

Audit and Risk Committee Charter –
Buloke Shire Council
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Audit and Risk Committee Charter

Purpose and Objectives

The Buloke Shire Council Audit and Risk Committee is established in accordance with section 53 of the *Local Government Act 2020 (Act)*. The Buloke Shire Council considers the establishment of an Audit and Risk Committee to be more than a function which ensures compliance with the Act. It is also an essential element of good governance and provides guidance on how the Buloke Shire Council will work with the Audit and Risk Committee for the benefit of the organisation and the community.

In recognition of the above principles the role of the Audit and Risk Committee, as an advisory committee, includes:

- (a) monitoring the compliance of Council policies and procedures with—
 - (i) the overarching governance principles under section 9 of the Act and
 - (ii) the Act and the Regulations and any Ministerial directions
- (b) monitoring the Council's financial and performance reporting
- (c) monitoring and providing advice on risk management and fraud prevention systems and controls and
- (d) overseeing internal and external audit functions.

Scope of Authority

The framework for the functions, activities and accountabilities of the Audit and Risk Committee are set out under section 54 of the Act. The Act provides that the Audit and Risk Committee is independent from the Buloke Shire Council, and that the Buloke Shire Council cannot abrogate or delegate its responsibilities to the Audit and Risk Committee. As such, the Audit and Risk Committee does not have any management functions, executive authority or delegated financial responsibility.

The Buloke Shire Council provides the Audit and Risk Committee with authority to:

- Endorse key documents relevant to its scope which must be approved by the Council including annual financial reports, annual performance statements, new or revised policies and other documents which assist in maintaining a strong internal control environment
- Seek resolution on any disagreements between management and external auditors on financial reporting
- Review the results of any audits, review the Council's planning documents or query Council outcomes
- Seek any information it requires from Buloke Shire Council staff via the Chief Executive Officer and external parties
- Formally meet with relevant Buloke Shire Council staff, internal and external auditors as necessary
- Ensure compliance with the provisions of the Act dealing with misuse of position and disclosure of conflicts of interest
- Effectively discharge its responsibilities under the Audit and Risk Committee Charter and the Act and
- Provide advice and recommendations to the Council on how best to fulfill its responsibilities and facilitate effective decision making.

Composition

Membership

The Audit and Risk Committee will comprise of three independent members, the Mayor, and one other Councillor appointed as Delegate at the Council's annual Statutory Meeting. In the absence of the Mayor and/or the Council Delegate from a meeting the Mayor shall appoint another Councillor(s) to attend.

Quorum

A quorum of any meeting shall be at least two independent members and at least one Councillor, present either physically or via teleconference.

Selection

Audit and Risk Committee members and the Audit and Risk Committee Chair will be appointed by the Council, which will consider:

- Expertise in financial management and risk
- Experience in public sector management
- Strong communication skills
- High level personal integrity and ethics
- Availability to perform the functions of the Audit and Risk Committee
- Level of financial literacy.

At least one member of the Audit and Risk Committee shall have financial qualifications and experience.

In considering the appointment of an independent member, the Council will contemplate current or previous relationships between the proposed independent member and the Council.

Tenure, Continuity and Rotation

The period of tenure for independent members will be up to three years which, after expiry, may be extended up to a limit of two further terms. Independent members have a right to seek reappointment after the first term. Reappointment after the second term will be by application.

To ensure continuity, no more than one member should leave the Audit and Risk Committee pursuant to rotation in any one year unless otherwise determined by Council resolution.

The Chair of the Audit and Risk Committee must be an independent member and will be appointed on a two-year term. The term of the Chair may be extended for a further two-year term where the period of tenure for an independent member is also extended.

The Audit and Risk Committee may appoint an Acting Chair when the Chair appointed by the Council is unavailable to attend a meeting of the Audit and Risk Committee, however the Acting Chair must not be a Councillor or a member of Council staff and must be suitably qualified.

Remuneration

Remuneration for independent members is at the discretion of the Buloke Shire Council. The Council will consider, among other matters, the time, commitment, responsibility required in undertaking duties, and parity with other local government entities equivalent to the Buloke Shire Council's size and complexity.

Fees will be paid to independent members on a per meeting basis in arrears.

Bona fide expenses incurred by independent members will be paid or reimbursed in accordance with the Council Expenses Policy.

Where independent members reside outside of Victoria, Council will not pay the expenses associated with interstate travel or interstate accommodation to attend meetings.

Meetings

The Audit and Risk Committee will meet at least four times a year in closed session, with authority to convene additional meetings, as circumstances require. Meeting schedules will be set following the annual statutory meeting of the Buloke Shire Council, and will ensure sufficient time between meetings of the Audit and Risk Committee and meeting of the Buloke Shire Council.

All Audit and Risk Committee members are expected to attend each meeting, in person or through teleconference or video conference.

Where independent members are unable to attend at least 75% of meetings per annum in person, they will be required to resign from their position, unless in the following circumstances apply:

- An exemption by the Council on recommendation of the Audit and Risk Committee on reasonable grounds, or
- In circumstances where there is a declared state of emergency by the Victorian State Government.

The Director Corporate and Organisational Performance is the designated secretariat and will facilitate the meetings of the Audit and Risk Committee, including inviting members of management, auditors, or others to attend meetings to provide pertinent information, as necessary.

Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.

Meeting minutes will be collated and provided to independent members as soon as practicable following the Audit and Risk Committee for review and presented at the following Audit and Risk Committee meeting for confirmation.

The Chair of the Audit and Risk Committee has the discretion to present, in person, any reports tabled for the consideration by the Councillors at a Councillor Briefing.

Attendance

The Chief Executive Officer and Council's Internal Auditors must attend all meetings (except where the Audit and Risk Committee wants to meet without management in attendance).

Council's External Auditor must attend meetings considering the draft annual financial report and results of the external audit and will be invited to attend all other meetings.

Council's Director Corporate and Organisational Performance, Director Infrastructure and Delivery, Director Community Development, Senior Manager Finance and Procurement, Manager Assets and Governance Officer are invited to attend all meetings to provide appropriate information. Other Council staff will be invited to attend meetings where appropriate.

All Councillors are invited to attend Audit and Risk Committee meetings if they wish to do so.

Circulated Motions

Where:

- The Audit and Risk Committee endorses a matter in principle subject to receiving further information or
- A matter within the scope of the Audit and Risk Committee's remit requires endorsement prior to presentation to the Council before the next Audit and Risk Committee meeting,

The Director Corporate and Organisational Performance may circulate a proposed motion to members of the Audit and Risk Committee to obtain their endorsement.

The proposed motion must be in writing and must contain a statement where the member of the Audit and Risk Committee indicates their approval or dissent from the proposed motion in writing.

The proposed motion will not be considered to have been endorsed by the Audit and Risk Committee unless all members of the Audit and Risk Committee unanimously approve the proposed motion.

At the next meeting of the Audit and Risk Committee, the Director Corporate and Organisational Performance must ensure the agenda contains a report on the motion circulated and the Audit and Risk Committee's decision which must be recorded in the minutes of the meeting.

Circulated Motions may not be used for reports from the Council's Internal Auditor or External Auditor unless the Audit and Risk Committee has moved a recommendation to receive the reports at the prior meeting.

Responsibilities

The Audit and Risk Committee will carry out the following activities:

Financial Report

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- Review with management and external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial report, and consider whether it is complete, consistent with information known to the Audit and Risk Committee members, and reflects appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the Audit and Risk Committee under the Australian Auditing Standards.

Internal Control

- Understand the scope of internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review the adequacy and effectiveness of key policies, systems, and controls for providing a sound internal control environment including, but not limited to, fraud prevention systems and controls.
- Assess whether the control environment is consistent with the Council's governance principles.

Fraud Prevention Systems and Controls

- Review the Council's fraud and corruption reporting framework as established under the Fraud and Corruption Reporting Policy to ensure the Council has appropriate processes and systems in place to ensure material fraud risks to the Council are treated and any alleged fraud activities are investigated.

Risk Management

- Monitor the systems and process via the Buloke Shire Council's risk profile to ensure that material operational risks to the Buloke Shire Council are dealt with appropriately.
- Monitor the process of review of the Buloke Shire Council's risk profile.
- Consider the adequacy of actions taken to ensure that the material business risks have been dealt with in a timely manner to mitigate exposures to the Buloke Shire Council.

Business Continuity

- Monitor processes and practices of the Buloke Shire Council to ensure for effective business continuity and disaster recovery.

Internal Audit

- Review with management and the internal auditor the Charter, activities, staffing and organisational structure of the internal audit function.
- Review and recommend the annual audit plan for approval by the Buloke Shire Council and all major changes to the plan.
- Monitor processes and practices to ensure that the independence of the audit function is maintained.
- As part of the Audit and Risk Committee's annual assessment of performance, determine level of satisfaction with internal audit function having consideration to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- Monitor that the internal auditor's plan is linked with and covers the material business risks.
- Provide an opportunity for the Audit and Risk Committee to meet with the internal auditor to discuss any matters that the Audit and Risk Committee or internal auditor believes should be discussed privately.

External Audit

- Note the external auditor's proposed audit scope and approach, including any reliance on internal auditor activity.
- Provide an opportunity for the Audit and Risk Committee to meet with the external auditors, to discuss any matters that the Audit and Risk Committee or external auditors believe should be discussed privately.

Compliance

- 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.

Reporting Responsibilities

- Report regularly to the Buloke Shire Council about Audit and Risk Committee activities, and related recommendations through circulation of minutes and annual report. Additional updates may be appropriate should issues of concern arise.
- Monitor that open communication between the internal auditor, the external auditors, and the Buloke Shire Council occurs.
- Report annually to stakeholders, describing the Audit and Risk Committee's composition, responsibilities and how they were discharged, and any other information required by regulation, including approval of non-audit services.
- Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor-General and to ensure the Buloke Shire Council implements relevant recommendations.
- The Chair will prepare a biannual audit and risk report which describes the activities of

the Audit and Risk Committee and includes its findings and recommendations and the results of its annual performance assessment against the Audit and Risk Committee Charter. This report will be tabled at the next Council Meeting by the Chief Executive Officer. The Chair may present the report to Council at that meeting if desired.

Other Responsibilities

- Adopt an annual work plan outlining how each area of responsibility will be addressed each meeting, or on an annual basis as required, which may include but will not be limited to policy reviews considered under the scope of the Audit and Risk Committee.
- Perform other activities related to this Charter as requested by the Buloke Shire Council.
- Review and assess the adequacy of the Audit and Risk Committee Charter every two years, requesting Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.

All Audit and Risk Committee members are expected to be aware of their responsibilities under Sections 123, 125 and Division 2 of Part 6 of the Act including but not limited to the requirement to conflicts of interest that may apply to a matter being considered at an Audit and Risk Committee meeting.