relevant Performance Audits undertaken by the Victorian Auditor-General or other regulatory body and—monitor Council's implementation of relevant recommendations.

7.5 Risk Management

- Ensure Council's Risk Management Framework addresses Council's exposure to both strategic and operational risks;
- Monitor the effectiveness of the Risk Management Framework through regular reviews and reporting;
- Regularly review the strategic risks and risk registers to check that risks are being managed in accordance with the Risk Management Framework.
- Receive assurance that an operational risk register is in place and regularly reviewed.

7.6 Reporting

- Report regularly to Council providing a summary of the Committee's work and results, as soon as possible following each Committee meeting;
- Provide Council with any recommendations of the Committee for consideration;
- Report annually to stakeholders via Council's report of operations in the annual report, describing the Committee's composition, discharge of responsibilities, and any other information required by legislation or regulation;
- Report to Council on any specific issues, as requested by Council.

- Prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations and provide with report to the CEO for tabling at the next Council meeting.

8. Information Available to the Public

Information regarding the Committee will be made publicly available via:

8.1 Annual Report

The Annual Report will include information on the Committee's roles and responsibilities, and membership, and its principal activities during the year.

The following material will be included in the corporate governance section of the Report of Operations in the Annual Report:

- Details of the names and qualifications of those appointed to the Committee;
- The number of meetings held by the Committee and the attendance record of members;
- Information about the audit processes and the results of work completed by the internal and external auditor;
- The annual review of the Committee's Charter and its achievement of the Charter;
- Other matters the Committee believes need to be reported.

8.2 Website

The following information will be made publicly available on the Central Goldfields Shire Council website in a clearly marked Governance section:

- The Committee Charter;
- Description of the roles and responsibilities of the Committee;
- Names of Committee members, professional background and qualifications.

9. Annual Review

The Committee will:

- Annually review and assess the adequacy of the Committee Charter, requesting Council approval for proposed enhancement or updates required by legislation or regulation;
- Confirm annually that all responsibilities outlined in this Charter have been carried out;
- Evaluate the Committee's performance annually.

10. Control Information

Author	Manager Governance, Property and Risk
Responsible Officer	General Manager Corporate Performance
Date adopted by Council:	27 June 2007
Revision History	March 2011 November 2013 June 2015 March 2017 (Version 2) March 2019 March 2020
Next Review	Following commencement of relevant sections of the Local Government Act 2020, or March 2021, whatever is first.

AUDIT AND RISK COMMITTEE CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made the _____ day of _____ 20_____

BETWEEN

AND CENTRAL GOLDFIELDS SHIRE COUNCIL

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

- a. Any information or trade secrets of the Council;
- b. The position of the Council or any Councillor or Council Officer on any confidential matter;
- c. Any other information whatsoever, the disclosure of which may be detrimental to the interest of the Council or of any other person who has provided it to the Council on a confidential basis; unless I am required to disclose the information by law.

The termination or expiry of my membership of the Committee, for whatever reason, does not affect or derogate from my obligations of confidentiality set out above.

Signed by:

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Name:

AUDIT AND RISK COMMITTEE MEMBER

Signed for and on behalf of Central Goldfields Shire Council

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Lucy Roffey

CHIEF EXECUTIVE OFFICER