

# AUDIT & RISK COMMITTEE CHARTER 2023-25

<b>Date amended:</b>	October 2023
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<b>Endorsed by:</b>	PSC Audit & Risk Committee
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<b>Responsible officer:</b>	Director Corporate & Community Services
<b>References:</b>	Local Government Act 2020

## 1 INTRODUCTION

Council must ensure effective corporate governance through the implementation and application of strong and appropriate internal policies, procedures and controls which encompass all areas of risk management, Council's control framework, its external accountability responsibilities, Council's legislative compliance and its internal and external audit activities, and in particular the implementation of audit recommendations.

To assist in the ongoing achievement of this objective, Council has established an Audit & Risk Committee, in accordance with s53 of the *Local Government Act 2020* (the Act). In accordance with s53 of the Act the Audit & Risk Committee is not a delegated committee as proscribed by s63 of the Act.

### 1.1 Objective

The key objective of the Audit & Risk Committee is to provide independent assurance and support to the Council and Chief Executive Officer on the adequacies of Council's controls by:

- Monitoring compliance of Council policies and procedures with:
  - The overarching governance principles, and
  - The *Local Government Act 2020* and regulations, and
  - Any Ministerial directions,
- Monitoring Council financial and performance reporting,
- Monitor and provide advice on risk management and fraud prevention systems and controls, and
- Oversee internal and external audit functions.

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## 2 AUTHORITY

In accordance with s53 and s54 of the *Local Government Act 2020*, the Pyrenees Shire Council authorises its Audit & Risk Committee, within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information),
- Discuss any matters with the external or internal auditor, or other external parties (subject to confidentiality considerations),
- Request the attendance of any employee, including the Chief Executive Officer, at committee meetings, and
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at Council's expense.

## 3 COMPOSITION AND TENURE

- The Audit & Risk Committee will consist of five members, comprising two Councillors and three independent members.
- A committee quorum shall be three members, one Councillor and two independent members.
- The Chairperson of the Committee must be an independent member.
- The Chairperson shall be elected by Committee members annually.
- The members, taken collectively, will have a broad range of skills and experience relevant to the operations of local government, in particular:
  - Expertise in financial management and risk, and
  - Experience in public sector management.
- Independent members will be appointed for an initial period of three years, after which they will be eligible for further tenure extensions after a formal review of their performance at the conclusion of each term, conducted by the Chief Executive Officer.

Extensions of tenure are preferred to be for periods of three years, however shorter periods will be considered upon request.

The term of independent members is limited to nine consecutive years. After an appropriate break, individuals may be considered for another term as an independent member.

At the end of the maximum nine-year consecutive term, the position will be advertised seeking expressions of interest.

Effort should be made to ensure a staggered close of tenure be maintained for independent members to achieve continued stability and knowledge.

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The current composition and tenure of independent committee members is provided at Appendix A.

- Councillor members will be appointed to the Audit & Risk Committee by the full Council on an annual basis.
- No Council staff may be appointed to the Audit & Risk Committee; however, the Chief Executive Officer shall be required and entitled to attend all meetings of the Committee. The Director of Corporate & Community Services, Director of Assets & Engineering, Manager Finance, and Manager Governance Risk & Compliance will attend all meetings of the Committee in an advisory capacity only unless otherwise advised by the Committee Chairperson. Other Council staff may be invited to attend meetings of the Committee as required.
- Council's internal and external auditors cannot be appointed to the Audit & Risk Committee. The internal auditor will be required to attend and present at all meetings of the Committee. The external auditor may attend all meetings of the Committee and may also present to any meeting of the Committee on request.

## 4 ROLES AND RESPONSIBILITIES

The Audit & Risk Committee is directly responsible and accountable to Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must always recognise that primary responsibility for management of the Municipality rests with the Council and the Chief Executive Officer.

The roles and responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time; and in accordance with the *Local Government Act 2020* or supporting Regulations.

### 4.1 Individual member responsibilities and expectations

Members of the Committee are expected to understand and observe the legal requirements of the *Local Government Act 2020* and any transitional arrangements from the *Local Government Act 1989* and subsequent amendments or addendums.

Members are also expected to:

- Contribute the time needed to study and understand the papers provided,
- Apply good analytical skills, objectivity and good judgement,
- Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

### 4.2 Audit & Risk Committee Charter

Pursuant to s54 of the *Local Government Act 2020* Council must prepare and approve an Audit & Risk Committee Charter, specifying the functions and responsibilities of the Audit & Risk Committee.

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The Audit & Risk Committee Charter will be formally reviewed every two years.

### 4.3 Annual requirements

The Audit & Risk Committee must:

- Adopt an annual work program.
- Undertake an annual assessment of its performance against the Audit & Risk Committee Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.
- Prepare a biannual audit and risk report that describes the activities of the Audit & Risk Committee and includes its findings and recommendations; and provide a copy of the biannual audit & risk report to the Chief Executive Officer for tabling at the next Council meeting.

The Chief Executive Officer must:

- Ensure the preparation and maintenance of agendas, minutes and reports of the Audit & Risk Committee; and
- Table reports and annual assessments of the Audit & Risk Committee at Council meetings when required by the *Local Government Act 2020* and when requested by the chairperson of the Audit & Risk Committee.

### 4.4 Committee functions and responsibilities

The Committee's functions and responsibilities are to appropriately monitor compliance and performance, and provide advice, in the following areas:

#### 4.4.1 Compliance

The Committee must:

- Monitor the compliance of Council policies and procedures with:
  - The overarching governance principles; and
  - The *Local Government Act 2020*, supporting Regulations and any Ministerial directions.
- Determine whether Council has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of Council's policy framework and control environment in ensuring compliance with relevant laws, regulations and associated government policy.

#### 4.4.2 Financial and performance reporting

The Committee must monitor financial reporting and:

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- Review the financial statements and provide advice to Council (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by Council’s delegates,
- The Chairperson of the Audit & Risk Committee to review and approve the presentation of the financial statements in the Annual Report. This approval is required prior to the Annual Report being submitted to the Minister of Local Government, and
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls.

The Committee must monitor performance reporting and:

- Satisfy itself that Council has a performance management framework that is linked to organisational objectives and outcomes, and
- Review annual performance statements against Council’s stated performance objectives and outcomes.

#### 4.4.3 Risk management

The Committee must monitor and provide advice on risk management and fraud prevention systems and controls including review of:

- Whether a current and comprehensive risk management framework is in place to effectively identify and manage Council’s financial and business risks, including the risk of fraud and corruption,
- Whether a sound and effective approach has been followed in identifying, monitoring and mitigating Council’s strategic risks,
- The impact of Council’s risk management framework on its control environment and insurance arrangements,
- Whether a sound and effective approach has been followed in establishing Council’s business continuity planning arrangements, including whether disaster recovery plans have been tested periodically, and
- Council’s fraud control plan and satisfy itself that Council has appropriate controls in place to identify and mitigate risk of fraud and corruption; and processes and systems in place to capture and effectively investigate fraud related information.

#### 4.4.4 Control framework

The Committee must:

- Review whether Council’s approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective,

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- Review whether Council has in place relevant policies and procedures, including officer delegations, and that these are periodically reviewed and updated,
- Determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with,
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations,
- Consider how Council identifies any required changes to the design or implementation of internal controls, and
- Review whether Council and senior management have taken steps to embed a culture which is committed to ethical and lawful behaviour.

#### 4.4.5 Internal Audit

The Committee must oversee internal audit functions and:

- Act as a forum for communication between the Chief Executive Officer, senior management and internal and external audit,
- Review the internal audit coverage and annual work plan, ensure the plan is based on Council's risk management plan and recommend approval of the plan by the Chief Executive Officer to Council,
- Advise the Council and Chief Executive Officer on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan,
- Oversee the coordination of audit programs conducted by internal and external audit and other review functions,
- Review all audit reports and provide advice to the Council and Chief Executive Officer on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice,
- Monitor management's implementation of internal audit recommendations,
- Review the internal audit program and contract to ensure appropriate organisational structures, authority, access and reporting arrangements are in place,
- Periodically review the performance of internal audit, and
- Review special internal audit reports and/or other relevant internal audit consultancies conducted in addition to the internal audit program.

#### 4.4.6 External Audit

Council must oversee external audit functions and:

- Act as a forum for communication between the Council, senior management and internal and external audit,

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- Provide input and feedback on the financial statements and performance audit coverage proposed by external audit and provide feedback on the audit services provided,
- Review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations, and
- Provide advice to the Council on action taken on significant issues raised in relevant external audit reports and better practice guides.

## 5 ADMINISTRATIVE ARRANGEMENTS

### 5.1 Meetings

The Committee will meet at least three times per year. A special meeting may be held to review Council's annual financial statements.

The Chairperson is required to call a meeting if requested to do so by the Chief Executive Officer, or another committee member.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all of the Audit & Risk Committee's responsibilities as detailed in this Charter.

Conduct of and behaviour at meetings will be in accordance to provisions detailed in Council's Governance Rules.

#### 5.1.1 Confidential auditor discussions

The Committee will be afforded opportunity at each meeting to confer confidentially with internal and external audit representatives present, excluding the presence of the Chief Executive Officer, senior management or other internal or external attendees or guests.

### 5.2 Secretariat

The Chief Executive Officer will appoint an officer to provide secretariat support to the Committee.

The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chairperson and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

### 5.3 Committee Integrity

#### 5.3.1 Conflicts of Interest

Conflicts of interest must be managed in accordance with Council's *Conflicts of Interest Procedure*.

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Audit & Risk Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Audit & Risk Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from committee deliberations on the issue where a conflict of interest exists.

### 5.3.2 Misuse of position

A Committee member must not intentionally misuse their position to:

- Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person, or
- Cause, or attempt to cause, detriment to the Council or another person.

### 5.3.3 Confidential information

A person who is, or has been, a member of the Audit & Risk 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.

This does not apply to information that the Council has determined should be publicly available or to circumstances detailed in section 6 (Definitions) of this document.

## 5.4 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet committee responsibilities.

## 5.5 Expenses

The Independent members of the Audit & Risk Committee may receive an honorarium for attendance at meetings of the Committee. The level of any honorarium paid will be set periodically by Council.

## 5.6 Performance Assessment

The Mayor, Councillors and Chief Executive Officer will undertake an annual review of the performance of the Audit & Risk Advisory Committee after receiving and considering the Audit & Risk Committee's final report for a calendar year.

## 6 DEFINITIONS

Misuse of position	Circumstances involving the misuse of a position by a person who is a member of the Audit & Risk Committee include: <ul style="list-style-type: none"> <li>• Making improper use of information acquired as a result of the position the person held or holds, or</li> <li>• Disclosing information that is confidential information, or</li> </ul>
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- Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff, or
- 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
- Using public funds or resources in a manner that is improper or unauthorised, or
- Participating in a decision on a matter in which the person has a conflict of interest.

Confidential information

Confidential information may be disclosed in the following circumstances:

- For the purposes of any legal proceedings arising out of the *Local Government Act 2020*,
- To a court or tribunal in the course of legal proceedings,
- Pursuant to an order of a court or tribunal,
- In the course of an internal arbitration and for the purposes of the internal arbitration process,
- In the course of a Councillor Conduct Panel hearing and for the purposes of the hearing,
- To a Municipal Monitor to the extent reasonably required by the Municipal Monitor,
- To the Chief Municipal Inspector to the extent reasonably required by the Chief Municipal Inspector,
- To a Commission of Inquiry to the extent reasonably required by the Commission of Inquiry, or
- To the extent reasonably required by a law enforcement agency.

Conflicts of interest

A relevant person has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the person's private interests could result in that person acting in a manner that is contrary to their public duty.

## 7 REFERENCE & RELATED DOCUMENTS

- *Local Government Act 2020 (Victoria)*

### 7.1 Consultation and impact

Pyrenees Shire Council is committed to consultation and cooperation between management and its employees. Development of this Policy was conducted in consultation with relevant staff and advisory committees prior to approval. It is considered that this Policy does not impact negatively on the rights identified in the Charter of Human Rights and Responsibilities (2007).

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## 8 VERSION HISTORY

Version Number	Issue date	Description of change
1.0	May 2009	Initial release
2.0	May 2011	Biennial review
3.0	August 2013	Biennial review
4.0	November 2015	Biennial review
5.0	December 2017	Biennial review (not implemented)
6.0	May 2019	Biennial review
7.0	May 2020	Legislative requirement to review Charter as part of implementation of the Local Government Act 2020 (s54 (7)).
7.1	May 2022	Biennial review
7.2	October 2023	Amendment to tenure arrangements for independent members to allow for one, two, or three year appointments.

## 9 APPENDIX A – COMPOSITION AND TENURE OF INDEPENDENT MEMBERS

<b>INDEPENDENT MEMBERS</b>	Tenure Commenced	Tenure Ends	Extension 1 Commence	Extension 1 Ends	Extension 2 Commence	Extension 2 Ends
Ms Wendy Honeyman	22/04/2015	22/04/2018	22/04/2018	22/04/2021	22/04/2021	23/04/2024
Mr Rod Poxon	22/05/2018	22/05/2021	22/05/2021	22/05/2024		
Mr Brian Keane	24/11/2020	23/11/2023				

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