

# SOUTHERN GRAMPIANS SHIRE COUNCIL

## AUDIT AND RISK COMMITTEE

### CHARTER

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#### **PURPOSE**

In accordance with Section 139 of the Local Government Act 1989 (the Act), it is mandatory for Councils to establish an Audit Committee (the Committee) as an Advisory Committee of Council.

The purpose of the Committee is to assist Council in the effective conduct of its responsibilities in relation to its financial and performance reporting practices. This includes maintenance of Council's accounting policies, risk management and internal control systems.

#### **AUTHORITY**

The Committee does not have delegated powers or delegated financial responsibilities or authority to implement actions in areas over which management has responsibility.

Therefore, the Committee does not have any management function and is independent to management.

Within its scope of responsibility, Council authorises the Committee to:

- a) perform activities within the scope of this Charter;
- b) require the attendance of Senior Council Officers at meetings as required;
- c) have access to members of Executive Leadership Team, employees and relevant information;
- d) oversee the performance and meet with both the external auditor and the internal auditor;
- e) meet privately, without the attendance of management;
- f) request necessary financial resources to be provided to enable the Committee to receive any necessary legal, accounting or other professional advice.

#### **COMPOSITION**

The Committee will comprise of a minimum of four members, including at least two (2) Independent members and a maximum of two (2) Councillor members.

The Chief Executive Officer (CEO) and the Director Community and Corporate Services are not members of the Committee, but should attend meetings in an advisory capacity.

### ***Independent members***

The appointment of external independent members shall be made by Council resolution following public advertisement in the local newspaper and Council website.

Independent members shall be appointed for a term of three years, after which time Council can choose to exercise an option to renew the appointment for another term. Independent members can only serve for two consecutive terms without public advertisement, however, members may re-apply at the end of their term(s) and be re-appointed for further terms through the public advertisement process.

The applications for membership will be assessed against criteria including, but not limited to:

- a) level and breadth of senior business, management, finance and accounting and/or audit experience and qualifications;
- b) level of familiarity in relation to local government operations, financial reporting and auditing requirements, risk management, corporate governance; and
- c) previous Audit and Risk Committee experience.

### ***Committee Chairperson***

The Chairperson of the Committee must be appointed by Council resolution and be an independent member. The Chairperson will be appointed for two years.

After serving two years, the Committee may choose to appoint the Chairperson for a further one year term or the Committee may choose to nominate another Chairperson from the independent membership for a one year term. The process will be dependent on the Committee seeking nominations from the current independent membership and providing a report for noting to the Council.

The Chairperson of the Committee shall have a casting vote on occasions where there is an equal number of votes on a matter.

In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the Independent members present at the meeting.

### ***Council members***

The Council members of the Committee shall be appointed by Council at its Statutory Meeting.

### ***Remuneration of independent members***

Remuneration paid to independent members will be a set fee per meeting with an additional amount paid to the Chairperson.

Travelling costs will also be reimbursed.

## **MEETINGS**

### ***Quorum***

A quorum of any meeting will be three members. A quorum must be present at all times during the meeting.

### ***General provisions***

The Committee shall meet as required, but must meet a minimum of four times per year with an additional meeting to consider the Annual Financial and Performance Statements.

Additional meetings shall be convened at the discretion of the Chairperson or at the written request of a Committee member, the Chief Executive Officer (CEO) or the internal or external auditors.

The agenda and supporting documentation will be circulated to members of the Committee at least five days in advance of each meeting.

The Chairperson will review the minutes within one week of the meeting and these will be presented to the next practicable Council meeting. The minutes will then be formally approved at the subsequent meeting of the Committee.

The following requirements shall apply to all meetings of the Committee:

- a) only Committee members are entitled to attend and vote at meetings;
- b) other Councillors may attend meetings in an observation capacity only;
- c) the CEO, Director Community and Corporate Services, Manager Finance or their delegates must attend meetings of the Committee, other than those meetings or parts of Committee meetings which are deemed to be closed to management;
- d) the Committee may invite, or require any persons to attend meetings, as it deems necessary;
- e) the Internal Auditor should attend all meetings where internal audit reports are presented or as requested by the Committee;
- f) the External Auditor should attend the meeting when the annual financial accounts and external audit management reports are considered or as requested by the Committee;

- g) the External Auditor shall be offered the opportunity to meet in camera to discuss any aspects of the external audit; and
- h) the Committee will meet at least once annually with the external and internal auditors (separately) without management present.

### ***Conflict of interest***

In accordance with Section 79 of the Act, members of the Committee will be required to disclose all conflicts of interest as and when they arise.

Each independent member of the Committee is required to lodge a declaration of interest form on a bi-annual basis and declare any interest at the commencement of each meeting and prior to the consideration of the item at the meeting.

### ***Confidentiality***

Pursuant to Section 77 of the Act, 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 of which he or she is a member or was in his or her possession except in accordance with such terms and in such a manner as stipulated by the Southern Grampians Shire Council.

### ***Insurance***

Members of the Committee will be covered by Council's insurance policies while engaged in the business of the Committee.

### ***Performance***

The Committee will undertake annual assessment of its performance against the charter and provide to the CEO for tabling at the next ordinary Council meeting.

## **RESPONSIBILITIES**

The Committee will carry out the following responsibilities:

### ***Financial and Performance reporting***

1. Review Council's financial position, via the receipt of Council's Standard Statements and other Quarterly or Monthly Financial Management reports as presented to Council.
2. Report to Council on any material issues which have not previously been reported or actioned.
3. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements and understand the subsequent impact on financial reports.



4. Review the annual financial and performance statements prior to their approval by Council and determine whether they are complete and consistent with the information known to the Committee members.
5. Assess whether the financial and performance statements reflect appropriate policies and comply with all relevant standards and regulatory requirements
6. Recommend the adoption of the Annual Financial Statements incorporating the Annual Performance Statements to Council (and review any significant changes and the reasons for the changes that may arise subsequent to such recommendation but before the Statements are signed).
7. Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
8. Review any litigation, claim or contingency which could have a material effect on Council's financial position or operating result.

### **External audit**

1. Review Council's draft Annual Financial Statement with the External Auditor, focusing on:
  - i) Accounting policies and Approved Accounting Standards;
  - ii) Changes to accounting policies and Approved Accounting Standards;
  - iii) Significant adjustments to the financial statements (if any) arising from the audit process;
  - iv) Compliance with accounting standards and other reporting requirements of financial and non-financial information; and
  - v) Significant variances with explanations from prior years.
2. Review Council's draft Performance Statement with the External Auditor and consider the results in the context of the quarterly reports received throughout the year and challenge any unusual or unexpected results.
3. Discuss and review with the external auditor, issues arising from the audit including all Management Letters issued by the auditor for completeness and appropriateness.
4. Ensure findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately acted upon.
5. Meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately.

### **Internal audit**

1. Monitor the effectiveness of the internal audit function on an ongoing basis.
2. Review the strategic three year and annual plan of the Internal Auditor to ensure that it takes into consideration the risk profile of Council.



3. Review the scope of the internal audit plan and the effectiveness of the function, evaluating whether the plan addresses the following issues:
  - i) Effectiveness of internal controls over significant areas of risk, including non- financial management control systems;
  - ii) Effectiveness of internal controls over key processes relating to revenue, expenditure, assets and liabilities;
  - iii) Efficiency and effectiveness of significant Council programmes; and
  - iv) Compliance with legislation, policies, best practice guidelines and contractual arrangements.
4. Prior to audits being undertaken, receive, review and approve the scope of work for each proposed audit.
5. Ensure the significant findings and recommendations made by the Internal Auditor, and management's proposed responses are received, discussed and appropriately acted upon.
6. Meet with the Internal Auditor annually or as required to consider any matters that the Committee or Internal Auditor should discuss privately.
7. Review on an annual basis the performance of the Internal Auditor, and where performance is not considered satisfactory, discuss with Council and management any proposal to undertake a tender process for the appointment of a new Internal Auditor.

### ***Compliance and ethics***

1. Consider the effectiveness of the systems and processes for monitoring compliance with legislation and regulations.
2. Obtain regular updates from management about compliance and non-compliance matters of material significance pertaining to ethical, statutory, related party and legal issues.
3. Keep informed of the findings of any examination by regulatory agencies and monitor managements response to such findings.

### ***Fraud prevention and risk management***

1. Monitor the effectiveness of the organisations fraud prevention policies.
2. Identify and refer specific projects or investigations deemed necessary through Council's CEO, the Internal Auditor and Council.
3. Consider any subsequent investigation, including the investigation of any suspected cases of fraud.
4. Review internal controls over revenue, expenditure, assets and liability processes; and over significant areas of risk including non-financial management control systems.

5. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
6. Review Council's Risk Management Policy and Framework and risk profile.
7. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately.
8. Receive status reports on a regular basis of the risk register and actions being taken to manage identified risks.
9. Monitor the effectiveness of Council's business continuity processes and practices.

#### ***Other matters***

1. Consider the findings and recommendations of relevant audits undertaken by the Victorian Auditor General's Office (VAGO), the Victorian Ombudsman, Independent Broad-based Anti-corruption Commission (IBAC) and other agencies and to ensure Council considers the relevant recommendations.
2. Review and consider annual performance reports based on Local Government Victoria's Performance Reporting Framework.
3. Enquire as to the internal control framework and level of assurance received around the accuracy and completeness of the annual performance information reported.
4. Perform other activities related to this Charter as requested by Council.

#### **REPORTING TO COUNCIL**

The Committee shall present an annual written report to Council summarising the activities of the Committee during the previous calendar year.

The annual written report of the Committee will be presented to the December briefing session of Council.

The Committee Charter and details of its members will be published on Council's website.

#### **REVIEW OF THE AUDIT AND RISK COMMITTEE CHARTER**

The Committee will review the Committee Charter at least once every two years and recommend changes to Council for approval.

This Charter is scheduled to be reviewed prior to December 2019.

Previous Amendments:

1. November 2015
2. November 2017

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