



Hindmarsh
Shire Council

Audit & Risk Committee Charter

June 2020

CONTENTS

Purpose	3
Role of the Committee	3
Authority	4
Membership	4
Meetings	5
Reporting	6
Role of Chairperson	6
Functions	7
Engagement with the Victorian Auditor-General's Office (VAGO)	9
Evaluating Performance	9
Conflicts of Interest	9
Misuse of Position	10
Confidential Information	10

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.

The Audit and Risk Charter (**Charter**) sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting, administrative and governance arrangements.

The Committee's objective is to provide appropriate independent advice and recommendations to Council on matters relevant to its Charter in order to facilitate decision-making by Council in relation to the discharge of its accountability requirements.

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 is an advisory committee of Council established to monitor, review and advise Council on the systems and activities of Council in ensuring:

- Reliable and complete financial and performance reporting;
- High standards of corporate governance;
- Appropriate application of accounting policies;
- Compliance with applicable laws and regulations;
- Effective management and monitoring of all risks, controls and insurances;
- Effective and efficient internal and external audit functions;
- Appropriate measures to provide early warning of any issues affecting the organisation's financial well-being;
- The level and effectiveness of appropriate Business Continuity and Disaster Recovery planning;
- Maintenance and fostering of an ethical environment and oversight of related party transactions;
- Fraud prevention, including corruption.

The internal auditors, external auditors and other assurance providers support the Committee by providing independent and objective assurance on internal corporate governance, risk management, internal control and compliance.

Pursuant to Section 54(3) the Committee will establish an Annual Work Plan to enable it to discharge its responsibilities effectively pursuant to the requirements of the Charter and will review the Annual Work Plan at each meeting.

Authority

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

As an advisory committee, the Committee does not exercise executive powers, management functions or have any delegated financial responsibility, but it is entitled to receive information, presentations by Officers or explanations it considers necessary to fulfil its responsibilities. In doing so, Council authorises the Committee to:

- Review performance activities within the scope of its Charter;
- Require the attendance of Council Officers at meetings and request the attendance of internal audit, external audit or other assurance providers, where appropriate;
- Oversee the performance of the external audit process, and appointment and performance of the internal auditor; and
- Request the Chief Executive Officer or Council, within delegation, to provide financial resources to enable the Committee to receive any information it considers necessary to fulfil its responsibilities.

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.

Pursuant to Section 53 (4) the chairperson of an Audit and Risk Committee must not be a Councillor of the Council. In the absence of the chairperson, the Committee will elect a temporary chair for the meeting from the remaining independent members who are present.

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.

Membership of the Committee will be reviewed periodically and coincide with the term of the Council with the aim of ensuring an appropriate balance between continuity of members, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience. Councillor members will be appointed for a one-year term. The initial appointment of external Committee members shall be for up to a four-year period. At the conclusion of the term members are eligible for reappointment by Council.

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.

Pursuant to section 53(6) of the Act, Council will pay a fee to independent committee members. As at 1 June 2020 the fee is \$200 per independent member per meeting, and \$250 per independent chairperson per meeting. The fee will be reviewed by Council during the Annual budget preparation process.

Payment will be made following receipt of a Tax Invoice after 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.

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. One of these meetings will be dedicated to the draft annual financial statements.

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

Committee members are to attend the meetings in person, where this is not possible tele-or-video conference may be available.

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 approved by the Chief Executive Officer of Council and Committee Chair.
- (b) Circulation of the Agenda and supporting documentation at least one week before the meeting.
- (c) Ensuring minutes of the meetings are prepared and maintained. Minutes are to include relevant elements of the Committee's discussion.

The minutes must be reviewed by the Chief Executive officer of Council and Committee Chair and circulated within two weeks of the meeting to each member of the Committee.

The draft minutes will be circulated to Council at a subsequent Council meeting following the Committee meeting.

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.

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.

Role of Chairperson

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

Functions

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

Monitor the compliance of Council policies and procedures with overarching governance principles and the Local Government Act 2020 and the regulations and any ministerial directions. Section 52(2)(a).

- Monitor Council processes for compliance of Council policies and procedures (Section 54(2));
- Assess Council's policy framework and procedure to ensure the embedding of the governance principles;
- Assess Council's procurement framework and procedures to ensure the embedding of the governance principles;

Monitor Council compliance with relevant laws and regulations.

- Monitor Council's processes regarding compliance with legislation and regulations;
- Review management disclosures in financial reports of the effect of significant compliance issues;
- Review Council's procedures for receiving and dealing with complaints, including confidential and anonymous employee complaints under the *Public Interest Disclosures Act 2012*.

Monitor Council financial and performance reporting.

- Review the appropriateness of accounting policies and disclosures to present a true and fair view;
- Review any changes to Council's accounting policies and procedures and the methods of applying them, with input of management, external and internal auditors, ensuring that they are in accordance with the stated financial reporting framework;
- Assess information from internal and external auditors that affects the quality of financial reports. (eg actual and potential material audit adjustments, financial report disclosures, non-compliance with legislation and regulations, internal control issues);

- Recommend to Council whether the financial report including the performance statement should be approved based on the Committee's assessment of them;
- Review the financial reporting provided to Council and monitor the financial performance and sustainability of Council;

Monitor and provide advice on risk management and fraud prevention systems and controls.

- Review management's overall risk profile, risk management framework and advise Council of any concerns regarding the appropriate resourcing of the required actions;
- Receive regular risk reports including summary of top ten (10) risks and detailed risk report.
- Review Council's business continuity plan and disaster recovery plan.
- Receive summary reports from management on all suspected and actual frauds, thefts and material breaches of legislation, ensuring report to Council and / or relevant authorities;
- Monitor Council's fraud prevention and detection framework, including any action taken with respect to actual and suspected instances of fraud;
- Monitor management's efforts to create and maintain a strong internal control environment, including the design and implementation of anti-fraud strategies and programs, conduct of fraud awareness seminars or training courses to increase staff awareness of activities that amount to fraud.

Oversee internal audit functions.

- Discuss with Council the appropriate method for the provision of the internal audit function, which in the case where this is outsourced, would include the sign-off of the evaluation criteria, the appointment, the monitoring and assessment of effectiveness and termination of the contractor. The tender specification will require the internal auditors engaged to be appropriately qualified and continue professional development;
- Monitor the implementation of a three-year internal audit plan as a minimum. The progress against this plan will be reported to the Committee at each meeting;
- Review and approve the scope for each internal audit to ensure that the audit objectives and scope are fit for purpose;
- Provide the opportunity for audit committee members to meet with internal auditors without management being present;
- Review the reporting on completed internal audits to ensure management is responding adequately to the findings and key risks are mitigated;
- Require internal audit contractor to conduct periodic testing of whether audit actions reported as completed by management have been effectively implemented.

Oversee external audit functions.

- Discuss with external auditor external audit plan including proposed audit strategies and how they might relate to identified risk areas, discuss audit results, consider the implications of the external audit findings;

- Sight all representation letters signed by management and consider the completeness and appropriateness of the information provided'
- Provide the opportunity for committee members to meet with the external auditor should the need arise without management being present;
- Maintain an awareness of local government performance audits undertaken by VAGO and ensure recommendations are brought to the attention of Council for action / implementation where appropriate.

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.

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

Section 125 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee.

- (1) Unless subsection (2) or (3) applies, a person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, must not intentionally or recklessly disclose information that the person knows, or should reasonably know, is confidential information.
- (2) Subsection (1) does not apply if the information that is disclosed is information that the Council has determined should be publicly available.

- (3) A person who is, or has been, a Councillor, a member of a delegated committee or a member of Council staff, may disclose information that the person knows, or should reasonably know, is confidential information in the following circumstances—
- (a) for the purposes of any legal proceedings arising out of this Act;
 - (b) to a court or tribunal in the course of legal proceedings;
 - (c) pursuant to an order of a court or tribunal;
 - (d) in the course of an internal arbitration and for the purposes of the internal arbitration process;
 - (e) in the course of a Councillor Conduct Panel hearing and for the purposes of the hearing;
 - (f) to a Municipal Monitor to the extent reasonably required by the Municipal Monitor;
 - (g) to the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector;
 - (h) to a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry;
 - (i) to the extent reasonably required by a law enforcement agency.

This Charter has been adopted by Resolution of the Council:

.....
Mayor

.....
Date