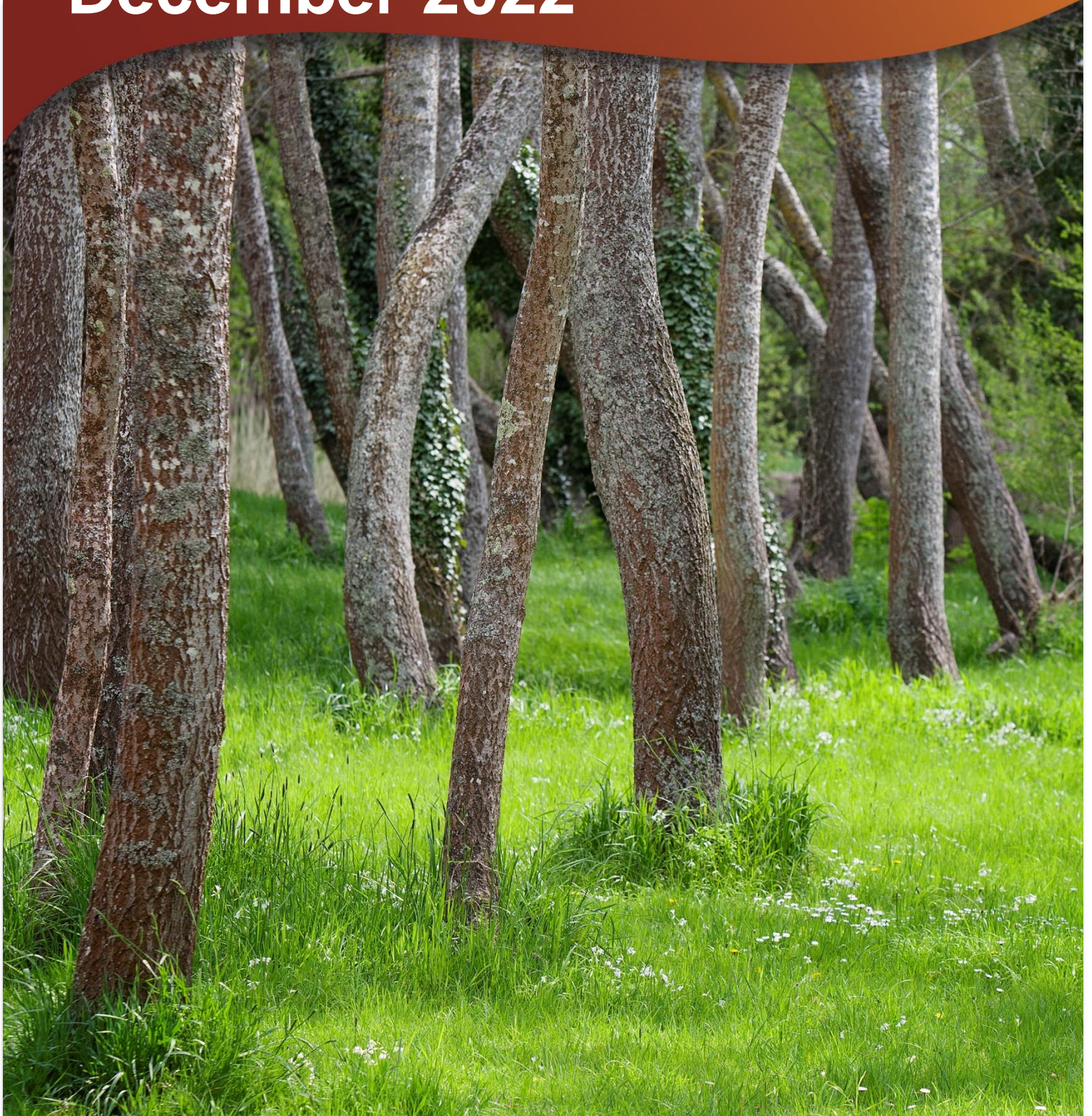




**Macedon  
Ranges**  
Shire Council

# **Audit and Risk Committee Charter December 2022**






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## Approval

Charter approved by Council	14 December 2022
Signed by the Chief Executive Officer, Bernie O'Sullivan 	15 December 2022

## 1. Purpose

The purpose of this charter is to facilitate the operation of the Council's Audit and Risk Committee (the Committee). This charter is prepared and approved by the Macedon Ranges Shire Council (Council) pursuant to section 54 (1) of the *Local Government Act 2020* (the Act).

## 2. Authority

The Committee is established by the Council in accordance with section 53 (1) of the Act. The Committee is not a delegated committee of Council and does not have executive powers nor authority to implement actions in areas over which Council management (management) has responsibility, nor any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The Committee has authority to:

- a) Advise Council on the appropriate resolution on any disagreement between management and the Auditor General's Agent (that is, the External Auditor) on financial reporting.
- b) Review all auditing – both planning and outcomes.
- c) Provide input into the scope of internal services that will be sought via tender
- d) Seek any information it requires from Councillors and Council Staff, via the Chief Executive Officer and external parties.
- e) Formally meet, as necessary, with Council Staff, Internal Auditors and External Auditors.

The Chief Executive Officer has responsibility to provide advice to the Audit and Risk Committee in respect to matters before it.

## 3. Objectives

The Committee plays an important role in providing oversight of Council's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Committee performs its role by providing independent oversight to Council in overseeing internal and external audit functions.

The Committee's functions and responsibilities include monitoring the compliance of Council policies and procedures with the overarching general principles set out in section 9(2) of the Act, and the regulations and any Ministerial directions under the Act.

The objectives of the Committee are to oversee:

- the integrity of external financial reporting, including accounting policies
- the scope of work, objectivity, performance and independence of the external and internal auditors
- the establishment, effectiveness and maintenance of controls and systems to safeguard financial and physical resources
- the systems or procedures that are designed to ensure compliance with relevant statutory and regulatory requirements
- the process for recognising risks arising from operations and strategies, and consider the adequacy of measures taken to manage those risks
- the process and systems which protect against fraud and improper activities including the *Public Interest Disclosures Act* (2012) procedures.

The Audit and Risk Committee will conduct itself in accordance with the values and ethics of Council and in accordance with the Act.

The Committee expects that all communication with management and staff of the organisation as well as with any external assurance providers will be direct, open, respectful and complete.

## 4. Composition

Membership of the Audit and Risk Committee is open to any resident, property owner or business operator in the Shire of Macedon Ranges, or to others at the discretion of Council.

- a) The Committee is comprised of six members, two Councillors as delegate members and up to four independent members.
- b) In accordance with section 53(3(c) of the Act, the Committee will not include any person who is a member of Council staff.
- c) The Council will appoint Independent Committee members.
- d) Councillor delegate members shall be appointed annually by Council.
- e) 'Alternates' for Councillor delegate members shall also be appointed annually by Council to substitute Councillors if required to maintain quorum.
- f) 'Alternates' are provided the same rights as the elected Councillor delegate member when declared acting in the role.
- g) The Chair will be independent of Council and management and will be appointed by the Committee annually by election of committee members and ratified by Council.
- h) The Committee is authorised to appoint an Acting Chair, from the independent members, as required.
- i) The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council including expertise in financial management and risk and experience in public sector management.
- j) Independent members will be appointed for an initial term of up to four years. Independent members will be subject to a maximum consecutive term of 12 years.
- k) Independent members will be remunerated at a rate set by Council.
- l) New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## 5. Meetings

- a) The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- b) Additional meetings may be called by the Chair of the Committee, or at the request of the Mayor or Chief Executive Officer.
- c) The Committee meetings are closed to the public.
- d) All Councillors are invited to attend each Committee meeting, and should advise the Chairperson of their intent to attend a meeting.
- e) All Committee members are expected to attend each meeting. Attendance can be in person, via teleconference or video conference.
- f) A quorum of any meeting will be at least two independent members and at least one Councillor.
- g) The Chief Executive Officer will facilitate 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.
- h) The Committee will develop a forward meeting schedule that includes the dates, location, and content of the annual work program for each meeting for the forthcoming year, that cover all the functions and responsibilities outlined in this charter.
- i) Meeting agendas will be prepared and provided at least five working days in advance to members, along with appropriate briefing materials.

- j) Minutes will be taken at each meeting and circulated to the Chair for review within 14 days of the meeting. Approved minutes will be distributed to the Committee for confirmation at the subsequent meeting.

## **Secretariat**

An officer nominated by the Chief Executive Officer (herein referred to as the “nominated officer”, will have responsibility to manage all administrative matters associated with the Audit and Risk Committee (such as researching issues, coordinating reports to the Audit and Risk Committee, preparing agendas, organising meetings, preparing minutes, coordinating reports to Council and the recruitment process for independent members).

## **6. Responsibilities**

The Committee will carry out the following functions and responsibilities:

### **Risk Management**

To obtain reasonable assurance with respect to risk management practices, the Audit and Risk Committee will:

- Provide oversight on significant strategic and operational risk exposures and control issues, including fraud and corruption risks, governance issues, and other matters needed or requested by Council.
- Monitor the effectiveness of Council’s risk management framework and assess the impact on its control environment and insurance arrangements.
- Monitor Council’s risk appetite, risk culture and the degree of alignment with Council’s risk profile.
- Monitor Council’s treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans.
- Review Council’s Quarterly Risk Management Reports.
- Monitor Council’s approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

### **Fraud and corruption**

To obtain reasonable assurance with respect to procedures for the prevention and detection of fraud, and corruption the Audit and Risk Committee will:

- Oversee management’s arrangements for the prevention and deterrence of fraud and corruption.
- Challenge management and internal and external auditors to ensure that appropriate anti-fraud and corruption programs and controls are in place to identify potential fraud and recommend that appropriate investigations are undertaken if fraud is detected.
- Monitor and provide advice on fraud prevention systems and controls to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.

### **Reporting**

- Monitor Council’s financial and performance reporting at regular intervals.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements, and legislative changes, and understand their effect on the financial report.
- 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

- Recommend the adoption of the Annual Financial Statements and Annual Performance Statement to Council.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Receive details of all reimbursements of expenses of Councillors and members of a delegated committee.

## **Internal audit**

To obtain reasonable assurance with respect to work of the internal audit providers, the Audit and Risk Committee will:

- Review and monitor the charter, activities, resourcing, and structure of the internal audit function.
- Review the annual audit plan (or changes to the plan).
- Ensure the annual audit plan is linked with and covers the material business risks as shown in Council's risk register.
- Review all internal audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- Review and track management's action plans to address the results of internal audit engagements.
- Monitor processes and practices to ensure that the independence of audit function is maintained.
- As part of the Committee's annual assessment of performance, determine level of satisfaction with internal audit function.
- Provide an opportunity for the Committee to meet with the Internal Auditor to discuss any matters that the Committee or internal auditor believes should be discussed in-camera.

## **External audit**

To obtain reasonable assurance with respect to work of the external assurance providers, the Audit and Risk Committee will:

- Meet with the external auditor during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.
- Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.
- Monitor significant findings and recommendations made by the external auditor, and that management's responses are appropriate and acted upon in a timely manner
- Receive the External Auditors Final Management Letter and monitor management's progress on action plans.
- Monitor the findings and recommendations of any relevant performance audits undertaken by VAGO and Council's responses to them.
- Provide an opportunity for the Committee to meet with the External Auditors, to discuss any matters that the Committee or the external auditors believe should be discussed in-camera.
- Annually assess the performance of the External Auditor.

## **Compliance**

- Monitor the compliance of Council policies and procedures with the overarching governance principles of the Act, the regulations and any ministerial directions.
- Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

- Keep informed of the findings of any examinations by regulatory agencies, and any auditor (internal or external) observations and monitor management's response to these findings.
- Obtain regular updates from management about compliance matters.

## Other

In addition, the Committee will:

- Perform other activities related to this Charter as requested by Council.
- Annually review and assess the adequacy of this charter, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
- Prepare a biannual audit and risk report that describes the committee's activities and includes its findings and recommendations and provide a copy of the biannual report to the Chief Executive Officer for tabling at the next Council Meeting.
- Undertake an annual assessment of the Committee's performance against this charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting in accordance with section 54 (4)(a) and (b) of the Act.

## 7. Professional Conduct

Section 123 (misuse of position), 125 (confidential information) and Division 2 of Part 6 (conflict of interest) of the Act apply to a member of the Audit and Risk Committee who is not a Councillor as if the member were a member of a delegated committee.

### Misuse of Position

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, detriment to Council or another person.

### Confidential Information

Committee members must not intentionally or recklessly disclose information that they know, or should reasonably know, is confidential information.

Independent Committee Members will be required to sign a Confidentiality Agreement upon commencement of their term.

### Conflict of Interest

A conflict of interest is where a Committee Member has a private interest that could improperly influence, or be seen to influence, their decisions or actions in the performance of their public duties as a Committee Member.

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

Once a conflict of interest is identified the member of the Audit and Risk Committee must:

1. Disclose the conflict of interest immediately before the matter is considered in the meeting, including the:
  - Type of interest and class; and
  - The nature of the interest.
2. Notify the Chair that they are leaving the meeting.
3. Leave the meeting while the matter is being considered and await the Chair's direction to return.

If details are private in nature then the nature of the interest can be declared to the Chair in writing prior to the meeting and the disclosure will simply be the type of interest and class.

Disclosure of conflicts of interest must be minuted.



Independent Committee Members of the Audit and Risk Committee will be required to sign an Initial Personal Interests Form upon commencement of their term, and an annual Personal Interests Return. In addition they will be required to confirm the declaration made in their Personal Interests Form remains unchanged at each Audit and Risk Committee Meeting as a standing agenda item.

## **Professional Conduct Definitions**

**Private Interests** means anything that can influence a Committee Member. Private interests include direct interests, such as a Committee Member's own personal, family, professional or business interests, as well as indirect interests, such as the personal, family, professional or business interests of individuals or groups with whom the Committee Member is, or was recently, closely associated. Private interests may be financial (pecuniary) or non-financial.

**Financial interests** involve an actual, potential or perceived financial gain or loss. Money does not need to change hands for an interest to be financial. People have a financial interest if they (or a relative, or a close associate) own property, hold shares, have a position in a company bidding for government work, or receive benefits such as concessions, discounts, gifts or hospitality from a particular source related to the public entity.

**Non-financial interests** involve any tendency toward favour or prejudice resulting from friendship, animosity, or other personal involvement with another person or group. They include personal or family relationships, or involvement in sporting, social or cultural activities. If personal values are likely to impact on the proper performance of public duty, then these can also lead to a conflict of interest. Enmity as well as friendship can give rise to a non-financial conflict of interest.

**Conflict of Duty** arise when a person is required to fulfil two or more roles that may be in conflict with each other, and can be actual, potential or perceived conflicts of duty. This situation is sometimes known as 'wearing two hats'. For example, a Committee Member may also hold a position as a public servant, or they may be a member of the board of another public entity or body. A conflict of duty may also arise through a Committee Member having official duties to other Commonwealth and local government bodies, community and professional associations or non-governmental organisations.

**Conflict of Loyalty** Committee Members may have a conflict of loyalty that is they may have competing loyalties between a not for profit to which they owe a primary duty and some other person or entity. This could include funding bodies that nominate Committee Members, so called 'representative' Committee Members from a particular interest group. It could also extend to friendship and personal beliefs in some circumstances.