



AUDIT AND RISK COMMITTEE CHARTER

1 PURPOSE OF THIS CHARTER

The Colac Otway Shire Council (Council) has established an Audit and Risk Committee (the Committee) pursuant to Section 53 of the Local Government Act 2020 (the Act).

The purpose of this charter is to facilitate the operation of the Committee.

This charter is prepared and approved by Council pursuant to section 54 (1) of the Act.

2 AUTHORITY

The Committee acts in an advisory capacity to the Council only and reports directly to the Council.

The Committee is not a delegated committee of Council.

The Committee does not have any delegated financial responsibility.

Pursuant to section 53(2) of the Act, the Committee does not have and therefore cannot exercise any executive powers, or management functions.

To empower the Committee to discharge its responsibilities as set out in this charter, Council authorises the Committee to:

- Provide advice and make recommendations to Council on matters within the Committee's areas of responsibility as set out in legislation, this Charter or by specific resolution of Council;
- Review 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;
- Review and recommend to Council for its approval the three-year rolling strategic internal audit plan, the annual internal audit plan and any major changes to them, ensuring the proposed strategic internal audit plan appropriately considers Council's strategic risks and allocated budget for the internal audit plan;
- Review and approve proposed scopes for each review in the annual internal audit plan;
- Meet solely with the Internal Auditor at least once per year;
- Meet solely with the External Auditor at least once per year; and
- Request, through the Chief Executive Officer:
 - appropriate management support to enable the Committee to discharge its responsibilities effectively; and
 - the attendance of Council officers at meetings, and request the attendance of internal audit, external audit or other assurance providers, where appropriate.
- Recommend directly to the Council, the appointment of relevant independent experts where the Committee considers that it is necessary in order to execute its responsibilities.



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The scope, functions and responsibilities of the Committee are set out in this Charter. Any request made to Officers by the Committee that falls outside of the express provisions of this Charter will be assessed at the discretion of the Chief Executive Office.

3 MEMBERSHIP AND TENURE

Composition

- 3.1 The Committee will consist of five members appointed by Council, three of whom must be independent members and two members will be Councillors.
- 3.2 In accordance with section 53(3)(c) of the Act, the Committee will not include any person who is a member of Council staff.

Independent Members

- 3.3 Independent members must collectively have expertise in financial management and reporting and risk management and also experience in public sector management;
- 3.4 Independent members will be appointed for an initial period not exceeding three years. Members may be re-appointed for a further period. Members will not be appointed for more than three consecutive terms.
- 3.5 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.
- 3.6 Independent members will have full voting rights.
- 3.7 Independent members will receive an annual allowance as approved by Council, having reviewed the allowance once every four years with like sized rural councils. The Chair will receive an additional allowance to be determined by Council. The approved allowances will be increased annually by the average rate revenue increase determined by Council through its adopted budget.
- 3.8 An independent member that is absent for two consecutive meetings, without submitting an apology or been granted a leave of absence, will create a casual vacancy.

Councillor Members

- 3.9 Councillor members will be appointed to the Committee by Council annually.
- 3.10 Councillors who are not appointed as members of the Committee, may attend any meeting of the Committee as an observer. For clarity, only Councillors appointed by Council to the Committee have voting rights.

Chair

- 3.11 The Chair will be appointed by Council resolution.
- 3.12 In accordance with section 53(4) of the Act, the Chair must be an independent member of the Committee as it must not be a Councillor.
- 3.13 The Committee will make a recommendation to Council about the appointment of the Chair.
- 3.14 The Chair must not exceed any two-year continuous period;



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- 3.15 The Committee is authorised to appoint an Acting Chair, from the independent members, when required.
- 3.16 The role of the Committee Chair includes:
- Assisting in determining the Agenda for Committee meetings.
 - Chairing meetings of the Committee in accordance with the meeting Agenda.
 - Preparation of a biannual audit and risk report that is to be provided to the Chief Executive Officer for tabling at the next practicable Council meeting. The report must describe the activities of the Audit and Risk Committee and includes its findings and recommendations
 - Circulating the annual self-assessment, and collating and sharing the results with Committee members and with the Chief Executive Officer for tabling at the next practicable Council meeting.
- 3.17 The Chair shall have a casting vote on occasions where there is an equal tally of votes on a matter.

Quorum

- 3.18 A quorum of any meeting will comprise at least two independent members and at least one Councillor member.

Induction

- 3.19 All Committee members will receive an induction to the purpose and responsibilities of the Committee and will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Removal of a Member

- 3.20 If Council proposes to remove a member of the Committee prior to the conclusion of their term, it must give written notice of its intention to do so and afford the member an opportunity to respond and be heard at a Council meeting if the affected member so chooses. The Council meeting to hear the response will be open to the public.

Recruitment

- 3.21 At the completion of each term of an independent member the position will be made vacant. An outgoing independent member will be eligible to re-nominate for the position, subject to the maximum allowable term.
- 3.22 If a casual vacancy exists, the vacancy will be filled as if the appointment term of the vacating member had been fulfilled.
- 3.23 All vacancies of independent members will be advertised sufficiently to attract the required skills, but as a minimum within the Colac Otway Shire.
- 3.24 A selection panel, comprising one independent member and one Councillor member of the Committee and the Chief Executive Officer, will conduct a selection process to identify candidates suitable to recommend to Council for appointment.
- 3.25 The criteria for the appointment of independent members will be experience and qualifications to meet the collective skills mix of the Committee.



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- 3.26 The Council will appoint Committee members. In appointing members to the Committee, the Council will consider gender balance.
- 3.27 If there are more applications than positions vacant, the selection panel should consider and give weight to the following points when recommending appointments to Council;
- Individuals who have already served on the Committee and not reached the maximum term, who have demonstrated a valuable and consistent contribution to the Committee;
 - Individuals who demonstrate skills, qualifications and experience in more than two of the identified fields of expertise; and
 - Individuals who live and/or work within the Colac Otway Shire.
- 3.28 The selection panel, when recommending a preferred applicant for appointment to the Committee will also have regard to the skill mix of the currently appointed independent members and when possible, ensure at least one independent member has a sound knowledge and understanding of the local government sector and its roles and responsibilities.

Insurance

- 3.29 Members of the committee are covered by Council's insurance policies.

4 MEETINGS

Frequency and Attendance

- 4.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- 4.2 A schedule of meetings will be developed annually and agreed by members. The schedule will ensure that the annual work program for the forthcoming year enables the Committee to cover all the functions and responsibilities outlined in this charter.
- 4.3 Additional meetings may be called by the Committee Chair, or at the request of the Mayor or Chief Executive Officer.
- 4.4 All Committee members are expected to attend each meeting in person as often as possible, although members can attend through electronic means. The Chair and Chief executive Officer will be provided notice of electronic attendance with sufficient time to ensure technology and support is suitable. Any member attending via electronic means will retain full voting rights.
- 4.5 The Chief Executive Officer will ensure that there is secretariat support for the meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary. The Chief Executive Officer, General Manager Corporate Services, Manager Governance and Communications and the Manager Finance will attend all meetings.
- 4.6 Committee meetings are closed to the public.



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- 4.7 The Committee may ask staff members, other than the Chief Executive Officer to leave the meeting to discuss a confidential item. If the Committee wishes to discuss a confidential item without the Chief Executive Officer, the Committee must resolve to close the meeting to all Council employees.

Agenda and Minutes

- 4.8 Meeting agendas will be prepared and provided to the Chair at least eight working days for their review before distributing the agenda to all members at least five working days in advance of the Committee meeting. Supplementary material may be provided after the issuance of the agenda where this accommodates up to date information from Council management or auditors.
- 4.9 Agendas will be distributed to Councillors for information within 24 hours of the distribution to Committee members.
- 4.10 Minutes will be taken at each meeting.
- 4.11 Draft minutes of Committee meetings will be prepared and circulated to members within ten working days of each meeting.
- 4.12 Draft minutes, without attachments, will be presented as “*Unconfirmed Committee Minutes*” to the next practicable Council meeting to ensure that Council receives the Committee’s advice in a timely manner. A copy of the Committee Agenda, inclusive of attachments to reports, will be presented as a Confidential Attachment to the same Council Meeting.
- 4.13 The Committee will confirm its minutes at the next Committee meeting and will become the Final Minutes.
- 4.14 Final Minutes will only be presented to a Council Meeting if there are changes made from the draft minutes, other than minor administrative changes.

5 ROLE OF THE COMMITTEE

The role of the Committee is 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.

The Committee acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter.

The Committee seeks also to add to the credibility of Council by promoting ethical standards through its work.



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6 RESPONSIBILITIES OF THE COMMITTEE

The Committee's functions and responsibilities, in accordance with section 54(2) of the Act, are to:

- (a) monitor the compliance of Council policies and procedures with—
 - (i) the overarching governance principles; and*
 - (ii) the Act and the regulations, and any Ministerial directions;**
- (b) monitor Council financial and performance reporting;*
- (c) monitor and provide advice on risk management and fraud prevention systems and controls;*
- (d) oversee internal and external audit functions.*

To achieve this, the Committee will review and advise Council on specific internal systems and activities of Council through:

- Assessing Council policies to monitor compliance with the Act, including with the overarching governance principles as set out in section 9 of the Act;
- Ensuring the appropriate application of Council's accounting policies, including ensuring compliance with the financial management principles set out in section 101 of the Act;
- Assessing and ensuring reliable and complete financial and performance reporting;
- Appraising the level and effectiveness of Business Continuity Plans and Enterprise Risk Management practices, including risks and risk controls and mitigations recorded in the risk register;
- Assessing implemented internal fraud and corruption controls and the results of any control testing undertaken;
- Ensuring that internal and external auditors provide independent and objective analysis and reporting on internal corporate governance, risk management, internal control and compliance.

Financial and Performance Reporting

- 6.1 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.
- 6.2 At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators.
- 6.3 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.
- 6.4 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved.
- 6.5 Recommend the adoption of the annual financial report and annual performance statement to Council.



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- 6.6 Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

Internal Control Environment

- 6.7 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 four year period and in accordance with approved review dates.
- 6.8 Determine whether systems and controls are reviewed regularly and updated where required.
- 6.9 Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile.
- 6.10 Ensure that a programme is in place to test compliance with systems and controls.
- 6.11 Assess whether the control environment is consistent with the Governance Principles defined within the Local Government Act 2020.

Risk Management

- 6.12 Review annually the effectiveness of Council's risk management framework.
- 6.13 Review Council's risk appetite statement and the degree of alignment with Council's risk profile.
- 6.14 Review Council's risk profile and the changes occurring in the profile from meeting to meeting.
- 6.15 Review every two years Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans.
- 6.16 Review the insurance programme prior to renewal of insurance policies.
- 6.17 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

- 6.18 Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least every two years
- 6.19 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.
- 6.20 Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

Internal Audit

- 6.21 Review the specifications for the Provision of Internal Audit Services prior to issuance to the market seeking internal audit services to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations.



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- 6.22 Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them.
- 6.23 Review progress on delivery of the annual internal audit plan.
- 6.24 Review and approve proposed scopes for each review in the annual internal audit plan.
- 6.25 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews.
- 6.26 Meet with the leader of the internal audit function at least annually in the absence of management
- 6.27 Monitor action by management on internal audit findings and recommendations.
- 6.28 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.
- 6.29 Recommend to Council the appointment of an internal audit service provider.
- 6.30 Recommend to Council, if necessary, the termination of the internal audit contractor.

External Audit

- 6.31 Annually review and provide feedback on the external audit scope and plan proposed by the external auditor for their consideration.
- 6.32 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.
- 6.33 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.
- 6.34 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 through Council.
- 6.35 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them.
- 6.36 Meet with the external auditor at least annually in the absence of management.

Compliance Management

- 6.37 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.
- 6.38 Obtain briefings on any significant compliance matters.
- 6.39 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.



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7 PERFORMANCE EVALUATION

The Committee must 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.

8 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.

Independent ARC members will be required to sign an Initial Personal Interest Form upon commencement of their term, and a Personal Interests Return biannually.

9 REVIEW OF CHARTER

The Committee will 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.

10 DOCUMENT CONTROL

Policy owner	Manager Governance and Communications	Division	Executive
Adopted by council	28 September 2022		
File Number	D22/212667	Review date	September 2023



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Appendix A

Committee Member Regulatory Obligations

Guidance to Members

LGA Section	LGA Requirement
Misuse of Position	
125	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	
125	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</p> <p>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>	