

Mornington Peninsula Shire Council

Audit and Risk Committee Charter



Reviewed by the Audit and Risk Committee – 27 November 2025
Approved by Council – 17 February 2025

1. Purpose

- 1.1 The Mornington Peninsula Shire 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
 - Council's performance with regard to compliance with its policies and legislative and regulatory requirements
 - Maintenance of a sound internal control environment; and
 - Assurance activities including internal and external audit.
- 1.2 The Committee acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in this Charter. This Charter has been developed in accordance with Section 54 of the Act.
- 1.3 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.
- 1.4 The Committee has no executive authority and no delegated financial responsibilities and is therefore independent of management.

2. Responsibilities

The Committee will carry out the following responsibilities:

Financial and Performance Reporting

- 2.1 Monitor 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;
- 2.2 Monitor changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- 2.3 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;

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- 2.4 Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- 2.5 Recommend the adoption of the annual financial report and annual performance statement to Council; and
- 2.6 Monitor the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

Risk Management

- 2.7 Review the effectiveness of Council's risk management framework;
- 2.8 Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- 2.9 Review Council's risk profile and the changes occurring in the profile;
- 2.10 Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- 2.11 Review the insurance programme annually prior to renewal; and
- 2.12 Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

Fraud Prevention Systems and Controls

- 2.13 Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes;
- 2.14 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; and
- 2.15 Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies.

Compliance Management

- 2.16 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;
- 2.17 Obtain briefings on any significant compliance matters; and
- 2.18 Receive reports from management on the findings of any examinations by regulatory or

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integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC or Victoria Government Inspectorate and monitor Council's responses.

Internal Control Environment

- 2.19 Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment and for complying with the Overarching Governance Principles in the Act;
- 2.20 Monitor whether systems and controls are reviewed regularly and updated where required;
- 2.21 Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile; and
- 2.22 Monitor that a programme is in place to test compliance with systems and controls.

Internal Audit

- 2.23 Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- 2.24 Review, and recommend to the CEO for approval, the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- 2.25 Review progress on delivery of annual internal audit plan;
- 2.26 Review and provide advice on proposed scopes for each review in the annual internal audit plan;
- 2.27 Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- 2.28 Meet with the leader of the internal audit function at least annually in the absence of management;
- 2.29 Monitor action by management on internal audit findings and recommendations;
- 2.30 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;
- 2.31 Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change; and

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- 2.32 Recommend to Council the appointment and, if necessary, the termination of the internal audit contractor.

External Audit

- 2.33 Receive and note the external audit scope and plan proposed by the external auditor;
- 2.34 Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information;
- 2.35 Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner;
- 2.36 Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- 2.37 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- 2.38 Meet with the external auditor at least annually in the absence of management.

3. Authority

- 3.1 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.
- 3.2 The Committee has the authority to:
- 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 in order to execute its responsibilities, subject to prior agreement with the Chief Executive Officer (CEO) or Council;
 - Seek any relevant information it requires from Council, Council Officers (who are expected to co-operate with the Committee's requests) and external parties;
 - Meet with Council Officers, internal and external auditors and other parties as required to discharge its responsibilities; and
- 3.3 Through the CEO, have access to appropriate management support to enable it to discharge its responsibilities effectively.

4. Membership and Tenure

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- 4.1 The Committee will consist of five members appointed by Council, three of whom must be independent members. Council employees cannot be members of the Committee. Details of membership and tenure are set out below:

Independent Members

- 4.2 Independent members will be appointed for an initial term of three years;
- 4.3 Independent members may be reappointed for two additional three-year terms subject to satisfactory performance, to a maximum of nine consecutive years, or some other period approved by the Council;
- 4.4 Independent members must collectively have expertise in financial management, reporting and risk management and also experience in public sector management;
- 4.5 Independent member 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;
- 4.6 In the event of an independent member resigning/retiring before the expiry of their term, the vacancy will be filled at the discretion of Council. Should the resignation/retirement of two or three members coincide, Council may extend one member's term by one year to ensure continuity;
- 4.7 Remuneration will be paid to independent members as approved by Council from time to time; and
- 4.8 Council will indemnify the independent members of the Committee, consistent with section 43 of the Act that applies to Councillors, members of delegated Committees or members of a Community Asset Committee. This requires that members act consistently with the Committee Member Obligation section of the Charter that deals with the misuse of a position, maintaining the confidentiality of information and the declaration of conflicts of interest.

Councillor Members

- 4.9 Councillor members will be appointed to the Committee by Council annually; and
- 4.10 Should an appointed Councillor member not be able to attend a Committee meeting, Council can appoint an alternate member to act in such circumstances, either on a meeting by meeting basis or for the entire year.

Chairperson

- 4.11 The Chairperson of the Committee must be an independent member;
- 4.12 Council will appoint the Chairperson of the Committee;
- 4.13 If the Chairperson is unable to attend a meeting, the members in attendance at the meeting

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will appoint a Chairperson for that meeting from among the attending members.

4.14 The role of the Chair is to:

- a. Chair the Committee meetings in accordance with the meeting agenda;
- b. Chair the Committee in a manner that promotes participation, communication and consensus; and
- c. To allow time during the Committee meeting for any member to raise any issue as an item of General Business.

Quorum for Meetings

4.15 A quorum shall comprise at least one Councillor member and two independent members.

5. Meetings

- 5.1 The Committee will meet at least four times a year with an additional meeting to consider the annual financial report and performance statement and with authority to convene additional meetings, as circumstances require;
- 5.2 A schedule of meetings and work plan, aligned to this Charter, will be developed annually and agreed by members. The work plan will be tabled at every meeting of the Committee;
- 5.3 All Committee members are expected to attend each meeting in person, although in special circumstances members can attend through electronic means;
- 5.4 The Committee will invite members of Council's management team, the internal and external auditors and other personnel as appropriate to attend meetings. The CEO, Financial Controller and Manager Governance and Risk (or equivalents) will attend all meetings, except for confidential matters as determined by the Chairperson;
- 5.5 Committee members as well as the internal or external auditors can request the Chairperson to convene additional meetings if they feel that is justified to address unexpected matters that may have arisen;

6. Meeting Procedure

- 6.1 Meeting agendas and appropriate briefing materials will be provided to members at least one week before each meeting.
- 6.2 Minutes will be prepared for all meetings by the CEO or their delegate. Draft minutes will be reviewed by the Chair and then shared with the Committee members, usually within a week following a Committee meeting. The Committee will review and approve the minutes at their next meeting.
- 6.3 Draft Committee minutes will be shared with Council following each Committee meeting as a confidential report, noting that they are draft minutes and that Council will be advised of any

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significant amendments once the Committee has approved them.

- 6.4 All Committee meetings, agenda papers and discussions are to be treated as confidential and meetings are not open to the public.
- 6.5 Any Councillor is entitled to attend a Committee meeting as an observer.
- 6.6 Any conflicts of interest must be disclosed to the Committee at the commencement of the Committee meeting.
- 6.7 Voting will be undertaken by consensus with any dissenting view noted in the minutes.

7. Reporting to Council

- 7.1 The Chairperson will report to Council on the Committee's activities twice per annum. The CEO will table the report on the Committee's behalf.
- 7.2 One of these reports to Council will be tabled at the meeting following the Annual Report's endorsement and will include the Committee's assessment of its performance.

8. Performance Evaluation

- 8.1 The Committee shall undertake an evaluation of its performance annually against its Charter and report the outcomes of the evaluation to Council through the CEO, including recommendations for any opportunities for improvement. The evaluation will include feedback from both Committee members and senior officers who have regular interactions with the Committee.

9. Committee Member Integrity Obligations

- 9.1 Independent Committee (non-Councillor) members are expected to be aware of their obligations under Section 53 of the Act. These obligations relate to the potential misuse of their position as a member of the Committee (Section 123), disclosing confidential information (Section 125) and declaring conflict of interest (Sections 126 to 131). Appendix A describes these obligations.

10. Review of Charter

- 10.1 The Committee shall review and assess the adequacy of the Charter annually and submit requests to Council through the CEO for revisions and improvements for approval.

11. Induction

- 11.1 New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

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MORNINGTON
PENINSULA
Shire

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Appendix A - Integrity Obligations Guidance to Committee Members

LGA Section	LGA Requirement
Misuse of Position	
123(1)	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	
126	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 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>	

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Appendix B – Cross reference of key LGA 2020 requirements with the Charter

LGA requirement	Matter	Charter section
53 (3)	Membership	4.1, 4.9
53 (4)	Chair	4.11-14
53 (5)	Misuse of position, confidential information, conflict of interest	9
53 (6)	Remuneration of Independent members	4.7
54 (2)	Committee responsibilities	2
54 (3)	Annual work program	5.2
54 (4)	Performance self-assessment	8
54 (5)	Biannual report to Council	7
54 (6a)	Agendas & minutes	6
54 (6b)	Table reports at Council	7
53 (1&2) 54 (7)	Relate to establishment of ARC and noting it is not a delegated committee	Not applicable