

INTERNAL
CONTROL

Audit and Risk Charter



Yarriambiack
SHIRE COUNCIL

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Audit and Risk Committee Charter

Yarriambiack Shire Council encourages a working environment which promotes gender equality and models non-violent and respectful relationships.

1 Purpose

The Yarriambiack 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:

- a) Financial and performance reporting;
- b) risk management (including CCTV system);
- c) fraud prevention systems and control;
- d) maintenance of a sound internal control environment;
- e) assurance activities including internal and external audit; and
- f) **Council's performance with regard to compliance with its policies and procedures** with the overarching governance principles and the Local Government Act and the regulations and any ministerial directions.

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:

- a) 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;
- b) Approve internal and external audit plans for adoption by Council at the next meeting of Council as contained in the minutes of the meeting of the Audit and Risk Committee. This includes audit plans with an outlook of greater than one year;
- c) Provide advice and make recommendations to Council on matters within its areas of responsibility;
- d) 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;
- e) Seek any relevant information it requires from Council, Council Officers (who are expected to **co-operate with the Committee's requests**) and external parties;

- f) 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, Tenure and Role

The Committee will consist of two Councillors appointed to the Committee along with a three independent members. Council employees cannot be members of the Committee. Details of membership, tenure and role are set out below:

3.1 Independent Members

- a) Independent members will be appointed for three-year terms;
- b) Independent members may be reappointed for two additional three-year terms subject to satisfactory performance, that is, a maximum of nine years;
- c) Independent members must collectively have expertise in financial management and reporting and risk management and also experience in public sector management;
- d) Independent **member's** 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**;
- e) Remuneration will be paid to independent members as approved by Council from time to time.

3.2 Councillor Members

- a) Councillor members will be appointed to the Committee by Council annually;
- b) 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.

3.3 Chairperson

- a) The Chairperson of the Committee must be an independent member;
- b) The Councillors via formal resolution will appoint the Chairperson of the Committee;
- c) If the Chairperson is unable to attend a meeting, an alternate Chair can be appointed by the Chairperson from amongst the independent members of the Audit and Risk Committee only.
- d) Leads the annual self-assessment of the performance of the Committee and approves its annual report to Council.
- e) The role of the Chair will include the following responsibilities:
 - i. Chair all Committee meetings;
 - ii. Ensure that meetings are conducted appropriately;
 - iii. Ensure that meetings address all matters within the Committees responsibility as outlined in the Charter.

3.4 Quorum for Meetings

- a) A quorum shall comprise at least one Councillor member and two independent members.

4 Recruitment and Selection

- a) On the retirement or resignation of an Independent member of the Committee, a skills matrix will be used to identify the skills and/or experience to be sought in a new Independent member.

- b) An advertisement seeking a new Independent member will be published (in a newspaper and/or social media generally circulating in Victoria) identifying any specific skills and experience sought by the Committee.
- c) Applications for the vacancy will be reviewed and shortlisted by the CEO or delegate, in consultation with the Chair. If the Chair is not available, an Independent member of the Committee may be consulted.
- d) A panel will be convened to interview (if required) and recommend to Council a **candidate's appointment**.

The panel will comprise of the following:

- a) The Chair, or an Independent member if the Chair is unavailable
- b) One Councillor member of the Committee; and
- c) The CEO or delegate.

4.1 Chairperson Recruitment

The Councillors may choose to undertake the process outlined in Section 4 for the appointment of the Chairperson, or alternatively they may seek professional advice and assistance, to recruit to the role.

This professional assistance may be received from long standing professional Audit and Risk Committee Chairperson(s), Local Government Professionals (LGPro), FinPro and/or Municipal Association of Victoria.

Once recommendations are received, the Mayor will appoint an interview panel, that can consist of the CEO and /or another Councillor.

A Council resolution is required to support the appointment of the independent Chairperson.

5 Remuneration

Section 53 (6) of the Act allows for the payment of a fee to a member of the Committee who is not a Councillor.

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.**

The sitting fee will be determined via a resolution of Council, based on an assessment of industry remuneration at the time of appointment.

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.

6 Insurance

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

7 Confidentiality

Upon appointment, Independent members are required to sign a confidentiality agreement (**Appendix 1**). **Members of the Committee must comply with Council's confidentiality requirements.**

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.

8 Induction

- a) All Independent members of the Committee are provided induction to Council and the Committee. The induction material includes but not limited to relevant financial reports, audit reports, minutes of the Committee meetings, internal auditors reports, reports on any investigations, risk register, any relevant policies and procedures and the Committee Charter.
- b) If the Independent member/s require a one to one induction, the Director Business Strategy and Performance or any of the Council officers as directed by the CEO, will undertake the induction for the new Committee member.
- c) All Councillor Committee members are provided with the Committee Charter, minutes of the last four Committee minutes and details of the qualifications and experience of the Independent members of the Committee as part of the Councillor Induction Program.

9 Meetings

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

- b) A schedule of meetings will be developed annually and agreed by members;
- c) All Committee members are expected to attend each meeting in person, although in special circumstances members can attend through electronic means;
- d) **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 Director Business Strategy and Performance will attend all meetings, except for confidential matters;
- e) Committee meetings may be preceded by informal discussions between members **and/or with Council's auditors and other appropriate stakeholders as determined by the Chair.**
- f) Meeting agendas and appropriate briefing materials will be provided to members at least one week (seven days) before each meeting;
- g) Minutes will be prepared for all meetings by a nominated Council Officer, appointed by the Chief Executive Officer and distributed within a week (seven days) after the meeting.

10 Responsibilities

The Committee will carry out the following responsibilities.

10.1 Financial and Performance Reporting

- a) 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;
- b) At least annually review changes to the Local Government Performance Reporting **Framework and understand the impact of those changes on Council's performance indicators;**
- c) 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;**
- d) Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;

- e) Recommend the adoption of the annual financial report and annual performance statement to Council; and
- f) Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

10.2 Internal Control Environment

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

10.3 Risk Management

- a) **Review annually the effectiveness of Council's risk management framework**;
- b) **Review Council's risk appetite statement and the degree of alignment with Council's risk profile**;
- c) **Review Council's risk profile and the changes occurring in the profile from meeting to meeting**;
- d) **Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans**;
- e) Review the insurance programme annually prior to renewal; and
- f) Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

10.4 Fraud Prevention Systems and Controls

- a) **Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least every two years**;
- b) 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
- c) Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

10.5 Internal Audit

- a) 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**;
- b) Review and approve the three-year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- c) Review progress on delivery of annual internal audit plan;
- d) Review and approve proposed scopes for each review in the annual internal audit plan;

- e) Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- f) Meet with the leader of the internal audit function at least annually in the absence of management;
- g) Monitor action by management on internal audit findings and recommendations;
- h) 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;
- i) 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;
- j) Recommend to Council, if necessary, the termination of the internal audit contractor.

10.6 External Audit

- a) Annually review and approve the external audit scope and plan proposed by the external auditor;
- b) 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;
- c) 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;**
- d) 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;**
- e) Consider the findings and recommendations of any relevant performance audits **undertaken by VAGO and monitor Council's responses to them; and**
- f) Meet with the external auditor at least annually in the absence of management.

10.7 Compliance Management

- a) In accordance with s54 of the Local Government Act, Adopt an Annual Work Plan;
- b) 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;
- c) **Review the processes for communicating Council's Employee Code of Conduct to** employees and contractors and for monitoring compliance with the Code;
- d) Obtain briefings on any significant compliance matters; and
- e) 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.**

10.8 Reporting to Council

- a) The minutes of the Audit and Risk Committee meeting will be provided to Council after review by the Chairperson.
- b) 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.

11 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.

12 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.

13 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.

14 Website

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

- The Committee Charter
- Description of the roles and responsibilities of the Committee

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| Adopted: | Council Approved Date 24 July 2019 | Minutes Page Number 127 |
| Reviewed: | Council Approved Date 26 August 2020 | Minutes Page Number 256 |
| Reviewed: | Council Approved Date 27 April 2022 | Minutes Page Number 36 |
| Reviewed: | Council Approved Date 25 October 2023 | Minutes Page Number 42 |

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><i>Please Note</i></p> <p><i>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.</i></p> | |