



Audit and Risk Committee

Charter

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Purpose

Moira Shire Council has established an Audit and 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.

Objectives

The Committee is established to assist the co-ordination of relevant activities of management, the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.

As part of Council's governance obligations to its community, Council has constituted the Committee to facilitate the organisations ethical development through:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines;
- the effectiveness of the internal audit function; and
- the provision of an effective means of communication between the external auditor, internal audit, management and the Council.

Authority

The Committee is an advisory committee of Council as set out in Section 53 of the *Local Government Act 2020*. The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision making by Council in relation to the discharge of its responsibilities.

Committee Composition

The Committee will comprise a maximum of seven members appointed by Council including:

- a maximum of five and a minimum of three external independent members; and
- two Councillors.

The Mayor of the Moira Shire Council will be an ex-officio member of the Committee but shall not have voting rights.

The Committee must not include any person who is a staff member of Moira Shire Council.

External Independent Members

- will be appointed for an initial three-year term and may serve an additional three-year term to a maximum of six years;
- a current member is able to reapply to be appointed for subsequent terms and may be reappointed subject to satisfactory performance;
- must collectively have expertise in financial management and reporting, risk management and audit, and also experience in public sector management;
- remuneration will be paid to each independent member of the Committee at a rate determined by Council.

Councillor Members

- will be appointed to the Committee by Council following a Council election or vacancy;
- if an appointed Councillor member is not 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

- is appointed by the Committee;
- must be an external independent member;
- is entitled to serve as Chairperson for multiple terms provided that no more than two terms are served consecutively;
- In the absence of the appointed Chairperson from a meeting, the Committee will appoint an acting Chairperson from the external members present.
- Will have a casting vote.

Committee Tenure

The consecutive service of external independent members shall be limited to two, three year terms. Having served two consecutive three year terms, external members may serve additional terms provided a period of not less than three years has elapsed since their last term. Subject to this Charter, there is no restriction to the total number of terms an external member may serve.

Notwithstanding anything in this Charter to the contrary, the term of an external member may be extended by a majority vote of the Committee for up to 1 year to enable the objectives of the Charter to be achieved. If a term of an external member is extended under these provisions the extension period shall be added to the existing term and considered as part of that term. For calculation purposes, a term shall include any period of time served regardless of whether it is more or less than three years.

Appointment of External Independent Members

Appointments of external independent members shall be made by Council by way of a public advertisement including print and social media. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives in order to minimise the loss of knowledge of Council's business that may occur on change of membership.

The evaluation of potential members will be undertaken by the Mayor and Chief Executive Officer taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.

External independent members will:

- have senior business experience;
- possess appropriate qualifications and significant relevant experience in financial management and reporting, risk management or audit; and
- be conversant with the Local Government financial and other reporting requirements.

Committee Membership

Because the responsibilities of the Audit & Risk Committee evolve in response to regulatory, economic and reporting development, it is important to periodically re-evaluate member's competencies and the overall balance of skills on the committee in response to emerging needs.

If the Council proposes to remove a 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 which is open to the public, if that member so requests.

In addition, the Council may remove a member of the committee if they fail to attend three consecutive meetings without leave of the Committee by resolution duly passed, or on the recommendation of the Committee.

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 of these obligations are included in **Appendix A** to this Charter.

Meetings

Schedule of Meetings

The Committee shall meet at least quarterly and a schedule of meetings will be developed and agreed to by the members. An additional meeting will be held in September to coincide with relevant Council reporting deadlines for the finalisation of the financial statements and the draft Annual Report to the Minister.

An Annual Work Program has been developed and detailed in **Appendix B** in accordance with Section 54 (3) of the Act.

Committee members and the internal and external auditors can request the Chairperson to convene additional meetings if they feel that it is justified to address unexpected matters that may have arisen.

The Committee, without the presence of the Council management, shall meet with the Internal and External Auditors at least annually.

Attendance

All Committee members are expected to attend each meeting in person where possible, although members can attend through electronic means with prior approval from the Chair.

The Committee will invite members of Council's management team, the internal auditors and other personnel as appropriate to attend meetings. The Chief Executive Officer (CEO), Chief Financial Officer and the Director Corporate, Governance and Performance will attend all meetings.

Representatives of the external auditor should be invited to attend at the discretion of the Committee but **must** attend meetings considering the draft annual financial report and results of the external audit.

Minutes and Agendas

Council shall provide secretarial and administrative support to the Committee. Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting and minutes will be prepared for all meetings.

Quorum

A quorum shall comprise at least one Councillor and two external independent members.

Where a meeting of the Committee is unable to form a quorum:

- the Mayor may substitute for a member with full voting rights; OR
- the Mayor and or CEO may nominate an alternate Councillor as a substitute member. All members shall have full voting rights.

Duties and Responsibilities

The Committee, through the CEO and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

The following are the duties and responsibilities of the Committee in pursuing its Charter.

Internal Audit

To review the scope of the internal audit plan and programme and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:

- internal controls over significant areas of risk, including non-financial management control systems;
- internal controls over revenue, expenditure, assets and liability processes;
- the efficiency, effectiveness and economy of significant Council programmes; and
- compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.

Review and approve proposed scopes for each review in the annual internal audit plan and the appropriateness of special internal audit assignments undertaken by internal auditors at the request of Council or CEO.

Review progress on delivery of annual internal audit plan and the level of resources allocated to internal audit and the scope of its authority.

Review reports on internal audit reviews, including recommendations for improvement arising from those reviews and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.

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.

Recommend to Council, if necessary, the termination of the internal audit contractor.

External Audit

Discuss with the external auditor:

- the scope of the audit and the planning of the audit;
- issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters; and
- any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information.

Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programmes.

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

Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.

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.

Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them.

Meet with the external auditor at least annually in the absence of management.

Financial and Performance Reporting

Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.

Review Council's draft annual financial report, focusing on:

- accounting policies and practices;
- changes to accounting policies and practices;
- the process used in making significant accounting estimates;
- significant adjustments to the financial report (if any) arising from the audit process;
- compliance with accounting standards and other reporting requirements;
- significant variances from prior years.

Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

Review policies and processes related to procurement and tendering practices.

Review the annual performance statement and recommend its adoption to Council.

Review quarterly budget reviews and projections.

Risk Management

Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management systems.

Review annually the effectiveness of Council's Risk Management Framework.

Review Council's Risk Appetite Statement and the degree of alignment with Council's Risk Profile.

Review Council's Risk Profile and the changes occurring in the profile from meeting to meeting.

Review Council's treatment plans for significant risks such as WHS and environment, including the timeliness of mitigating actions and progress against those plans.

Review the insurance programme annually prior to renewal.

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

Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least every two years.

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.

Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

Compliance Management

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.

Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code.

Obtain briefings on any significant compliance matters.

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.

Reporting

The Committee shall, after every meeting, forward the Minutes of that meeting to the next Scheduled Meeting of the Council, including a report explaining any specific recommendations and key outcomes.

The Chairperson will prepare a report to Council through the CEO 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 statements 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.

The Committee shall *annually* conduct an evaluation of the:

- satisfaction of the internal audit function; and
- Audit Committee's performance and report to Council.

The Committee shall conduct a biannual review and assessment of the adequacy of the Charter and request Council approval for proposed changes.

Appendix A Committee Member Regulatory Obligations

Guidance to Members

LGA Section	LGA 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: <ul style="list-style-type: none"> 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 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>	

Appendix B Annual Work Program

AGENDA ITEM	Annual Statements September	Quarter 1 October	Quarter 2 February	Quarter 3 May	Quarter 4 July
INTERNAL AUDIT					
Internal Audit Action Status Report		X	X	X	X
Review of Internal Audit Plan				X	
Review of Internal Auditors Performance					X
Meet with Internal Auditors (without Management)	X				
EXTERNAL AUDIT					
Note external auditors proposed audit scope				X	
Review Draft Management Letter	X				
VAGO Interim Management Letter				X	
Annual Review of VAGO Indicators	X				
Meet with External Auditor (without Management)	X				
FINANCIAL AND PERFORMANCE REPORTING					
Quarterly Budget Review and Projections		X	X	X	X
Review of Annual Financial Statements and Performance Report	X				
Purchase Card Usage Report			X		
Asset Valuations Report	X				
RISK MANAGEMENT					
Risk Profile and Register		X	X	X	X
Claims and Incident Report		X	X	X	X
WHS Status Report		X	X	X	X
Review insurance programme (prior to renewal)				X	
Review of the Business Continuity Plan and IT Disaster Recovery Plan				X	
FRAUD PREVENTION SYSTEMS AND CONTROLS					
Fraud Risk Register Report		X	X	X	X
Review Risk Management Framework (annually)			X		
Review Fraud Control Plan, Policy and Awareness Programs (2 years)			X		
COMPLIANCE MANAGEMENT					
Major Projects, Incidents, Legal Proceedings		X	X	X	X
Policy Register Report		X		X	
Report of findings from regulatory integrity agencies (IBAC, Ombudsman, Monitor etc)		X		X	
REPORTING & ADMINISTRATION					
Election of Chairperson					X
Chairpersons Report					X
Committee Self-Assessment					X
Action Register		X	X	X	X
Attendance Register		X	X	X	X
Charter Review (2 years)		X		X	
Bi-Annual Committee Report			X		X