

2025

# AUDIT & RISK COMMITTEE CHARTER



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# 1. PURPOSE OF CHARTER

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The Horsham Rural City Council has established an Audit and Risk Committee (the Committee) pursuant to section 53 of the *Local Government Act 2020* (the Act) to support Council in discharging its oversight responsibilities related to financial and performance reporting, risk management, fraud prevention systems and control, maintenance of a sound internal control environment, assurance activities including internal and external audit and Council's performance with regard to compliance with its policies and legislative and regulatory requirements.

The Committee acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter.

The appointment of independent members to the Committee as outlined in this Charter enables the Committee to provide advice to Council on matters related to its responsibilities based on broader skills and experience than might otherwise be the case and in so doing bring additional benefits to Council.

The Committee is appointed by the Council as an advisory Committee to oversee and monitor:

- Meeting with External and Internal Auditors and Management to foster an ethical and accountable environment
- Issues relevant to the integrity of the Council's financial reporting framework, as well as
- Internal control frameworks, compliance and internal audit activity, frameworks and policies

The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of Management.

# 2. AUTHORITY

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

The Committee has the authority to:

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

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

### 3. COMMITTEE'S DUTIES AND RESPONSIBILITIES

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The duties and responsibilities of the Committee include:

#### 3.1 Financial and Performance Reporting

- 3.1.1 At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report and the audit thereof.
- 3.1.2 At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators.
- 3.1.3 Review the annual financial report and annual performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose Council's financial performance and position.
- 3.1.4 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved.
- 3.1.5 Recommend the adoption of the annual financial report and annual performance statement to Council; and
- 3.1.6 Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

#### 3.2 External Audit

- 3.2.1 Be briefed at least annually by the external auditor and approve the proposed external audit scope and plan.
- 3.2.2 Discuss and review with the External Auditor any audit issues, including all significant Management Letter items and the potential impact of those items on Council's system of internal control.
- 3.2.3 Ensure significant findings and recommendations made by the external auditor and management's responses are received, discussed and appropriately actioned by management in a timely manner.
- 3.2.4 Review on an annual basis the performance of the External Auditor and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views.
- 3.2.5 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's response to them.
- 3.2.6 Meet with the external auditor at least annually in the absence of management.

#### 3.3 System of Internal Control

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

#### 3.4 Internal Audit

- 3.4.1 Review and approve the three-year Internal Audit Plan, Annual Internal Audit Plan and any

significant changes to them.

- 3.4.2 Review progress on delivery of annual internal audit plan.
- 3.4.3 Review and approve the proposed scopes for each review in the annual internal audit plan
- 3.4.4 Review reports on internal audit reviews including recommendations for improvement arising from those reviews and monitor the implementation of recommendations by management.
- 3.4.5 Meet with the Internal Auditor at least annually in the absence of management.
- 3.4.6 Monitor action by Management on internal audit findings and recommendations.
- 3.4.7 Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work.
- 3.4.8 Ensure that the Committee is aware of and appropriately represented with regards to any proposed changes to the appointment of the internal audit services provider, including being appropriately briefed on the need for any proposed change.
- 3.4.9 Recommend to Council if necessary, the termination of the internal audit contractor.
- 3.4.10 Ensure that a representative of the Committee with voting rights is on the Tender Evaluation Panel for Internal Auditor
- 3.4.11 The Director of Corporate Services shall serve as the Chair of the Tender Evaluation Panel

### 3.5 Risk Management

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

### 3.6 Compliance Management

- 3.6.1 Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of managements follow up of any instances on non-compliance.
- 3.6.2 Review the process for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code.
- 3.6.3 Obtain briefings on any significant compliance matters
- 3.6.4 Keep informed of findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies) such as the Ombudsman, IBAC, Victoria Government Inspectorate, etc and monitor Council's responses to the findings.

### 3.7 Fraud Prevention System and Controls (Ethical Behaviour)

- 3.7.1 Review Council's Fraud Prevention policies and controls including the Fraud Framework and awareness programmes and where appropriate provide advice on fraud prevention systems and controls
- 3.7.2 Receive reports from management about actual or suspected instances of fraud or corruption including analysis of the underlying control failures and action taken to address each event.
- 3.7.3 Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies

### 3.8 Matters Referred to the Committee by Council

- 3.8.1 The Committee will address issues brought to its attention, including responding to requests from Council for advice.

## 4. COMMITTEE OPERATIONS

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### 4.1 Meetings

- 4.1.1 The Committee shall meet as required, but at least quarterly, each year.
- 4.1.2 The Chief Executive Officer and Internal Auditor should attend all meetings, except when the Committee chooses to meet in camera.
- 4.1.3 Other members of Council or Council staff may be invited to attend at the discretion of the Committee and Chief Executive Officer to advise and provide information when required.
- 4.1.4 Representatives of the External Auditor will attend a meeting to consider the draft annual financial report and results of the external audit and may be invited to attend other meetings at the discretion of the Committee.
- 4.1.5 A schedule of meetings will be developed and agreed by members. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines.
- 4.1.6 Additional meetings shall be convened at the discretion of the Chair or at the written request of any two members of the Committee; the Internal Auditor; or the External Auditor.
- 4.1.7 The agenda and supporting documentation will be circulated to members of the Committee at least one (1) week in advance of each meeting.
- 4.1.8 Minutes will be prepared within one (1) week of the meeting for approval by the Chair and shall be distributed to Committee members within two (2) weeks of the meeting. Any items designated as "Confidential" by the Committee (which must only be on the basis that the item is considered to be confidential pursuant to the Local Government Act 2020) will be noted in separate Confidential Minutes of the Committee.
- 4.1.9 The Chair will sign the minutes following confirmation of the minutes at a subsequent meeting.
- 4.1.10 The unconfirmed minutes will be reported to the Council within two months of the Committee meeting, with any Confidential Minutes reported to a Confidential Council meeting.
- 4.1.11 The Corporate Services Directorate shall provide secretarial and administrative support to the Committee.

### 4.2 Reporting

- 4.2.1 The Committee may report to Council on any matters of significance as determined by the Committee.
- 4.2.2 The Committee Chair must provide a biannual report to the Chief Executive Officer which:
- 4.2.3 Summarises the activities of the Committee during the past six (6) months.
- 4.2.4 Provides any findings and recommendations in relation to the functions of the Committee; and
- 4.2.5 Requests that the Chief Executive Officer table this report at the next Council meeting.
- 4.2.6 The Chair is entitled to attend any Council Briefings meeting at any other time to bring any particular matters to the attention of Councillors which the Chair or Committee sees fit. Such meetings may be held with or without management present at the determination of the Chair following consultation with the Mayor. The Committee Charter and details of its members will be published on Council's website.
- 4.2.7 Council's Annual Report will contain information on the composition of the Committee, the number

of meetings held and attended by Committee members, audit processes, details of any remuneration paid to independent members during the reporting period and a summary of work completed by the Internal and External Auditors during the year.

### 4.3 Performance Evaluation

- 4.3.1 Using a self-assessment tool the Committee will undertake an annual assessment of its performance against the Audit and Risk Committee Charter. Outcomes of the evaluation process will be reported to Council through the Chief Executive Officer, including any recommendations for improvement.

## 5. COMMITTEE GOVERNANCE

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### 5.1 Membership

The Committee will be comprised of five members:

- One (1) independent Chair; and
- Two (2) independent members; and
- Two (2) Councillors (one of whom is the Mayor)

All members will have full and equal voting rights unless a member is unable to vote due to a conflict of interest.

The following requirements will apply to members and the appointment thereof:

- 5.1.1 Council will appoint Committee members
- 5.1.2 A quorum of any meeting will be at least two independent members (which may include the Chair) and at least one Councillor member;
- 5.1.3 Committee members can attend the meeting via dial-in or video conference, and will be included as part of the quorum; and
- 5.1.4 The Chair will be an independent member of the Committee and will have a casting vote on occasions where there is an equal tally of votes on a matter. In the absence of the appointed Chair from a meeting, the Committee will appoint an Acting Chair from the independent members present.

### 5.2 Terms of Appointment

- 5.2.1 New independent member appointments will be publicly advertised in the local newspapers, Council's website, online 'Directorships Opportunities' listing provided by the Australian Institute of Company Directors and other channels.
- 5.2.2 Recruitment and Selection process for appointment to the Committee will consist of:
- a) In the case of the Councillor members:  
Appointment and selection by the Council annually
  - b) In the case of the Committee Chair:  
Appointment by the Council on recommendation of the Committee annually
  - c) In the case of the Independent members:  
A selection panel will be formed comprising the Chair and two Councillor representatives and will make a recommendation to the Council on a suitable candidate to be appointed. If the vacancy is the Chair, then another independent member will serve on the selection panel.
- 5.2.3 Applications for membership will be assessed against appropriate criteria.  
The criteria will fall within the areas of:
- a) Level and breadth of senior business, management, finance and accounting and/or audit experience and qualifications.

- b) Level of familiarity with Local Government operations, including financial reporting, auditing requirements, risk management, business ethics and corporate governance; and
- c) Previous Audit and / or Risk Committee experience.

- 5.2.4 Independent members should also have the ability to provide Councillors, the Chief Executive Officer and Council's administration with well-rounded and professional advice concerning the adequacy of Council's administrative, operational, financial and accounting systems and controls, performance reporting regimes, and risk management processes.
- 5.2.5 Independent members shall be appointed for a term of up to three years. At the conclusion of their first term, existing members will be eligible to apply to be re-appointed with acceptance at the discretion of Council.
- 5.2.6 A person can only serve in the positions of independent member or Chair for a maximum of six consecutive years / two terms.
- 5.2.7 A person who has been an independent member for up to six years is eligible to serve as Chair providing that the total length of combined continued service in both roles does not exceed nine years / three terms.
- 5.2.8 The terms of each member should be arranged so that there is an orderly rotation of membership and avoidance of more than one member retiring at the same time.
- 5.2.9 In the event of an independent member resigning / retiring before the expiry of their term, the vacancy will be filled at the discretion of the Council. Further, should the resignation / retirement of two or three of the independent members coincide, the Council may extend one members' term by one year to ensure continuity.
- 5.2.10 If the Council proposes to remove a member of the Committee, it must give written notice to the members of its intention to do so and provide that member with the opportunity to be heard at a Council meeting.
- 5.2.11 Remuneration will be paid to each independent member of the Committee as determined by Council. Annual increases in the remuneration of Committee members will be limited to increases in the Consumer Price Index (CPI All Groups Melbourne) and adjusted annually on 1 July.
- 5.2.12 Members of the Audit and Risk Committee who intend to take extended leave are required to submit a written notice of their absence. This notice should be provided well in advance to ensure that appropriate arrangements can be made.
- 5.2.13 The Committee may from time to time ask the Chief Executive Officer for a Subject Matter Expert (SME) to attend a meeting. Any Councillors may attend meetings in an "ex officio" capacity.

### 5.3 Conduct

Members of the Committee are required to comply with the following Sections from the *Local Government Act 2020*: Sections, 123, 125 and Part 6 Division 2: Sections 126-131, among other things the following requirements:

- 5.3.1 Submit six monthly Interest Returns on the form specified by Council, noting this is in accordance with good governance practices rather than a legislative requirement under the Act
- 5.3.2 Declare and manage any conflicts of interest which arise in accordance with the Act;
- 5.3.3 Not misuse their position on the Committee for personal benefit or to the detriment of Horsham Rural City Council; and
- 5.3.4 Not disclose confidential information obtained through their role on the Committee.



Members of the Committee must be fully aware of their responsibilities with regard to the management of interests in relation to the discharge of their duties as a member of the Committee. Management of interests includes the proper management of any conflicts of interest as and when they may arise.

Members of the Committee must also be fully aware of the statutory definitions of general and material conflicts of interest as set out in Part 6 Division 2 of the Act.

Failure to comply with the provisions of the Act with regard to conflicts of interest may result in prosecution and the member's appointment being terminated by the Council.

## 5.4 Review of Committee Charter

- 5.4.1 The Committee will review the Charter on a biennial basis, or as required following relevant changes to the Act or other related Acts & Regulations and recommend any changes to Council for approval.

This Audit and Risk Committee Charter was endorsed by the Audit and Risk Committee on 5 December 2024 and adopted by Horsham Rural City Council at its meeting on 28 January 2025. The next review date will be September 2026.

## Appendix: Guidance to members

### Committee Member Regulatory Obligations

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