



Audit and Risk Committee Charter

Recommended to Council by the Audit and Risk Committee on
5 December 2024

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Table of Contents

1.	Background	3
2.	Authority	3
3.	Membership.....	4
4.	Terms of Appointment	4
	Independent Members	4
	Councillor members	5
5.	Meetings.....	5
6.	Performance.....	6
7.	Indemnity.....	7
8.	Committee Member Regulatory Obligations	7
9.	Reporting.....	7
10.	Duties and Responsibilities.....	7
	A. External Audit	7
	B. Internal Audit	8
	C. Financial and Performance Reporting	9
	D. Internal Control Environment.....	9
	E. Risk Management	10
	F. Fraud Prevention Systems and Controls.....	10
	G. Compliance Management	10
11.	Review of the Committee Charter	11
	Appendix A	12
	Committee Member Regulatory Obligations	12

1. Background

The Melton City Council ('Council') Audit and Risk Committee ('the Committee') is established pursuant to Section 53 of the *Local Government Act 2020* ('the Act').

This Charter sets out the Committee's functions and responsibilities, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

The primary functions and responsibilities of the Committee are to monitor the compliance of Council policies and procedures with the Act (including any regulations), the overarching governance principles, Council's financial and performance reporting, Council's risk management and fraud prevention systems and controls and to oversee the internal audit and external audit functions.

The 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 responsibilities. The Committee does not have or undertake any management function and is therefore independent of management.

The internal auditor, external auditor and other assurance providers support the Committee by providing independent and objective assurance on corporate governance, risk management, internal control and compliance.

A Committee Work Plan is established annually to ensure the Committee effectively discharges its responsibilities under this Charter.

2. Authority

The Committee is established by the Council, pursuant to Section 53 of the Act. It is not a delegated committee and has no delegated responsibilities. Rather, it operates in an advisory capacity to Council in the performance of which it has the ability to:

- Perform activities within the scope of this Charter;
- Require the attendance of Senior Council Officers at meetings as appropriate;
- Have unrestricted access to members of the management team, employees, and relevant information;
- Review the process for reporting pursuant to the Protected Disclosure Act 2012;
- Oversee the performance of the external auditor and appointment and performance of the internal auditor;
- Meet in private without the attendance of management; and
- Request necessary financial resources to be provided to enable the Committee to receive any necessary legal, accounting, or other professional advice.

3. Membership

The Committee will be comprised of five members as follows:

- Three (3) members who are not Councillors and these members are described in this Charter as external independent members; and
- Two (2) Councillor members.

The Chairperson of the Committee shall be appointed from the external independent members of the Committee by all members of the Committee up to a maximum of term of three years within their term of appointment and not exceeding the first year of a new term of Council.

In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external independent members present.

4. Terms of Appointment

External Independent Members

The appointment of external independent members shall be made by Council following an open market recruitment process.

The applications for membership will be assessed against appropriate selection criteria. These criteria will fall within the areas of:

- a. Expertise in financial management and risk;
- b. Experience in public sector management.

Consideration should also be given to previous audit and risk committee experience, and the composition of the Committee, where possible, will be balanced in regard to age, gender, ethnicity, and people living with a disability.

External independent members must collectively have experience in a. and b. above pursuant to section 53 of the Act.

The Selection Panel ('Panel') for appointment to the Committee will consist, unless a conflict of interest exists, of the Mayor, Chief Executive Officer and the Chairperson of the Audit and Risk Committee, or an alternate external independent member where a conflict of interest exists for the Chairperson. In the case of a conflict of interest for the Mayor or Chief Executive Officer, the Deputy Mayor will substitute for the Mayor and/or a Director of the Council will substitute for the Chief Executive Officer on the selection Panel.

The Panel will assess candidates against the selection criteria, and also take into account the experience of the candidates and their likely ability to apply appropriate analytical and strategic management skills. The Panel will put a recommendation before Council for a decision.

External independent members shall be appointed for a term of three years. The term 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.

At the conclusion of their first three-year term, existing external independent members will be eligible to be reappointed at the discretion of Council for a second three-year term provided that a formal assessment of the member's performance is undertaken by the Panel to inform Council's reappointment decision. Existing members will also be eligible to apply to be reappointed for a second three-year term should Council instead decide to recruit for the position. External independent members can only serve on the Committee for two consecutive terms.

In the event of an external independent member resigning/retiring before the expiry of their term then this vacancy will be filled as soon as practicable after the vacancy occurs. Further, should the resignation/retirement of the members coincide then Council may extend the remaining members term by one year to ensure continuity.

In the event the Council proposes to remove an external independent member of the Committee, it must give 4 weeks written notice to the member of its intention to do so and provide that member with the opportunity to be heard if that member so requests via a written submission to the Chief Executive Officer. The Mayor, Chief Executive Officer and Chairperson of the Audit and Risk Committee (if not the member subject to removal from the Committee) will consider the submission and may decide to meet with the member to further clarify issues raised in the submission prior to it being submitted to Council. The decision to remove the member will then be made by, and is at the discretion of, the Council.

Remuneration will be paid to each external independent member of the Committee as determined by Council from time to time. The remuneration shall be a set sessional fee for attendance at each formal meeting with an additional amount paid to the Chairperson. Remuneration will be paid to each external independent member of the Committee after each meeting upon submission of a tax invoice.

Councillor Members

The Councillor members of the Committee shall be appointed annually by Council at its Annual Meeting where Councillor representation is decided upon.

The term of the Councillor member to the Committee shall be for a one-year term and a Councillor member may be appointed by Council for further terms.

Councillor members may appoint a substitute Councillor in the event they are unable to attend a meeting.

5. Meetings

Conduct of meetings shall be consistent with Council's Governance Rules, insofar as they can be adapted to the Committee meeting, and at the discretion of the Chairperson.

The Committee shall meet as required and according to the annual schedule adopted by Council, but must meet a minimum of five times per year, which includes a meeting to consider the audited annual Financial and Performance Statements.

A schedule of Committee meetings and the Committee's annual Work Plan will be developed and agreed to by the members and recommended to Council annually for adoption. Meetings will be arranged as much as possible to coincide with relevant Council reporting deadlines, in particular the finalisation of the annual Financial and Performance Statements and the Annual Report to the Minister for Local Government.

Additional meetings shall be convened at the discretion of the Chairperson or at the written request of any member of the Committee, Internal Auditor or External Auditor.

Members of the Committee are expected to attend every meeting of the Committee in person and, in the event that a member is unable to attend in person then, with the approval of the Chairperson,

they may attend online through arrangements made with the Head of Governance and subject to availability of any required technology.

The agenda and supporting documentation will be circulated to members of the Committee at least 3 working days in advance of each meeting.

With the approval of the Chairperson, the draft minutes of a Committee meeting will be issued to Committee members for confirmation by an out-of-session resolution to enable confirmed minutes detailing the Committee's advice and recommendations to be presented at a subsequent Council meeting following the Committee meeting.

The Committee will then ratify confirmed minutes of a meeting at the subsequent meeting of the Committee and the Chairperson will sign a printed version of the confirmed minutes that will be taken as the record of the meeting.

Council shall provide administrative support to the Committee.

The following requirements shall apply to all meetings of the Committee.

- A quorum of any meeting will be at least two external independent members and at least one Councillor member. In this instance a quorum is three (3) members.
- Only Committee members are entitled to vote at meetings. All members have full and equal voting rights on all matters considered by the Committee unless a member is unable to vote due to a conflict of interest. The Chairperson of the Committee shall have a casting vote on occasions where there is an equal number of votes on a matter. Resolutions shall pass on a simple majority vote.
- Other Councillors may attend meetings in an observation capacity, and the Committee may invite or require any persons to attend meetings as it deems necessary.
- The Chief Executive Officer, Chief Financial Officer, and the Head of Governance will represent the organisation and attend all meetings. Other Council staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- Council staff and Councillors who are not members of the Committee do not have a right to vote and may be excluded from meetings for any matter when votes are taken.
- The Internal Auditor will attend all meetings where internal audit reports are presented or as requested by the Committee, except when the Committee decides to meet in camera.
- The External Auditor (as may be appointed by the Victorian Auditor General) must attend the meeting when the annual Financial Statements and external audit management reports are considered and shall attend other Committee meetings as required.
- The External Auditor may request to meet in-camera with the Committee.
- The Committee will meet at least annually and separately with the External Auditor and Internal Auditor without management present and when required by the Committee, the auditors or Council.
- Any meeting documents provided in hard copy must be surrendered to Council and destroyed at Council premises.

6. Performance

The Committee will collectively evaluate and discuss its own performance against the Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting subsequent to that evaluation. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

7. Indemnity

The Council will indemnify and keep indemnified each external independent member of the Committee against all actions or claims whether arising during or after their term of appointment has concluded in respect of anything necessarily done or reasonably done or omitted to be done in good faith:

- a. in the performance of a duty or function or the exercise of an any matter under the Act, regulations, a local law or this charter; or
- b. in the reasonable belief that the act or omission was in the performance of a duty or a function or the exercise of a matter under the Act, regulations, a local law or this charter.

8. Committee Member Regulatory Obligations

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

9. Reporting

The Committee shall after every meeting provide the minutes of that meeting to the next Scheduled Meeting of Council.

The Committee shall provide advice and report to Council on any matters of significance as determined by the Committee and for the Chairperson and/or Committee Members to be available to meet with Council as required.

The Chairperson will twice per annum prepare on behalf of the Committee a report to Council on the Committee's activities and provide the report through the Chief Executive Officer. One of these reports will be prepared after the meeting at which the annual Financial and Performance Statements have been considered and recommended to Council for adoption. Each report will advise Council how the Committee has discharged its responsibilities as set out in this Charter for the reporting period.

The Melton City Council Annual Report will contain information on Committee members, the number of meetings held and member attendance record, the audit processes and the results of work completed by the Internal Auditor and External Auditor.

The Committee Charter and details of Committee members will be published on Council's website.

10. Duties and Responsibilities

A. External Audit

The Committee will:

1. Review the External Auditor's proposed audit scope and approach to be applied each year in light of Council's present circumstances and changes in regulatory and other requirements.
2. Review with the External Auditor Council's draft annual Financial Statements focusing on:

- a. Changes to accounting policies and Approved Accounting Standards;
 - b. Significant adjustments to the financial statements (if any) arising from the audit process;
 - c. Compliance with accounting standards and other reporting requirements of financial and non-financial information; and
 - d. Significant variances with explanations from prior years.
3. Review with the External Auditor Council's draft annual Performance Statement and consider the results in the context of the quarterly reports received throughout the year and explanations of any unusual or unexpected results.
 4. Discuss and review with the External Auditor issues arising from the audit including all Management Letters and reports issued by the auditor for completeness and appropriateness.
 5. Receive and discuss findings and recommendations made by the External Auditor and management's proposed responses and monitor the progress of actions to be taken.
 6. Meet separately with the External Auditor to discuss any matters that the Committee or External Auditor consider should be discussed without management in attendance.
 7. Ensure the External Auditor has access to the Committee Chairperson or the Committee when required.
 8. Consider the independence of the External Auditor in the context of any other services provided to Council, with a preference that the External Auditor does not provide services other than external audit functions.
 9. Review on an annual basis the performance of the External Auditor.

B. Internal Audit

The Committee will:

1. Review the level of resources allocated to internal audit functions and activities.
2. Review the three year strategic plan and annual program of the Internal Auditor to ensure that it takes into consideration the risk profile of Council.
3. Review the scope of the internal audit plan and the effectiveness of the function, evaluating whether the plan addresses the following issues:
 - a. Effectiveness of internal controls over significant areas of risk, including non-financial management control systems;
 - b. Effectiveness of internal controls over key processes relating to revenue, expenditure, assets, and liabilities;
 - c. Efficiency and effectiveness of significant Council programmes; and
 - d. Compliance with legislation, policies, best practice guidelines and contractual arrangements.
4. Receive, review, and approve or otherwise of the scope of work for each proposed audit prior to the audit being undertaken.
5. Monitor that the significant findings and recommendations made by the Internal Auditor and management's proposed responses are received, discussed, and appropriately acted upon, and monitor the progress of actions to be taken.

6. Review the appropriateness of special internal audit assignments by the internal audit services provider at the request of Council or Chief Executive Officer.
7. Consider the independence of the Internal Auditor in the context of any other services provided to Council.
8. Monitor the effectiveness of the internal audit function on an ongoing basis.
9. Monitor that there are no unjustified restrictions or limitations placed on the Internal Auditor.
10. Meet with the Internal Auditor annually or as required to consider any matters that the Committee or Internal Auditor should discuss privately.
11. Review on an annual basis the performance of the Internal Auditor, and where performance is not considered satisfactory, discuss with Council and management appropriate steps to take, which could include the appointment of a new Internal Auditor.
12. Through the Committee Chairperson, be party to the process of appointment of the Internal Auditor.

C. Financial and Performance Reporting

The Committee will:

1. Review Council's financial position via the presentation of Council's Quarterly Financial Management reports and report to Council on any material issues which may require action or attention.
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. Review significant accounting and reporting issues, including complex or unusual transactions and areas requiring professional judgment, and recent professional and regulatory pronouncements, and understand their impact on financial reports.
4. Review the audited annual Financial Statements prior to their approval by Council to determine whether the Committee considers them appropriate and is satisfied with the information known to the Committee, and assess whether the Financial Statements reflect appropriate accounting policies and comply with all relevant standards and regulatory requirements.
5. Review with management and the External Auditor all matters required to be communicated to the Committee under the Australian Auditing Standards.
6. Monitor the progress of any litigation, claim or contingency which could have a material effect on Council's financial position or operating result.
7. Recommend to Council the approval in principle of the annual Financial Statements and Performance Statement to Council, and review any significant changes and the reasons for the changes that may arise subsequent to that advice but before the Statements are adopted by Council.

D. Internal Control Environment

The Committee will:

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 three to four year period.

2. Determine whether systems and controls are reviewed regularly and updated where deficiencies are identified and improvements required.
3. Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile.
4. Monitor that a program is in place to test compliance with systems and controls.
5. Assess whether the control environment is consistent with Council's Governance Principles.

E. Risk Management

The Committee will:

1. Monitor the risk exposure of Council by determining if management has in place appropriate risk management processes and adequate management information systems.
2. Review Council's Risk Management Policy and Framework and risk profile.
3. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately.
4. Receive status reports on a regular basis of the risk register and actions being taken to manage identified risks.
5. Review the insurance programme annually prior to renewal.
6. Monitor the progress of any significant and/or material legal action either against or being taken by Council.
7. Monitor the effectiveness of Council's business continuity and disaster recovery processes and practices.

F. Fraud Prevention Systems and Controls

The Committee will:

1. Monitor the effectiveness of fraud and corruption prevention policies and fraud detection processes throughout the organisation.
2. Identify and refer specific actions or investigations deemed necessary to the Chief Executive Officer, the Internal Auditor or the Council, as appropriate.
3. Review reports in relation to any subsequent investigation, including the investigation of any suspected cases of fraud or corruption.
4. Review internal controls over revenue, expenditure, assets and liability processes.
5. Review internal controls over significant areas of risk including non-financial management control systems.
6. Receive reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

G. Compliance Management

The Committee will:

1. Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance.
2. Receive briefings on any significant compliance matters.
3. Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC, the Local Government Inspectorate, etc. and monitor Council's responses.

11. Review of the Committee Charter

The Committee will review the Charter at least biennially and recommend changes to Council for approval.

Appendix A

Committee Member Regulatory Obligations

Guidance to Members

LGA Section	LGA Requirement
Misuse of Position	
123(1)	A Committee member must not intentionally misuse their position to: <ol 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: <ol 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	
126	A member of the Committee has a conflict of interest if the member has: <ol 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 style="text-align: center;">Please Note</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>	