

Audit and Risk Committee Charter

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1 Purpose

The Audit and Risk Committee (the Committee) is an advisory committee established in accordance with Rule 25 of the Municipal Association of Victorian's (MAV) Rules 2022 (the Rules) to assist the MAV in fulfilling its responsibilities relating to external financial reporting, risk and financial management, corporate governance, internal control systems and providing advice to drive continuous improvement.

2 Authority

In accordance with the Rules (rl.25.4), the Board must prepare and approve an Audit and Risk Committee Charter (the Charter) and the charter must specify the functions and responsibilities of the Audit and Risk Committee, including:

- monitoring the Association's financial management,
- monitoring and providing advice on risk management and fraud prevention systems and internal controls, and
- overseeing internal audit functions. (rl25.5).

The Committee does not have any delegated powers, including executive powers, management functions or delegated responsibility.

The Committee is responsible to the MAV Board (the Board) and the Board authorises the Committee in performing the functions as outlined in this Charter, to:

- seek relevant information it requires from any official of the MAV or external parties (subject to any legal obligation to protect information).
- obtain legal or other professional advice (subject to approval by the CEO).
- discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations).
- request the attendance of any MAV official, including Board members at Committee meetings.
- seek resolution on any disagreements between management and the external auditors on financial reporting
- seek resolution of differences of opinion between management and the internal auditors on internal audit recommendations.

3 Responsibility

In accordance with the Rules (rl.25.5), the Committee has the following responsibilities:

3.1 Financial Management (rl.25.5.1)

The Committee will provide advice and recommendations to the Board in relation to the quality and accuracy of financial reports, including compliance with all relevant laws and standards. Specific matters the Committee may address include:

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- (a) Receive and review monthly financial reports and advise on any significant financial issues, including complex or unusual transactions and recent accounting, professional and regulatory pronouncements.
 - (b) Review and recommend to the Board the adoption of all significant financial policies.
 - (c) Assess the impact of changes in accounting, reporting or regulatory requirements on the MAV's financial accounts and operations.
 - (d) Review the process for the consolidation of financial information of the MAV related entities into the financial reports of the MAV.
 - (e) Review the annual financial report and consider whether the report is complete, consistent with information known to Audit and Risk Committee and reflects appropriate accounting principles, and if considered appropriate make a formal recommendation to the Board.
 - (f) Review representation letters signed by management to ensure all relevant matters are addressed.
 - (g) Assess information from internal and external auditors that affects the quality of financial reports. For example, actual and potential material audit adjustments, financial report disclosures, non-compliance with legislation and regulations, internal control issues.
 - (h) Provide advice to management and the Board on any special projects, investigations or significant transactions outside of the MAV's normal business as deemed necessary, or as referred to the Committee by the Board.

3.2 External Audit (rl.25.5.1)

The Committee will provide advice and recommendations to the Board in relation to the MAV's external audit program. Specific matters the Committee may address include:

- (a) Annually review the external auditor's proposed audit scope and approach.
- (b) Review the results of the annual external audit in conjunction with management and the external auditors, including any difficulties encountered.
- (c) Ensure that significant findings and recommendations made by the external auditor, and management's responses to them are appropriate and are acted on in a timely manner.
- (d) Provide advice on the resolution of any disagreements between management and the external auditors on financial reporting.
- (e) Ensure that opportunities are provided for the external auditor to meet in-camera with the Committee, as required.
- (f) Maintain awareness of relevant sector performance audits undertaken by Victorian Auditor-General and consider the findings and recommendations of performance audits relevant to the MAV for action/implementation, where appropriate.

3.3 Internal Audit (rl. 25.5.3)

In accordance the Rules the Board must appoint an internal auditor (r.24) and the Committee on behalf of the Board will oversee the MAV's Internal Audit function. Specific matters the Committee may address include:

- (a) Review the resourcing of the internal audit function and recommend to the Board the appointment, reappointment, or replacement of the internal auditors.
- (b) Monitor the implementation, review, and endorse the three-year rolling and annual strategic internal audit plans, and any major changes to the plans, and ensure that the plans are aligned with the MAV's risk profile, including MAV's strategic risks and prioritised operational risks.
- (c) Ensure that opportunities are provided to explore other internal audits in line with the MAV's Strategy 2024-2027 and the MAV's Business Function Risk Assurance Map (BFRAM).
- (d) Review and approve the scope for each internal audit to ensure that the audit objectives and scope are fit for purpose.
- (e) Review internal audit findings and the appropriateness and timeliness of actions proposed by management in response and provide advice on significant issues raised and associated actions, including the identification of good practice.
- (f) Where appropriate, liaise with other Board Committees on internal audit function and reports.
- (g) Monitor the implementation of agreed management actions from prior internal audit reports.
- (h) Monitor processes and practices to ensure that the appropriateness and independence of the internal audit function is maintained.
- (i) Evaluate the independence and overall effectiveness of the internal audit function including the internal auditor's performance.
- (j) Confirm that there have been no restrictions or limitations placed on the internal auditors.
- (k) Ensure that opportunities are provided for the internal auditor to meet in-camera with the Committee, as required.
- (l) Oversee periodic testing of whether audit actions reported as completed by Management have been effectively implemented.

3.4 Risk Management (rl.25.2.2)

The Committee shall monitor and provide advice to the Board on the MAV's Risk management systems and controls. Specific matters the Committee may address include:

- (a) Regularly review of the MAV's risk management framework and evaluating its overall effectiveness.
- (b) Monitor the process of review of the MAV's risk profile.

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- (c) Monitor the systems and processes in place to manage strategic and operational risks.
 - (d) Consider the adequacy of actions taken to ensure that material risks have been dealt with in a timely manner to minimise exposures.
 - (e) Provide advice as required to the Board in relation to elements of the MAV's risk management, including in relation to risk appetite.
 - (f) Reviewing MAV's register of insurance coverage annually.
 - (g) Monitor the effectiveness of business continuity planning and processes, including whether business continuity and disaster recovery plans have been regularly updated and tested.

3.5 Internal Control Environment (rl.25.2.2)

The Committee will provide advice and recommendations to the Board on the MAV's internal control environment. Specific matters the Committee may address include:

- (a) Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- (b) Receive updates on the implementation and effectiveness of programs of controls and the review of control framework policy and procedures.
- (c) Consider the scope of the internal auditors review of internal controls over financial reporting and obtain reports from the internal and external auditors on significant findings and recommendations, together with management's responses.
- (d) Provide oversight on the MAV's approach to managing conflicts of interests, public interest disclosures and other ethical issues including the regular review of conflict of Interest and Gifts Benefits and Hospitality registers.
- (e) Monitor and provide advice on the MAV's fraud and corruption prevention control systems including:
 - The assessment of fraud risks and controls.
 - Receive summary reports on ICT penetration testing and cyber security controls in place.
 - Receive summary reports from management on all suspected and actual frauds, thefts, material breaches of legislation, and ensure reporting to the Board and/or relevant authorities and monitor the effectiveness of the management responses.

3.6 Compliance Management

The Committee will monitor the compliance with the MAV's governance policies in accordance with the overarching governance and principles, the Rules, the MAV Act 1907, any regulations and or any ministerial directions. Specific matters the Committee may address include:

- (a) Review the effectiveness of the systems and processes that monitor compliance with legislation and regulations.

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- (b) Monitor the implementation of actions associated with identified instances of non-compliance.
 - (c) Receive and advise on the review of governance policies.
 - (d) Receive reports on the findings of any examinations by regulatory agencies and monitor management's response to these findings.
 - (e) Receive regular updates from management about compliance matters.
 - (f) Receive and review reports from the CEO on the application of the MAV's Fit and Proper Person Policy and undertake the responsibilities of the Audit and Risk Committee as specified in the Policy ensuring determinations are reported to the Board.

4 Committee Membership

In accordance with the Rules (rl.25.2), the Committee must:

- include Board members (rl.25.2.1); and
- consist of a majority of members who are not Board members or members of the Association's staff, and who collectively have (rl.25.5.2):
 - expertise in financial management and risk (rl.25.2.2.1),
 - expertise in public sector management (rl.25.2.2.2), and
- the chairperson of the Audit and Risk Committee must not be a Board member (rl.25.3).

4.1 Composition of Committee

- (a) The Committee shall comprise five members appointed by the Board, made up of two Board members and three members who are not Board members or members of the MAV Staff (titled as 'independent chairperson/members').
- (b) The Board will appoint two independent members and the independent chairperson through a merit-based recruitment process.
- (c) The independent chairperson and members appointed by the Board are to be natural persons with an appropriate level of skill and experience relating to public sector, finance, audit, risk or management experience.
- (d) The independent members are to be appointed for a three-year term, with an option for a further three-year term by mutual consent.
- (e) The initial appointment of independent members shall be for a three-year period. However, the Board may adjust the initial period of appointment to allow for mid-term appointments and to avoid situations where all independent members terms expire within proximity of each other. This initial period of appointment must be more than one year, and no more than three years.
- (f) Where an independent member is appointed mid-term in line with (e), they may be appointed for a further two full three-year terms by mutual consent.

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- (g) An independent member may serve no more than two full terms in any one position before the position must be publicly advertised. This does not preclude existing members from being re-appointed through a competitive process.
 - (h) The independent chairperson is to be appointed for a term to be determined by the Board.
 - (i) If the Chair is unable to attend a meeting, the Committee members in attendance at the meeting will appoint an Acting Chair for that meeting from among the attending members.
 - (j) Board members will be appointed for a two-year term of office, with no limitations on the maximum number of terms served by a Board member on the Committee
 - (k) Membership of the Committee will be reviewed periodically (but at least every two years) by the Board, with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

4.2 Attendance at meetings and Quorums

- (a) A quorum of at least a majority of current Committee members, with a minimum of two independent members and one Board member will be necessary to transact the business of the Committee.
- (b) Other Board members may attend meetings in an observation capacity, but they will not form part of the Committee.
- (c) The Chief Executive Officer (CEO), Chief Finance Officer, Director of Policy and Advocacy, and the Governance Advisor will attend Committee meetings as advisors or observers, but they will not form part of the Committee.
- (d) Other management representatives or members of staff may be invited to attend meetings as advisors or observers, but they will not form part of the Committee.
- (e) The Committee reserves the right to meet at any time without non-members or with invited non-members.
- (f) A representative(s) of VAGO and the appointed external audit contractor will be invited to attend meetings of the Committee, as advisors or observers. Representatives will be required to act in accordance with the obligations of confidentiality and conflict of interest as outlined within this Charter.
- (g) A representative(s) of the appointed internal audit contractor will be invited to attend meetings of the Committee, as advisors or observers. Representatives will be required to act in accordance with the obligations of confidentiality and conflict of interest as outlined within this Charter.

5 Sitting Fees

- (a) A sitting fee will be paid to the independent Committee members.

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- (b) Fees will consist of a Member fee (paid to all independent members) and a Chairperson fee (paid to the Chair).
 - (c) The sitting fee amounts will be reviewed and determined by Board annually as part of the annual budget process, taking into account of an assessment of the market and the recommendation of the CEO.
 - (d) Payment of fees will be made after each meeting on receipt of a Tax Invoice from the independent member/chair.
 - (e) The sitting fee will not be paid to an independent member that was absent from the meeting without leave from the Committee.
 - (f) No less than once every Board term, the fee paid to the independent chair and members will be benchmarked, against other similar organisations, to provide the Board with the information required to fully review the fees.
 - (g) Reimbursement of any reasonable expenses incurred as result of their role as an independent member/chair will be reimbursed on the approval of the CEO and on receipt of evidence.

6 Meetings

- (a) The Committee will meet no fewer than five times a year (four regular meetings and one or more special meetings held to review the MAV's annual financial reports, or to meet other responsibilities of the Committee). Unless exceptional circumstances exist, meetings will last no longer than three hours.
- (b) All Committee members are expected to attend each meeting, in person or through teleconference or video conference. Failure to attend a meeting will result in non-payment of the Member fee for the associated meeting.
- (c) The Chair is required to call a meeting if asked to do so by the Board or decide if a meeting is required should it be requested by another member, VAGO, the external auditor or internal auditor.

7 Administration and Support

- (a) In accordance with Rules (rl. 25.8), the CEO is responsible for ensuring the preparation and maintenance of agendas, minutes and reports of the Committee and the tabling of minutes of Committee meetings with the Board, when requested by the Committee chair.
- (b) To facilitate the operation of the Committee, the CEO will ensure the provision of:
 - secretariat and logistical support to the Committee.
 - any necessary training for members in relation to their responsibilities.
 - any information required by the Committee to enact its responsibilities under this Charter.
 - officer advice in respect of matters before the Committee.

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- formal meetings with staff, the internal auditors and external auditors as requested by the Committee, in accordance with the execution of its responsibilities under this Charter.
- (c) The secretariat, in consultation with the Committee Chair, will:
- prepare and circulate of the agenda papers to Committee members at least five working days prior to each meeting.
 - prepare the unconfirmed minutes for confirmation at the next meeting of the Committee and ensure the confirmed minutes are tabled (as part of the CEO's report) at meetings of Board.

8 Planning, Reporting and Assessment

- (a) In accordance with the Rules (rl. 25.6), the Committee will develop an annual work program that includes the timing of reporting for all the responsibilities as outlined in this Charter. *As far as is practicable, the Audit and Risk Committee should indicate which matters it will consider during any given year in a forward meeting plan, noting that it may consider other or additional matters in response to changes in the MAV's operations and environment. The forward meeting plan (Annual Work Plan) will include the proposed agenda items for each meeting for the forthcoming year, and cover all of the functions outlined in the charter.*
- (b) In accordance with the Rules (rl. 25.7) the Committee will prepare annually a report that describes the activities, findings, and recommendations of the Committee and provide the report to the CEO for tabling at a meeting of the Board.
- (c) The Committee will establish a mechanism to review and report on the Committee's performance, at least annually. The review will be conducted on a self-assessment basis, with appropriate input sought from the internal and external auditors, management and any other relevant stakeholders as determined by the Committee.
- (d) Following each Committee meeting the Chair of the Committee and MAV Board members appointed to the Committee are to provide an update to the MAV Board, along with confirmed minutes of the Committee meeting.

9 Member Responsibilities

Committee members are expected to understand and observe the requirements of the MAV's Code of Conduct for Members of the Board(s) and Committees. Members are also expected to:

- (a) Make themselves available as required to attend and participate in meetings of the Committee.
- (b) Contribute the time needed to study and understand the business papers provided as part of the agenda.

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- (c) Apply good analytical skills, objectivity, and good judgement.
 - (d) Express opinions respectfully and frankly, ask questions that go to the fundamental core of the issue, and pursue independent lines of enquiry.
 - (e) Sign a Confidential Undertaking upon appointment and maintain strict confidentiality, even after their terms on the Committee end, and declare any real or perceived conflicts of interest proactively and promptly.
 - (f) Meet the requirements commonly referred to as the 'fit and proper person test' as detailed in the *Fit and Proper Person Policy for Directors and the President of MAV, members of the Insurance Board, members of the Audit and Risk Committee, other officers and responsible managers of the MAV*.

10 Conflicts Of Interest

- (a) Committee members are responsible for completing an Interest Declaration Form upon initial appointment, completing and submitting an annual declaration and progressively updating their declarations when circumstances change.
- (b) Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflict of interest shall be appropriately minuted.
- (c) Any representatives of external and internal audit services must also declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda topic. Details of any conflict of interest shall be appropriately minuted.
- (d) Where staff members or observers at the committee meetings are deemed to have a real, or perceived, conflict of interest, the Chair may excuse them from Committee deliberations on the issue where a conflict of interest exists.

11 Charter review

The Committee will review and assess the adequacy of this Charter annually, taking into account any relevant legislative requirements. The Audit and Risk Committee Charter, including amendments to the Charter, will be approved by the Board.

12 Policy Context

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| Legislation, standards & external guidelines | Municipal Association of Victoria Rules 2022 |
| MAV Policies, procedures, and related documents | <ul style="list-style-type: none">• Code of Conduct for Members of the MAV Board, Insurance Board, Workcare Board, and Audit and Risk Committee.• Conflict of Interest Policy Members - MAV Board, Insurance Board, Workcare Board, and Audit and Risk Committee.• Fit and Proper Person Policy. |

13 Document Control

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