



# **Indigo Shire Council**

## **Audit Committee Charter**

**Adopted at the Council Meeting  
25 August 2020**

VERSION NUMBER:	V 7 June 2020
TRIM FILE NUMBER:	INTERNAL2020/07466
APPROVAL DATE:	25 August 2020
APPROVED BY:	Council
DEPARTMENT:	Finance and Risk
RESPONSIBLE OFFICER:	Phil Garoni
NEXT REVIEW DATE:	August 2021
RELATED RECORDS:	This document replaces INTERNAL19/02801.

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## 1. Preface

Section 53 (1) of the Local Government Act 2020 (the Act) states that “a Council must establish an Audit and Risk Committee”. Section 54 (1) of the Act states “a Council must prepare and approve and Audit and Risk Committee Charter.”

This Charter has been developed in response to the requirements of the Act and with the guidance “Audit Committees - A Guide to Good Practice for Local Government” issued by Local Government Victoria in January 2011. This Charter also used the Model Audit Charter provided by Engage Victoria, the Victorian Government's Online Consultation platform at the Department of the Premier and Cabinet<sup>1</sup>

## 2. Introduction

The Audit and Risk Advisory Committee (Audit Committee) plays an important role in providing oversight of Indigo Shire 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 the governing board, the Council, in overseeing internal and external audit functions.<sup>2</sup>

## 3. Background

The Committee's previous Charter was reviewed and adopted by Council on 24 September 2019. This Charter is necessary under Section 54(7) of Local Government Act 2020 (LGA 2020), which states: *A Council must approve the first Audit and Risk Committee Charter and establish the first Audit and Risk Committee on or before 1 September 2020.*

## 4. Purpose

The purpose of the Audit Committee is to provide a structured, systematic oversight of Council's governance, risk management and internal control practices. The Committee assists the Council and management by providing advice and guidance on the adequacy of initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit activity, external auditors and other providers of assurance
- Financial statements, performance and public accountability reporting.

The Committee reviews each of the items noted above. It provides the Council with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

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<sup>1</sup> <https://engage.vic.gov.au/local-government-act-2020/risk-audit-committee>

<sup>2</sup> Section 54(2) of the Local Government Act 2020

## 5. Mandate

The Audit Committee is required under Section 53 of the Local Government Act 2020 (and previously Section 139 of the Local Government Act 1989). The Act states that the Audit and Risk Committee is not a delegated committee.<sup>3</sup>

## 6. Authority

The Audit Committee Charter sets out the authority of the Audit Committee to carry out the responsibilities established for it by the Council as articulated within the Committee Charter.

In discharging its responsibilities, the Audit Committee will be supported by the Executive Manager Organisational Development, who can facilitate the provision of relevant information, records data and reports it considers necessary to discharge its duties. Some information may not be available to the Committee for legal or confidentiality reasons.

The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Executive Manager Organisational Development will facilitate Committee requests.

The Committee may request engagement of counsel or other advisors it deems necessary to carry out its duties.

The Audit Committee is empowered to:

- Appoint and oversee all audit and non-audit services performed by the internal audit contractor. The Auditor-General Victoria undertakes the annual financial audit through his/her appointed contractor and as such, the Audit Committee cannot appoint the external auditor.
- Resolve any disagreements between management and the internal auditor or external auditor regarding financial reporting and other matters.
- Preapprove all internal auditing services performed by the internal audit contractor.

The Audit Committee, through the Independent Committee Members, will assist the Executive Manager Organisational Development in the:

- Assessment of tenders for the internal audit contract; and
- The recruitment process for new Independent Committee members.

The Committee will receive recommendation reports which after formal acceptance, will be provided to the Council. Only the Council can formally appoint Independent Committee Members and internal audit contractors, which will be subject to a resolution at a Council Meeting.

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<sup>3</sup> Section 53(2) of the Local Government Act 2020

## 7. Composition of the Committee<sup>4</sup>

The Committee will be comprised of up to six members as follows:

- Two Councillors;
- At least three independent members.

The Committee Members should collectively possess sufficient knowledge of audit, specific industry knowledge, IT, law, governance, and control. The Act has specific requirements about the Audit Committee collectively having expertise in financial management and risk<sup>5</sup>, experience in public sector management<sup>6</sup>, and precluding any person who is a member of Council staff of the Council<sup>7</sup> from being a Committee Member.

Because the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the Audit Committee in response to emerging needs.

## 8. Chair of the Committee

The Chair of the Audit Committee must not be a Councillor of the Council.<sup>8</sup> The whole Committee will recommend the appointment of the Chair to the Council. Only the Council can formally appoint the Chair, which will be subject to a resolution at a Council Meeting.

The Committee may choose to recommend the appointment of a Deputy Chair. Only the Council can formally appoint the Deputy Chair, which will be subject to a resolution at a Council Meeting.

## 9. Terms of Office

### Councillors

Councillor Committee Members shall be appointed annually by the Council (Current Members see Attachment A).

### Independent Committee Members

Independent Committee Members shall be appointed for an initial term of up to three years. They have a right of reappointment after the first term, with a second term to be by application. The maximum duration of an independent Committee Member is three terms or nine years.

The terms of each Independent Committee Member will be arranged so that there is an orderly rotation of membership and avoidance of more than two members returning at the same time. The terms of appointment shall be aligned with the beginning of Council's financial year.

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<sup>4</sup> Section 53(3) of the Local Government Act 2020: An Audit and Risk Committee must— (a) include members who are Councillors of the Council; and (b) consist of a majority of members who are not Councillors of the Council

<sup>5</sup> Section 53(3)(b)(i) of the Local Government Act 2020

<sup>6</sup> Section 53(3)(b)(ii) of the Local Government Act 2020

<sup>7</sup> Section 53(3)(c) of the Local Government Act 2020

<sup>8</sup> Section 53(4) of the Local Government Act 2020: A chairperson of an Audit and Risk Committee must not be a Councillor of the Council.

## 10. Quorum

A quorum of any meeting will be at least two independent members and at least one Councillor.

## 11. Operational Principles

### **Audit Committee Values**

The Audit Committee will conduct itself in accordance with the code of values and ethics of the Council and compliance with the Local Government Act 2020. The Audit Committee expects that management and staff will adhere to these requirements.

### **Communications**

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

### **Work Plan<sup>9</sup>**

The Audit Committee will collaborate with the Executive Manager Organisational Development to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

### **Meeting Agenda**

The Executive Manager Organisational Development will establish agendas for Audit Committee Meetings in consultation with the Chair.

The Executive Manager Organisational Development shall circulate the agenda and supporting documentation to members of the Committee one week before the scheduled meeting.

### **Information Requirements**

The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. The agenda of each meeting will contain the required information and will be provided to the Audit Committee one week prior to each meeting. Information that is sought at a Committee Meeting will be provided at the next meeting.

### **Preparation and Attendance**

Audit Committee members are obligated to prepare for and participate in meetings. Participation can be in person, via teleconference or video conference.

## 12. Conflict of Interest, Misuse of Position and Confidential Information

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.<sup>10</sup>

All Committee Members are expected to be aware of these provisions of the Local

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<sup>9</sup> Section 54(3) of the Local Government Act 2020

<sup>10</sup> Sections 53(5) of the Local Government Act 2020

Government Act 2020. Failure to comply with the requirements of the Act may result in the Committee Member's appointment being terminated.

### **Conflict of Interest**

Audit Committee Members must disclose any conflicts of interest to the Chair of the Audit Committee. Where the conflict is related to the Chair of the Audit Committee, it must be disclosed to the Mayor.

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:
  - a) Type of interest and class; and
  - b) The nature of the interest.
2. Notify the Chair that they are leaving the meeting
3. Leave the room and vicinity while the matter is being considered and await the Chair's direction to return.
4. Notify the Chair before the meeting if they are not going to be present at the meeting.

If details are private in nature, then the nature of the interest can be declared to the Chair in writing before the meeting, and the disclosure will simply be the type of interest and class. Disclosure of a conflict of interest must be recorded in the meeting minutes.

Independent Committee Members of the Audit and Risk Advisory Committee will be required to sign an Initial Persons Interest Form upon commencement of their term, and a Biannual Personal Interests Return as required under the Local Government Act 2020.

### **Misuse of Position**

Audit 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**

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

Independent Committee Members of the Audit and Risk Advisory Committee will be required to sign a Confidentiality Agreement upon commencement of their term.

### **Orientation and Training**

Audit Committee Members will receive introductory material and information on the purpose and mandate of the Audit Committee and the organisation's objectives.

## **13. Operational Procedures**

### **Meetings**

Meetings shall be held not less than four times per annum, and timing will be set to ensure that the Committee can adequately discharge its responsibilities under this Charter. Members of the Audit Committee are expected to attend every meeting of the Committee.

Special meetings may be convened as required. The Executive Manager Organisational Development will convene a meeting at the request of the Chairperson, a Committee

Member, or the external and internal auditors.

Where a matter is required to be dealt with by the Audit and Risk Advisory Committee between meetings, it will be undertaken by circulating resolution. The report outlining the issue, and a request to vote on the item will be sent via email.

### **Minutes**

*Minutes are confidential.* Minutes of the meeting will be prepared and provided in draft form within two weeks after the meeting. The minutes will be provided in a report summarising the meeting content to Council after each Committee Meeting.

### **Required Attendance**

The Chief Executive Officer and Executive Manager Organisational Development are required to attend every meeting. Officers who have authored reports will be required to attend to speak to their reports, but are not required to attend the whole meeting. Attendance can be in person, via teleconference or video conference.

### **Secretariat Services**

Secretarial and administrative support will be provided to the Audit Committee by a member of the Organisational Development Team.

### **Remuneration of Committee Members**

Councillors Committee Members are not remunerated for their role on the Audit Committee. Remuneration will be paid to each Independent Committee Member<sup>11</sup>. The Council sets the remuneration by resolution at a formal Council Meeting.

## **14. Responsibilities**

It is the responsibility of the Audit Committee to provide Council with independent, objective advice on the adequacy of management's arrangements for the following aspects of the control of the organisation:

### **Values and Ethics**

To obtain reasonable assurance concerning the organisation's values and ethics practices, the Audit Committee will:

- Review and assess the policies, procedures, and practices established to monitor conformance with the code of conduct and ethical policies by all managers and staff.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all managers and staff.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

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<sup>11</sup> Section 53(6) of the Local Government Act 2020: A Council may pay a fee to a member of an Audit and Risk Committee who is not a Councillor of the Council.

### **Organisational Governance**

To obtain reasonable assurance concerning the governance process, the Audit Committee will:

- Review and provide advice on the governance process established and maintained within the organisation and the procedures in place to ensure that they are operating as intended.
- Monitor compliance of policies and procedures with the overarching governance principles, the Local Government Act 2020, relevant regulations and any Ministerial directions.
- Monitor financial and performance reporting.

### **Risk Management**

To obtain reasonable assurance concerning risk management practices, the Audit 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 senior management and the Council.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.
- Annually review the risk profile.
- Obtain an annual report on the management's implementation and maintenance of an appropriate enterprise-wide risk management process.
- Provide oversight of the adequacy of the combined assurance being provided.

### **Fraud and corruption**

To obtain reasonable assurance concerning procedures for the prevention and detection of fraud, and corruption, the Audit Committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud and corruption.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- 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 ensure that investigations are undertaken if fraud is detected.

### **Control**

To obtain reasonable assurance concerning the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems, the Audit Committee will:

- Consider the effectiveness of the control framework, including risk

management, fraud prevention<sup>12</sup>, And information technology security and control.

- Review and provide advice on the control of the organisation as a whole and individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the Council.

### **Compliance**

The Audit Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow up (including disciplinary action) of any instances of non-compliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.
- Review the process for communicating the code of conduct to staff and for monitoring compliance.
- Obtain regular updates from management regarding compliance matters.

## **15. Charter Review**

This Charter will be reviewed by the Committee on an annual basis, and the Committee will provide a report to the Council recommending that the Council approve the Charter. Only the Council can approve the Charter at a formal Council Meeting.

## **16. Oversight of Internal Audit Activity and Other Assurance Providers**

### **16.1. Internal Audit Activity**

To obtain reasonable assurance concerning the work of the internal audit activity, the Audit Committee will provide oversight related to:

#### **Internal Audit Charter and Resources**

- Review and endorse the Internal Audit Charter annually to ensure that it accurately reflects the Audit Committee’s purpose, authority, and responsibility.
- Provide the Committee Charter to the Council for approval at a Council Meeting.

#### **Internal Audit Strategy and Plan**

- Review and provide input on the internal audit activity’s strategic plan, objectives, performance measures, and outcomes.

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<sup>12</sup> Section 54(2)(c) of the Local Government Act 2020

- Review and approve proposed risk-based internal audits and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

#### **Internal Audit Engagement and Follow Up**

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the Chief Executive Officer whether any internal audit engagements or non-audit engagements have been completed but not reported to the Audit Committee; if so, enquire whether any matters of significance arose from such work.
- Enquire of the Chief Executive Officer whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

## **17. External Auditors**

To obtain reasonable assurance concerning work of the external assurance providers, the audit committee will meet with the external assurance providers 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.

The Audit Committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- Have closed meetings with external auditors and internal auditors to discuss sensitive matters.
- Monitor management's progress on action plans.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the Audit Committee will regularly review reports on the progress of implementing approved management actions plans and audit recommendations resulting from completed audit engagements, internal and external.

## **18. Financial Statements and Public Accountability Reporting**

The Audit Committee is responsible for oversight of the independent audit of the financial statements and performance statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The Audit Committee will:

- Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- Review significant accounting and reporting issues, concluding complex or unusual transactions and highly judgements areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the annual financial statements and performance statement, and consider whether they are complete, consistent with information known to Committee Members, and reflect appropriate accounting standards.
- Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Review interim financial reports with management and consider whether they are complete and consistent with the information known to Committee Members.

## **19. Other Responsibilities**

In addition, the Audit Committee will:

- Perform other activities related to this Charter as requested by the Council.
- Institute and oversee special investigations as needed.
- On an annual basis assess its performance against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council Meeting<sup>13</sup>.

## **20. Reporting on Audit Committee Performance**

The Audit Committee will 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<sup>14</sup>.

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<sup>13</sup> Section 54(4)(a) and (b) of the Local Government Act 2020

<sup>14</sup> Section 54(5)(a) and (b) of the Local Government Act 2020

The report should include:

- A summary of the work the Audit Committee performed to discharge its responsibilities fully.
- A summary of management’s progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management’s risks, controls, and compliance processes, including details of any significant emerging risks or legislative changes impacting the organisation.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide the information required, if any, by new or emerging corporate governance developments.

The Committee may report to the Council at any time regarding any other relevant matter it deems of sufficient importance.

## 21. Approval

Charter approved by Council	[date to be inserted]
Signed by the Chief Executive Officer	[date to be inserted]

## Attachment A – Committee Member Appointments

### Indigo Shire Councillors

At the annual Statutory Meeting of Council held on Tuesday 12 November 2019, Indigo Shire Council appointed Council Representatives to the Committees of Council. At that meeting the Audit Committee Councillor Representatives appointed were:

- Cr Bernard Gaffney
- Cr Sophie Price

### Independent Members

The current terms of Independent Committee Members are as follows:

Member	Initial appointment	End of the current term	Number of Terms	Proposed new term
Rob Anderson	February 2015	September 2020	2	<i>Not seeking re-appointment</i>
Kate Thomson	February 2015	September 2020	2	<i>Not seeking re-appointment</i>
Kay Thawley	September 2012	March 2022	3	<i>Not Eligible</i>
Aaron Coutts	September 2019	September 2022	1	<i>Right of Reappointment</i>
<i>New Member</i>	<i>September 2020</i>	<i>30 June 2023</i>		
<i>New Member</i>	<i>September 2020</i>	<i>30 June 2023</i>		