



Audit and Risk Committee Charter

Background

Section 139 of the *Local Government Act 1989* (the Act) requires all councils to establish an audit committee which is an advisory committee. Central Goldfields Shire Council (Council) has constituted an Audit and Risk Committee (the Committee) to meet this requirement.

This Charter has been developed to facilitate the operation of the Committee and sets out its purpose, authority, composition, remuneration, meetings, responsibilities, publically available information and review.

Purpose

The Committee's primary objectives are to:

- Enhance the credibility and the objectivity of financial reporting
- Support the identification and management of financial and enterprise wide material risks
- Advise the Council on systems and processes designed to ensure compliance with relevant laws and regulations and consideration of best practice guidelines
- Advise Council on the establishment, effectiveness and maintenance of controls and systems to safeguard financial and physical resources, and mitigate risks that may adversely affect achievement of Council objectives
- Advise Council on the systems and processes which protect against fraud and irregularities including the *Protected Disclosures Act 2012* procedures.

The Committee has no executive role. It is independent of management and reports to the Council providing advice to facilitate Council decision-making.

The Committee has the authority to:

- Confirm the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit activity
- Review and approve the strategic audit plan and annual internal audit plan and recommend any changes to the plans
- Conduct enquiries or authorise investigations into any matters within its scope of responsibility or as otherwise referred by Council
- Subject to consultation with, and approval of, the Chief Executive Officer (CEO), retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation
- Seek any information it requires from Council, Council staff (including senior management) and external parties
- Meet with the CEO, council staff, internal and external auditors, or other parties, as necessary.



Composition

- The Committee will consist of three Independent Members and minimum of one Councillors.
- The Council will appoint Committee members and the Committee Chair.
- The Chair of the Committee must be an Independent Member.
- A quorum shall comprise two Independent Members and one Councillor.
- Independent Committee members will be appointed for a term of not less than one (1) year and not more than three (3) years by negotiation and agreement.
- The maximum number of terms for each Independent member will be two (2).
- Councillor member/s of the Committee will be appointed annually.
- Each Committee member must be financially literate, at least one member must have financial expertise, and at least one member must have specialist skill in strategic risk management.
- Committee members are required by the Act to complete Register of Interest Returns every six months and declare any conflicts of interest that apply to any matter to be considered at each meeting.
- In addition to any declarations made in a Register of Interest Returns, members of the Committee must declare any past or current relationships that may or may be perceived to, impair their independence. Such relationships include (but are not limited to) employment, consulting, advisory, supplier or contractual roles or relationships.

Recruitment and Selection

- 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.
- An advertisement seeking a new Independent member will be published (in a newspaper generally circulating in Victoria) identifying any specific skills and experience sought by the Committee.
- 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.
- A panel, will be convened to interview (if required) and recommend to Council a candidate's appointment. The panel will comprise of the following:
 - The Chair, or an Independent member if the Chair is unavailable
 - One Councillor member of the Committee; and
 - The CEO or delegate(s).

Induction

- 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.



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- If the Independent member/s require a one to one induction, the finance manager or any of the Council officers as directed by the CEO, will undertake the induction for the new Committee member.
- 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.

Role of the Chair

- In consultation with the CEO, or delegate, sets the matters to be included on the agenda for each meeting of the Committee.
- Chairs all meetings of the Committee and oversees how the meetings are conducted.
- Determines the actions to be taken in relation to items discussed at the meeting.
- Participates in the appointment of the internal auditor.
- Leads the annual assessment of the performance of the Committee and approves its annual report to Council.

Decision making out of session

- The Chair of the Committee has authority to refer any matter for a discussion and decision making out of session, e.g. via email.
- Any decisions made will need to be ratified at the next Committee meeting.

Remuneration

Section 139 (7) of the Act allows for the payment of a fee to a member of the Committee who is not a Councillor or member of Council staff.

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.

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.

Insurance

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

Confidentiality

Upon appointment, Independent members are required to sign a confidentiality agreement (Appendix 1)

Members of the Committee must comply with Council's confidentiality policy. 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.



Conflict of Interest

In accordance with Section 79 of the Local Government Act 1989, members of the Committee will be required to disclose all conflicts of interest.

Members of the Committee must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper disclosure of any conflicts of interest as and when they arise.

Members of the Committee must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in Sections 77A, 77B, 78, 78A, 78C and 78D of the Local Government Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in the member's appointment being terminated.

Meetings

- The Committee will meet at least four times a year, with the ability to convene additional meetings, as circumstances require.
- All Committee members are expected to attend each meeting, in person or through teleconference.
- The Committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.
- The Committee may hold private meetings with the auditors if required.
- Meeting agendas and related papers will be prepared and provided to members, five (5) days in advance of meetings (wherever possible).
- Minutes of meetings will be kept and action items recorded and monitored.
- The CEO, General Manager Corporate and Community Services, General Manager Technical Services, Finance Manager attend the meetings in an "ex officio" capacity. On the direction of the CEO, other Council officers may attend the Committee in an "ex officio" capacity, or at the request of the Committee.
- Any Councillors may attend meetings in an "ex officio" capacity.

Responsibilities

The responsibilities of the Committee are set out below:

External reporting

- Review the draft annual financial statements, and consider whether they are complete, open and transparent, consistent with information known to Committee members, and reflects appropriate accounting principles.
- Review significant accounting and reporting issues, complex or unusual transactions, highly judgmental areas, significant accounting estimates, and changes to accounting, professional, regulatory or legislative requirements and understand their effect on the financial statements.



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- Review with management and the external auditors the results of the audit including significant adjustments, any difficulties encountered and matters required to be communicated to the Committee under the Australian Auditing Standards.
- Review the draft annual performance statement and consider whether it is complete, open and transparent, consistent with information known to Committee members and reflects appropriate reporting principles.
- Review the report of operations in the annual report, including the governance and management checklist the annual report, and any related regulatory filings before release, and consider the accuracy and completeness of the information.
- Recommend that Council approve 'in principle' the financial statements and performance statement, or provide other advice as considered appropriate.
- Recommend that Council approve the governance and management checklist for inclusion in the report of operations.

External audit

- Review the external auditor's proposed audit strategy prior to the commencement of the audit including the scope, approach, and any reliance on internal audit activity.
- Review recommendations arising out of the external audit and discuss management's response.
- Monitor management's implementation of the external auditor's recommendations.
- Meet with the external auditor to discuss any matters the Committee or the external auditor believes should be discussed privately.
- Monitor the performance of the external auditor.

Internal audit

- Recommend to Council the most appropriate method for the provision of the internal audit function including scope, level of resources and activities.
- Review the specification for the provision of internal audit services and participate in the tender evaluation process.
- Review and approve the strategic internal audit plan and annual internal audit plan ensuring they cover over a 3 year period: the internal controls over significant areas of risk identified through the risk management framework; internal controls over revenue, expenditure, assets and liabilities processes; efficiency and effectiveness of Council operations; and compliance with relevant policies, procedures and regulations.
- Monitor the progress of the strategic audit plan and annual internal audit plan.
- Review recommendations arising out of internal audit reports and discuss management's response.
- Monitor management's implementation of the internal auditor's recommendations.
- Monitor processes and practices to ensure the independence of the internal audit function is maintained.
- Meet with the internal auditor to discuss any matters the Committee or the internal auditor believes needs to be discussed privately.



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- Review on an annual basis the performance of the internal auditor including compliance with relevant auditing standards.

Internal control

- Review management's approach to maintaining a sound and effective-internal control framework, including advice received on information technology security and controls.
- Review the internal and external auditors' findings and recommendations in regard to the internal controls over significant areas of risk identified through the risk management framework and internal controls over revenue, expenditure, assets and liabilities processes and assess management's response.

Compliance and Fraud

- Review the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any associated auditor (internal or external) observations.
- Obtain regular updates from management on legal and regulatory compliance matters including investigation of any suspected cases of fraud.
- Consider the findings and recommendations of any relevant Performance Audits undertaken by the Victorian Auditor-General or other regulatory body and-monitor Council's implementation of relevant recommendations.

Risk Management

- Ensure the Risk Management Framework addresses Council's exposure to both strategic and operational risks.
- Monitor the effectiveness of the Risk Management Framework through regular reviews and reporting.
- Regularly review the strategic risk register to check that extreme and high-level risks are being managed in accordance with the Risk Management Framework.

Reporting

- Report regularly to Council providing a summary of the Committee's work and results, as soon as possible following each Committee meeting.
- Provide Council with any recommendations of the Committee, for consideration.
- Report annually to stakeholders via Council's report of operations in the annual report, describing the Committee's composition, discharge of responsibilities, and any other information required by legislation or regulation.
- Report to Council on any specific issues, as requested by Council.



Information Available to the Public

Information regarding the Committee will be made publicly available via:

Annual Report

The Annual Report will include information on the Committee's roles and responsibilities, organisation and membership, and its principal activities during the year.

The following material will be included in the corporate governance section of the Report of Operations in the Annual Report:

- Details of the names and qualifications of those appointed to the Committee
- The number of meetings held by the Committee and the attendance record of members
- Information about the audit processes and the results of work completed by the internal and external auditor
- The annual review of the Committee's charter and its achievement of the charter
- Other matters the Committee believes need to be reported.

Website

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

- The Committee Charter
- Description of the roles and responsibilities of the Committee
- Information on procedure for the selection and appointment of the internal auditor
- Names of Committee members, professional background and qualifications.

Annual Review

The Committee will:

- Annually review and assess the adequacy of the Committee Charter, requesting Council approval for proposed enhancement or updates required by legislation or regulation.
- Annually meet with the external auditor and internal audit services provider in camera.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's performance annually.



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Control Information

Author	Finance Manager
Responsible Officer	General Manager Corporate & Community Services
Date adopted by Council:	26 September 2017
Revision History	June 2007 March 2011 November 2013 June 2015 March 2017 (Version 2)
Next Review	September 2018



APPENDIX 1

**AUDIT AND RISK COMMITTEE
CONFIDENTIALITY AGREEMENT**

THIS AGREEMENT is made the day of _____ 20____

BETWEEN

AND

I herewith agree that I must not, whether during or after my membership of the Central Goldfields Shire Council Audit and Risk Committee, unless expressly authorised by the Chief Executive Officer or in accordance with the law make any disclosure or use of:

- a. Any information or trade secrets of the council
- b. The position of the Council or any councillor or council officer on any confidential matter;
- c. Any other information whatsoever, the disclosure of which may be detrimental to the interest of the council or of any other person who has provided it to the council on a confidential basis; unless I am required to disclose the information by law. I must use my best endeavours to prevent the improper publication or disclosure or use of any such information by someone else.

The termination or expiry of my membership of the committee, for whatever reason, does not affect or derogate from my obligations of confidentiality set out above.

Signed by:

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Name
AUDIT AND RISK COMMITTEE MEMBER

Signed for an on behalf of Central Goldfields Shire Council

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Vince Haining
INTERIM CHIEF EXECUTIVE OFFICER