

Hindmarsh Shire Council

# Audit & Risk Committee Charter

2025



Hindmarsh  
Shire Council

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## **Purpose**

The Audit and Risk Committee (**Committee**) is an independent advisory committee to Council established pursuant to Section 53 of the *Local Government Act 2020 (Act)*.

Council is committed to good governance, public transparency and accountability. The Audit and Risk Committee is established to strengthen Council's governance, risk management, financial management and to drive continuous improvement.

Pursuant to section 54(2) of the Act, the Audit and Risk Charter (**Charter**) sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting, administrative and governance arrangements.

Pursuant to section 53(2) of the Act, the Committee is an Advisory Committee of Council and does not have delegated powers, including executive powers, management functions of delegated financial responsibility.

## **Role of the Committee**

The Committee's functions and responsibilities, as dictated by section 54(2) of the Act, are to:

- (a) *monitor the compliance of Council policies and procedures with—*
  - (i) *the overarching governance principles; and*
  - (ii) *the Act and the regulations, and any Ministerial directions;*
- (b) *monitor Council financial and performance reporting;*
- (c) *monitor and provide advice on risk management and fraud prevention systems and controls;*
- (d) *oversee internal and external audit functions.*

The Committee must adopt an annual work plan to outline how the above listed activities will be achieved.

## **Responsibilities**

In accordance with section 54(2) of the Act, the functions and responsibilities of the Committee include:

### ***Legislative Compliance***

#### ***Council Policies***

- From time to time provide insight into Council policies/procedures within areas of collective expertise.
- Where any change to the legislation is made, review any relevant or effected policy for legislative compliance with the Act or Ministerial direction.
- Review the CEO Employment and Remuneration Policy and Terms of Reference for the CEO Employment and Remuneration Committee and monitor compliance with the Act.

#### ***Financial Policies***

- Consider recent developments in accounting principles or reporting practices that may affect the Council, and assess any subsequent adaptations made to Council policies.
- Assess Council's accounting policies against the financial management principles (s.101 of the Act).

### ***Financial Management (including Performance Reporting)***

Monitor Council's financial and performance reporting:

- Review the annual financial statements and annual performance statement, reviewing any significant changes to the content of reports, the operating results, financial position and performance indicators in comparison to the prior year, and make any recommendations to Council concerning their adoption.
- Review Council's financial position via the receipt of a quarterly financial report.
- Review the draft annual budget, revenue and rating plan and long-term financial plan according to prescribed schedules.
- Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.
- Receive details of all Councillor and delegated committee member reimbursements per section 40(2) of the Act.
- Receive details of CEO reimbursements.
- Review and monitor any financial risks, including current and future liabilities, any beneficial enterprises of the Council, and any litigation, claim or contingency which could have a material effect on Council's financial position or operating result.
- Review accounting issues including asset revaluation, impairment consideration, new standards application and other technical accounting issues.
- Report to Council on any material financial issues which the committee agrees may require action.

### ***External Audit***

Oversee Council's external audit functions:

- Review the annual external audit plan.
- Review the external audit interim audit report.
- Review the results as reported in the external closing audit report, including any:
  - difficulties encountered;
  - complex and/or unusual transactions;
  - related-party transactions; and
  - judgmental areas for adjustments recommended by the external auditors, for example, those involving valuation of assets and liabilities; environmental liability and other commitments and contingencies.
- Review the appropriateness, timeliness and effectiveness of the management comments made in response to any external auditor recommendations.
- Report to Council any significant issues identified upon completion of review and discussion with management and external auditors regarding the external audit report.
- Sight representation letters signed by management, considering their completeness and the appropriateness of information provided.
- Review the external auditor's performance.
- Maintain an awareness of local government performance audits undertaken by VAGO, ensuring Council have assessed any relevant recommendations and actioned accordingly (if required).

### ***Risk Management (including Business Continuity)***

Monitor and provide advice on risk management:

- Review Council's risk appetite statement, risk management framework and risk register, including management's assessment of Council's risks.
- Review the process/es for effective identification of strategic and operational risks, and the processes for assessment, development and implementation of treatment plans.
  - Review the appropriateness of the treatment plans associated with Council's Strategic Risks, focusing on Financial Sustainability and risks within the scope of Audit and Risk Committee functions.
- Review the appropriateness and effectiveness of Council's Business Continuity Plan.
- Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.
- Receive reports from management, including management responses, on the findings of any examinations by regulatory or integrity agencies related to investigations relevant to Council or operations of the Council, such as the Ombudsman, IBAC, and Victoria Government Inspectorate. Where action by management is required, monitor progress.

### ***Internal Controls (including Fraud Controls)***

Monitor and provide advice on fraud prevention systems and controls:

- Consider the effectiveness of internal controls for the security of information technology systems and applications.
- Review the effectiveness of established fraud controls in preventing or mitigating fraud, and any fraud policies.
- Review the compliance framework and assess its effectiveness in achieving legislative compliance.
- Review results and frequency of any control tests conducted relevant to cyber security, fraud and legislative compliance.
- Determine whether security, fraud and compliance systems and controls are reviewed regularly and updated where required.
- Review any significant changes to security, fraud and compliance systems and controls to assess whether those changes significantly impact Council's risk profile.
- Assess whether the control environment is consistent with the overarching governance principles.
- Review Council's gifts, benefits and hospitality register.

### ***Internal Audit***

Oversee Council's internal audit functions:

- Work with management to make recommendations to the Council on the appointment of the internal auditor.
- Review, make recommendations and recommend to the Council for approval of the draft three-year internal audit plan.
- Review the three year internal audit plan annually to ensure it remains current to the needs of the organisation.
- Review progress on the annual internal audit program.
- Review all internal audit reports, including management responses, and advise Council of and make any associated recommendations on any significant issues identified.
- Monitor action and progress taken by management on audit recommendations and the agreed management responses.

- Review the effectiveness of the internal audit function annually through the results of internal audit survey administered by the internal auditors.
- At least twice annually, meet with the internal auditor in an “in-camera” session, without management present.

### **Authority**

The Committee is an advisory committee of Council and reports directly to Council.

Pursuant to section 53(2) of the Act, the Committee does not have and, therefore, cannot exercise any executive powers, or management functions. The Committee does not have any delegated financial responsibility.

To empower the Committee to discharge these responsibilities, Council authorises the Committee to:

- Provide advice and make recommendations to Council on matters within the Committee’s areas of responsibility.
- Review 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.
- Review and recommend to the 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 Council’s strategic risks and allocated budget for the internal audit plan.
- Review and approve proposed scopes for each review in the annual internal audit plan;
- Meet solely with the Internal Auditor at least twice per year without management present.
- Meet solely with the External Auditor at least once per year without management present.
- Request, through the CEO, appropriate management support to enable the Committee to discharge its responsibilities effectively.
- Request, through the CEO, the attendance of Council Officers at meetings, and request the attendance of internal audit, external audit or other assurance providers, where appropriate.
- Request, through the CEO, or recommend directly to the Council, the appointment of relevant independent experts where the Committee considers that it is necessary to execute its responsibilities.

The scope, functions and responsibilities of the Committee are set out in this Charter. Any request made to Officers by the Committee that falls outside of the express provisions of this Charter will be assessed at the discretion of the Chief Executive Officer (CEO).

### **Membership**

The Committee comprises up to six members (two Councillors and up to four independent and external members), appointed by Council. In accordance with section 53(3) of the Act the members must:

- (a) *Include members who are Councillors of the Council;*
- (b) *Consist of a majority of members who are not Councillors of the Council and who collectively have:*
  - (i) *Expertise in financial management and risk; and*
  - (ii) *Experience in public sector management; and*
- (c) *Not include any person who is a member of Council staff of the Council.*

All members shall have full and equal voting rights unless a member is unable to vote due to a conflict of interest.

The Chief Executive Officer and the Director Corporate and Community Services are to attend meetings of the Committee unless specifically requested to leave.

### **Independent Member Qualifications**

After calling for applications, the Chief Executive Officer will provide an evaluation and recommendation for appointment to Council. The recommendation will take into account the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills.

The following key attributes are required when appointing independent members:

Individuals should have:

- Senior business or financial management/reporting knowledge and experience.
- High levels of financial literacy.
- An understanding of corporate risk management, and risk management practices including treatments, mitigations and controls.
- Knowledge of Council's operations and the environment in which it operates.
- Strong communication skills.
- High levels of personal integrity and ethics.
- Sufficient time available to devote to executing responsibilities.

The Committee should collectively have:

- Expertise in financial management and risk.
- Experience in public sector management.

### **Term of Office**

The appointment of independent members shall be for a maximum single term of four years, coinciding with the term of Council. Members appointed during the Council term will be appointed for the remainder of the term.

Terms of appointment for each individual independent member will be determined by Council resolution. At the conclusion of the term members are eligible for reappointment by Council.

Councillor representatives are appointed by Council annually for a term of one year.

Should Council propose to remove an independent member of the Committee, it must give written notice to the member of its intention to do so and provide that member with the opportunity to be

heard at a Council meeting. An independent member may only be removed by a majority vote of Council.

### **Appointment and Role of the Chair**

The Chairperson will be appointed by the Committee for a term of one year. The Chairperson must be an independent member and can be appointed for consecutive terms.

The role of the Committee Chairperson should include, but not be limited to:

- Chair the meetings of the Committee in accordance with the formal meeting agenda.
- Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening.
- Allow time during the meeting for any Committee member to raise any issues they believe relevant.
- Circulate the annual self-assessment and collate results of the members feedback and other invited officers for the Chairperson's report to Council.
- Present on behalf of the Committee the Annual Committee Performance Report to a Councillor Briefing prior to the report being presented to Council.
- Present on behalf of the Committee the Strategic Annual Internal Audit Plan to a Councillor Briefing prior to the commencement of the financial year.

The Chair shall have a casting vote on occasions where there is an equal tally of votes on a matter.

The Chairperson has no executive authority on behalf of Council but can be used as required, as a sounding board by Council and/or management.

### **Remuneration**

Pursuant to section 53(6) of the Act, Council will pay a fee to independent committee members. External members of the Committee will be offered remuneration for carrying out their duties. The amount is to be set by Council and Council will review remuneration every year in line with the annual budget preparation process.

Payment will be made to members who attended after the completion of each meeting.

No further allowances will be made for reimbursement of expenses including travel; however, reimbursement of extraordinary expenses will be at the discretion of the Chief Executive Officer.

### **Quorum**

A quorum shall be at least four (4), comprising at least two (2) external independent members.

### **Meetings**

The Committee shall meet at least three (3) times in each financial year and will be held in accordance with the Hindmarsh Shire Council Governance Rules. One of these meetings will be dedicated to the draft annual financial statements.

A schedule of meetings will be developed annually and agreed to by members. All committee members are expected to attend all meetings.

As required, and with the agreement of the Chief Executive Officer, the Chair may call additional meetings of the Committee.



In the absence of the appointed Chair, the Committee will appoint an acting Chair from the independent members present.

Agendas will be prepared in consultation with the Chair and distributed no later than 7 days in advance of the meeting. Meetings will be minuted and the minutes will be distributed to members. Committee meeting minutes will be distributed to Councillors once finalised and approved for circulation by the Committee Chair.

Pursuant to section 54(6)(a) the Chief Executive Officer will appoint a Council Officer to provide secretarial support to the Committee. This will include:

- (a) Ensuring the agenda for each meeting is prepared in consultation with the Chair and approved by the Chief Executive Officer.
- (b) Circulation of the Agenda and supporting documentation at least one week before the meeting.
- (c) Ensuring minutes of the meetings are prepared and circulated in accordance with the Charter. Minutes are to include relevant elements of the Committee's discussion.

## Reporting

The Committee will prepare an annual committee performance report that includes an annual assessment of Committee performance against the Audit and Risk Committee Charter in accordance with Section 54(4)(a) of the Act. This report will be provided to the Chief Executive Officer for presentation to Council annually in accordance with Section 54 (4)(b) of the Act.

The Committee will prepare a biannual ~~audit and risk~~ report that describes the activities of the Audit and Risk Committee and includes the Committee findings and recommendations in accordance with section 54(5)(a) of the Act, along with the agreed actions. This report will be provided to the Chief Executive Officer for reporting to Council biannually in accordance with section 54(5)(b).

Internal and External Audit reports will not be made public.

The Chairperson is responsible for ensuring that reporting requirements are met. Pursuant to section 54(6)(b) of the Act, the Chief Executive Officer is required to table reports and annual assessments of the Audit and Risk Committee at Council meetings when required by the Act and when requested by the Chairperson of the Audit and Risk Committee.

Where the Committee makes recommendations that are proposed to be addressed by Council with more immediacy than the biannual report will allow for, the meeting minutes, or a specific report addressing the recommendation/s made by the Committee will be drafted by Officers under the direction of the Committee Chair and submitted to the next practicable Council Meeting for debate and decision.

## Engagement with the Victorian Auditor-General's Office (VAGO)

The committee will engage with VAGO, as the entity's external auditor, in relation to VAGO's financial statement and performance audit coverage. In particular, the committee will:

- Invite a representative from VAGO to attend Committee meetings and encourage a positive working relationship;
- Provide feedback to VAGO on draft strategies, reports and opportunities for improvement;
- Provide advice to management on action to be taken on significant issues raised in relevant VAGO reports or better practice guides.

### **Evaluating Performance**

The Committee will undertake an annual assessment of its performance against the Audit and Risk Committee Charter in accordance with section 54(4)(a) of the Act.

Management will assist the Committee to initiate the annual self-assessment of the performance of the Committee. The review will invite input from each Committee member, senior management, internal auditor, VAGO, and any other relevant stakeholder. The self-assessment will be reported through the Annual Committee Performance report.

### **Conflicts of Interest**

Committee recommendations must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly. If a conflict of interest exists, it must be declared and managed. Committee members are required to provide written declarations, through the Chair, to the Council declaring any material personal interests they may have in relation to their responsibilities.

Division 2 of Part 6 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee. An independent member has a conflict of interest if they have:

- (a) A general conflict of interest within the meaning of section 127 of the Act.
- (b) A material conflict of interest within the meaning of section 128 of the Act.

Members of the Committee will provide declarations with statutory requirements under section 127 or 128 of the Act.

External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

**Personal Interest Returns**

Members must comply with the same requirements as a 'specified person' as outlined in section 132 of the Act, and are therefore required to complete initial and biannual personal interests returns in accordance with sections 132-136 of the Act. A summary of the Committee's personal interests will be published on the Council's website in accordance with section 10 of the Local Government (Governance and Integrity) Regulations 2020.

**Misuse of Position**

Section 123 of the Local Government Act 2020 applies to Independent Members, as if the member were a member of a delegated Committee. The Independent Member must not intentionally misuse their position -

- (a) To gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
- (b) To cause, or attempt to cause, detriment to the Council or another person.

**Confidential Information**

Committee members shall act in accordance with section 125 of the Act regarding confidential information. Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Audit & Risk Committee, including documentation that is or was in their possession. Any exception to this must be in accordance with section 125(2) or section 125(3) of the Act, or must be agreed to by and in accordance with any terms stipulated by Hindmarsh Shire Council.

**Local Government Act 2020 Principles**

<p><b>Section 9 Overarching Governance Principles</b></p>	<ul style="list-style-type: none"> <li>a) Council decisions are to be made and actions taken in accordance with the relevant law;</li> <li>b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;</li> <li>c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;</li> <li>d) the municipal community is to be engaged in strategic planning and strategic decision making;</li> <li>e) innovation and continuous improvement is to be pursued;</li> <li>f) collaboration with other Councils and Governments and statutory bodies is to be sought;</li> <li>g) the ongoing financial viability of the Council is to be ensured;</li> <li>h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making;</li> <li>i) the transparency of Council decisions, actions and information is to be ensured.</li> </ul>
<p><b>Section 101 Financial Management Principles</b></p>	<ul style="list-style-type: none"> <li>a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;</li> </ul>

	<ul style="list-style-type: none"> <li>b) financial risks must be monitored and managed prudently having regard to economic circumstances;</li> <li>c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community;</li> <li>d) accounts and records that explain the financial operations and financial position of the Council must be kept.</li> </ul> <p>For the purposes of the financial management principles, financial risk includes any risk relating to the following—</p> <ul style="list-style-type: none"> <li>a) the financial viability of the Council;</li> <li>b) the management of current and future liabilities of the Council;</li> <li>c) the beneficial enterprises of the Council.</li> </ul>
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