



Audit and Risk Committee Charter

CONTENTS

| | | |
|----|-------------------------------------|----|
| 1. | INTRODUCTION..... | 3 |
| 2. | CONSTITUTION OF THE COMMITTEE | 3 |
| 3. | MEETING PROCEDURES | 4 |
| 4. | ATTENDANCE | 5 |
| 5. | BUSINESS AT MEETINGS | 6 |
| 6. | FUNCTIONS AND RESPONSIBILITIES..... | 6 |
| 7. | REPORTING..... | 9 |
| 8. | PERFORMANCE EVALUATION | 9 |
| 9. | REVIEW OF COMMITTEE CHARTER..... | 10 |

1. INTRODUCTION

1.1 Statement and Purpose

This policy provides the charter for the Audit and Risk Committee as required by, and in accordance with, section 54 of the *Local Government Act 2020* (The Act). 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 monitoring compliance of Council's policies and procedure with overarching governance principles and legislative responsibilities, risk management and internal control system.

1.2 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 provide guidance and oversight on the following:

- Monitor Council financial performance reporting; and
- Monitor the compliance of Council policies and procedures with the overarching governance principles, and the Act and the regulations and any Ministerial directions; and
- Monitor and provide advice on risk management and fraud prevention systems and controls; and
- Oversee internal and external audit functions.

2. CONSTITUTION OF THE COMMITTEE

2.1 Membership Composition

The Committee will consist of five (5) members, including;

- One (1) independent Chair;
- Two (2) independent members; and
- Two (2) Councillors (one of whom is the Mayor).

All members will have full and equal voting rights unless a member is unable to vote due to a conflict of interest. Audit and Risk Committee Members will receive formal orientation training on the purpose and mandate of the Audit and Risk Committee and on the organisation's objectives. A process of continuing education will be established.

2.2 Independent Members

Independent members are defined as external members who are neither Councillors or a member of Council staff, as outlined in section 53 of the Act. The appointment of external independent members shall be made by Council resolution following public advertisement in the local newspaper and Council website. The Mayor will take part in the recruitment processes for Independent members.

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:

- level and breadth of senior business management, finance, project management, risk and compliance, information technology and accounting and/ or audit experience and qualifications; and
- level of familiarity in relation to local government operations, financial reporting and internal and external auditing requirements, risk management, corporate governance; and
- level of familiarity with internal control environments as well as compliance with relevant laws and regulations; and
- ability to monitor and provide advice on risk management and fraud prevention systems and controls; and
- previous Audit and Risk Committee experience.

In the event of a resignation of an external independent member or statutory change, the Committee has the option to review unsuccessful applicants from the previous recruitment process and recommend to Council to appoint an applicant, if this occurs within the previous 12-month period.

2.3 **Committee Chairperson**

The Chair of the Audit and Risk Committee must not be a Councillor of the Council. Unless directly appointed by Council, the Audit & Risk Committee will appoint a Chair.

The election of the Chair shall take place in accordance with the process for the election of the Mayor under the Golden Plains Shire Council Governance Rules. The Chair is re-affirmed on an annual basis and the appointed Chair is capped to a three-year term.

The Chair will preside over meetings of the Audit & Risk Committee.

2.4 **Council Members**

The Council members of the Committee shall be appointed by Council at a Scheduled Meeting, unless otherwise determined by the Chairperson of the Committee.

2.5 **Remuneration**

Remuneration will be paid to each independent member of the Committee as determined by Council. The Council to set the remuneration by resolution at a formal Council Meeting on an annual basis. Travel costs will also be reimbursed. Councillors who are committee members are not remunerated for their role on the Audit and Risk Committee.

3. **MEETING PROCEDURES**

3.1 **Date, time, and place of meetings**

The Committee shall meet as required, but at least quarterly, each year.

The determination of the dates of meetings must consider the functions and responsibilities of the committee, the business to be transacted and the timing of related Council meetings or audit activities.

Special meetings may be convened as required. The Director Corporate Services will convene a meeting at the request of the Chairperson, a Committee Member, or the external and internal auditors.

Where a matter is required to be dealt with by the Audit and Risk Committee between meetings, it will be undertaken by circulating resolution. The report outlining the matter and a request to vote on the item will be sent via email.

4. ATTENDANCE

4.1 Participation

Members may participate in meetings by attending in person, or by teleconference, or by video conference.

4.2 Apologies and absences

Where a member does not attend 2 meetings within a 12-month period without sufficient reason or without an approved leave of absence, the member may be removed from the committee by Council resolution subject to the Council:

- being requested to do so by the committee;
- providing the member with adequate notice of the request to remove the member;
- giving the member the opportunity to explain the reasons for the absences; and
- considering any reasons provided prior to making a decision.

4.3 Conflict of Interest

Audit and Risk Committee Members must disclose any conflicts of interest to the Chair of the Audit and Risk Committee. Where the conflict is related to the Chair of the Audit and Risk Committee it must be disclosed to the Mayor.

4.4 Misuse of Position

Audit and Risk Committee Members 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, determinant to council or another person.

4.5 Confidential Information

Audit and Risk Committee Members must not intentionally or recklessly disclose information that they know, or should reasonably know, is confidential information. Independent Committee Members of the Audit and Risk Committee will be required to sign a Confidentiality Agreement upon commencement of their term.

4.6 Quorum

A quorum of any meeting will be at least two independent members (which may include the Chair) and at least one Councillor member.

4.7 Non-members may attend meetings

The Chief Executive Officer or nominee should attend all meetings except when the committee chooses to meet without management in attendance.

Members of Council staff who have authored a report on an agenda must attend the meeting that the agenda relates to in person or through a nominee. Other members of Council staff may attend to support the committee and provide advice and information.

The Committee, without management present, will meet separately with the Internal

Auditor and the External Auditor as available, for every meeting, but not less than annually, to discuss any issues of relevant interest. Representatives of the External Auditor will attend a meeting to consider the draft annual financial statements and results of the external audit and may be invited to attend other meetings at the discretion of the Committee.

5. BUSINESS AT MEETINGS

5.1 Order of business

Unless otherwise agreed with the chairperson the order of business for meetings should follow the example set out below:

- Apologies and Leave of Absence
- Confirmation of Minutes
- Declaration of Conflict of Interest
- Committee Reports
- Closure of meeting

5.2 Annual Work Program

An annual work program must be adopted at or before the last meeting each calendar year for the following calendar year.

The annual work program should set out a program of meetings, reports, internal audits, and committee activities including the timing of the committee annual committee performance assessment and biannual audit and risk reports to the Council.

5.3 Agenda and Minutes

The keeping of minutes to be in accordance with the Golden Plains Shire Council Governance Rules.

Minutes of the meeting will be prepared and provided in draft form within two weeks after the meeting. The minutes will be provided in a report summarising the meeting content to Council after each Committee Meeting.

5.4 Secretariat Services

Secretarial and administrative support will be provided to the Committee by a member of the Governance Team.

6. FUNCTIONS AND RESPONSIBILITIES

It is the responsibility of the Audit and Risk Committee to provide Council with independent, objective oversight and advice on the adequacy of management's arrangements with respect to, but not limited to, the following aspects of the management of the organisation:

6.1 Monitor Council financial and performance reporting

- The reporting requirements of accounting policies and Approved Accounting Standards;
- Changes in accounting policies and Approved Accounting Standards (the Standards');

- The assumptions used and processes applied in making significant accounting estimates;
- Significant adjustments to the financial report (if any) arising from the audit process;
- Compliance with Standards and other reporting requirements of financial and non-financial information;
- Significant changes to the content of reports, the operating results, financial position and performance indicators in comparison to the previous year;
- Review and recommend adoption of the Annual Financial and Performance Statements to Council and review any significant changes and the reasons for the changes that may arise subsequent to any such recommendation but before the financial report is signed; and
- Review the completeness of corporate governance processes as prescribed in the Governance and Management Checklist of the Local Government (Planning and Reporting) Regulations 2014.

6.2 **Oversee internal and external audit functions**

6.2.1 **External Audit**

The Committee will:

- Be briefed at least annually by the External Auditor on the audit strategy prior to the commencement of each year's audit process.
- Discuss and review with the External Auditor the scope and the planning of the audit.
- Discuss and review with the External Auditor issues arising from the external audit, including all significant Management Letter items and the potential impact of those items on Council's system of internal control.
- Ensure significant findings and recommendations made by the external auditor and management's responses are received, discussed and appropriately actioned by management.
- Review on an annual basis the performance of the External Auditor.

6.2.2 **Internal Audit**

The Committee will:

- Be kept informed by Council Officers of any process to appoint or terminate the Council's internal audit service provider.
- Recommend to Council the approval of the Internal Audit Plan for the coming year.
- Review the level of resources allocated to internal audit and the scope of its authority.
- Review the scope of the Internal Audit Plan and the effectiveness of the function. This review should consider whether, over a period of three (3) years the Internal Audit Plan systemically addresses:
 - Internal controls over significant areas of risk, including non-financial management control systems;
 - Internal controls over revenue, expenditure assets and liability processes;
 - The efficiency, effectiveness and economy of significant Council programs; and

- Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the Chief Executive Officer.
- Review internal audit reports and monitor the implementation of recommendations by management.
- Facilitate liaison between the Internal and External Auditors to promote compatibility, to the extent appropriate, between their audit programs.
- Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's Charter. Review management's response to, and actions taken as a result of, the issues raised.
- Review on an annual basis the performance of the Internal Auditor, including adherence to appropriate, professional and quality standards, and where performance is not considered satisfactory, report to Council and make recommendations, which may, in extreme cases, include a recommendation that Council terminate the Internal Audit contract and undertake a tender process for the appointment of a new internal auditor.
- Ensure that a representative(s) of the Committee and a member of Council's Senior Management Team (SMT) not directly involved in the management of the internal audit contract are included on the tender evaluation panel tasked with making recommendations to Council for the appointment of a new Internal Auditor.

6.3 **Monitor and provide advice on Internal Controls**

The Committee will:

- Maintain an awareness of local government performance audits undertaken by VAGO and any other relevant reviews undertaken by Australian and Victorian public sector integrity bodies, including the Independent Broad-Based Anti-Corruption Commission (IBAC), the Local Government Inspectorate and the Victorian Ombudsman and consider relevant recommendations for action or implementation where appropriate.
- Confirm that management are aware of these external reviews and have considered the relevant recommendations for action or implementation.
- Review the adequacy and effectiveness of key systems and controls as a basis for providing a sound internal control framework.
- Ensuring that key policies, procedures, systems and controls are reviewed regularly and updated where required.

6.4 **Monitor and provide advice on risk management and fraud prevention systems and controls**

The Committee will:

- Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems in place to report to Councils risk profile and changes to it.
- Monitor reported related party transactions, monitor the implementation of recommendations arising from reports presented and review the effectiveness of Council's internal control systems.
- Provide oversight of Council's Risk Management Framework and activities conducted

by the Internal and External Auditors and any other assurance providers to give assurance over that framework.

- Escalate to Council when the Committee feels that management is not responding as it should on concerns about the Risk Management Framework.
- Receive updates from management of any suspected cases of fraud, corruption or serious misconduct impacting Council without jeopardising the privacy of any parties (where appropriate).
- Recommend any specific measures or investigations identified as necessary or desirable by the Committee to the Council and / or management.
- Monitor any breaches of ethical standards and monitor the implementation of recommendations arising from reports presented to the Committee. Report any suspected fraud or corrupt behaviour to the Inspectorate or IBAC as appropriate.
- Monitor and provide advice on fraud prevention systems and controls.
- Receive reports on any subsequent investigation, including the investigation of any suspected cases of fraud, corruption, serious misconduct or breaches of conflict of interest.
- Review the findings of any examinations by regulatory or other independent agencies, and any auditor (internal or external) observations and confirm that management have taken appropriate action as a result of the findings.

7. REPORTING

7.1 The Committee may report to Council on any matters of significance as determined by the Committee.

7.2 The Committee will undertake an annual assessment of its performance against the Audit and Risk Committee Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

The report should include:

- A summary of the work the Audit and Risk Committee performed to fully discharge its responsibilities.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risks, controls, and compliance processes, including details of any significant emerging risks or legislative changes impacting the organisation.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.

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

7.4 Council's Annual Report will contain information on the composition of the Committee.

8. PERFORMANCE EVALUATION

The Committee will evaluate its own performance on an annual basis using a self-assessment tool which will be reviewed, adopted and completed by the Committee.

9. REVIEW OF COMMITTEE CHARTER

The Committee will review the Charter on an annual basis, or as required following relevant changes to the Act or other related Acts & Regulations and recommend any changes to Council for approval.

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