

# Audit and Risk Committee Charter



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<b>Related legislation:</b>	Local Government Act 2020		
<b>Related strategic documents, policies, or procedures:</b>	<ul style="list-style-type: none"> <li>• Risk Management Policy</li> <li>• Risk Management Framework</li> <li>• Risk Management Procedure</li> <li>• Enterprise Risk Management Action Plan</li> <li>• Fraud and Corruption Prevention Policy</li> <li>• Fraud and Corruption Control Plan</li> </ul>		

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Date	Version Number	Details of Version	Modified by
20/05/2020	1	Review of Charter under Local Government Act 2020	Executive Manager Organisational Capability
07/10/2020	2	Review Charter in line with sector's recommended template and to incorporate an indemnity clause	Executive Manager People and Culture

## 1. Purpose

Mount Alexander Shire 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. It 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 broader skills and experience than might otherwise be the case and in so doing bring additional benefits to Council.

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

## 2. 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;
- Approve 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.

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

## 3. Membership and Tenure

The Committee will consist of **six** members appointed by Council, four of whom must be independent members. Council employees cannot be members of the Committee. **All Committee Members have voting rights.**

Details of membership and tenure are set out below:

**Independent Members:**

- 1.1 Independent members will be appointed for three year terms;
- 1.2 Independent members may be reappointed for two additional three-year terms subject to satisfactory performance, that is, a maximum of nine years;
- 1.3 Independent members must collectively have expertise in financial management and reporting and risk management and also experience in public sector management;
- 1.4 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;
- 1.5 Remuneration will be paid to independent members as approved by Council from time to time.

**The Council will indemnify and keep indemnified each independent member of the Committee against all actions or claims whether arising during or after their term of appointment in respect of anything necessarily done or reasonably done or omitted to be done in good faith:**

- a) **In the performance of a duty or function or the exercise of any matter under the Act, regulations, a local law or this charter.**
- b) **In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a matter under the Act, regulations, a local law or this charter.**

**Current membership and tenure of independent committee members is:**

<b>Member</b>	<b>Initial appointment</b>	<b>End of current term</b>	<b>Proposed new term (to ensure one term per year expires)</b>
<b>John Watson</b>	<b>1 July 2020</b>	<b>30 June 2023</b>	<b>1 July 2023 to 30 June 2027</b>
<b>Nicole Cox</b>	<b>14 April 2015</b>	<b>31 March 2021</b>	<b>1 April 2021 to 30 June 2024</b>
<b>Glenn Sutherland</b>	<b>1 September 2016</b>	<b>17 September 2022</b>	<b>18 September 2022 to 30 June 2025</b>
<b>Linda McNeill</b>	<b>15 October 2019</b>	<b>14 October 2022</b>	<b>15 October 2022 to 30 June 2026</b>

**Councillor Members:**

- 1.6 Councillor members will be appointed to the Committee by Council annually;
- 1.7 Should an appointed Councillor member not be able to attend a Committee meeting, Council can appoint an alternate member to act in such circumstances, either on a meeting by meeting basis or for the entire year.

**Chairperson:**

- 1.8 The Chairperson of the Committee must be an independent member;
- 1.9 Council will appoint the Chairperson of the Committee;
- 1.10 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.

**Quorum for Meetings**

- 1.11 A quorum shall comprise at least one Councillor member and **three** independent members.

## Remuneration of Committee Members

**Councillors Committee Members are not remunerated for their role on the Audit and Risk Committee.**

**Remuneration will be paid to each Independent Committee Member<sup>1</sup>. The Council sets the remuneration by resolution at a formal Council Meeting. At the Council Meeting held on 19 May 2020, the Council resolved that remuneration for the 2020/21 financial year will be:**

- **Chair: \$650 per meeting.**
- **Independent Committee Members: \$450 per meeting.**
- **Travel allowance of 90 cents per kilometre for Independent Committee Members who travel over 50km in total to attend each meeting.**

**All allowances will be subject to annual indexation on 1 July, in accordance with CPI Melbourne Index June to June quarter.**

## 4. Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

- 4.1 A schedule of meetings will be developed annually and agreed by members;
- 4.2 All Committee members are expected to attend each meeting in person, although in special circumstances members can attend through electronic means;
- 4.3 The Committee will invite members of Council's management team, the internal and external auditors and other personnel as appropriate to attend meetings. The Chief Executive Officer and the Executive Manager People and Culture will attend all meetings, except for confidential matters;
- 4.4 Committee members and the internal and external auditors can request the Chairperson to convene additional meetings if they feel that is justified to address unexpected matters that may have arisen;
- 4.5 Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting;
- 4.6 Minutes will be prepared for all meetings.

## 5. Responsibilities

The Committee will carry out the following responsibilities:

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<sup>1</sup> Section 53(6) of the Local Government Act 2020: A Council may pay a fee to a member of an Audit and Risk Committee who is not a Councillor of the Council.

## Financial and Performance Reporting

- 5.1 At least annually 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;
- 5.2 At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- 5.3 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;
- 5.4 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- 5.5 Recommend the adoption of the annual financial report and annual performance statement to Council; and
- 5.6 Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

## Internal Control Environment

- 5.7 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;
- 5.8 Determine whether systems and controls are reviewed regularly and updated where required;
- 5.9 Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;
- 5.10 Ensure that a programme is in place to test compliance with systems and controls;
- 5.11 Assess whether the control environment is consistent with Council's Governance Principles.

## Risk Management

- 5.12 Review annually the effectiveness of Council's risk management framework;
- 5.13 Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- 5.14 Review Council's risk profile and the changes occurring in the profile from meeting to meeting;
- 5.15 Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- 5.16 Review the insurance programme annually prior to renewal; and
- 5.17 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

- 5.18 Review Council's Fraud Prevention policies and controls, including the Fraud **and Corruption** Control Plan and fraud awareness programmes at least very two years;
- 5.19 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
- 5.20 Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

## Internal Audit

- 5.21 Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- 5.22 Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- 5.23 Review progress on delivery of annual internal audit plan;
- 5.24 Review and approve proposed scopes for each review in the annual internal audit plan;
- 5.25 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- 5.26 Meet with the leader of the internal audit function at least annually in the absence of management;
- 5.27 Monitor action by management on internal audit findings and recommendations;
- 5.28 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;
- 5.29 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;
- 5.30 Recommend to Council, if necessary, the termination of the internal audit contractor.

## External Audit

- 5.31 Annually review and approve the external audit scope and plan proposed by the external auditor;
- 5.32 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;
- 5.33 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;
- 5.34 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;
- 5.35 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- 5.36 Meet with the external auditor at least annually in the absence of management.

## Compliance Management

- 5.37 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;
- 5.38 Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- 5.39 Obtain briefings on any significant compliance matters; and
- 5.40 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.

## 6. Reporting to Council

- 6.1 Minutes of Committee meetings will be provided to Council at the first available opportunity after clearance by the Committee Chairperson following each Committee meeting;
- 6.2 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.

## 7. Performance Evaluation

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.

## 8. 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.

## 9. 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.

## 10. Approval

<b>Charter approved by Council</b>	<b>[date to be inserted]</b>
<b>Signed by the Chief Executive Officer</b>	
<b>Darren Fuzzard</b>	<b>[date to be inserted]</b>



## Appendix A: Committee Member Regulatory Obligations Guidance to Members

LGA Section	LGA Requirement
<b>Misuse of Position</b>	
123(1)	<p>A Committee member must not intentionally misuse their position to:</p> <ul style="list-style-type: none"> <li>a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or</li> <li>b) Cause, or attempt to cause, detriment to the Council or another person</li> </ul>
123(3)	<p>Circumstances involving misuse of a position by a member of the Committee include:</p> <ul style="list-style-type: none"> <li>a) Making improper use of information acquired as a result of being a member of the Committee; or</li> <li>b) Disclosing information that is confidential information; or</li> <li>c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or</li> <li>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</li> <li>e) Using public funds or resources in a manner that is improper or unauthorised; or</li> <li>f) Participating in a decision on a matter in which the member has a conflict of interest.</li> </ul>
<b>Confidential Information</b>	
125	<p>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.</p>
<b>Conflicts of Interest</b>	
126	<p>A member of the Committee has a conflict of interest if the member has:</p> <ul style="list-style-type: none"> <li>a) A general conflict of interest as described in Section 127; or</li> <li>b) A material conflict of interest as described in Section 128.</li> </ul>
127	<p>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.</p>
128	<p>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>
<p><b>Please Note:</b> 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.</p>	