

OFFICIAL



**Murrindindi**  
Shire Council

# **AUDIT AND RISK COMMITTEE CHARTER**

**May 2023**



## **ACKNOWLEDGEMENT OF COUNTRY AND FIRST NATIONS PEOPLES**

*Murrindindi Shire Council is proud to acknowledge the Taungurung and Wurundjeri people as the traditional custodians of the land we now call Murrindindi Shire.*

*We pay our respects to First Nations leaders and elders, past, present and emerging, who are the keepers of history, traditions, knowledge and culture of this land.*

*We commit to working in collaboration with traditional owners of this land in a spirit of reconciliation and partnership.*

## **INDEX**

<b>1. PURPOSE .....</b>	<b>2</b>
<b>2. AUTHORITY .....</b>	<b>2</b>
<b>3. MEMBERSHIP .....</b>	<b>3</b>
3.1 Independent Committee Members .....	3
3.2 Councillor Members .....	4
3.3 Committee Chairperson .....	4
<b>4. MEETING OF THE COMMITTEE.....</b>	<b>4</b>
4.1 Meetings.....	4
4.2 Meeting Attendance .....	5
4.3 Quorum .....	6
4.4 Meeting Conduct .....	6
4.5 Meeting Facilitation .....	6
<b>5. RESPONSIBILITIES AND DUTIES .....</b>	<b>6</b>
5.1 Committee Governance .....	7
5.2 Finance and Performance .....	7
5.3 Audit and Assurance .....	7
5.4 Risk and Compliance .....	8
<b>6. REPORTING .....</b>	<b>8</b>
<b>7. TRANSPARENCY MEASURES ADOPTED .....</b>	<b>9</b>
<b>8. CONDUCT AND INTEGRITY .....</b>	<b>9</b>
8.1 Misuse of Position .....	9
8.2 Conflict of Interest .....	10
8.3 Confidential Information .....	10
<b>9. REVIEW OF CHARTER .....</b>	<b>10</b>
<b>APPENDIX 1. OVERARCHING GOVERNANCE PRINCIPLES.....</b>	<b>11</b>

## **1. PURPOSE**

The Murrindindi Shire Council is committed to providing good governance, public transparency and accountability to the communities of the Murrindindi Shire. The Audit and Risk Committee (the Committee) is an independent advisory committee to Council, established under section 53 of the *Local Government Act 2020* (the Act) to provide oversight, guidance and assurance to assist Council and Council's Executive meet this commitment.

Section 54 of the Act requires Council to prepare and adopt a Committee Charter (the Charter) governing the functions and responsibilities of the Committee, which are to:

- monitor the compliance of Council policies and procedures with the overarching governance principles in the Act (refer appendix 1), the Act itself and any regulations and ministerial directions,
- monitor 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.

This Charter has been developed with regard to these provisions and the Victorian Auditor-General's report on *Audit Committee Governance* issued in August 2016.

The Charter sets out the Committee's purpose, authority, composition and tenure, responsibilities, reporting, administrative and governance arrangements.

## **2. AUTHORITY**

The Committee is formally appointed by Council and is responsible to Council. The Committee is an independent advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility.

Its role is to provide independent oversight, advice and guidance regarding the adequacy and effectiveness of management's internal control, governance, ethical, risk management and financial practices and potential improvements to these practices, and to provide assurance to Council.

In order to carry out its responsibilities under this Charter, the Committee is empowered to:

- Review the internal and external auditor's annual audit plans and reports of all audits undertaken.
- Seek any information or advice it requires from Councillors, management or external agencies via the Chief Executive Officer
- Convene Committee meetings in addition to the scheduled meetings as considered necessary to meet its responsibilities.
- Formally meet with Councillors, management, internal and external auditors as necessary to fulfil its responsibilities.
- Seek resolution on any disagreements between management and the external auditors on financial reporting.
- Request external legal or other professional advice via the Chief Executive Officer, as considered reasonably

necessary to meet its responsibilities, and provided at Council's expense.

- Participate in the establishment of evaluation criteria for the appointment and review of internal audit services.

It is noted that the appointment of Council's internal auditor is made by Council upon recommendation of a tender evaluation panel comprising Council's senior executives and the Chairperson of the Audit and Risk Committee, or an independent member nominated by the Committee, as the Committee's representative.

### **3.** **MEMBERSHIP**

The Committee will comprise five members: three external independent persons and two Councillors of the Murrindindi Shire Council.

Council employees and those with a conflict of interest, including a beneficiary of Council business are ineligible for membership.

#### **3.1 INDEPENDENT COMMITTEE MEMBERS**

Appointments of external independent members shall be made by Council by way of public advertisement and be for a term of three years expiring on 30 June of the third year. Independent members of the Committee will be eligible to apply for a maximum of two consecutive three-year terms. Council may use its discretion to directly appoint an independent member for a second three-year term without going through a public recruitment process. Council, at its discretion, may also extend the maximum allowable term of an independent member.

The terms of the appointment shall be arranged to ensure a staggered rotation and continuity of membership despite changes to Council's elected representatives. To enable orderly rotation of membership, a shorter-term reappointment may be considered, to remain within the six-year maximum term. In the event of a vacancy occurring on the Committee prior to the expiration of the term for that position, Council will advertise for the position to be filled for the remainder of that current term only, unless there is only 6 or fewer months before the term ends in which case the appointment would be for the remaining and new term and treated as the first term.

The independent members must collectively have expertise in financial management, risk management and experience in public sector management.

Independent members should also have the ability to provide Councillors, the Chief Executive Officer and Council's administration with well-rounded and professional advice concerning the adequacy of Council's administrative, operational, financial and accounting systems and controls, performance reporting regimes, and risk management processes.

The Audit and Risk Committee places a priority on having a gender balanced representation in its membership, Council will take this into account when appointing new members.

The evaluation of potential independent members will be undertaken by a selection panel of the Mayor, member Councillor and Chief Executive Officer, in accordance with Council's Recruitment Policy. The panel will take account of the experience of candidates and their likely



ability to apply appropriate analytical and strategic management skills. Appointment will be subject to, and conditional upon, a satisfactory police check clearance and Council's formal endorsement of the panel's recommendation for appointment.

New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities. The induction of new independent members is to include an opportunity for all independent members to meet informally by way of introduction prior to the first Committee meeting attended by the new member.

Former Murrindindi Shire Councillors are ineligible from taking an independent position on the Committee for two years after the expiry of their term as a Councillor.

The independent members of the Committee will receive an honorarium for their attendance at meetings and the work undertaken between meetings. The level of the honorarium will be set by Council and reviewed no less than once every Council term, following benchmarking against no less than five other peer Councils. Honorariums will be paid quarterly following receipt of a Tax Invoice after each meeting.

If the Council proposes to remove a member of the Committee, it must give written notice to the member of its intention to do so and provide that member with an opportunity to be heard at a Council briefing session, if the member so requests.

### **3.2 COUNCILLOR MEMBERS**

The two Murrindindi Shire Councillors will be appointed to the Committee by the Council annually. Their eligibility for continuous re-appointment is at the discretion of the Council.

Councillors appointed to the Committee will preferably have a background in finance, risk management or public sector management or be open to participate in professional development to better equip them for the role.

Council may appoint a third Councillor as a substitute should a Councillor member be unavailable to attend one or more Committee meetings.

### **3.3 COMMITTEE CHAIRPERSON**

The Chairperson of the Committee must be an independent member in accordance with s.54(4) of the *Local Government Act 2020*.

Council will by resolution appoint the Chairperson of the Committee, upon recommendation of a nominee from the Committee.

The term of the Chairperson is 12 months, with a maximum of three consecutive years with a break of at least one year if three consecutive terms have been served. The term of the Chairperson is to commence in the first quarter of each financial year.

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



## **4. MEETING OF THE COMMITTEE**

### **4.1 MEETINGS**

The Committee will meet at least on four scheduled occasions a year, with authority to convene further meetings as circumstances require.

Additional meetings may be called by the Chair of the Committee or at the request of the Chief Executive Officer or Mayor.

All Committee meetings will be closed to the public.

### **4.2 MEETING ATTENDANCE**

Councillors and Independent members of the Committee may attend meetings virtually at the approval of the Chair.

If a member wishes to attend virtually the following will apply:

1. The member must notify the Chair (or delegate) in writing of an intention to attend the meeting virtually at least 24 hours prior to commencement of the meeting (unless special circumstances apply).
2. The Chair must notify the Manager Governance and Risk and confirm the meeting technology enables the member to attend virtually.
3. The Chair may then approve the virtual attendance.

Representatives of the Internal and external auditors, or any guest speakers, will have the option of attending Committee meetings virtually.

Where attendance in person is required for all members, this will be communicated to the Committee with at least 7 days notice.

It is expected that all members will attend 100 percent of the Committee meetings per financial year (as per the Victorian Government's Appointment and Remuneration guidelines). Should independent members not be able to attend at least 75 percent of meetings per annum, they will be required to resign their position unless exempted by Council on recommendation of the Committee, based on reasonable grounds.

In addition to Committee Members, the following persons have a standing invitation to attend Committee Meetings in an advisory capacity or as observers:

- The Mayor,
- Chief Executive Officer and/or Director Corporate and Shared Services will attend all meetings wherever possible,
- Council's Executive and Management, as determined by the Chief Executive Officer
- Murrindindi Shire Council's Internal auditors, and
- Administrative support provided by the Manager Governance and Risk or delegate.

Representatives of the external auditor will attend meetings relevant to the preparation and presentation of the annual financial report and results of the external audit. The external auditor may be invited to attend other meetings as required.

Other Council staff may be invited at the discretion of the Chairperson or as directed by the Chief Executive Officer when an agenda item related to their area of expertise and responsibility is presented.

#### **4.3 THIRD PARTY OBSERVERS**

Council can make annual appointments of third-party observers to the Committee for a period of 12 months to enable exchange of relevant experience and knowledge for the mutual benefit of the Committee and the observer. Any appointed observers will be expected to attend all meetings and will be under the mentorship of either one of the independent members or a senior executive as determined by the Chief Executive Officer in consultation with the Chairperson. The observer will be subject to the same Conflicts of Interests and Register of Interests compliance requirements as outlined in this Charter for members as well as Confidentiality requirements as outlined in the letter of appointment. Council may extend the term of an appointed observer at its discretion. An appointed third-party observer will not be entitled to an honorarium.

#### **4.4 QUORUM**

A quorum will be an absolute majority of the voting members of the Committee, including at least two independent members.

#### **4.4 MEETING CONDUCT**

The Committee may, if required, agree to conduct business by circular resolution outside of scheduled meetings with the approval of the Chairperson. Such resolutions will be recorded in the minutes of the next scheduled Committee meeting.

Committee members are to abide by Part 9 of the Council's Governance Rules in relation to their conduct in the meeting and Part 12 of the Council's Governance Rules when voting. Members are to be considered Councillors for the purposes of interpreting the Governance Rules. The Murrindindi Shire Council Governance Rules are published on Council's website.

Committee members must declare any general or material conflicts of interest at the commencement of each meeting, or before discussion of the relevant agenda item or topic, in accordance with Part 6 of the Governance Rules. The member declaring the conflict of interest must leave the meeting whilst the agenda item or topic is considered by the Committee. Details of any conflicts of interest will be appropriately minuted. (Refer Section 7 Conduct and Integrity).

The Committee, without management present, will meet separately with the internal auditor at each scheduled Committee meeting and the external auditor, at least annually, to discuss issues of relevant interest.

Meetings are closed to the public due to the sensitive nature of items and subsequent discussion considered by the Committee.



#### **4.5 MEETING FACILITATION**

The Chief Executive Officer or delegate must facilitate the meetings of the Committee, ensure appropriate records are maintained and provide adequate secretariat support to the Committee, such that:

- Meeting agendas together with appropriate briefing material are prepared and provided in advance of the meeting date to members, generally seven calendar days.
- Internal audit scopes are issued for quorum approval via circular resolution.
- Minutes are taken at each meeting and presented to the subsequent Committee meeting for confirmation.
- The unconfirmed minutes of each meeting are included in the next Scheduled Meeting of Council Agenda for noting.

### **5. RESPONSIBILITIES AND DUTIES**

Minimum requirements for the responsibilities and duties of the Committee are set out under s. 53 of the *Act*, and are listed under Section 1 of this Charter. Those requirements are further expanded under the following areas of responsibility.

#### **5.1 COMMITTEE GOVERNANCE**

- Receive regular updates from the CEO on significant achievements and strategic matters which increase Committee understanding of the organisational context and enable the effective performance of its role.
- Adopt an annual work plan and forward meeting schedule including a proposed plan for each meeting for the forthcoming year that covers the responsibilities of this charter
- Report to Council biannually on the Committee's activities and recommendations and annually on the Committee's performance against this Charter (refer section 6 Review and Reporting).

#### **5.2 FINANCE AND PERFORMANCE**

- Monitor the quarterly and annual financial and performance reporting of Murrindindi Shire Council, and consider whether it is complete, consistent with information known to the Committee, and reflects appropriate accounting principles and policy
- Review any significant accounting and reporting issues, including complex or unusual transactions, or significant adjustments to the financial report arising from the audit process and consider their effect on financial management, policy and reporting
- Monitor compliance with accounting standards, applicable regulatory and legislative changes and other reporting requirements of financial and non-financial information
- Review any significant changes to the content of reports, the operating results, financial position and performance indicators in comparison to the previous year
- Recommend the adoption of the Annual Financial and Performance Statements to Council
- Monitor Councillor expenses and approval processes and the Chief Executive Officer purchasing card expense approval



process to ensure they are in line with Council policy for the appropriate use of public funds.

### 5.3 AUDIT AND ASSURANCE

- Monitor the performance audits undertaken by the Victorian Auditor-General's Office, and other relevant reports conducted by external integrity agencies, considering the implications for Murrindindi Shire Council.
- Meet with the auditors to discuss any matters that the Committee, internal auditor or external auditor believes should be discussed in camera, without Council officers present.
- Facilitate liaison between the Internal and External Auditors to promote compatibility, to the extent appropriate, between their audit programmes.

#### Internal Audit

- Review with management and the internal auditor the performance of the internal audit function, ensuring the audit activities, resourcing, and access are appropriate to enable the auditor's independent review.
- Review and approve the annual audit plan and all major changes to the plan, ensuring over a 3 year period the plan addresses:
  - internal controls over significant areas of business risk, including non-financial management control systems
  - internal controls over revenue, expenditure, assets and liability processes;
  - the efficiency, effectiveness and economy of significant Council programmes; and
  - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- Monitor the execution of the internal audit plan, by approving internal audit scopes, receiving internal audit reports, noting management's comments to recommendations and reviewing management's completion of agreed actions.

#### External audit

- Discuss with the external auditor the proposed audit scope and approach
- Review with the External Auditor and management issues arising from the audit, including all significant Management Letter items and the potential impact of those items on Council's system of internal control
- Review management's completion of agreed actions from the external audit
- Review on an annual basis the performance of the External Auditor.

### 5.4 RISK AND COMPLIANCE

#### Risk Management

- Monitor and advise on the implementation of the Council's Enterprise Risk Management Framework and management of strategic risks and key operational risks, including consideration of the effectiveness of the key internal control environment and reliability of assurance activities



- Review insurance coverage and claims management annually to be assured of the adequacy of the insurance program as a key mitigation for financial risk exposure
- Monitor and advise on the implementation of business continuity management and disaster recovery systems, obtaining sufficient assurance that management have an appropriate and effective system in place.

### Compliance Management

- Monitor Council's systems and processes regarding compliance with legislation and regulations
- Monitor the compliance of Council policies with the overarching governance principles in the Local Government Act 2020, the Act itself and associated regulations and any Ministerial directions.
- Monitor and advise on the implementation of the enterprise compliance management system, and management of compliance obligations, including consideration of the effectiveness of the key control environment and reliability of assurance activities
- Monitor and advise on the implementation of the fraud and corruption prevention and control management system, obtaining sufficient assurance that management have an appropriate and effective system in place
- Monitor application of integrity policies and procedures, including codes of conduct, public interest disclosures, handling of serious complaints, public transparency, gifts, benefits & hospitality and the reporting of associated registers: Gifts and Conflict of Interest
- Monitor compliance with the Council's procurement framework with a focus on the probity and transparency of policies and procedures/processes.

## 6. REPORTING

The Committee will prepare a **Biannual Audit and Risk Report** that describes the activities of the Audit and Risk Committee and includes the Committee findings and recommendations in accordance with section 54(5a) of the *Act*. This report will be provided to the Chief Executive Officer for tabling at the next Council Meeting.

As a minimum the report should include:

- A summary of the work the Audit Committee performed to fully discharge its responsibilities
- A summary of management's progress in addressing the results of internal and external audit reports
- For the topics covered in the period under review, an overall assessment of management's risks, controls, and compliance processes, including details of any significant emerging risks or legislative changes impacting the organisation.

The Committee will also prepare an **Annual Committee Performance Report** that includes an annual self-assessment of Committee performance against the requirements of the Audit and Risk Committee Charter in accordance with Section 54(4a) of the *Act*. The assessment will be facilitated by Council's executive and completed with input sought from Committee members, Council's executive, and the Council's internal auditor.



This report shall include details of attendance of Committee members throughout the preceding 12 months. The Chairperson of the Committee shall be invited to present the report in person at a scheduled briefing session of the Council. The report will also be provided to the Chief Executive Officer for tabling at a Council Meeting.

## **7. TRANSPARENCY MEASURES ADOPTED**

In addition to the minutes being presented to Council, the Chair of the Committee will present a summary of the Committees activities and findings to a Councillor Briefing annually.

The Committee's Charter and Annual Performance Report will be published on the Council's website for public viewing.

Internal audit reports shall not be made public.

## **8. CONDUCT AND INTEGRITY**

In accordance with Section 53(5) of the *Act* Committee Members are subject to many of the same conduct principles as apply to Councillors and are outlined below.

### **8.1 MISUSE OF POSITION**

In accordance with section 123 of the *Act* Committee members must not misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or to cause, or attempt to cause, detriment to the Council or another person.

Circumstances include:

- a) making improper use of information acquired as member of the Audit and Risk Committee
- b) disclosing information which is confidential information
- c) directing or improperly influencing or seeking to improperly influence a member of Council staff
- d) exercising or performing, or purporting to exercise or perform, a power, duty or function that is not authorised to exercise or perform
- e) using public funds or resources in a manner which is improper or unauthorised
- f) participating in a decision on a matter in which the person has a conflict of interest.

### **8.2 CONFLICT OF INTEREST**

In accordance with Division 2 of the *Act*, members are required to disclose all conflicts of interest (general or material) and must exclude themselves from the decision making process including any discussion or vote on a matter which is the subject of the conflict. Members are expected to be aware of the provisions of the *Act* with regard to conflicts of interest and make disclosures. Failure to comply with the provisions of the *Act* with regard to conflicts of interest may result in the member's appointment being terminated.



### **8.3 CONFIDENTIAL INFORMATION**

All members are expected to be aware of the definition of confidential information as per section 3(1) of the Act and their responsibilities with regard to disclosure of confidential information pursuant to section 125 of the Act.

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

### **9. REVIEW OF 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.

The outcomes of the review will be reported to Council as part of the Annual Committee Performance Report.

The Charter was endorsed by the Murrindindi Shire Council on **TBC**.

**Signed by the Chief Executive Officer**

**APPENDIX 1.                  OVERARCHING GOVERNANCE PRINCIPLES****LOCAL GOVERNMENT ACT 2020 - SECT 9****Overarching governance principles and supporting principles**

- (1) A [Council](#) must in the performance of its role give effect to the [overarching governance principles](#).
- (2) The following are the [overarching governance principles](#)—
  - (a) [Council](#) decisions are to be made and actions taken in accordance with the relevant law;
  - (b) priority is to be given to achieving the best outcomes for the [municipal community](#), including future generations;
  - (c) the economic, social and environmental sustainability of the [municipal district](#), including mitigation and planning for climate change risks, is to be promoted;
  - (d) the [municipal community](#) is to be engaged in strategic planning and strategic decision making;
  - (e) innovation and continuous improvement is to be pursued;
  - (f) collaboration with other [Councils](#) and Governments and statutory bodies is to be sought;
  - (g) the ongoing financial viability of the [Council](#) is to be ensured;
  - (h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making;
  - (i) the transparency of Council decisions, actions and information is to be ensured.

