



**MANSFIELD SHIRE**

**CHARTER OF THE  
AUDIT AND RISK  
COMMITTEE**

**For Endorsement by Council – 21 July 2020**



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## **MANSFIELD SHIRE**

### **CHARTER OF THE AUDIT AND RISK COMMITTEE**

#### **1. CONSTITUTION**

- 1.1 The Mansfield Shire Council (“Council”) has resolved to appoint an Audit and Risk Committee (“Committee”) in accordance with s53 of the *Local Government Act 2020* (the Act).
- 1.2 The Committee is an advisory committee of the Council.
- 1.3 The Committee does not have delegated powers.
- 1.4 The Committee is independent of management.

#### **2. PURPOSE**

- 2.1 The purpose of the Committee is to:
  - a) monitor the compliance of Council policies and procedures with
    - the overarching governance principles pursuant to s9 of the Act; and
    - the Act, the associated regulations and any Ministerial directions;
  - b) monitor Council financial and performance reporting;
  - c) monitor and provide advice on risk management and fraud prevention systems and controls; and
  - d) oversee internal and external audit functions.

#### **3. AUTHORITY**

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter. The Committee has no delegated authority from Council unless specifically provided by Council from time to time and any such authority shall be temporary and may only relate to specific matters as directed by Council.

The Committee has the authority to:

- a) Endorse 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;
- b) Approve internal and external audit plans, including internal audit plans with an outlook of greater than one year;
- c) Provide advice and make recommendations to Council on matters within its areas of responsibility;
- d) Retain 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;



- e) Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
- f) Meet 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.

#### **4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

The Committee will adopt an annual work program that will include the following focus areas.

##### **4.1 Financial and performance reporting**

- a) 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;
- b) At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- c) 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;
- d) Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- e) Recommend the adoption of the annual financial report and annual performance statement to Council; and
- f) Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

##### **4.2 Internal control environment**

- a) 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 three to four year period;
- b) Determine whether systems and controls are reviewed regularly and updated where required;
- c) Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;



- d) Ensure that a programme is in place to test compliance with systems and controls;
- e) Assess whether the control environment is consistent with Council's Governance Principles.

#### 4.3 Risk Management

- a) Review annually the effectiveness of Council's risk management framework;
- b) Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- c) Review Council's risk profile and the changes occurring in the profile from meeting to meeting;
- d) Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- e) Review the insurance programme annually prior to renewal; and
- f) Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

#### 4.4 Fraud Prevention Systems and Controls

- a) Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least very two years;
- b) 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; and
- c) Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

#### 4.5 Internal Audit

- a) Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- b) Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- c) Review progress on delivery of annual internal audit plan;
- d) Review and approve proposed scopes for each review in the annual internal audit plan;
- e) Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- f) Meet with the leader of the internal audit function at least annually in the absence of management;
- g) Monitor action by management on internal audit findings and recommendations;
- h) Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work;



- i) Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change;
- j) Recommend to Council, if necessary, the termination of the internal audit contractor.

#### 4.6 External Audit

- a) Annually review and approve the external audit scope and plan proposed by the external auditor;
- b) 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;
- c) Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner;
- d) 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;
- e) Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- f) Meet with the external auditor at least annually in the absence of management.

#### 4.7 Compliance Management

- a) Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;
- b) Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- c) Obtain briefings on any significant compliance matters; and
- d) 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, Victoria Government Inspectorate, etc. and monitor Council's responses.

### 5. **MEMBERSHIP and ATTENDEES**

#### 5.1 The Committee shall consist of:

- (a) Two Councillors of the Council;
- (b) Three (3) or four (4) skill based representatives being external independent persons who collectively have suitable expertise, knowledge and experience in financial management and risk, and experience in public sector management.

Committee membership cannot include any person who is a member of staff of the Mansfield Shire Council.



- 5.2 The Chief Executive Officer shall attend meetings of the Committee, and may nominate executive management or other staff to attend from time to time.
- 5.3 The Internal Auditor (where appointed) whether a member of staff or a contractor, shall also attend meetings of the Audit and Risk Committee where necessary.
- 5.4 The External Auditors shall address the August and/or November meetings of the Committee (as appropriate). The External Auditors may request that a meeting of the Committee be convened

## **6. NOMINATION OF MEMBERSHIP**

- 6.1 Council shall call for nominations for independent members not less than one (1) month prior to the date of the termination of the term of office of the incumbent representative/s.
- 6.2 Nominations will be advertised by the following means:
  - public notice in a local newspaper
  - posting on the employment page of Council's website
  - advertisement with recruitment employment marketplaces such as SEEK or INDEED, at the discretion of the Human Resources department.
- 6.3 Nominees must lodge written and signed application forms with the Human Resources department.
- 6.4 Nominees will be interviewed by a panel nominated by Council.
- 6.5 The interview panel will make a recommendation to Council. Council shall make appointments by simple resolution at an Ordinary Meeting.
- 6.6 Councillors will be appointed to the Committee by resolution of the Council, annually.

## **7. TERM OF APPOINTMENT – Independent Members**

- 7.1 The terms of appointment for independent members should be arranged to ensure a staggered rotation and continuity of membership. Initially the terms of appointments will be for a period of one (1), two (2) and three (3) years, and thereafter be appointed for a period of three (3) years.
- 7.2 Independent members of the Committee shall be eligible for re-appointment for a further term or terms of three (3) years each.
- 7.3 A member of the Committee may resign his/her position at any time.
- 7.4 Where a Committee member knows that they will be absent from two or more meetings in a financial year, they must request a leave of absence from Council.



- 7.5 If any member fails to attend a minimum of 3 meetings of the Committee in breach of section 6.4, that member shall be deemed to have resigned his/her position on the Committee.
- 7.6 Council may resolve to remove a member of the Committee by written notice to the member of the intention to do so. That member will be given an opportunity to be heard at a Council meeting, open to the public if the member requests this.
- 7.7 The Council shall appoint another person to fill any vacancy caused by the resignation of any member of the Committee.
- 7.8 Any person appointed to fill a vacancy on the Committee shall hold office for the unexpired portion of the previous member's term of office.
- 7.9 All positions will be advertised at the end of term. Members at the end of their term may re-apply for the position in accordance with item 6.2.

## **8. INDUCTION**

- 8.1 New members will be provided with an Induction Information Pack, which will include the following documentation.
  - Audit and Risk Committee charter
  - Council Plan, including Strategic Resource Plan
  - Annual Report
  - Key policies and strategic documents
  - Organisational Chart
  - Auditor contact details
  - Local Government Act
  - Budget
- 8.2 Members will be provided with relevant documentation during their membership to assist keeping their knowledge of the organisation and relevant issues up to date.

## **9. CHAIRPERSON**

- 9.1 The Chairperson of the Committee shall be elected by the Committee
- 9.2 The Chairperson of the Committee must be an independent member and cannot be a Councillor.
- 9.3 In the absence of the Chairperson, the Committee may elect one of the independent members to preside as Chairperson at the meeting.
- 9.4 The role of the Chairperson shall be:
  - a) To chair all meetings of the Committee.
  - b) To act as the liaison person between the Committee and Council.



- c) To facilitate an annual assessment of the Committee's performance against this Charter, to be provided to the CEO for tabling at the next Council meeting.
- d) To facilitate a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations, to be provided to the CEO for tabling at the next Council meeting.

## **10. MEETINGS OF THE COMMITTEE**

- 10.1 Pursuant to s54(6)(a) of the Act, the Chief Executive Officer must ensure the preparation and maintenance of agendas, minutes and reports of the Committee.
- 10.2 The order of business of a meeting of the Committee will be determined by the Chief Executive Officer. In determining the agenda, the Chief Executive Officer:
  - a) must include any items requested by the Chair of the Committee
  - b) may include any matter which he or she thinks should be considered at the meeting.
- 10.3 The minutes of the previous meeting will be confirmed at each meeting and signed by the Chair.
- 10.4 The Committee shall meet at least quarterly.
- 10.5 Additional meetings may be convened at the discretion of the Chairperson, or at the written request of two (2) members.
- 10.6 The Committee shall meet at least once per year with the external and internal auditors, without management being present.
- 10.7 In accordance with sections 53(5) and 123 of the Act, a Committee member must not intentionally misuse their position to gain advantage or cause detriment to others.
- 10.8 In accordance with sections 53(5) and 125 of the Act, a Committee member must not intentionally or recklessly disclose information that the member knows, or should reasonably know, is confidential.
- 10.9 In accordance with section 53(5) of the Act, all conflicts of interest must be declared and managed in accordance with Division 2 of Part 6 to the Act.
- 10.10 Failure to comply with the requirements of this Charter or the Act may result in the member's appointment being terminated by Council.

## **11. QUORUM**

- 11.1 A quorum is formed when a simple majority of members of the Committee is present at a meeting.



## **12. SECRETARY**

- 12.1 The Chief Executive Officer shall appoint an officer of the Council to act as Secretary to the Committee.
- 12.2 The Secretary shall prepare the agenda and minutes for each meeting of the Committee and shall distribute or arrange to be distributed copies of the agenda, minutes and reports of the Committee to members of the Committee and to the Council.

## **13. REPORTING**

- 13.1 Through the Chief Executive Officer, the Committee shall submit the following reports to Council:
- a) a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations, not later than 31 March and 30 September each year (s54(5)); and
  - b) any other report the Committee deems necessary.

## **14. PERFORMANCE EVALUATION**

- 14.1 The Committee shall undertake a process to evaluate its performance annually and report the outcomes of the evaluation process to Council through the Chief Executive Officer, including recommendations for any opportunities for improvement, not later than 30 September. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

## **15. CHARTER REVIEW**

- 15.1 The Council shall review the Committee's Charter at least once in a term of Council.
- 15.2 The Council may carry out a special review of the Committee's Charter at the request of the Committee or Council.
- 15.3 The Council shall consult with the Committee prior to the making of amendments or alterations to the Committee's Charter.
- 15.4 The Committee may submit requests to Council through the Chief Executive Officer for revision and improvements for approval.

## **16. COMMITTEE MEMBER REGULATORY OBLIGATIONS**

- 16.1 Committee members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to misuse of position as a member of the Committee (Section 123), confidential information (Section 125) and conflict of interest (Sections 126 to 131). Details about these obligations are included in Appendix A to this Charter.



**This Audit and Risk Committee Charter** is made by resolution of Council dated 21 July 2020.

**SIGNED** by *the Mayor* of the                    )  
*Mansfield Shire Council*                            )  
in the presence of:                                    ) .....

.....  
(Witness)

Dated:

**Appendix A****Committee Member Regulatory Obligations****Guidance to Members**

<b>LGA Section</b>	<b>LGA Requirement</b>
<b>Misuse of Position</b>	
123(1)	A Committee member must not intentionally misuse their position to: <ul style="list-style-type: none"> <li>a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or</li> <li>b) Cause, or attempt to cause, detriment to the Council or another person</li> </ul>
123(3)	Circumstances involving misuse of a position by a member of the Committee include: <ul style="list-style-type: none"> <li>a) Making improper use of information acquired as a result of being a member of the Committee; or</li> <li>b) Disclosing information that is confidential information; or</li> <li>c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or</li> <li>d) Exercising or performing, or purporting to exercise or perform, a power, duty or function that the person is not authorised to exercise or perform; or</li> <li>e) Using public funds or resources in a manner that is improper or unauthorised; or</li> <li>f) Participating in a decision on a matter in which the member has a conflict of interest.</li> </ul>
<b>Confidential Information</b>	
125	A member of the Committee must not intentionally or recklessly disclose information that the member knows, or should reasonably know, is confidential information. There are some exemptions to this requirement, the key one being that if the information disclosed by the member has been determined by Council to be publicly available.
<b>Conflicts of Interest</b>	
126	A member of the Committee has a conflict of interest if the member has: <ul style="list-style-type: none"> <li>a) A general conflict of interest as described in Section 127; or</li> <li>b) A material conflict of interest as described in Section 128.</li> </ul>
127	A member of the Committee has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the members private interests could result in that member acting in a manner that is contrary to their public duty as a member of the Committee.
128	A member of the Committee has a material conflict of interest in a matter if an affected person would gain a benefit or suffer a loss depending on the outcome of the matter.
<p style="text-align: center;"><b>Please Note</b></p> <p><i>The above guidance is not verbatim from the Act and does not include all details as explained in Part 6, Division 1 of the Act. For a full understanding of the requirements of the Act in relation to the matters summarised above, members are expected to make themselves fully aware of the requirements of the Act.</i></p>	