



AUDIT AND RISK COMMITTEE CHARTER

Council Policy

PURPOSE

The Colac Otway Shire Council (Council) has established an Audit and Risk Committee (the Committee) pursuant to Section 53(1) of the *Local Government Act 2020* (the Act).

The purpose of the Committee is to provide a structured, systematic oversight of Council's governance, assurance, risk management and internal control practices to assist Council to discharge its obligations in relation to these matters. This oversight mechanism also serves to provide confidence in the integrity of these practices and the Council.

This charter is prepared and approved by Council pursuant to section 54 (1) of the Act.

COMMITTEE'S RESPONSIBILITIES

The Committee is responsible for¹:

- Monitoring compliance of Council policies and procedures with:
 - The overarching governance principles set out in section 9 of the Act; and
 - The Act and the regulations and any Ministerial directions;
- Monitoring Council financial and performance reporting;
- Monitoring and providing advice on risk management and fraud prevention systems and controls; and
- Oversight of the internal and external auditor functions.

¹Section 54(2) LGA 2020



DEFINITIONS

This section defines the key terms used in this Charter.

Colac Otway Shire: The Colac Otway Shire organisation, led by the Chief Executive Officer.

Committee: The Audit and Risk Committee established pursuant to section 53(1) of the Act.

Council: The Colac Otway Shire Council comprised of elected Councillors and led by the Mayor

Delegated Committee: Means a committee established by Council pursuant to section 63 of the Act.

LGA: *The Local Government Act (Vic) 2020*

REFERENCES

Local Government Act (Vic) 2020

Internal Audit Charter

THE CHARTER

1. AUTHORITY

The Committee is directly responsible to Council for its performance in discharging its responsibilities as set out in this Charter.

The Committee has no delegated authority from Council²

The Committee has no executive authority to implement actions in areas over which management has responsibility and has no delegated financial responsibilities.

The Committee has no management functions and is independent of management.

² Section 53(2) LGA 2020



AUDIT AND RISK COMMITTEE CHARTER

2. SUPPORT

The Committee will have access to appropriate management support to enable it to discharge its responsibilities effectively, including³:

- 2.1. Appropriate support for development of meeting agendas and papers, minute taking during meetings and follow up actions arising from meetings;
- 2.2. The provision of any information that it deems necessary including records, data and reports;
- 2.3. Attendance of management and other relevant Council officers at meetings as appropriate; and
- 2.4. Access to independent experts where it considers it necessary to execute its duties, subject to prior agreement with the Chief Executive Officer.

3. OBJECTIVE

The Committee's objective is to oversee the matters detailed in section 4 of this charter as well as:

- 3.1. The integrity of external reporting, including both periodic management financial reports and external financial reports;
- 3.2. The scopes of work, objectivity, performance and independence of the external and internal auditors;
- 3.3. The maintenance of effective systems and controls to safeguard Council's financial and physical resources;
- 3.4. The maintenance of policies, systems and procedures designed to ensure that Council complies with relevant statutory and regulatory requirements and best practice guidelines; and
- 3.5. The maintenance of frameworks, strategies and systems that enable effective recognition of material risks arising from Council's strategies and operations and actions taken to manage those risks.

In carrying out its work, the Committee must promote Colac Otway Shire's values and appropriate ethical and governance standards and practices.

³ Section 54(6) LGA 2020



AUDIT AND RISK COMMITTEE CHARTER

4. ROLE OF THE COMMITTEE

The Committee will provide oversight of a number of governance and operational functions as detailed below:

4.1. Financial Reporting

The Committee will:

- 4.1.1. Review significant accounting and external reporting issues, including complex or unusual transactions and highly judgmental areas, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report;
- 4.1.2. Review the annual financial report and performance statement and consider whether they are complete, consistent with information known to Committee members and reflects appropriate accounting treatments;
- 4.1.3. Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors;
- 4.1.4. Recommend the adoption of the annual financial report and performance statement to Council; and
- 4.1.5. Review the appropriateness of the framework and content of periodic management financial reporting to Council.

4.2. Risk Management

The Committee will:

- 4.2.1. Monitor and provide advice on risk management practices and risk profile;
- 4.2.2. Monitor and provide advice on fraud prevention systems and controls;
- 4.2.3. Review the insurance program annually
- 4.2.4. Monitor management process and systems in relation to cyber security, including strategy, assets protection, testing and recovery.
- 4.2.5. Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested. Business Continuity refers to the uninterrupted availability of all key resources supporting essential business functions.



AUDIT AND RISK COMMITTEE CHARTER

4.3. Internal Control Environment

The Committee will:

- 4.3.1. Review the adequacy and effectiveness of systems and controls for providing a sound internal control framework;
- 4.3.2. Keep informed of any actual or suspected instances of fraud or corruption within the Council
- 4.3.3. Review the expense reports for the Councillors and all members of delegated Committees in accordance with the Act⁴

4.4. External Audit

The Committee will:

- 4.4.1. Annually review the audit scope and approach proposed by the external auditor, including the extent of reliance on internal audit activity;
- 4.4.2. Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope or access to information;
- 4.4.3. Monitor progress of implementation and appropriateness of significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and acted upon in a timely manner;
- 4.4.4. Consider the findings and results of any relevant performance audits undertaken by the external auditor and monitor implementation of recommendations by Council; and
- 4.4.5. Meet with the external auditor at least annually in the absence of management.

⁴ Section 40(2) LGA 2020



4.5. Internal Audit

The Committee will:

- 4.5.1. Review with management the Internal Audit Charter, activities, resourcing and organisational structure supporting the internal audit function;
- 4.5.2. Review the provision of internal audit services and the performance of the Internal Auditor annually;
- 4.5.3. Review and recommend to the Council for approval the three-year rolling strategic internal audit plan, the annual internal audit plan and any major changes to them, ensuring the proposed strategic internal audit plan appropriately considers the Colac Otway Shire's strategic risks;
- 4.5.4. Review and approve proposed scopes for each review in the annual internal audit plan;
- 4.5.5. Review all reports and provide advice to Council on significant issues identified in audit reports and action being taken on issues raised, including identification and dissemination of good practice;
- 4.5.6. Monitor action by management on significant internal audit findings and recommendations;
- 4.5.7. Meet with the Internal Auditor at least once per year in the absence of management and confirm it has no unjustified limitation on its work;
- 4.5.8. Monitor processes and practices to ensure that the independence of the internal audit function is maintained; and
- 4.5.9. Be consulted during any procurement process for internal audit services.

4.6. Compliance Management

The Committee will:

- 4.6.1. Review the systems and processes implemented by management for monitoring compliance with legislation and regulations and the results of management's follow up of any instances of non-compliance; and
- 4.6.2. Keep informed of the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies) and monitor management's response to the findings.

4.7. Other Matters Referred by Council

The Committee will undertake any other activities as requested by Council from time to time.



AUDIT AND RISK COMMITTEE CHARTER

4.8. Work Plan

A work plan will be established to ensure that the responsibilities of the Committee are carried out, including oversight of the functions in this section⁵.

The work plan will be reviewed and approved at least annually by the Committee.

5. COMMITTEE MEMBERSHIP

5.1. Committee Members and Tenure

5.1.1. The Committee will be comprised of up to six voting members, being:

5.1.1.1. A minimum of three, but up to four suitably qualified independent members and

5.1.1.2. Two Councillor members⁶.

5.1.2. Committee members will be appointed by Council and:

5.1.2.1. Councillor Committee members will be appointed annually by Council; and

5.1.2.2. Independent members will be appointed for a period of up to three years.

5.1.3. Independent members may serve a maximum of three consecutive terms of three years. Independent members seeking reappointment for a subsequent term must express their interest in doing so to the Chief Executive Officer no later than four months before the end of their current term.

5.1.4. Terms of appointment will be set so that as far as possible only one member retires at a time in order to minimise the loss of knowledge of Council's business that may occur on change of membership.

5.1.5. An independent member that is absent for two consecutive meetings, without submitting an apology or been granted a leave of absence, will create a casual vacancy.

5.2. Chairperson

5.2.1. The Chairperson will be an independent member⁷ and will be elected by the Committee annually.

5.2.2. The Chair must not exceed any two-year continuous period.

5.2.3. The Committee is authorised to appoint an Acting Chair, from the independent members,

5.2.4. The role of the Committee Chair includes:

⁵ Section 54(3) LGA 2020

⁶ Section 54(3) LGA 2020

⁷ Section 53(4) LGA 2020



AUDIT AND RISK COMMITTEE CHARTER

- Assisting in determining the Agenda for Committee meetings.
- Chairing meetings of the Committee in accordance with the meeting Agenda.
- Preparation of a biannual audit and risk report that is to be provided to the Chief Executive Officer for tabling at the next practicable Council meeting. The report must describe the activities of the Audit and Risk Committee, its findings and recommendations.
- Circulating the annual self-assessment, and collating and sharing the results with Committee members and with the Chief Executive Officer for tabling at the next practicable Council meeting.

5.2.5. The Chair shall have a casting vote on occasions where there is an equal tally of votes on a matter.

5.3. Skills, Experience and Knowledge of Committee Members

5.3.1. Committee members should collectively possess sufficient knowledge of audit, risk, IT, law, governance, finance and performance reporting, control environments and assurance processes as well as specific industry knowledge.

5.3.2. Independent members must collectively have experience in

- public sector management⁸ ;and
- financial management and risk.

5.4. Recruitment of Independent Members

5.4.1. Independent members will be appointed by a public expression of interest process run by Council. The interview panel for the recruitment of independent members shall include at least one current Committee member.

5.5. Remuneration of Independent Members

5.5.1. Remuneration will be paid to independent members⁹. Fees will be based on a fee per meeting, set by the Chief Executive Officer, and reviewed once every four years with like sized rural councils.

5.6. Council Officers ineligible for Membership

5.6.1. Council Officers are not eligible to be members of the Committee¹⁰.

⁸ Section 53(3)(i) LGA 2020

⁹ Section 53(6) LGA 2020

¹⁰ Section 53(3)(c) LGA 2020



AUDIT AND RISK COMMITTEE CHARTER

5.7. Termination of Membership

- 5.7.1. A Committee member who does not comply with their obligations under the Act may have their membership terminated.

6. MEETINGS

6.1. Meeting Frequency

- 6.1.1. The Committee should meet as required but will hold at least four scheduled meetings per annum plus a meeting to consider the annual financial accounts.
- 6.1.2. A schedule of meetings will be determined on an annual basis.
- 6.1.3. With the approval of the Committee Chairperson, the Committee may meet at other times at the request of any Committee member, Council or the external or internal auditors.
- 6.1.4. The Committee may hold a meeting by correspondence to consider matters between scheduled meetings. The report outlining the matter will be distributed by secure means and approval/voting of members confirmed by email.
- 6.1.5. Any Councillor may attend as an observer.
- 6.1.6. The Committee may invite any person to attend meetings.
- 6.1.7. The Chief Executive Officer and the General Manager Corporate Services are required to attend meetings along with relevant members of the Executive Management Team.
- 6.1.8. Council officers who have prepared reports for the Committee, and their General Manager, may be required to attend the meeting to present their report at the allocated time.
- 6.1.9. Attendance at a meeting may be in person, via teleconference or video conference.
- 6.1.10. All Committee members are expected to prepare adequately to participate in meetings.

6.2. Meeting Administration

- 6.2.1. The meeting agenda will be set by Colac Otway Shire in consultation with the Committee Chairperson.
- 6.2.2. Meeting agendas and papers should be available to Committee members at least one week prior to meetings.



AUDIT AND RISK COMMITTEE CHARTER

- 6.2.3. The Chief Executive Officer will be responsible for preparation and maintenance of agendas, minutes and reports of the Committee¹¹.
- 6.2.4. A quorum of the Committee will be three members, two of whom will be independent members and one of whom will be a Councillor member.
- 6.2.5. If the Chairperson is unable to attend a meeting, the Committee shall appoint an Acting Chairperson for the meeting at which the Chairperson is absent. The Acting Chairperson will be an independent Committee member.

6.3. Minutes and Reporting

- 6.3.1. Draft minutes of each meeting will be provided to the Committee members within 10 days of each meeting.
 - 6.3.1.1. Draft minutes, without attachments will be presented as “*Unconfirmed Committee Minutes*” to the next practicable Council meeting.
 - 6.3.1.2. The Committee will confirm its minutes at the next Committee meeting and will become the Final Minutes.
 - 6.3.1.3. Final Minutes will only be presented to a Council Meeting if there are changes made from the draft minutes, other than minor administrative changes.
- 6.3.2. The Committee must prepare a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations¹². A copy of the biannual report is to be provided to the Chief Executive Officer, who must table it at the next council meeting¹³.
- 6.3.3. The Chief Executive Officer must table a copy of the Committee’s annual performance assessment at the next Council meeting¹⁴.
- 6.3.4. Before the Annual Report is approved each year, the Committee shall report in writing to the Council on its activities for the year.
- 6.3.5. The Chairperson will meet with Council regularly, and not less than two times per year to brief Councillors on the Committee’s activities.

¹¹ Section 54(6)(a) LGA 2020

¹² Section 54(5)(a) LGA 2020

¹³ Section 54(5)(b) LGA 2020

¹⁴ Section 54(4)(b) LGA 2020



7. INDUCTION AND TRAINING

7.1. Council will provide newly appointed members with appropriate induction information to assist them in gaining an understanding of the business.

8. PERFORMANCE EVALUATION

8.1. The Committee shall undertake an annual assessment of its performance against the Charter and report the results to the Chief Executive Officer¹⁵.

9. CONDUCT

Members of the Committee are required to comply with sections 123 (misuse of position), 125 (confidential information) and Division 2 of Part 6 (conflict of interest) of the Act¹⁶, which includes, among other things, the following requirements:

9.1. Conflict of Interest

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 conflict of interest as and when they may arise.

Members of the Committee must also be fully aware of the statutory definitions of direct and indirect interests which may give rise to a conflict of interest. These are set out in Division 1A of the Act.

Members of the Committee are required to comply with sections 123 (misuse of position), 125 (confidential information) and Division 2 of Part 6 (conflict of interest) of the Act¹⁶, which includes, among other things, the following requirements:

Committee members must disclose any conflict of interest to the Chairperson. Where the conflict is related to the Chairperson, it must be disclosed to the Chief Executive Officer.

Once a conflict of interest is identified the member of the Committee must:

- 9.1.1. Disclose the conflict of interest immediately before the matter is considered in meeting including:
 - 9.1.1.1. The type of interest, either general or material; and
 - 9.1.1.2. The nature of the interest.

¹⁵ Section 54(4)(a) LGA 2020

¹⁶ Section 53(5)LGA 2020



AUDIT AND RISK COMMITTEE CHARTER

- 9.1.2. Notify the Chairperson that they are leaving the meeting;
- 9.1.3. Leave the room and vicinity while the matter is being considered and await the Chairperson's direction to return; and
- 9.1.4. Notify the Chairperson prior to the meeting if they are not going to be present at the meeting.

If details are private in nature, then the nature of the interest can be declared to the Chairperson in writing prior to the meeting and the disclosure will simply be the type of interest.

Disclosure of conflicts of interest must be recorded in the minutes.

9.2. Misuse of Position

Committee members must not intentionally misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person, or cause, or attempt to cause, determinant to Council or another person.

9.3. Confidential Information

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

Failure to comply with the provisions of the Act regarding conflict of interest may result in prosecution for breach of the Act and the member's appointment being terminated by Council.

10. IMPLEMENTATION OF THIS CHARTER

Monitoring and Reporting

The Manager Governance Customer and Communications is responsible for monitoring and reporting against this Charter.

Advice and Assistance

The Manager Governance Customer and Communications manages the provision of advice to the organisation regarding this Charter.

A person who is uncertain how to comply with this Charter should seek advice from this person.



AUDIT AND RISK COMMITTEE CHARTER

Review

The Committee will review and assess the adequacy of the Charter every two years or earlier if necessary and submit requests to Council through the Chief Executive Officer for revisions and improvements for approval.

RELATED DOCUMENTS

Local Government Act (Vic) 2020

Internal Audit Charter

DOCUMENT CONTROL

Policy owner	Steven O'Dowd	Manager Governance, Customer and Communications	Division	Executive
Adopted by council	25 February 2025		Policy Number	18.16
File Number	D25/37056		Review date	2 yearly 2027



AUDIT AND RISK COMMITTEE CHARTER

Appendix A

Committee Member Regulatory Obligations

Guidance to Members

LGA Section	LGA Requirement
Misuse of Position	
125	A Committee member must not intentionally misuse their position to: <ul style="list-style-type: none"> a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or b) Cause, or attempt to cause, detriment to the Council or another person
123(3)	Circumstances involving misuse of a position by a member of the Committee include: <ul style="list-style-type: none"> a) Making improper use of information acquired as a result of being a member of the Committee; or b) Disclosing information that is confidential information; or c) Directing or improperly influencing, or seeking to direct or improperly influence, a member of Council staff; or 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 e) Using public funds or resources in a manner that is improper or unauthorised; or f) Participating in a decision on a matter in which the member has a conflict of interest.
Confidential Information	
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.
Conflicts of Interest	
125	A member of the Committee has a conflict of interest if the member has: <ul style="list-style-type: none"> a) A general conflict of interest as described in Section 127; or b) A material conflict of interest as described in Section 128.
127	A member of the Committee has a general conflict of interest in a matter if an impartial, fair-minded person would consider that the members private interests could result in that member acting in a manner that is contrary to their public duty as a member of the Committee.
128	A member of the Committee has a material conflict of interest in a matter if an affected person would gain a benefit or suffer a loss depending on the outcome of the matter.
<p>Please Note</p> <p>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.</p>	



AUDIT AND RISK COMMITTEE CHARTER

APPENDIX B - Local Government Act 2020 Principles	
<p>Section 9 Overarching Governance Principles</p>	<p>a) Council decisions are to be made and actions taken in accordance with the relevant law.</p> <p>b) priority is to be given to achieving the best outcomes for the municipal community, including future generations.</p> <p>c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted.</p> <p>d) the municipal community is to be engaged in strategic planning and strategic decision making.</p> <p>e) innovation and continuous improvement is to be pursued.</p> <p>f) collaboration with other Councils and Governments and statutory bodies is to be sought.</p> <p>g) the ongoing financial viability of the Council is to be ensured.</p> <p>h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making.</p> <p>i) the transparency of Council decisions, actions and information is to be ensured.</p>
<p>Section 101 Financial Management Principles</p>	<p>a) revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans.</p> <p>b) financial risks must be monitored and managed prudently having regard to economic circumstances.</p> <p>c) financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community.</p> <p>d) accounts and records that explain the financial operations and financial position of the Council must be kept.</p> <p>For the purposes of the financial management principles, financial risk includes any risk relating to the following—</p> <p>(a) the financial viability of the Council.</p> <p>(b) the management of current and future liabilities of the Council.</p> <p>(c) the beneficial enterprises of the Council.</p>