

DATE ADOPTED: 20 June 2017

DATE OF NEXT REVIEW: June 2019

RESPONSIBLE OFFICER: General Manager – Corporate Services

REFERENCES:

- Local Government Act 1989
- Local Government (Planning and Reporting) Regulations 2014

PURPOSE	3
GOVERNING BODY	3
AUTHORITY	3
ROLES.....	3
RESPONSIBILITIES	4
Risk management	4
Financial statements.....	4
Internal controls and compliance	4
External audit	4
Internal audit	5
Access to Advice.....	5
Access to Information	5
COMPOSITION.....	6
Membership	6
Allowances.....	6
Standing Invitees	7
Chairman.....	7
OPERATING PROCEDURES	7
Quorum and Voting.....	7
Meetings	7
Reporting.....	8
Meeting Records.....	9
Induction of new members.....	9
Dispute Resolution	9
Evaluation and Review	10
APPENDIX A: ANNUAL COMMITTEE PERFORMANCE SELF-ASSESSMENT	12

PURPOSE

The purpose of this charter is to set out the terms of reference, composition and operating arrangements of the Audit and Risk Advisory Committee ('the Committee') of Hepburn Shire Council ('Council').

GOVERNING BODY

This Committee is an advisory committee of Council established pursuant to section 139 of the *Local Government Act 1989*.

AUTHORITY

The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial or other responsibilities or powers. The Committee does not have any management functions and is therefore independent of management.

The Committee, in relation to council, has the authority to:

1. Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
2. Seek any information or advice it requires from Council members, and management via the Chief Executive Officer and external parties.
3. Formally meet with management, internal and external auditors as necessary, both during meetings and in-private.

The Committee has the authority to advise Council on any or all of the above as deemed necessary.

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 1989*. 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.

RESPONSIBILITIES

The Committee's responsibilities are to:

Risk management

- a) 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;
- b) review whether appropriate fraud control arrangements processes and systems are in place to detect, capture and effectively respond to fraud-related information;
- c) review whether appropriate business continuity and disaster planning, response and recovery arrangements are in place.

Financial statements

- d) review significant financial and reporting issues, including related party transactions, complex or unusual transactions and significant accounting and financial reporting issues;
- e) consider the appropriateness of the accounting principles and policies adopted and the methods of applying those principles and policies;
- f) review with management and the external auditors the results of the external audit, including any difficulties encountered and any matters required to be communicated to the Committee under Australian auditing standards;
- g) review and recommend to Council whether the financial and non-financial statements should be approved and signed.

Internal controls and compliance

- h) monitor and review the effectiveness of Council's systems for internal control, as well as its systems for compliance with laws, standards, legislation and policy;
- i) review attestations being made by management regarding compliance with the relevant risk, legislative, financial and compliance reporting standards and requirements.

External audit

- j) review the scope of the external audit plan with the external auditor and management and monitor its implementation;
- k) 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.

- l) 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);
- m) monitor processes and practices to ensure that the independence of the external audit function is maintained.

Internal audit

- n) review the Internal Audit Charter and where appropriate recommend amendments to Council;
- o) review and recommend the internal audit plan for Council endorsement and monitor its implementation;
- p) review internal and external audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner;
- q) 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);
- r) monitor processes and practices to ensure that the independence of the internal audit function is maintained;
- s) assess the performance of the Internal Auditor in conjunction with management on an annual basis.

Access to Advice

- t) 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
- u) 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 General Manager Corporate Services

Access to Information

- v) shall have reasonable right of access to the Chief Executive Officer or other management personnel
- w) shall have the right to request for information from management or other Council personnel
- x) requests for information or access to management personnel must be via the Chief Executive Officer or a General Manager

COMPOSITION

Membership

- a) The Committee shall comprise of six members – two Councillors and four external independent persons.
- b) Appointments of external persons shall be made by Council after public advertisement and be for a term of up to four years.
- c) The Chief Executive Officer or General Manager Corporate Services and the Councillor representatives on 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.
- d) A sitting member is able to reapply and be appointed for subsequent terms, subject to the evaluation process set out in sub-clause (c) above and subject to maintaining the ratio of Councillors to external members.
- e) Committee member appointments shall be staggered to maintain continuity of members despite changes in membership.
- f) 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.
- g) All members must be financially literate and there must be at least one member who has appropriate expertise in financial accounting or auditing.
- h) External independent persons shall ideally have senior business or financial management/reporting knowledge and experience, demonstrated commitment to local communities and/or be conversant with financial and other reporting requirements.
- i) The Council shall assist the Committee in maintaining appropriate financial literacy. The Council is responsible for providing new members with an induction program. In addition, the full Committee will be provided with educational resources relating to accounting principles and procedures, current accounting topics, pertinent to the Council, and other resources, as reasonably requested by the Committee.

Allowances

- An annual allowance, as set by Council, shall be paid to each independent member of the Committee to cover meeting attendance costs and time spent on additional activities, such as, but not limited to, preparing for meetings. The allowance shall be paid in four instalments, following attendance at each of the four regular meetings per year.
- Up to two members, who attend an annual briefing with Councillors to report on the Committee's activities, will be paid an additional allowance, as set by Council, to cover meeting preparation and attendance costs.

- The level of remuneration is set by Council at the commencement of each term of appointment.

Standing Invitees

- Chief Executive Officer
- External Auditor
- Internal Auditor
- General Manager Corporate Services
- Coordinator Governance and Information

Chairperson

- The Chairperson shall be appointed annually by the Committee from the external members of the Committee.
- In the absence of the Chairperson the Committee shall elect a Chairperson from among the independent members present.

OPERATING PROCEDURES

Quorum and Voting

- A quorum shall be four members of the Committee.
- Each member shall have one vote and decisions shall be made on a majority basis.
- Invitees and guests shall not have a vote.

Meetings

- a) The General Manager Corporate Services is responsible for the development of the agenda for Committee meetings in consultation with the Chair.
- b) The agenda together with reports and documents that relate to the Committee shall be forwarded to members at least five business days prior to the meeting.
- c) Accurate minutes shall be kept of each meeting of the Committee in accordance with Local Law Number 1 – Meeting Procedures, or as varied by agreement with Council.
- d) The minutes of a meeting shall be submitted to committee members for confirmation at the next subsequent meeting of the Committee.
- e) The Committee shall meet as required throughout the year with a minimum of four meetings to be held.
- f) Additional meetings, where deemed required, shall be convened at the discretion of the Chairman or at the written request of any member of the Committee, internal or external auditor

- g) A schedule of meetings shall be developed and agreed to by the members to coincide with relevant Council reporting deadlines.
- h) Meetings may be attended in person or, in exceptional circumstances, via virtual attendance (e.g. phone or video conference).
- i) Meetings will be conducted broadly in accordance with Council's Local Law Number 1 – Meeting Procedures at the direction of the Chairman.
- j) 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.
- k) The Chairman shall call a meeting of the Committee if so requested by any member of the Committee or by the Mayor, Chief Executive Officer, or internal or external auditor.
- l) Guests may be invited from time to time as appropriate. An invited guest will not have decision voting powers.
- m) At each Committee meeting and in the absence of non-members, time shall be set aside with internal and external auditors for the purpose of open discussion.
- n) Non-members of the Committee may be asked to withdraw from all or any part of any meeting and may not vote on any matter at a meeting.
- o) All members of Council not on the Committee may attend meetings of the Committee as an observer and shall be entitled to receive the agenda, minutes and the meeting papers subject to the Council's policy on conflicts of interest.

Reporting

- Draft minutes of meeting shall be distributed to all members within 14 days of each meeting.
- The Chairman shall sign the minutes of meeting at the following meeting.
- The minutes of each meeting shall be provided to the next Ordinary Meeting of Council.
- The Chairman shall, as deemed required, report to Council on Committee matters included in the Council agenda for discussion.
- The Committee, through the Chairman, shall report annually to the Council summarising the activities of the Committee during the previous financial year.
- 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.

Meeting Records

- Council's Coordinator Governance and Information, or other officer allocated by the General Manager Corporate Services, shall prepare the agenda, collate the papers and record the minutes of the meetings.
- Agendas, attachments, reports and minutes will be distributed to all members primarily in electronic form, in order to speed up delivery and minimise waste. On request, black and white hard copies will be made available for pick up from one of our offices in Daylesford, Creswick or Clunes.

Induction of new members

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

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

- Audit and Risk Advisory 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
- Details of Council's Insurances
- List of Council's Policies
- List of Council's Local Laws
- Council's Local Law No 1 (Meeting Procedures)

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

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).

Evaluation and Review

- The Committee shall annually evaluate its performance through a self-assessment against its charter duties and responsibilities.
- The evaluation shall use the evaluation criteria in Appendix A.
- The evaluation shall be responded to by each Committee member.
- The annual evaluation shall concur with the final meeting of each calendar year.

Adopted by Hepburn Shire Council on 20 June 2017.

Signed for and on behalf of Hepburn Shire Council:

Cr Sebastian Klein
Mayor

Aaron van Egmond
Chief Executive Officer

APPENDIX A: ANNUAL COMMITTEE PERFORMANCE SELF-ASSESSMENT

All members are to complete the following self-assessment criteria annually. In addition, the committee may seek other invitees to also complete it and provide feedback.

	ASSESSMENT CRITERIA	RESPONSE/COMMENT
a)	Has the Committee taken action on each of its responsibilities in the past year?	
b)	Has the action taken been effective?	
c)	Has the Committee achieved all elements of its charter?	
d)	Are there functions to which more time or effort should have been devoted?	
e)	Does the Committee receive from management: Adequate information about Council's performance of its statutory functions; All the information it needs to allow it to discharge its function effectively and efficiently?	
f)	Can Committee agendas be improved: By including additional matters on a regular basis; or By considering matters less frequently; or By changing the order in which items are considered; or In any other way?	
g)	Can the conduct of meetings be improved?	

	ASSESSMENT CRITERIA	RESPONSE/COMMENT
h)	Can papers for meetings be improved: By providing additional information in any area; or Being shorter or more detailed; or In any other way?	
i)	Should there be more oral briefings from Council officers?	
j)	Can oral briefings received from Council officers be improved?	
k)	Can meeting arrangements be improved: By holding longer or shorter meetings; By holding meetings at different times; or By inviting visitors; or In any other way?	
l)	Are there other ways in which the Committee could increase its effectiveness?	

SCORING SELF-ASSESSMENT

The following items should be awarded a rating on a scale of 1 to 5 by individual committee members.

- 1 = Hardly ever/Poor
- 2 = Occasionally/Below average
- 3 = Some of the time/Average
- 4 = Most of the time/Above average
- 5 = All of the time/Fully satisfactory

Behaviours	Enter Score
Understanding of core business All Audit & Risk Advisory Committee members have a good understanding of the different risks inherent in the group's business activities	Score
Focus on appropriate areas The Audit & Risk Advisory Committee focuses on the right questions and is effective in avoiding the minutiae	Score
Quality of Interaction with external audit The Audit & Risk Advisory Committee actively engages with the external auditors regarding scope of work, audit findings and other relevant matters	Score

Behaviours	Enter Score
<p>Quality of interaction with internal audit The Audit & Risk Advisory Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings</p>	Score
<p>Understanding of key financial issues The Audit & Risk Advisory Committee understands the interaction between the various sources of assurance available to it</p>	Score
<p>Rigour of debate Audit & Risk Advisory Committee meetings encourage a high quality of debate with robust and probing discussions</p>	Score
<p>Reaction to bad news The Audit & Risk Advisory Committee responds positively and constructively to bad news in order to encourage future transparency</p>	Score
<p>Performance of Chair The Chair operates satisfactorily in terms of promoting effective and efficient meetings, with an appropriate level of involvement outside of the formal meetings</p>	Score
<p>Frank, open working relationship with senior Council staff The Audit & Risk Advisory Committee members have a frank and open relationship with the senior Council staff, whilst avoiding the temptations to become 'executive'</p>	Score
<p>Open channels of communication The Audit & Risk Advisory Committee has open channels of communication with company contacts which facilitates the surfacing of issues</p>	Score
<p>Perceived to have a positive impact There is an appropriate balance between the monitoring role of the Audit & Risk Advisory Committee and it being an "influencer for good"</p>	Score
<p>Members with appropriate skills and experience The Audit & Risk Advisory Committee comprises members with an appropriate mix of skills and experience, including recent and relevant financial experience</p>	Score
<p>Clear terms of reference There are clear terms of reference, with clarity as to role vis a vis the Council as a whole</p>	Score
<p>Clear as to risk management responsibilities The Audit & Risk Advisory Committee is clear as to its role in relation to risk management</p>	Score
<p>Structured and appropriate annual agenda The number and length of meetings and access to resources is sufficient to allow the Audit & Risk Advisory Committee to fully discharge its duties</p>	Score
<p>Concise, relevant and timely information Audit & Risk Advisory Committee papers are concise, relevant and timely and are received sufficiently far in advance of meetings</p>	Score
<p>Right people invited to attend and present at meetings Executive management and others are asked to present on topics, as appropriate</p>	Score

Behaviours	Enter Score
Meetings held sufficiently far in advance of Council meetings Audit & Risk Advisory Committee meetings are held sufficiently far in advance of Council meetings to permit resolution of issues raised	Score
Attendance and contribution at meetings All Audit & Risk Advisory Committee members have sufficient time and commitment to fulfil their responsibilities	Score
Sufficient time and commitment to undertake responsibilities All Audit & Risk Advisory Committee members have sufficient time and commitment to fulfil their responsibilities	Score
Ongoing personal development to remain up to date Audit & Risk Advisory Committee members undertake ongoing personal development activities to update their skills and knowledge	Score
Private discussions with internal and external auditors In-camera discussions are held at least annually during meetings with both the external and internal auditors	Score
Role in relation to protected disclosures The Audit & Risk Advisory Committee has been informed of the protected disclosure procedures in place within the organisation and undertakes its defined role in relation to them	Score