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RESPONSIBLE OFFICER: Manager Finance and Governance

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Version History

Change/Review details	Author / reviewer	Date	Approver
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Update to membership	Manager Finance and Governance	25 August 2026	Council resolution

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Council established an Audit and Risk Committee (the Committee) in compliance with Division 8 – Section 53 of the *Local Government Act 2020* (the Act).

1. PURPOSE

Council is committed to good governance, public transparency and accountability to the Hepburn Shire community. The Committee is established to strengthen Council's governance, risk management, financial management and to drive continuous improvement.

Pursuant to section 53(2) of the Act, the Committee is an advisory committee and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility.

The Committee has been established to assist the Council discharge its responsibilities under the Act to:

- monitor the compliance of Council policies and procedures with:
    - the overarching governance principles;
    - the Act and the regulations and any Ministerial directions; and
    - other relevant laws and regulations;
- monitor Council financial and performance reporting;
- monitor and provide advice on risk management and fraud prevention systems and controls;
- oversee internal audit function; and
- oversee external audit functions.

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Council.

2. AUTHORITY

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter.

The Committee has responsibility for:

- Endorsing key documents and reports that must be approved by Council, including annual financial reports, annual performance statements, new or revised policies and other documents that assist in maintaining a strong internal control environment;
- Endorsing internal and external audit plans, including internal audit plans with an outlook of greater than one year;
- Providing advice and making recommendations to Council on matters within its areas of responsibility;
- Retaining counsel of relevant independent experts where it considers that is necessary in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer;
- Seeking any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
- Meeting with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities.

The Committee will, through the Chief Executive Officer, have access to appropriate management support to enable it to discharge its responsibilities effectively.

3. ROLES

The role of the Committee is to assist Council in the effective discharge of its responsibilities by providing independent advice and recommendations to Council regarding the Council's risk, control and compliance framework and its reporting responsibilities. The Committee's oversight of financial and other reporting and risk management practices does not remove the Council's responsibility to ensure the integrity of its reporting and risk processes.

The role of Council is to maintain overall strategic direction, control, oversight and decision making for the organisation. This role is performed in line with the defined purpose and responsibilities in the *Local Government Act 2020*. In performing its role, Council delegates many, but not all, powers to the Chief Executive Officer, other members of staff and special committees. Council is responsible for establishing an Audit and Risk Advisory Committee, including the appointment and termination of members. In terms of risk management, Council is responsible for setting the risk appetite of Council and monitoring that effective risk processes and control measures are in place, including audit programs.

The role of management, comprising the Chief Executive Officer and other members of staff with management responsibilities, is to maintain an effective system of processes and controls to deliver outcomes in-line with Council's purpose, responsibilities and strategy.

Management is responsible for making and implementing decisions to achieve the organisation's objectives and to present recommendations to Council in areas where it is not delegated to make decisions. In terms of risk, management is responsible for identifying, assessing and managing risks through an effective internal control framework.

4. MEMBERSHIP AND TENURE

4.1 Composition of membership

- The Committee must comprise a majority of members who are not councillors of the Council, and who are appointed by Council.
- Total membership will **be six (6) members** (two Councillors and four (4) independent and external members).
- In accordance with the Act the membership must:
    - include members who are Councillors of the Council section 53(3)(a)
    - consist of a majority of members who are not Councillors of the Council and 53(3)(b) and who collectively have:
        - Expertise in financial management and risk 53(3)(b)(i);
        - Experience in public sector management 53(3)(b)(ii); and
        - Not include any person who is a member of Council staff or the Council 53(3)(c)
- Membership of the committee will be reviewed periodically by the Council with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.
- 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, provide the reason(s) for such removal and provide that member with the opportunity to be heard at a Committee meeting if that member so requests.

Independent Members

- Independent members will be appointed for a four (4) year term after a public advertising process has been undertaken.

- A member of the Executive, a Councillor representative to the Committee, and an independent member of the Committee will undertake the evaluation of potential external members taking into account the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills and will make a recommendation to Council for appointment to the Committee.

- A sitting member is able to reapply and be appointed for one (1) subsequent term, subject to the evaluation process set out as above and subject to maintaining the ratio of Councillors to external members.

- The Council will indemnify and keep indemnified each independent member of the Committee against all actions or claims whether arising during or after their term of appointment in respect of anything necessarily done or reasonably done or omitted to be done in good faith:

    a) In the performance of a duty or function or the exercise of any matter under the Act, regulations, a local law or this charter.
    b) In the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a matter under the Act, regulations, a local law or this charter.

Chairperson

- The Chairperson of the Committee must be an independent member.

- The Audit and Risk Committee will recommend the Chairperson to Council for appointment.

- Council will appoint the Chairperson via Council resolution.

- If the Chairperson is unable to attend a meeting, the members in attendance at the meeting will appoint a Chairperson for that meeting from among the attending members.

- The Chairperson shall, as deemed required but at least twice a year, provide to Council an audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations.

- The Chairperson has the authority to refer any matter for a discussion and recommendation out of session. Any recommendations made out of session will need to be ratified at the next Committee meeting.

Councillor Members

- Councillor members will be appointed to the Committee by Council annually.
- Should an appointed Councillor member not be able to attend a Committee meeting, Council can appoint an alternate member to act in such circumstances, either on a meeting-by - meeting basis or for the entire year.

Other attendees

- The Mayor and other Councillors may attend committee meetings, and when they elect to do so, will require copies of committee papers. These attendees act as observers and are not members of the Committee.
- The Chief Executive Officer, Director Performance and Transformation, Manager Finance and Governance or other management representatives may attend meetings as advisers or observers but will not be members of the committee. For example, the Chief Executive Officer, and members of the Executive Team will be invited to all meetings and managers will be invited to attend if an audit report central to their area of responsibility is presented.

5. REMUNERATION

- The Council will pay a fee to independent committee members. This fee will apply per meeting of the Committee and be determined by the Council. It will be indexed in alignment with the rate cap percentage each 1 July and rounded up to the nearest $5.
- After each meeting, following receipt of a tax invoice to be issued by the independent member, payment will be made in alignment with Council's standard payment terms. Payment will only be made if the member attended the scheduled meeting.
- As at 1 July 2026, the remuneration for independent committee members is $800.00 including GST and $1065.00 including GST for the Chairperson.

- Each time the Charter is reviewed (every four years) the fee paid to independent members will be benchmarked against no less than five other peer Councils to provide the Council with the information required to fully review fees.

6. MEETINGS

Meeting frequency

- The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- Where the Chairperson attends an annual briefing to Council, they will be paid as per the remuneration as detailed above.
- A schedule of meetings will be developed annually and agreed by members.
- Additional meetings, where deemed required shall be convened at the discretion of the Chairperson in conjunction with the Chief Executive Officer or Mayor at the written request of any member of the Committee, internal or external auditor.

Attendance, Quorum and Voting

- All Committee members are expected to attend each meeting in person, although in special circumstances members can attend through electronic means.
- A quorum will consist of three (3) members, with a minimum of two (2) independent committee members and one (1) Councillor.
- Each member shall have one vote, and decisions shall be made on a majority basis.
- Invitees and guests shall not have a vote.
- When resolutions are circulated electronically for endorsement, members may respond electronically either in the affirmative or negative or request a meeting or teleconference to discuss them.

Agendas and minutes

- Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting by Council's Manager Finance and Governance in consultation with the Chairperson.
- Minutes will be prepared for all meetings by Council's Manager Finance and Governance and distributed to each member within 14 days of each meeting.
- The minutes of a meeting shall be submitted to committee members for confirmation at the next subsequent meeting of the Committee.
- A summary of the minutes of each meeting shall be provided to the next Ordinary Meeting of Council.

Conduct of meetings

- The meetings will be conducted broadly in accordance with Council's Governance Rules at the discretion of the Chairperson.

7. ACCESS TO INFORMATION AND ADVICE

Access to Information

- Committee members shall have reasonable right of access to the Chief Executive Officer or other management personnel.
- Committee members shall have the right to request for information from management or other Council personnel.
- The request for the above must be via the Chief Executive Officer or Director Performance and Transformation.

Access to Advice

- The Committee will have complete and open right of access to external and internal auditors without management present, and the right to seek explanations and additional information following consultation with the Chief Executive Officer

- The Committee has the right to request independent, expert advice to assist it in undertaking its oversight responsibilities. Such requests are to be made to the Chief Executive Officer or Director Performance and Transformation.

8. REPORTING

- The Committee, through the Chairperson, shall report annually to the Council summarising the activities of the Committee during the previous financial year.
- The committee will prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations.
- The committee will provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.
- Management shall report any incidents of actual or suspected fraud and any material error in any financial statements to the Committee immediately it becomes known.
- Management shall report any risk or incident that may lead to substantial loss for Council to the Committee immediately it becomes known.
- Management shall report any significant or material breaches of compliance or Council Policy to the Committee immediately it becomes known.

9. WORKPLAN

- In accordance with section 54(3) of the Act the Committee will develop an annual work program that includes the timing of reporting for all the responsibilities outlined in this charter.
- The workplan will be adopted annually by Council.

10. FUNCTIONS AND RESPONSIBILITIES

The committee will carry out the following responsibilities:

Compliance Management

- Monitor the compliance of Council policies and procedures with the overarching governance principles and the *Local Government Act 2020* and the regulations and any ministerial directions.

- Review the systems and processes implemented by the Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance.

- Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code.

- Obtain briefings on any significant compliance matters.

- Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC, Local Government Inspectorate, etc. and monitor Council's responses.

Financial and Performance Reporting

- In conjunction with the external auditor, at least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report and the audit thereof.

- 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.

- Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved.

- Recommend the adoption of the annual financial report and annual performance statement to Council.

- Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

Internal Control Environment

- Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a four-year period.
- Determine whether systems and controls are reviewed regularly and updated where required.
- Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile.
- Ensure that a program is in place to test compliance with systems and controls;
- Assess whether the control environment is consistent with Council's Governance Principles.

Risk management

- Review whether Council has in place an effective and appropriate risk management framework, under which all significant or material risks are identified, analysed, managed and reported to Council.
- Review whether appropriate fraud control arrangements processes and systems are in place to detect, capture and effectively respond to fraud-related information.
- Review whether appropriate business continuity and disaster planning, response and recovery arrangements are in place.

Fraud Prevention Systems and Controls

- Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs every four years.
- Receive reports from management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event.

- Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

External audit

- Review the scope of the external audit plan with the external auditor and management and monitor its implementation.
- Review all external 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.
- Monitor and review management's implementation of external auditor's findings and recommendations and have regard to any significant disagreements with management (irrespective if they have been solved).
- Monitor processes and practices to ensure that the independence of the external audit function is maintained**.**
- Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information.
- Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views if applicable.
- Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them.
- Meet with the external auditor at least annually in the absence of management.

Internal audit

- Review and recommend the Internal Audit Plan for Council endorsement and monitor its implementation.
- Review internal audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner.

- Monitor and review management's implementation of internal audit findings and recommendations and have regard to any significant disagreements with management (irrespective if they have been solved).

- Monitor processes and practices to ensure that the independence of the internal audit function is maintained.

- Assess the performance of the Internal Auditor in conjunction with management on an annual basis.

- Meet with the leader of the internal audit function at least annually in the absence of management.

11. OBLIGATIONS

Committee members should familiarise themselves with their obligations under the *Local Government Act 2020* relating to the following provisions.

Misuse of position

- Section 123 of the *Local Government Act 2020* applies to independent members, as if the member were a member of a delegated committee.

Confidential Information

- Section 125 of the *Local Government Act 2020* applies to independent members, as if the member were a member of a delegated committee.

- New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

Conflicts of interest

- Committee recommendations must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly. If a conflict of interest exists, it must be declared and managed.

- Committee members are required to provide initial and biannual interest returns, as required by Councillors, to the Council declaring any material personal interests they may have in relation to their responsibilities.

- Division 2 of Part 6 of the *Local Government Act 2020* applies to independent members, as if the member were a member of a delegated committee. An independent member has a conflict of interest if they have:
    - a general conflict of interest within the meaning of section 127 of the Act
    - a material conflict of interest within the meaning of section 128 of the Act.
- External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Council, in consultation with the Chairperson, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.
- At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda.
- Where required by the Chairperson, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s).
- The Chairperson is also responsible for deciding if they should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s).
- Details of material personal interests declared by the Chairperson and other members, and actions taken, will be appropriately recorded in the minutes.

12. REVIEW OF THE COMMITTEE CHARTER

- The Charter will be reviewed at least every four years by the Committee and will include consultation with the Council.
- Any substantive changes to the Charter will be recommended by the Committee and must be formally approved by the Council. The Chief Executive Officer is authorised to make minor, administrative amendments.

13. EVALUATING PERFORMANCE

- The Committee will undertake an annual assessment of its performance against the Audit and Risk Committee Charter in accordance with section 54(4a) of the Act. This assessment will be reported in accordance with the Reporting requirements outlined in section 8 of the Charter.

- The Chairperson, in conjunction with management, will undertake formal reviews of performance and independence of independent audit committee members before reappointing them for additional terms.

14. INDUCTION OF NEW MEMBERS

- As soon as practical following their appointment, the Manager Finance and Governance shall arrange for new members to meet with key management personnel and the other independent members.

- The Manager Finance and Governance shall arrange for an adequate induction package to be provided to each new member. The package shall contain the following:

    - Audit and Risk Committee Charter
    - List of fellow committee members and contact details
    - Council's organisational chart
    - Most recent annual report and quarterly report
    - Most recent adopted budget
    - Council's current Council Plan
    - List of Council's policies
    - Council's Governance Rules
    - Initial and Biannual Interests return form

- The new members will meet with the internal and external auditors at the first meeting of the committee.

15. DISPUTE RESOLUTION

- In performing its duties disputes may arise between Committee members, the Committee and Executive, and the Committee and Council.

- In situations where a dispute arises it shall be dealt with in accordance with an appropriate dispute resolution process determined by the Dispute Settlement Centre of Victoria (Department of Justice).