



Audit and Risk Committee Charter

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Purpose

The Audit and Risk Committee Charter establishes the guiding principles for how the Audit and Risk Committee will operate, its structure, objectives and reporting protocols.

The Audit and Risk Committee assists East Gippsland Shire Council to discharge its oversight and corporate governance responsibilities.

Scope

This policy applies to all Audit and Risk Committee members, Councillors, the Internal and External auditors and relevant Council officers as defined in Roles and Responsibilities.

Policy Context

Section 139 of the *Local Government Act 1989* (the Act) requires Local Government Councils to establish an Audit Committee as an advisory committee¹. To better reflect the scope and nature of its purpose, East Gippsland Shire Council's Audit Committee is named the Audit and Risk Committee.

Policy Statement

1.1 Formation

- East Gippsland Shire Council will include in its organisational structure an Audit and Risk Committee that will operate as far as practicable in accordance with the Local Government Victoria publication, *Audit Committees – A Guide to Good Practice for Local Government January 2011*. The Committee will be a Council Advisory Committee for the purposes of the *Local Government Act 1989*.
- The Audit and Risk 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 responsibility.
- The Audit and Risk Committee does not have any management functions and is therefore independent of management.

1.2 Objectives

The Audit and Risk Committee's primary role is to provide independent assurance and advice to Council in the following areas:

- Issues relevant to the integrity of Council's financial reporting;
- Financial and non-financial performance reporting;
- Risk management, including fraud and corruption prevention, business continuity planning and disaster recovery;
- Internal and external audit;

¹ Division 8, section 52 of the Local Government Bill 2018 Exposure Draft (Exposure Draft) requires that a Council must establish an audit and risk committee.

- Internal control framework including policies and procedures as they apply to:
 - financial reporting;
 - management policies, for example entertainment expenses, use of corporate credit cards, etc; and
 - administrative policies, for example information management, data integrity and privacy, project management, risk management, etc;
- compliance with the *Local Government Act* 1989, the regulations and any Ministerial directions; the overarching governance principles and any other relevant legislation and regulations.

It will do this through the provision of independent advice and recommendations on matters relevant to its Charter, to facilitate decision-making by Council in the discharge of its responsibilities.

1.3 Membership

- (a) The Committee will comprise seven members: four independent members - one of whom will be Chair²; the Mayor of the day; and two other councillors appointed by Council. The Committee must not include any person who is a member of East Gippsland Shire Council's staff.³
- (b) Independent external members will be sought by way of public advertisement. Appointment of external independent members will be by Council resolution following receipt of a recommendation from a panel comprising the Audit and Risk Committee Chair, the Mayor and the Chief Executive Officer. The Panel will evaluate candidates on the basis of their experience and likely ability to apply appropriate analytical and strategic management skills, as well as the 'fit' of their skills within the overall skillset of the Committee.
- (c) Terms for independent members will be a maximum of three years; however, members may re-apply at the end of their term and may be re-appointed for further terms up to a maximum of three, three-year terms (i.e. no more than nine years in total).
- (d) Terms of appointment will be arranged to ensure an orderly rotation and continuity of membership and will be made despite changes to Council's elected representatives.
- (e) Collectively, external independent members must have:
 - (i) expertise in financial management and risk; and
 - (ii) experience in public sector management⁴.

Individually, independent external members will have senior business or financial management knowledge and experience, be conversant with financial and other reporting requirements and possess high levels of personal integrity and ethics.

- (f) Members of the Committee will be covered by Council's insurance when engaged on or attending to Audit and Risk Committee duties.

² "The chairperson of an Audit and Risk Committee must not be a Councillor of the Council" Division 8, 52(4).

³ Exposure Draft, Division 8, section 52(3)(c)

⁴ Exposure Draft, Division 8, section 52(3)(b)(i)-(ii)

- (g) The four external independent members of the Audit and Risk Committee will be remunerated for the performance of their duties in accordance with the rate determined by Council from time to time, indexed annually.
- (h) Provisions relating to Misuse of Position (section 76D)⁵, Confidential Information (section 77) and Conflict of Interest (sections 77A-81) apply to external independent members as if they were a member of a delegated committee.⁶
- (i) Council may resolve to remove a member of the Committee if he/she fails to attend three (3) consecutive meetings without leave of the Committee, or on the recommendation of the Committee.

1.4 Chair

- (a) The Chair is appointed annually at the Committee's February meeting. At that meeting the Chief Executive Officer will open the meeting, assume the Chair and ask for nominations from among the four independent members. If there is only one nomination, that member will be declared elected. If there is more than one nomination the Chief Executive Officer will ask for a show of hands, with a simple majority of members present determining the result. The member newly elected as Chair will assume the Chair immediately.
- (b) An independent member may be appointed to serve as Chair:
 - for no more than four, 12-month terms; and/or
 - for no more than two consecutive 12-month terms in a three-year period.
- (c) In the absence of the Chair, the Committee will elect another independent member in attendance as Acting Chair.

1.5 Charter and Duties

The Committee is required to adopt an annual work program⁷. The work program will include activities that will assist the Committee to achieve its objectives and as a minimum, fulfil the responsibilities documented in this clause.

- (a) Review Council's draft financial report and performance statement on an annual basis and:
 - in consultation with the external auditor, consider whether they are complete and consistent with information known to Committee members, and reflect appropriate accounting principles; and
 - if appropriate, recommend approval 'in principle' to Council.
- (b) Review the external auditor's Final Management Letter (annual audit report) with the external auditor and management and if appropriate, frame recommendations for Council's consideration.
- (c) Review annually, the framework in place to ensure Council's risk exposure is managed appropriately. As a minimum, this will include:
 - a review of Council's risk management policies and procedures; and

⁵ Exposure Draft sections 162, 164 and Part 7, Division 2, respectively.

⁶ Exposure Draft, Division 8, section 52(5)

⁷ Exposure Draft section 53(3) – a committee "must adopt an annual work program".

- review of Council's Risk Registers in accordance with the reporting regimen documented in the Risk Management Policy, and consideration of the adequacy of actions taken to mitigate Council's risk.
- (d) Review Council's reporting against the Local Government Performance Reporting Framework. The Audit and Risk Committee is responsible to:
- receive and consider performance reports;
 - annually review draft service performance indicators and other performance information disclosures and consider the results in the context of the reports received throughout the year, challenging any unusual or unexpected results;
 - review the internal control framework and level of assurance received around the accuracy and completeness of the information reported; and
 - provide a recommendation to Council.⁸
- (e) In respect of Council policies and procedures:
- Review annually, the systems and processes in place to ensure Council policies and procedures comply with the *Local Government Act* 1989, any regulations and Ministerial directions⁹ (e.g. in respect of risk, finance, business continuity, delegation, equal employment opportunity, workplace health and safety, privacy, etc.); and
 - Receive reports from the Chief Executive Officer and other Council officers relevant to Council's compliance with relevant legislation, policies and procedures and if appropriate, make recommendations for Council's consideration.
- (f) In consultation with the internal auditor and management:
- through a process of mapping against Council's Risk Registers, prepare a draft three to five-year Internal Audit Plan for consideration by Council;
 - annually review the delivery of the Internal Audit Plan and if required, make a recommendation to Council on any amendments; and
 - review internal audit reports and monitor progress on actions required to achieve rectification of any identified issues.
- (g) Review written reports on significant insurance and legal claims that may impact on Council's financial performance or otherwise expose Council to a high or extreme degree of risk, and mitigation action being taken in response. Reports will be provided in respect of new claims, and subsequently if developments occur in respect of reported risks that are considered likely to increase Council's exposure significantly.
- (h) Where such matters fall within the Committee's Charter:
- Receive reports on specific projects and investigations deemed necessary by the Chief Executive Officer and/or Council, including suspected or actual cases of fraud or any corrupt activity by Council officers or others having business

⁸ Included as per Audit Committee Minutes Dec 17: "The Roles and Responsibilities of the East Gippsland Shire Council Audit Committee referenced at p4-5 of the draft Local Government Performance Reporting Framework Policy and derived from p 11 of the extract (provided as Attachment 3) of the Local Government Better Practice Guide 2016-17 Performance Statement be incorporated in the next iteration of the Audit Committee Terms of Reference."

⁹ Exposure Draft section 53(2)(a) - a committee must monitor compliance of Council policies and procedures

with Council, and if deemed appropriate make recommendations for Council's consideration; and

- Address issues referred for the attention of the Committee, including requests from Council for advice.
- (i) Conduct annually, an evaluation of the performance of the Audit and Risk Committee against the Audit and Risk Committee Charter¹⁰ and provide a confidential copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.¹¹
- (j) Review management's responses to any findings identified in the investigation reports of regulatory agencies (e.g. Independent Broad-Based Anti-Corruption Commission (IBAC), Local Government Inspectorate, Victorian Auditor-General's Office, Victorian Ombudsman's Office) and monitor any management actions arising from those reports.
- (k) Annually review reports prepared by Council officers on the operation of Council's Corporate and Public Space Closed Circuit Television and Drone Programs to assess user compliance with legislation, policy and procedure.
- (l) Review biannually, a management report detailing the expenses of Councillors and members of delegated committees¹² and if appropriate, make recommendations for Council's consideration.
- (m) Review and assess the adequacy of the Audit and Risk Committee Charter and if appropriate, present recommendations to Council for amendment. As a minimum, this review to occur once every four years, within 12-months after a general municipal election or otherwise is required.

1.6 Meetings

- (a) The Committee will hold an ordinary meeting once each quarter.
- (b) A joint meeting with East Gippsland Shire Councillors will be held in September each year to discuss Council's audited draft financial report and performance statement; the Committee's performance evaluation for the previous financial year and any other matters identified by the Mayor and/or Committee Chair.
- (c) Additional meetings may be convened at the discretion of the Chief Executive Officer or at the written request of any member of the Committee, the external auditor, or the internal auditor.
- (d) A quorum will exist if four or more Committee members are present and the number of external independent members present is equal to or greater than the number of internal members present.
- (d) The Committee will make every effort to arrive at its decisions by consensus. If consensus is not possible, matters will be resolved by a majority of votes cast by members in attendance. The Chair will have the casting vote if the votes are equal.

¹⁰ Exposure Draft 53(4)(a)

¹¹ Exposure Draft 53(4)(b)

¹² Exposure Draft section 39(2)

- (f) In accordance with section 79 of the Act (Disclosure of Conflict of Interest)¹³, Committee members must make a full disclosure of all conflicts of interest prior to discussion of the matter for which the conflict of interest has arisen. Further, having declared such a conflict, the Committee member must leave the room and remain outside the room or other area in view or hearing of the room until the matter has been concluded. Further guidance is available through the Victorian government's publication, *Conflict of Interest – A Guide for Members of Council Committees*, October 2012.
- (g) Councillors who are not members of the Committee may attend meetings of the Committee as observers. Through the Chair, non-member Councillors may ask questions in relation to matters listed on the agenda but may not participate in discussion.
- (h) Except when the Committee chooses to meet in camera, the external auditor, internal auditor, General Manager Business Excellence and Chief Executive Officer will, when practicable and appropriate, attend all meetings of the Committee. Other members of Council staff may be invited to attend at the discretion of the Committee to provide advice and information when required.
- (i) Due to the nature of the work of the Committee and the potential sensitivity of the material, in accordance with the provisions of section 89(2)(h) of the *Local Government Act* 1989, meetings will not be open to the public.

1.7 Internal Control and Internal Audit

Where appropriate, the Audit and Risk Committee and Council will actively support the work of the contract internal auditor. Line managers are responsible for managing the internal control processes in their respective departments, as recommended by the internal auditor, and will report to the Chief Executive Officer about compliance with internal control measures.

1.8 General and Legal Advice

Through the Chief Executive Officer, the Committee may obtain information and advice on any Council matter that falls within the Committee's Charter, or is otherwise consistent with the intent and purpose of the Victorian Government's publication, *Audit Committees - A Guide to Good Practice for Local Government*.

¹³ Exposure Draft - Part 7, Division 2

Roles and Responsibilities

Roles and responsibilities with respect to Committee function, as well as the implementation, communication and compliance monitoring of this Charter, are as follows:

Party / Parties:	Roles and responsibilities:
Chief Executive Officer	<p>Overall responsibility for policy implementation and compliance. Ensure compliance with the Policy by all Audit and Risk Committee members.</p> <p>While not a member of the Committee, when practicable and appropriate will attend all meetings of the Committee and provide guidance and advice.</p> <p>Will also:</p> <ul style="list-style-type: none"> • ensure that an appropriate agenda is formulated for scheduled Committee meetings and circulated to members in a timely fashion; • facilitate meetings by arranging for members of management, auditors or others to attend to provide pertinent information, as necessary; • provide secretariat services in respect of matters before the Audit and Risk Committee; • after meetings of the Committee, ensure that a report describing the activities of the Committee and explaining any recommendations or key findings is tabled at the next ordinary Council meeting • table other reports of the Audit and Risk Committee at meetings of the Council when required by the Act and when requested by the chairperson of the Audit and Risk Committee; • ensure that accurate minutes of scheduled Committee meetings are taken, circulated to Committee members, Councillors and others in a timely fashion and once confirmed, stored securely in Council's electronic document record management system; • coordinate the selection process for independent external Committee members and together with the Committee Chair and the Mayor, comprise the interview panel for these positions; and • together with the Audit and Risk Committee Chair, address any matters of concern arising in respect of a Committee member's performance or conduct.
General Manager Business Excellence.	Responsible for review, updating and implementing policy.
Chair	<p>Conduct meetings efficiently to ensure all matters listed for consideration are afforded appropriate time and attention.</p> <p>Exercise a casting vote where:</p> <p>(a) consensus cannot be reached; and</p> <p>(b) a formal vote is required to resolve the matter and</p> <p>(c) voting numbers are equal.</p> <p>Approve the Unconfirmed Minutes of each meeting for circulation to Committee members, Councillors and others.</p> <p>Together with the Audit and Risk Committee Chair and the CEO, participate in the selection process for independent external Committee members.</p>

Party / Parties:	Roles and responsibilities:
	<p>Together with the Chief Executive Officer, address any matters of concern arising in respect of a Committee member's performance or conduct.</p>
Committee Members	<p>Actively participate in and contribute to the work of the Committee as outlined in clause 2.5.</p> <p>Complete a self-assessment survey and contribute actively to the annual evaluation of the performance of the Audit and Risk Committee against the Audit and Risk Committee Charter.</p> <p>Make every effort to attend scheduled meetings of the Committee.</p> <p>In accordance with section 79 of the Act (Disclosure of Conflict of Interest), make a full disclosure of all conflicts of interest prior to discussion of the matter for which the conflict of interest has arisen. Further, having declared such a conflict, leave the room and remain outside the room and any gallery or other area in view or hearing of the room until the matter has been concluded.</p> <p>As prescribed by section 76D of the Act, members must not misuse their position on the Committee 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 any person.</p> <p>Complete the Register of Interest returns required by section 81 of the Act within the stipulated timeframes.</p>
Internal Auditor	<p>Under contract to Council, the internal auditor reports to the Audit and Risk Committee on a quarterly basis on the outcomes of a range of audits of Council's operations including:</p> <ul style="list-style-type: none"> • internal control systems, policies and procedures and their effectiveness; • compliance with Council policies and procedures and any relevant government legislation; • financial systems and processes; • areas of risk exposure and the way in which these are managed; and • special investigations or assignments as requested by the Committee. <p>The focus of audits undertaken will be documented in a three to five-year internal Audit Plan adopted by Council. The plan will be formulated through a consultative process involving (as a minimum) the internal auditor, the Committee and management.</p> <p>The internal auditor will meet with Audit and Risk Committee at least once a year without management being present, to discuss any issues arising from internal audits carried out during the year. Unless determined otherwise by the Committee, this will occur at the meeting at which the Committee reviews the Internal Audit Plan for the coming year (April).</p> <p>The role of the internal auditor is independent of and separate to that of the external auditor.</p>

Party / Parties:	Roles and responsibilities:
External Auditor	<p>As an agent of the Victorian Government Auditor-General, the external auditor forms an opinion on Council's financial report and performance statement and provides a copy of their Final Management Letter (audit report) to Council and the responsible Minister.</p> <p>The external auditor reports to a joint meeting of Council and Audit and Risk Committee annually on the completed draft financial report and performance statements for that year. At this meeting the findings of the external audit are discussed with the external auditor, focusing on issues such as:</p> <ul style="list-style-type: none"> • any major issues that arose during the audit; • any accounting and audit judgements; and • levels of errors identified during the audit. <p>At least annually, an opportunity will be provided for the external auditor to meet with Audit and Risk Committee without management being present, to discuss their remit and any other relevant issues.</p> <p>Audit and Risk Committee may request a meeting with the external auditor at any other time during the year, as/if required.</p> <p>From time to time the external auditor may request and will be provided with copies of final reports prepared by the internal auditor.</p>
Mayor	<p>Together with the Audit and Risk Committee Chair and the CEO, participate in the selection process for independent external Committee members.</p>
Officers in Attendance	<p>General manager and/or manager responsible for corporate governance, manager responsible for finance and manager responsible for risk will attend all meetings of the Committee where practicable and appropriate.</p> <p>Other members of Council's staff will attend Committee meetings from time to time to present a range of recurring and one-off reports and when requested to do so by the Chair, provide advice and information.</p>

References and Supporting Documents

Applicable Legislation:

- Section 79 of the *Local Government Act 1989* (the Act) - Disclosure of Conflict of Interest.
- Sections 76D and 77 of the Act - Misuse of Position and Confidential Information.
- Section 89 (2) of the Act - meetings will not be open to the public.
- Section 139 of the Act - Local Government Councils to establish an Audit Committee.
- *Local Government Amendment (Performance and Reporting Accountability) Act 2014 and Local Government (Planning and Reporting) Regulations 2014* – prescribes financial and non-financial reporting required of Local Government.
- Local Government Bill 2018 – Exposure Draft

Supporting Documents:

Council Plan 2017-2021

- Good governance goal: Council is in a strong financial position and can provide for future generations of East Gippslanders.
- Key Strategic Activity 47: Work smarter to reduce expenditure through improved practices, new technologies and projects that reduce organisation waste.
- Key Strategic Activity 51: Establish ways to capture, distribute and use data better to inform decision-making, service delivery and performance management.
 - *Audit Committees - A Guide to Good Practice for Local Government. January 2011*
 - *Conflict of Interest - A Guide for Members of Council Committees. October 2012*
 - *Public Sector Audit Committees – Better Practice Guide. March 2015 (Australian National Audit Office)*
 - *Audit Committee Governance. August 2016 (Victorian Auditor-General's Office Report)*

Privacy and Human Rights Consideration

All personal information collected by East Gippsland Shire Council relating to the work of the Audit and Risk Committee will be handled in accordance with all applicable privacy legislation and will be used only for investigating audit matters.

The Audit and Risk Committee Charter has been assessed as compliant with the obligations and objectives of the Victorian *Charter of Human Rights and Responsibilities Act 2006*.

Definitions

Term:	Meaning:
Chief Executive Officer	Person appointed by Council to the position of Chief Executive Officer.
Committee Member	Member of East Gippsland Shire Council Audit and Risk Committee
Conflict of Interest	The <i>Local Government Act 1989</i> requires members of Council and many Council committees to disclose conflicts of interest that may impair an individual's ability to serve the Committee in a fair, impartial manner. This mechanism is intended to demonstrate that in performing the role to which they were appointed Committee members are not attempting to serve their own interests or the interests of someone close to them.
Councillor	Person who has been elected to the office of "Councillor" of East Gippsland Shire Council.
Council officer	A current member of East Gippsland Shire Council staff with the authority to engage in activities on behalf of Council.
External Auditor	Audit professional appointed by the Victorian Auditor-General who performs an audit in accordance with specific laws or rules on the financial statements of a company, government entity, other legal entity or organisation, and who is independent of the entity being audited.
Internal Auditor	A company (or its representative) charged with providing independent and objective evaluations of Council's financial and operational business activities, including its corporate governance.

Term:	Meaning:
Mayor	Councillor elected by Councillors to the role of Mayor for a one or two-year period.
Officers in Attendance	Council officers attending Audit and Risk Committee meetings to provide information or respond to queries. Officers do not hold membership of the Committee.
Register of Interest	<p>Section 81 of the <i>Local Government Act</i> 1989 stipulates that people who are Councillors, council officers or members of special/audit committees in Local Government must lodge "interest returns" (forms) in which they disclose information about their personal circumstances, such as property ownership or local club memberships etc. This particularly includes information that may give rise to conflicts of interest in certain circumstances.</p> <p>The reason for having to lodge interest returns is to ensure public transparency. It also serves as a reminder about their obligations to avoid conflicts of interest.</p>
Responsible Officer	An officer of East Gippsland Shire Council who has responsibility for the general area/subject matter to which a record pertains.
Risk Management	The culture, process and structures that are directed towards realising potential opportunities while managing adverse effects. (AS/NZS ISO 31000:2009, 20/11/2009)
Shire	The geographic area of East Gippsland Shire Council.
Staff	All staff engaged by East Gippsland Shire Council, including all full-time, part-time and casual employees, labour hire agency staff.

Revision History and Review

Version Control	Approved Amended Rescinded	Date Effective	Approved By	ECM Document Reference	Summary of Changes
1	Approved	12/11/2003	Council		
2	Approved	02/11/2007	Management		
3	Approved	03/2011	Audit Committee, Council		
4	Approved	07/2011	Audit Committee, Council		
5	Approved	07/2013	Audit Committee, Council	5523080	
6	Approved	05/05/2015	Council (endorsed by Audit Committee 28/04/15)	6288081	

Version Control	Approved Amended Rescinded	Date Effective	Approved By	ECM Document Reference	Summary of Changes
7	Approved	10/05/2016	Council (endorsed by Audit Committee 26/04/16)	6752661	
8	Approved	05/06/2018	Council Audit and Risk Committee	7648150	
9	Draft	Tbd	Council	Tbd	Converted to new template. Inclusion of provisions for election of Chair, maximum terms for Chair and independent members; recognition of specific obligations proposed by Local Government Bill 2018 Exposure Draft; administrative updates for clarity and readability.

APPENDIX 2

DRAFT AUDIT AND RISK COMMITTEE WORK PROGRAM 2019/20

Report Item	Ambit Meeting Date
Quarterly reports	
Review Finance Report	All ordinary meetings
Review Capital Works Report	All ordinary meetings
Review Performance Report (to include periodic updates on performance (against Local Government Performance Reporting Framework - KPIs and service outcomes); and development of performance targets for LGPRF indicators and KPIs to measure success).	All ordinary meetings
Review Internal Audit Plan delivery status updates	All ordinary meetings
Review Internal Audit Risk Review Reports – actions not completed within designated timeframe	All ordinary meetings
Audit and Risk Committee Actions requested but not completed within designated timeframe	All ordinary meetings
Provide the Chief Executive Officer with a report on the activities of the Committee, including its findings and recommendations, for tabling at the next Council meeting.	Following all ordinary meetings
Annual reports	
Review Audit and Risk Committee Actions requested completed during the calendar year	February 2019
Review External Auditor's Interim Management Letter for 2018/19 financial year	July 2019
Review Internal Audit report on Project Management	July 2019
Review Internal Audit report on Waste Management Statutory and Regulatory Compliance	July 2019
Review final progress report – actions arising from Raymond Island Ferry Outage Internal Audit 2017	July 2019
Review Risk Management Report (Incorporating OHS)	July 2019
Finalise Audit and Risk Committee performance evaluation for 2018/19 (final report for consideration by Council)	September 2019

Report Item	Ambit Meeting Date
Review draft audited Financial Statements and Performance Statement against the Local Government Performance Reporting Framework for the 2018/19 financial year (undertaken at a joint meeting with Councillors at which the external auditor presents).	September 2019 (joint meeting with Councillors)
Meet with external auditor privately (i.e. with no Council officers present).	
Discuss final report on Audit and Risk Committee performance evaluation for 2018/19 with Councillors	
Review operation of Council's Public Space and Corporate Closed-Circuit Television (CCTV) programs for 2018/19	October 2019
Review conduct of Council's Drone program for 2018/19	October 2019
Review Councillor Expenses for 2018/19	October 2019 <i>(Recommend July meeting going forward)</i>
Review External Auditor's Final Management Letter for 2018/19	October 2019
Review Internal Audit Report on Council Property Management	October 2019
Review Audit and Risk Committee Charter, draft Annual Work Program 2019/20 and proposed meeting day and time going forward	October 2019 <i>(deferred from April 2019)</i>
Receive presentation by External Auditor on Audit Strategy for 2019/20 financial year	February 2020
Review results of Victorian Auditor-General's Office report – Results of 2018/19 Local Government Audits	February 2020
Review Councillor Expenses for 2019/20 (six months to 31 December 2020)	February 2020
Confirm process to be undertaken - Audit and Risk Committee's performance review 2019/20	February 2020
Review Council Policy and Procedures Register and Management Framework	February 2020
Review Council's Risk Management framework (policies, procedures and program)	April 2020
Review Operating and Strategic Risk Registers – full report	April 2020
Adopt annual Audit and Risk Committee work program for 2020/21	April 2020
Review Internal Audit report on Fraud Management	April 2020

Report Item	Ambit Meeting Date
Review Internal Audit Plan for 2020/21	April 2020
By Exception reports	
* Review Debtors Report	As required by exception criteria
Reports as required	
Review written reports on significant insurance and legal claims that may impact on Council's financial performance or otherwise expose Council to a high degree of risk, and mitigation action being taken in response.	As required
Review new / revised Council Policies and Procedures	When referred to the Committee by management or Council
Address any matter referred to the Committee by Council and/or the Chief Executive Officer, including: <ul style="list-style-type: none"> • reviewing reports on specific projects, investigations or other matters; • reviewing reports from the Chief Executive Officer and other Council officers relevant to Council's compliance with relevant legislation, policies and procedures; and • responding to requests from Council for an opinion or advice. 	As required
Review management's responses to applicable investigation reports of regulatory agencies (e.g. Independent Broad-Based Anti-Corruption Commission (IBAC), Local Government Inspectorate, Victorian Auditor-General's Office, Victorian Ombudsman's Office) and monitor any management actions arising from those reports.	Following publication of applicable reports

EXPLANATORY NOTES:

- The following proposal has been derived using the Audit and Risk Committee's regular reporting regimen (approved by the Committee in October 2018) as its base.
- Some tasks previously undertaken by the Committee are not included in the draft Work Program. These are identified in **Attachment 1**, along with officers' reasons for recommending these tasks no longer be a regular part of the Committee's program.
- Officers believe the draft Work Program as presented would enable the Committee to fulfil its obligations under the *Local Government Act 1989* and as foreshadowed by the Local Government Bill 2018 Exposure Draft.
- As always, some matters that will come before the Committee during the year will be triggered by circumstance and so cannot be anticipated by the Work Program.
- Only items identified with * are not explicitly required by legislation, Council resolution or the draft Audit and Risk Committee Charter.



ATTACHMENT 1

AUDIT AND RISK COMMITTEE CHARTER

DOCUMENT CONTROL

Managed by:	CorporateBusiness Excellence
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Responsible position:	Director-CorporateGeneral Manager Business Excellence
Contact number:	03 5153 9500
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Next review date:	April 2019To be inserted
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REVISION HISTORY (Completed by Governance Officer)

Revision Ref. No.	Approved/ Amended/ Rescinded	Date	Council / Management	ECM Document Reference
1	Approved	12/11/2003	Council	
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8	Approved	05/06/2018	Council Audit and Risk Committee	7648150
<u>9</u>	<u>Draft</u>	=	<u>Council</u> <u>(Audit and Risk Committee)</u>	=

1. PURPOSE

~~Section 139 of the *Local Government Act 1989* (the Act) requires Local Government Councils to establish an Audit Committee as an advisory committee. To better reflect the scope and nature of its purpose, the East Gippsland Shire Council Audit Committee is named the Audit and Risk Committee.~~

~~The Audit and Risk Committee Charter establishes the guiding principles on how the Audit and Risk Committee will operate, its structure, objectives and reporting protocols.~~

The Audit and Risk Committee assists East Gippsland Shire Council to discharge its oversight and corporate governance responsibilities.

~~The Audit and Risk Committee Charter establishes the guiding principles on how the Audit and Risk Committee will operate, its structure, objectives and reporting protocols.~~

2. POLICY CONTEXT

~~Section 139 of the *Local Government Act 1989* (the Act) requires Local Government Councils to establish an Audit Committee as an advisory committee¹. To better reflect the scope and nature of its purpose, the East Gippsland Shire Council Audit Committee is named the Audit and Risk Committee.~~

3. POLICY STATEMENT

3.1 Formation

- (a) East Gippsland Shire Council will include in its organisational structure an Audit and Risk Committee that will operate as far as practicable in accordance with the Local Government Victoria publication, *Audit Committees – A Guide to Good Practice for Local Government January 2011*. The Committee will be a Council Advisory Committee for the purposes of the *Local Government Act 1989*.
- (b) The Audit and Risk 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 responsibility.
- (c) The Audit and Risk Committee does not have any management functions and is therefore independent of management.
- ~~(d) The Committee will report to Council as necessary with a minimum reporting requirement of four quarterly reports each calendar year.~~

Commented [MB1]: Now included in the Charter, to reflect the legislative requirement to report proposed in the Exposure Bill.

3.2 Objectives

The Audit and Risk Committee's primary role is to provide independent assurance and advice to Council in the following areas:

- Issues relevant to the integrity of Council's financial reporting;
- Financial and non-financial performance reporting;
- ~~Corporate governance;~~
- ~~Information and communications technology (ICT) governance;~~
- Risk management, including fraud and corruption prevention, business continuity planning and disaster recovery;

Commented [MB2]: Covered under 'internal control framework'

Commented [MB3]: Covered under 'Risk management'.

¹ ~~Division 8, section 52 of the Local Government Bill 2018 Exposure Draft (Exposure Draft) requires that a Council must establish an audit and risk committee.~~

- Internal and external audit;
- Internal control framework including policies and procedures as they apply to:
 - financial reporting;
 - management policies, for example entertainment expenses, use of corporate credit cards, etc; and
 - administrative policies, for example records management information management, data integrity and privacy, project management, risk management, etc;
- Compliance with the *Local Government Act 1989*, the regulations and any Ministerial directions; the overarching governance principles and any other relevant legislation and regulations.

Commented [MB4]: Reworded to reflect Exposure Draft wording.

It will do this through the provision of independent advice and recommendations on matters relevant to its Charter, to facilitate decision-making by Council in the discharge of its responsibilities.

32.3 Membership

- (a) The Committee will comprise seven members: four independent members - one of whom will be Chair²; the Mayor of the day; and two other councillors appointed by Council. The Committee must not include any person who is a member of East Gippsland Shire Council's staff.³

(b) Independent external members will be sought by way of public advertisement. Appointment of external independent members will be by Council resolution following receipt of a recommendation from a panel comprising the Audit and Risk Committee Chair, the Mayor and the Chief Executive Officer. The Panel will evaluate candidates on the basis of their experience and likely ability to apply appropriate analytical and strategic management skills, as well as the 'fit' of their skills within the overall skillset of the Committee.

Commented [MB5]: Recommend inclusion of the Mayor on the Panel.

(c) Terms for independent members will be a maximum of three years; however, members may re-apply at the end of their term and may be re-appointed for further terms up to a maximum of three, three-year terms (i.e. no more than nine years in total).

Commented [MB6]: Reflects outcomes requested by Councillor Group 04/12/19

(d) Terms of appointment will be arranged to ensure an orderly rotation and continuity of membership and will be made despite changes to Council's elected representatives.

- (e) Collectively, external independent members must have:
- expertise in financial management and risk; and
 - experience in public sector management⁴.

Individually, independent external members will have senior business or financial management ~~reporting~~ knowledge and experience, be conversant with financial and other reporting requirements and possess high levels of personal integrity and ethics.

² "The chairperson of an Audit and Risk Committee must not be a Councillor of the Council" Division 8, 52(4).

³ Exposure Draft, Division 8, section 52(3)(c)

⁴ Exposure Draft, Division 8, section 52(3)(b)(i)-(ii)

- (ef) Members of the Committee will at all relevant times be covered by Council's insurance when engaged on or attending to Audit and Risk Committee duties.
- (fg) The four external independent members of the Audit and Risk Committee will be remunerated for the performance of their duties in accordance with the rate determined by Council from time to time, indexed annually.
- (gh) Provisions relating to Misuse of Position (section 76D)⁵, Confidential Information (section 77) and Conflict of Interest (sections 77A-81) apply to external independent members as if they were a member of a delegated committee.⁶
- (hi) Council may resolve to remove a member of the Committee if he/she fails to attend three (3) consecutive meetings without leave of the Committee, or on the recommendation of the Committee.

Commented [MB7]: Superfluous. 'All relevant times' is covered by, "when members of the Committee are engaged on or attending to ARC duties".

32.4 Chair

- (a) The Chair is appointed annually at the Committee's February meeting. At that meeting the Chief Executive Officer will open the meeting, assume the Chair and ask for nominations from among the four independent members. If there is only one nomination, that member will be declared elected. If there is more than one nomination the Chief Executive Officer will ask for a show of hands, with a simple majority of members present determining the result. The member newly elected as Chair will then assume the Chair immediately.

Commented [MB8]: Election process has been included as requested by the Committee at its 02/19 meeting.

- (b) An independent member may be appointed to serve as Chair:
- for no more than four, 12-month terms; and/or
 - for no more than two consecutive 12-month terms in a three-year period.

Commented [MB9]: Reflects views of Councillor Group as recorded at a meeting on 04/12/19.

- (c) In the absence of the Chair, the Committee will elect another independent member in attendance as Acting Chair.

Commented [MB10]: Included because the Charter was silent on this point previously.

(a) ~~Chair~~

- ~~Conduct meetings efficiently and in a way that ensures all matters listed for consideration are afforded appropriate time and attention.~~
- ~~Exercise a casting vote where:~~
 - ~~consensus cannot be reached; and~~
 - ~~a formal vote is required to resolve the matter; and~~
 - ~~voting numbers are equal.~~
- ~~Approve the Unconfirmed Minutes of each meeting for circulation to Committee members, councillors and others.~~
- ~~Participate in the selection process for independent external Committee members.~~
- ~~Together with the Chief Executive Officer, address any matters of concern arising in respect of a Committee member's performance or conduct.~~

Commented [MB11]: All duties and responsibilities moved to table at section 3.

(b) ~~Committee Members~~

- ~~Actively participate in and contribute to the work of the Committee as outlined in clause 2.5 below.~~

⁵ Exposure Draft sections 162, 164 and Part 7, Division 2, respectively.

⁶ Exposure Draft, Division 8, section 52(5)

- Complete a self-assessment survey and contribute actively to the annual evaluation of the performance of the Audit and Risk Committee against the Audit and Risk Committee Charter.
- Make every effort to attend scheduled meetings of the Committee.
- In accordance with section 79 of the Act (Disclosure of Conflict of Interest), make a full disclosure of all conflicts of interest prior to discussion of the matter for which the conflict of interest has arisen. Further, having declared such a conflict, leave the room and remain outside the room and any gallery or other area in view or hearing of the room until the matter has been concluded.
- As prescribed by section 76D of the Act, members must not misuse their position on the Committee 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 any person.
- Complete the Register of Interest returns required by section 81 of the Act within the stipulated timeframes.

(c) Internal and External Auditors

Internal:

Under contract to Council, the internal auditor reports to the Audit and Risk Committee on a quarterly basis on the outcomes of a range of audits of Council's operations including:

- Internal control systems, policies and procedures and their effectiveness;
- Compliance with Council policies and procedures and any relevant government legislation;
- Financial systems and processes;
- Areas of risk exposure and the way in which these are managed; and
- Special investigations or assignments as requested by the Committee.

The focus of audits undertaken will be documented in a three to five year Internal Audit Plan formulated through a consultative process involving as a minimum the internal auditor, the Committee and senior Council officers.

The internal auditor will meet with Audit and Risk Committee at least once a year without management being present, to discuss any issues arising from internal audits carried out during the year. Unless determined otherwise by the Committee, this will occur at the meeting convened annually to consider Council's financial report and performance statement.

The role of the internal auditor is independent of and separate to that of the external auditor.

External:

As an agent of the Victorian Government Auditor General, the external auditor forms an opinion on Council's financial report and performance statement and provides a copy of the final Audit Report to Council and the responsible Minister.

The external auditor reports to a joint meeting of Council and Audit and Risk Committee annually on the completed draft financial report and performance statements for that year. At this time, the findings of the external audit are discussed with the external auditor, focusing on issues such as:

- any major issues that arose during the audit;
- any accounting and audit judgements; and
- levels of errors identified during the audit.

At least annually, an opportunity will be provided for the external auditor to meet with Audit and Risk Committee without management being present, to discuss their remit and any other relevant issues.

Audit and Risk Committee may request a meeting with the external auditor at any other time during the year, as/if required.

From time to time the external auditor may request and will be provided with copies of final reports prepared by the internal auditor.

~~(d) Chief Executive Officer~~

~~While not a member of the Committee, when practicable and appropriate the Chief Executive Officer will attend all meetings of the Committee and provide guidance and advice.~~

The Chief Executive Officer will also:

ensure that an appropriate agenda is formulated for scheduled Committee meetings and circulated to members in a timely fashion;

facilitate meetings by arranging for members of management, auditors or others to attend to provide pertinent information, as necessary;

provide secretariat services in respect of matters before the Audit and Risk Committee;

after meetings of the Committee, ensure that a report outlining matters considered by the Committee and explaining any specific recommendations or key outcomes is presented to the next ordinary Council meeting

table reports of the Audit and Risk Committee at meetings of the Council when required by the Act and when requested by the chairperson of the Audit and Risk Committee;⁷

ensure that accurate minutes of scheduled Committee meetings are taken, circulated to Committee members, councillors and others in a timely fashion and once confirmed, stored securely in Council's electronic document record management system;

coordinate the selection process for independent external Committee members and together with the Chair, comprise the interview panel for these positions; and

Together with the Audit and Risk Committee Chair, address any matters of concern arising in respect of a Committee member's performance or conduct.

~~(e) Officers in Attendance~~

~~Director and/or manager responsible for corporate governance, manager responsible for finance and manager responsible for risk will attend all meetings of the Committee where practicable and appropriate.~~

~~Other members of Council's staff will attend Committee meetings from time to time to present a range of recurring and one-off reports and when requested to do so by the Chair, provide advice and information.~~

32.5 Charter and Duties

The Committee is required to adopt an annual work program⁸. [The work program will include activities that will assist the Committee to achieve its objectives and as a minimum, fulfil the responsibilities documented in this clause.](#)

- (a) [Review](#) Council's draft financial report and performance statement on an annual basis [and](#);

⁷ Exposure Bill section 53(6)(b)

⁸ Exposure Draft section 53(3) – a committee "must adopt an annual work program".

- in consultation with the external auditor, consider whether they are complete and consistent with information known to Committee members, and reflect appropriate accounting principles; and
- if appropriate, recommend approval 'in principle' to Council.

in accordance with the requirements of the Local Government Amendment (Performance and Reporting Accountability) Act 2014 and Local Government (Planning and Reporting) Regulations 2014 and having regard to the external auditor's opinion on them, recommend approval "in principle" to Council if appropriate;

- (b) Reviewdiscuss with the external auditor the Annual external auditor's Audit Final Management Letter (annual audit report) with the external auditor and management and if. This process will include an opportunity to make recommendations where appropriate, frame recommendations for Council's consideration, and to receive follow-up briefings on any remedial action deemed necessary;

- (c) subject to appropriate advice from Council's internal and external auditors, overview compliance with statutory requirements for financial reporting;

- (cd) Review annually, the framework in place to ensure Council's risk exposure is managed appropriately. As a minimum, this will include:

- a review of Council's risk management policies and procedures; and
- annually review of Council's Risk Registers in accordance with the reporting regimen documented in the Risk Management Policy, and – and give consideration of as to whether the adequacy of actions taken to mitigate Council's risk, consistent with the reporting regimen of the Committee as documented in the Risk Management Policy, the annual Audit Committee work program needs to be adjusted to include Council officer reports on emerging or priority areas of risk.

- (de) Review Council's reporting against the Local Government Performance Reporting Framework to ensure a system is in place. The Audit and Risk Committee is responsible to:

- receive and consider quarterly performance reports⁹;
- annually review the draft service performance indicators and other performance statement information disclosures and consider the results in the context of the quarterly reports received throughout the year, challenging any unusual or unexpected results;
- enquire review as to about the internal control framework and level of assurance received around the accuracy and completeness of the information reported; and
- discuss the results of the audit of the performance statement with the external auditor;
- provide a recommendation to the Council.¹⁰

Commented [MB12]: Task re-worded for clarity and included elsewhere in this clause.

Commented [MB13]: Amended to include management in the review process. The words 'receive follow-up briefings on any remedial action deemed necessary' have been removed, given this proposed course of action would be included in any recommendation to Council.

Commented [MB14]: Deleted, as covered in clauses (a) and (g)

Commented [MB15]: Re-worded for clarification and simplification. The Charter should not prescribe how the Committee will respond to its review of the Registers.

Commented [MB16]: Superfluous – covered by the third dot-point.

⁹ Inclusion of Audit and Risk committee responsibilities with respect to the performance reporting framework, as per action item arising from the Audit Committee meeting 25 July 2017

¹⁰ Included as per Audit Committee Minutes Dec 17: "The Roles and Responsibilities of the East Gippsland Shire Council Audit Committee referenced at p4-5 of the draft Local Government Performance Reporting Framework Policy and derived from p 11 of the extract (provided as Attachment 3) of the Local Government Better Practice Guide 2016-17 Performance Statement be incorporated in the next iteration of the Audit Committee Terms of Reference."

~~(f) based on the written and verbal reports of relevant Council Officers, conduct an annual review of Council's risk management policies and program and report to Council accordingly;~~

Commented [MB17]: Deleted, as now covered under clause (d)

(eg) In respect of Council policies and procedures:

- ~~• Review annually, the systems and processes in place to ensure Council policies and procedures comply with the *Local Government Act* 1989, any regulations and Ministerial directions¹¹ (e.g. in respect of ensure that effective and efficient systems are in place for the review of other relevant policies and procedures (e.g. risk, financial, business continuity, delegation, equal employment opportunity, workplace health and safety, privacy, etc.); and~~
- ~~• (h) — Receive reports from the Chief Executive Officer and other Council officers relevant to Council's compliance with relevant legislation, policies and procedures and if appropriate, make recommendations for Council's consideration.~~

†

(fi) In consultation with the internal auditor and management:

- ~~• through a process of mapping against Council's Risk Registers, prepare a draft three to five year five-year Internal Audit Plan for consideration by Council;~~
- ~~• annually review the delivery of the Internal Audit Plan and if required, make a recommendation to Council on any amendments; and~~
- ~~• review internal audit reports and monitor progress on actions required to achieve rectification of any identified issues.~~

Commented [SC18]: Reworded to make the link to the risk register more explicit. Tallies with recommendation from the VAGO report on Audit Committee Governance (2016).

Commented [MB19R18]:

†

(gj) Review written reports on any significant claims, insurance and, legal claims or other that wise, which may impact on Council's financial performance or otherwise expose Council to a high or extreme degree of risk, and mitigation action being taken in response. Reports will be provided in respect of new claims, and subsequently if developments occur in respect of reported risks that are considered likely to increase Council's exposure significantly.

Commented [MB20]: Amended to reflect reporting by exception and only on claims considered to constitute high or extreme risks.

~~(k) receive written and verbal reports relevant to the progress of any major legal action in which Council is involved;~~

Commented [MB21]: Rolled into the clause above

(hl) Where such matters fall within the Committee's Charter:

- ~~• general Terms of Reference, Receive reports on specific projects and investigations deemed necessary by the Chief Executive Officer and/or Council, including suspected or actual cases of fraud or any corrupt activity by Council officers or others having business with Council, and if deemed appropriate On receipt of such reports the Committee action or make recommendations for Council's considerations it deems appropriate in each case; and~~
- ~~• A(m) address relevant issues brought referred for the attention of the Committee, including requests from Council for advice on matters that fall within the Committee's Charter;~~

~~(inm) — on an annual basis, cConduct annually, an evaluation of the performance of the Audit and Risk Committee against the Audit and Risk~~

¹¹ Exposure Draft section 53(2)(a) - a committee must monitor compliance of Council policies and procedures

Committee Charter¹² and provide a confidential copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.¹³

~~Performance criteria for the evaluation will include (but not be limited to) the following:~~

~~The Committee:~~

~~adequately understands and reviews Council's financial and performance reporting requirements;~~

~~adequately reviews the effectiveness of the system for monitoring Council's compliance with relevant laws and regulations;~~

~~understands and reviews management's systems and arrangements for maintaining effective internal controls, including in respect of audit plans, audit reports and identified issues;~~

~~adequately understands and reviews Council's enterprise risk management framework;~~

~~understands and reviews whether an effective approach is being followed in managing Council's major risks; and~~

~~meets its obligations under this Charter.~~

~~(ajc) Rreview Council management's responses to any findings identified in the investigation reports of regulatory agencies (e.g. Independent Broad-Based Anti-Corruption Commission (IBAC), Local Government Inspectorate, Victorian Auditor-General's Office, Victorian Ombudsman's Office) and monitor any management actions arising from those reports.~~

~~issues raised or referred by the Victorian Local Government Investigations and Compliance Inspectorate or the Independent Broad-Based Anti-Corruption Commission (IBAC);~~

~~(ekp) Annually review reports prepared by Council officers on the operation of Council's Corporate and Public Space oversee the annual review of the Closed Circuit Television and Drone Programs to assess user compliance with legislation, policy and procedure.~~

~~(plg) Review biannually, a management report receive detailings of the expenses of Councillors and members of delegated committees;¹⁴ and if appropriate, make recommendations for Council's consideration.~~

~~(qmr) once every two years, Rreview and assess the adequacy of the Audit and Risk Committee Charter and as if appropriate, present recommendations to Council for amendment of the document to East Gippsland Shire Council; and As a minimum, this review to occur once every four years, within 12-months after a general municipal election or otherwise is required.~~

Commented [MB22]: No longer relevant because the assessment will be against the Charter and the annual work plan referenced in the Charter.

Commented [MB23]: Amended to more accurately reflect what occurs.

Commented [SC24]: Implements Action Item from Feb 2019 ARC meeting

Commented [MB25]: The Exposure Draft requires only annual reporting; however, bi-annual review may provide more useful data for the Councillor group.

Commented [MB26]: Suggestion only. It could be six months, but that would add another time-critical task into an already heavy schedule for new Councillors.

32.6 Meetings

(a) The Committee will ~~meet~~ hold an ordinary meeting once each ~~a quarter, ly basis.~~

(b) A joint meeting with East Gippsland Shire Councillors will be ~~called~~ held annually in September each year to discuss Council's audited draft financial report and performance statement; the Committee's performance evaluation for

¹² Exposure Draft 53(4)(a)

¹³ Exposure Draft 53(4)(b)

¹⁴ Exposure Bill section 39(2)

the previous financial year and any other matters identified by the Mayor and/or Committee Chair.

- (cb) Additional meetings may be convened at the discretion of the Chief Executive Officer or at the written request of any member of the Committee, the external auditor, or the internal auditor.

~~(d) The Agenda for Committee meetings will be determined by the Chief Executive Officer, generally in line with the following:
Committee members and responsible officers listed in paragraph (i) below can submit agenda items for the Chief Executive Officer's consideration.
The Chief Executive Officer will designate items as either for information or for discussion.
Items designated for information will generally be for noting and therefore, will not be the subject of discussion.
Items will be designated for discussion where the Committee is asked to do other than note the item (e.g. review; provide feedback; form a recommendation for Council's consideration; etc.).
By consensus, the Committee may change the designation of any item listed for information if it is determined that discussion on it is required.~~

Commented [MB27]: Suggested by Mayor and CEO in the interests of optimising Committee members' time.

- ~~(c) Due to the nature of the work of the Committee and the potential sensitivity of the material, in accordance with section 89(2) of the Act, meetings will not be open to the public.~~

~~(d) Committee members and responsible officers listed in paragraph (h) below can submit agenda items for consideration by the Committee. The Agenda will be determined by the Chief Executive Officer.~~

Commented [MB28]: Order changed only.

- (de) A quorum will exist if four or more Committee members are present and the number of external independent members present is equal to or greater than the number of internal members present.

- (ef) The Committee will make every effort to arrive at its decisions by consensus. If consensus is not possible, matters will be resolved by a majority of votes cast by members in attendance. The Chair will have the casting vote if the votes are equal.

- (fg) In accordance with section 79 of the Act (Disclosure of Conflict of Interest)¹⁵, Committee members must make a full disclosure of all conflicts of interest prior to discussion of the matter for which the conflict of interest has arisen. Further, having declared such a conflict, the Committee member must leave the room and remain outside the room or other area in view or hearing of the room until the matter has been concluded. Further guidance is available through the Victorian government's publication, *Conflict of Interest – A Guide for Members of Council Committees*, October 2012.

~~(gh) Councillors who are not members of the Committee may attend meetings of the Committee as observers. Through the Chair, non-member Councillors may ask questions in relation to matters listed on the agenda but may not participate in discussion.~~

Commented [MB29]: New. Included to reflect the view of the Councillor Group.

- (hi) Except when the Committee chooses to meet in camera, the external auditor, internal auditor, ~~Director Corporate~~ General Manager Business Excellence and Chief Executive Officer will, when practicable and appropriate, attend all meetings of the Committee. Other members of Council staff may be invited to

¹⁵ In Exposure Bill - Part 7, Division 2

attend at the discretion of the Committee to provide advice and information when required.

- (ii) Due to the nature of the work of the Committee and the potential sensitivity of the material, in accordance with the provisions of section 89(2)(h) of the Local Government Act 1989, meetings will not be open to the public.

Commented [MB30]: Moved position, i.e. existing clause.

32.7 Internal Control and Internal Audit

Where appropriate, the Audit and Risk Committee and Council will actively support the work of the contract internal auditor. Line managers are responsible for managing the internal control processes in their respective departments, as recommended by the internal auditor, and will report to the Chief Executive Officer ~~in regard to about~~ compliance with internal control measures.

32.8 General and Legal Advice

~~Through the Chief Executive Officer~~ The Committee ~~, through the Chief Executive Officer,~~ may obtain information and advice on any Council matter that falls within the Committee's ~~Duties or~~ Charter, or is otherwise consistent with the intent and purpose of the ~~Victorian Government's publication, Audit Committees - A Guide to Good Practice for Local Government~~ Best Practice Guidelines.

43. RESPONSIBILITY FOR IMPLEMENTATION AND COMPLIANCE

Roles and responsibilities with respect to Committee function, as well as the implementation, communication and compliance monitoring of this Charter, are as follows:

~~These management positions are responsible for implementation and compliance monitoring of the policy in their work areas:~~

Commented [SC31]: Re-worked to allow all 'R&R' responsibilities to be included in the same table

Party / Parties:	Roles and responsibilities:
Chief Executive Officer	<p>Overall responsibility for policy implementation and compliance. Ensure compliance with the Policy by all Audit and Risk Committee members.</p> <p><u>While not a member of the Committee, when practicable and appropriate will attend all meetings of the Committee and provide guidance and advice.</u></p> <p><u>Will also:</u></p> <ul style="list-style-type: none"> <u>ensure that an appropriate agenda is formulated for scheduled Committee meetings and circulated to members in a timely fashion;</u> <u>facilitate meetings by arranging for members of management, auditors or others to attend to provide pertinent information, as necessary;</u> <u>provide secretariat services in respect of matters before the Audit and Risk Committee;</u> <u>after meetings of the Committee, ensure that a report describing the activities of outlining matters considered by the Committee and explaining any specific recommendations or key outcomes findings is tabled at the next ordinary Council meeting</u> <u>table other reports of the Audit and Risk Committee at meetings of the Council when required by the Act and when requested by the chairperson of the Audit and Risk Committee;</u> <u>ensure that accurate minutes of scheduled Committee meetings are taken, circulated to Committee members,</u>

Commented [MB32]: Re-worded to line up with the expectation set out in the Exposure Draft. However, represents a decision point because although the requirement to report quarterly has been in the Charter for a very long time, the Exposure Bill only *requires* biannual reporting of this type.

	<p><u>Councillors and others in a timely fashion and once confirmed, stored securely in Council's electronic document record management system;</u></p> <ul style="list-style-type: none"> <u>• coordinate the selection process for independent external Committee members and together with the <u>Committee Chair and the Mayor</u>, comprise the interview panel for these positions; and</u> <u>• together with the Audit and Risk Committee Chair, address any matters of concern arising in respect of a Committee member's performance or conduct.</u>
<u>Director</u> <u>Corporate General</u> <u>Manager Business</u> <u>Excellence.</u>	Responsible for review, updating and implementing policy.
<u>Chair</u>	<p><u>Conduct meetings efficiently and in a way that ensures all matters listed for consideration are afforded appropriate time and attention.</u></p> <p><u>Exercise a casting vote where:</u></p> <ul style="list-style-type: none"> <u>(a) consensus cannot be reached; and</u> <u>(b) a formal vote is required to resolve the matter; and</u> <u>(c) voting numbers are equal.</u> <p><u>Approve the Unconfirmed Minutes of each meeting for circulation to Committee members, Councillors and others.</u></p> <p><u>Together with the Audit and Risk Committee Chair and the CEO, participate in the selection process for independent external Committee members.</u></p> <p><u>Together with the Chief Executive Officer, address any matters of concern arising in respect of a Committee member's performance or conduct.</u></p>
<u>Committee Members</u>	<p><u>Actively participate in and contribute to the work of the Committee as outlined in clause 2.5.3.5</u></p> <p><u>Complete a self-assessment survey and contribute actively to the annual evaluation of the performance of the Audit and Risk Committee against the Audit and Risk Committee Charter.</u></p> <p><u>Make every effort to attend scheduled meetings of the Committee.</u></p> <p><u>In accordance with section 79 of the Act (Disclosure of Conflict of Interest), make a full disclosure of all conflicts of interest prior to discussion of the matter for which the conflict of interest has arisen. Further, having declared such a conflict, leave the room and remain outside the room and any gallery or other area in view or hearing of the room until the matter has been concluded.</u></p> <p><u>As prescribed by section 76D of the Act, members must not misuse their position on the Committee 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 any person.</u></p> <p><u>Complete the Register of Interest returns required by section 81 of the Act within the stipulated timeframes.</u></p>
<u>Internal Auditor</u>	<p><u>Under contract to Council, the internal auditor reports to the Audit and Risk Committee on a quarterly basis on the outcomes of a range of audits of Council's operations including:</u></p> <ul style="list-style-type: none"> <u>• internal control systems, policies and procedures and their effectiveness;</u> <u>• compliance with Council policies and procedures and any relevant government legislation;</u>

	<ul style="list-style-type: none"> • financial systems and processes; • areas of risk exposure and the way in which these are managed; and • special investigations or assignments as requested by the Committee. <p>The focus of audits undertaken will be documented in a three to five-year Internal Audit Plan adopted by Council. The plan will be formulated through a consultative process involving (as a minimum) the internal auditor, the Committee and management senior Council officers.</p> <p>The internal auditor will meet with Audit and Risk Committee at least once a year without management being present, to discuss any issues arising from internal audits carried out during the year. Unless determined otherwise by the Committee, this will occur at the meeting at which the Committee reviews the Internal Audit Plan for the coming year (April).meeting convened annually to consider Council's financial report and performance statement.</p> <p>The role of the internal auditor is independent of and separate to that of the external auditor.</p>
External Auditor	<p>As an agent of the Victorian Government Auditor-General, the external auditor forms an opinion on Council's financial report and performance statement and provides a copy of their Final Management Letter (aAudit rReport) to Council and the responsible Minister.</p> <p>The external auditor reports to a joint meeting of Council and Audit and Risk Committee annually on the completed draft financial report and performance statements for that year. At this timemeeting, the findings of the external audit are discussed with the external auditor, focusing on issues such as:</p> <ul style="list-style-type: none"> • any major issues that arose during the audit; • any accounting and audit judgements; and • levels of errors identified during the audit. <p>At least annually, an opportunity will be provided for the external auditor to meet with Audit and Risk Committee without management being present, to discuss their remit and any other relevant issues.</p> <p>Audit and Risk Committee may request a meeting with the external auditor at any other time during the year, as/if required.</p> <p>From time to time the external auditor may request and will be provided with copies of final reports prepared by the internal auditor.</p>
Mayor	<p>Together with the Audit and Risk Committee Chair and the CEO, participate in the selection process for independent external Committee members.</p>
Officers in Attendance	<p>DirectorGeneral manager and/or manager responsible for corporate governance, manager responsible for finance and manager responsible for risk will attend all meetings of the Committee where practicable and appropriate.</p> <p>Other members of Council's staff will attend Committee meetings from time to time to present a range of recurring and one-off reports and when requested to do so by the Chair, provide advice</p>

Commented [MB33]: Amended to reflect what officers believe is the most likely time for the Internal Auditor to have matters for discussion in private. The change also acknowledges that they don't generally attend the September meeting.

Commented [MB34]: Added to reflect the Mayor's role in the selection process for new members.

and information.

54. SCOPE OF POLICY

This policy applies to internal and external Audit and Risk Committee Members, Councillors, the Internal and External auditors and relevant Council officers as defined in Roles and Responsibilities.

65. REFERENCES / ASSOCIATED DOCUMENTS

Council Plan 2017-2021

- Good governance goal: Council is in a strong financial position and can provide for future generations of East Gippslanders.
- Key Strategic Activity 47: Work smarter to reduce expenditure through improved practices, new technologies and projects that reduce organisation waste.
- Key Strategic Activity 51: Establish ways to capture, distribute and use data better to inform decision-making, service delivery and performance management.

Relevant Legislation:

- Section 79 of the *Local Government Act 1989* (the Act) - Disclosure of Conflict of Interest.
- Sections 76D and 77 of the Act - Misuse of Position and Confidential Information.
- Section 89 (2) of the Act - meetings will not be open to the public.
- Section 139 of the Act - Local Government Councils to establish an Audit Committee.
- *Local Government Amendment (Performance and Reporting Accountability) Act 2014* and *Local Government (Planning and Reporting) Regulations 2014* – prescribes financial and non-financial reporting required of Local Government.
- ~~*Local Government Amendment (Improved Governance) Act 2015*~~
- *Local Government Bill 2018 – Exposure Draft*

Commented [MB35]: Incorporated into the parent Act.

External Documents:

- *Audit Committees - A Guide to Good Practice for Local Government. January 2011*
- *Conflict of Interest - Interest - A Guide for Members of Council Committees. October 2012*
- ~~*Reforms arising from the Local Government Amendment (Improved Governance) Act 2015 - A guide for councils*~~
- *Public Sector Audit Committees – Better Practice Guide. March 2015 (Australian National Audit Office)*
- *Audit Committee Governance. August 2016 (Victorian Auditor-General's Office Report)*

Commented [MB36]: No longer considered relevant, given the reforms been part of the act for four years.

76. PRIVACY AND HUMAN RIGHTS CONSIDERATION

All personal information collected by East Gippsland Shire Council relating to the work of the Audit and Risk Committee will be handled in accordance with all applicable privacy legislation and will be used only for the purpose of investigating audit matters.

The Audit and Risk Committee Charter has been assessed as compliant with the obligations and objectives of the Victorian *Charter of Human Rights and Responsibilities Act 2006*.

87. DEFINITIONS AND ABBREVIATIONS

Term:	Meaning:
Chief Executive Officer	Person appointed by Council to the position of Chief Executive Officer.
Committee Member	MA member of East Gippsland Shire Council Audit and Risk Committee
Conflict of Interest	The <i>Local Government Act 1989</i> requires members of Council and many Council committees to disclose conflicts of interest that may impair an individual's ability to serve the Committee in a fair, impartial manner. This mechanism is intended to demonstrate that in performing the role to which they were appointed Committee members are not attempting to serve their own interests or the interests of someone close to them.
Councillor	Person who has been elected to the office of "Councillor" of East Gippsland Shire Council.
External Auditor	Audit An audit professional appointed by the Victorian Auditor-General who performs an audit in accordance with specific laws or rules on the financial statements of a company, government entity, other legal entity or organisation, and who is independent of the entity being audited
Internal Auditor	A company (or its representative) charged with providing independent and objective evaluations of Council's financial and operational business activities, including its corporate governance.
Mayor	Councillor elected by Councillors to the role of Mayor for a one or two-year period.
Officers in Attendance	Council officers attending Audit and Risk Committee meetings to provide information or respond to queries. Officers do not hold membership of the Committee.
Register of Interest	Section 81 of the <i>Local Government Act 1989</i> stipulates that people who are Councillors, council officers or members of special/audit committees in Local Government must lodge "interest returns" (forms) in which they disclose information about their personal circumstances, such as property ownership or local club memberships etc. This particularly includes information that may give rise to conflicts of interest in certain circumstances. The reason for having to lodge interest returns is to ensure public transparency. It is also serves as a reminder about their obligations to avoid conflicts of interest.
Risk Management	The culture, process and structures that are directed towards realising potential opportunities while managing adverse effects. (AS/NZS ISO 31000:2009, 20/11/2009)

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ATTACHMENT 2

RECOMMENDED INCLUSIONS / EXCLUSIONS - AUDIT AND RISK COMMITTEE DRAFT WORK PROGRAM 2019/20

NOTES: The following table has been derived using the Audit and Risk Committee's regular reporting regimen (approved by the Committee in October 2018) as a base. Officers believe that if all recommendations for removal from the Work Program were made, the remaining tasks would ensure the Committee fulfils its obligations under *the Local Government Act 1989* and foreshadowed by the Local Government Bill 2018 Exposure Draft.

Some matters that will come before the Committee during the year will be triggered by circumstance and as such, cannot be anticipated by the Work Program.

A copy of a draft Work Program for the 2019/20 financial year is provided at **Appendix 2**.

Report Item	Frequency	Include in Work program	Remove from Work program
Quarterly reports			
Finance and Capital Works Report	Quarterly	Retain	
Internal Audit Plan delivery – Status Update	Quarterly	Retain	
Internal Audit reports (including management responses)	Quarterly	Retain	
Prepare a report on the activities of the Committee, including its findings and recommendations, for tabling at a Council meeting.	Quarterly	Implement Under section 53(5) of the Local Government Exposure Bill, the Committee is required to prepare a biannual (six monthly) report for this purpose. Given an officer report is presented to Council after the Committee's four ordinary meetings already, it is recommended this practice continue, but in a more detailed way. A process adjustment is also recommended, to require the Committee Chair to endorse the draft	

Report Item	Frequency	Include in Work program	Remove from Work program
		report (prepared by officers) prior to it being submitted to Council.	
Biannual reports			
* Procurement Activity Biannual Compliance Update	February and July		Remove This reporting was introduced in response to problems being experienced with Council's (then) finance system, JDE and poor officer compliance with some aspects of Council's Procurement Policy, including the requirement to raise purchase orders at the time goods and services were procured. The introduction of CouncilFirst and the protections inherent within it, together with a more proactive training program in Procurement, have brought about significantly improved compliance rates. While regular reporting on compliance will continue to occur, it is believed appropriate that this be to management rather than to the Committee.
* Biannual Council officer workshops on topics of interest to the Committee	April and October		Not implement At its meeting of 30 April 2019, the Committee reconsidered its request from its 2017/18 performance evaluation report and concluded that the proposed workshop regimen would not be a good use of Committee or Council officer time. As such, fixed workshops have not been included in the Committee's draft Work Program for 2019/20. It is noted that <i>ad hoc</i> workshops on matters falling within the Committee's Charter can be requested by the Committee at any time.
Annual reports			
* Audit and Risk Committee Actions Requested (and	February February	<u>Retain</u>	Remove

Report Item	Frequency	Include in Work program	Remove from Work program
completed) during the calendar year		<u>Committee requested that this item remain.</u>	It is suggested that the requirement for regular reporting on the Committee's activities across the year provides a more meaningful way for the Committee to reflect on its activities and outcomes during the year.
Review Council's Risk Management framework (policies, procedures and program)	April	Retain	
Review operating and Strategic Risk Registers – full report	April	Retain Recommend Strategic Risk Register be included in this review.	
* Mid-year report on performance against the Local Government Performance Reporting Framework (LGPRF)	February	Implement In response to VAGO's 2019 investigation into <i>Reporting on Local Government Performance</i> , officers have committed to the following: <ul style="list-style-type: none"> • develop a specific quarterly report to Strategic Leadership Group and Councillors on periodic performance (LGPRF, KPIs and service outcomes); • develop performance targets for LGPRF indicators and KPIs to measure success. The Committee will be provided with a copy of these quarterly reports.	Remove Mid-year report.
Adopt an annual Audit and Risk Committee work program	April	Implement New requirement - section 53(3) of the Local Government Bill 2018 Exposure Draft.	
Review of Internal Audit Plan	April	Retain	
Review process for Annual Reporting against the LGPRF	July		Remove

Report Item	Frequency	Include in Work program	Remove from Work program
			This information will be incorporated into the new quarterly reporting regimen so a stand-alone report will no longer be required.
* Risk Management Report (incorporating OHS)	Quarterly July	Retain , but change frequency of reporting to annual The Committee's core responsibility in respect of risk as proposed in section 53(2)(c) of the Local Government Exposure Bill is to, "monitor and provide advice on <i>risk management and fraud prevention systems and controls</i> ". The change proposed will enable the Committee to fulfil this responsibility, with reporting on the day to day management of risk and Occupational Health and Safety reverting to management.	
* Council Budget	July		Remove A copy of the adopted budget and revised Council Plan are provided to Committee members annually, but only as reference documents to inform their work over the coming year. No discussion on the documents occurs or is required.
* Investment Report	July		Remove The Committee is not charged with responsibility for monitoring compliance with other Council policies so it is recommended that responsibility for that devolve to management, as is the case with other policies.
* Review Council's Occupational Health and Safety Management Plan for the year ahead	July		Remove. Because this is considered to be an operational matter, it is recommended the annual review of the Plan undertaken by

Report Item	Frequency	Include in Work program	Remove from Work program
			Strategic Leadership Group is all that is required. Also, a level of reporting around the Plan will come to the Committee automatically via its annual review of Council's Risk Management policies and program (risk management framework).
Review of draft audited Financial Statements and Performance Statement against the LGPRF for immediate past year (undertaken at a joint meeting with Councillors at which the external auditor presents).	September (joint meeting with Councillors)	Retain	
Finalise Audit and Risk Committee performance evaluation	September (final report)	Retain	
Review conduct of Council's public space and corporate Closed Circuit Television (CCTV) programs	October	Retain. Recommendation supported by recommendation 9 of VAGO's 2018 report, <i>Security and Privacy of Surveillance Technologies in Public Spaces</i> , i.e. <div style="background-color: #e6f2ff; padding: 5px; margin: 5px 0;"> 9. Ensure regular audits and evaluations of public safety CCTV systems and hold the oversight committees for these systems to account for meeting their responsibilities under agreements with Victoria Police. </div> The inclusion into the review of the corporate CCTV system is recommended having regard for the findings of the 2018 VAGO report. Currently Council's Public Space Closed Circuit Television Surveillance Policy states:	

Report Item	Frequency	Include in Work program	Remove from Work program
		<i>'The use and operation of the CCTV program and its compliance with the Policy purpose and Code of Practice will be subject to evaluation by the CCTV Program Steering Committee, and reviewed by Council's Audit and Risk Committee on an annual basis. Finalised review outcomes will be made available to the public via the East Gippsland Shire Council website, or upon request.'</i>	
Review conduct of Council's Drone program	July October	Retain During VAGO's investigation into the <i>Security and Privacy of Surveillance Technologies in Public Spaces</i> in 2018, Council received very positive feedback about this element of the Drone program. Given the close association between the Drone program and 'surveillance', it is recommended the Committee retain this responsibility.	
Review Councillor Expenses for prior financial year	October	Implement Required by section 39(2) of the Local Government Bill Exposure Draft.	
* Minor Insurance Claims Review for the preceding 12 months	October		Remove. Officers believe the focus of the Committee should be on major (extreme or high risk) claims, with responsibility for monitoring minor claims remaining at management level.
Review Council Policy and Procedures Register and Management Framework	October	Retain	
* Tambo Bluff Special Charge Scheme Annual Report (as at 30 June)	October		Remove This responsibility came to the Committee originally so that Council could be satisfied

Report Item	Frequency	Include in Work program	Remove from Work program
			that an appropriate process was implemented to manage this (at the time) very sensitive issue. With an appropriate plan now in place, officers recommend responsibility for ongoing oversight devolve to management.
Review documentation presented by external auditor in respect of: <ul style="list-style-type: none"> Annual Audit Strategy Interim Management Letter, and Final Management Letter 	February July October	Retain	
By Exception reports			
* Review Debtors Report	By exception (triggers set Feb. 2014)	Retain , but recommend the exception criteria be reviewed to ensure that reports are delivering meaningful information for the Committee's review.	
Internal Audit Risk Review report actions – status update	Quarterly By exception <u>Quarterly</u>	Retain, but convert to 'by exception' (i.e. if agreed actions are completed within the stipulated timeframe, no reporting on them is required). <u>Committee requested that this item is to remain as a quarterly report.</u>	
* Audit and Risk Committee Actions requested (but not yet completed)	Quarterly By exception <u>Quarterly</u>	Retain, but convert to 'by exception' (i.e. if agreed actions are completed within the stipulated timeframe, no reporting on them is required). <u>Committee requested that this item remain as a quarterly report.</u>	
* Minor Insurance Claims	By exception		Remove It is recommended that monitoring minor claims be the responsibility of management only. (See also Major Claims below).
Reports as required			

Report Item	Frequency	Include in Work program	Remove from Work program
Review Major Insurance Claims	As required	Retain , but roll up into a single confidential report on any significant claims, insurance, legal or otherwise, that may impact on Council's financial performance or otherwise significantly increase Council's risk exposure. Reports will only be presented where new claims, or significant developments in respect of matters previously reported on, have occurred during the period since the ARC's last meeting.	
Review Legal Activity			
Review Council Policies and Procedures	As required (i.e. when referred to the Committee by management or Council)	Retain	
Address any matter referred to the Committee by Council and/or the Chief Executive Officer, including: <ul style="list-style-type: none"> Receiving reports on specific projects, investigations or other matters; and requests from Council for an opinion or advice. 	As required	Retain	
Review management's responses to applicable investigation reports of regulatory agencies (e.g. Independent Broad-Based Anti-Corruption Commission (IBAC), Local Government Inspectorate, Victorian	When reports are produced	Retain	

Report Item	Frequency	Include in Work program	Remove from Work program
Auditor-General's Office, Victorian Ombudsman's Office) and monitor any management actions arising from those reports.			
Charter Review			
Review Audit and Risk Committee Charter	April or July	Retain , but recommend the review frequency change to at least once every four years (to be undertaken within 12-months of a general Council election) or as deemed necessary by the Committee or Council.	

NOTE: Items identified with * are not explicitly required by legislation, Council resolution or the draft Audit and Risk Committee Charter.