

OFFICIAL



AUDIT AND RISK COMMITTEE CHARTER

June 2024



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.

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1. PURPOSE

Murrindindi Shire Council is committed to providing good governance, public transparency and accountability to the communities of 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 to provide good governance, public transparency and accountability.

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
- 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 (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 practices, 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
- Formally meet with Councillors, management, internal and external auditors as necessary
- 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 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 Chair 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.

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

3.1. INDEPENDENT COMMITTEE MEMBERS

Council will appoint external independent members following a public advertisement process 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 advertisement process. Council, at its discretion, may also extend the maximum 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. If a vacancy occurs prior to the expiration of the term for that position, Council will advertise the position to be filled for the remainder of that current term only, unless the term is due to expire in 6 or fewer months in which case the appointment will be for the remaining current term and the next three-year term.

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

Independent members should also be able to provide 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 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 into account 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 appointment recommendation.

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

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 Murrumbidgee Shire Councillor members will be appointed 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 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 CHAIR

The Chair of the Committee must be an independent member in accordance with section 54(4) of the *Act*.

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

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

In the absence of the appointed Chair for a meeting, the Committee will appoint an acting Chair 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 required.

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 due to the sensitive nature of items and subsequent discussion considered by the Committee.

4.2. MEETING ATTENDANCE

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

If a member wishes to attend virtually the following procedure 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.

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

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

It is expected that all members will attend 100 per cent of the Committee's 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 per cent 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 People & Corporate Performance 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 Chair 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 observer will be expected to attend all meetings and will be under the mentorship of either an independent member or a senior executive as determined by the Chief Executive Officer in consultation with the Chair.

The observer will be subject to the same Conflicts of Interests and Register of Interests compliance requirements outlined in this Charter for members as well as Confidentiality requirements 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 voting members of the Committee, including at least two independent members.

4.5. MEETING CONDUCT

The Committee may, if required, agree to conduct business by circular resolution outside of scheduled meetings with the approval of the Chair. 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. Council's 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 will meet , without management present, to discuss issues of relevance and interest with the:

- internal auditor during each scheduled Committee meeting; and
- external auditor, at least annually.

4.6. 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, generally seven days in advance of the meeting date, to members.
- 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 section 54 of the *Act* and are listed under Section 1 of this Charter. Those requirements are further expanded under the following areas of responsibility.

6. 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).

7. FINANCE AND PERFORMANCE

- Monitor Council's quarterly and annual financial and performance reports, and consider whether reports are complete, consistent with information known to the Committee, and consistent with 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 compliance with Council policy.

8. 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 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 programs.

Internal Audit

- Review with management and the internal auditor the performance of the internal audit function, ensuring that 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 programs
 - 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.

9. RISK AND COMPLIANCE

Risk Management

- Monitor and advise on the implementation of 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 *Act*, 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 including the Gifts and Conflict of Interest Registers.
- Monitor compliance with the Council's procurement framework with a focus on the probity and transparency of policies, procedures and processes.

10. 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's 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 scheduled Council Meeting.

As a minimum 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 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 from Committee members, Council's executive, and the Council's internal auditor.

This report shall include details of the attendance of Committee members throughout the preceding 12 months. The Chairperson 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 scheduled Council Meeting.

11. TRANSPARENCY MEASURES ADOPTED

In addition to the minutes being presented to Council, the Chair 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.

12. CONDUCT AND INTEGRITY

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

12.1. 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 Council or another person.

Circumstances include:

- Making improper use of information acquired as member of the Committee.
- Disclosing information which is confidential.
- Directing or improperly influencing or seeking to improperly influence a member of Council staff.
- Exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform.
- Using public funds or resources in a manner which is improper or unauthorised.
- Participating in a decision on a matter in which the person has a conflict of interest.

12.2. 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.

12.3. 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 the 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.

13. 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 and 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 26 June 2023.



Livia Bonazzi
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.