

SECTION 4 – REPORTS REQUIRING AUDIT COMMITTEE DECISION

4.1 AUDIT AND RISK COMMITTEE ANNUAL REPORT

BACKGROUND

Ararat Rural City Council has established an Audit & Risk Committee (the Committee) pursuant to Section 53 of the Local Government Act 2020 (the Act) to support Council in discharging its oversight responsibilities. It acts in this capacity by monitoring, reviewing, endorsing and advising on the above matters as set out in its Charter

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

The Chairperson is required to prepare a report to Council through the Chief Executive Officer on the Committee's activities twice per annum. One such report is prepared after the meeting at which the annual financial report and the annual performance statement have been considered and recommended to Council for adoption, such report indicating how the Committee has discharged its responsibilities as set out in this Charter for the previous year.

DISCUSSION

As part of Council's governance obligations to its community, Council has constituted the Committee to oversight responsibilities relating to:

1. Financial and performance reporting;
2. Risk management;
3. Fraud prevention;
4. Maintenance of a sound internal control environment;
5. Assurance activities including internal and external audit;
6. Council's performance regarding compliance with its policies and legislative and regulatory requirements.

Membership

The membership of the Committee during the reporting period was:

Name	Role	Attendance
Mr Homi Burjorjee	Independent Member & Chair (2 meeting)	2 of 2 meetings
Mr Brian Keane	Independent Member & Chair (2 meetings)	4 of 4 meetings
Mr Robert Tommasini	Independent Member	4 of 4 meeting
Ms. Jessica Adler	Independent Member	2 of 2 meetings
Cr, Jo Armstrong	Internal Member	3 of 3 meetings
Cr. Peter Beales	Internal Member	1 of 1 meeting
Cr. Bill Braithwaite	Internal Member	4 of 4 meetings

Meetings

During 2019/20, the Committee met on 4 occasions:

- 3 September 2019
- 26 November 2019
- 3 March 2020
- 2 June 2020

2019/20 In Review

The Committee is pleased to report that Ararat Rural City has a robust Committee, with experienced independent members as well as committed internal representation from Council. The Committee is well supported by the management team with informative agendas, reports and minutes.

Mr. Homi Burjorjee has been an independent member for the last six years and Chair for four years. He has made significant contributions during his term. As his term has expired, Ms. Jessica Adler has been appointed to replace Mr. Burjorjee.

Audit activities for 2019/20 were guided by the Strategic Internal Audit Plan, which continues to examine key risk areas of Council's operations to ensure Council's stewardship of its community's assets is maintained at the highest level.

The revised Committee Charter was adopted by Council September 2020. The Committee has responded to the Charter through consideration of various reports provided by management teams, the Internal and External Auditors, and by monitoring the effectiveness of the Internal Audit program, as summarised by the following:

1. Effective internal and external financial reporting.

To achieve this outcome, the Committee considered and commented on the following reports:

- External Audit:
 - 2018/19 Closing Report from the Auditor General for financial year ending 30 June 2019 (September 2019);
 - Management letter for the financial year ended 30 June 2019 (September 2019);
 - Interim management letter for the financial year ending 30 June 2019 (June 2020)
 - 2019/20 Audit strategy for the financial year ending 30 June 2020 (March 2020);
- Internal Audit:
 - 2019/20 Internal Audit Status (each meeting);
- Financial Management:
 - **2018/19** Financial Reports for period ending 30 June 2019 (September 2019); 30 September 2019 (November 2019); 31 December 2019 (March 2020); and 31 March 2020 (June 2020).
 - Financial Statements and Performance Statements for the year ended 30 June 2019 (September 2019).

2. Effective management of financial and other risks and protection of Council assets.

To achieve this outcome, the Committee considered and commented on the following reports:

- A comprehensive summary of activities, issues, risks and opportunities is provided by the CEO at each meeting. This is a written report and well received by the Committee. This method has been much appreciated particularly this year with the ever-changing circumstances around COVID-19 pandemic.
- A status of Internal Audit Recommendations (each meeting)
- Risk Management Framework and Update (September 2019, November 2019, March 2020);
- Insurance Policy Update (September 2019)
- Analysis of Receivables (June 2020)
- Victoria Auditor General Office (VAGO) Reports on:
 - Fraud and Corruption (September 2019)
 - Asset Management and Compliances (September 2019)
 - Local Government Compliance (September 2019)
 - Local Government Insurance Risks (September 2019)
 - Council Libraries (November 2019)
- IBAC Reports on:
 - Corruption risks associated with procurement in local government (November 2019)
 - Managing corruption risks associated with conflict of interest (November 2019)
- Internal Audit Reports on:
 - Program status;
 - Quarterly industry update;
 - Waste Collection and Recycling (June 2020);
 - Rates Revenue and Rate Debtor Management (November 2019)
 - Audit Review Outcomes update (each meeting).

3. The effectiveness of the internal audit function.

Council's current Internal Auditor is AFS & Associates (AFS), who have extensive experience in the Local Government sector. AFS was reappointed in December 2019 for a period of 3 years with an option for an additional term of 1 year.

The Internal Audit program that the Committee has overseen is in place to assist both Council and Management to achieve sound control over all Council activities. Internal Audit is not involved in the day to day internal transaction checking but provides an independent and objective assurance that the appropriate processes are in place.

Prior to accepting each report submitted by the Internal Auditor, the Internal Auditor provides a draft report seeking management's comments. A final report is then presented to the Committee who examines the recommendations made in each report and management's comments thereon.

To enable the Committee to closely monitor the implementation of management's agreed actions to address the recommendations contained in the Internal Auditor's reports, a progress report from management is provided to each meeting.

4. The provision of an effective means of communication between the external auditor, internal audit, management and the Council.

Council's external auditor is VAGO. VAGO has elected to contract this activity for the financial year ended 30 June 2020 to Ms. Cassandra Gravenall of Crowe Australasia, an affiliate of Findex (Aust) Pty Ltd.

The external auditors are responsible for providing a recommendation to VAGO that the Annual Financial Statements of Council present fairly and in accordance with applicable Accounting Standards

Ms. Gravenall presented the closing report for the financial year ended 30 June 19 at the September 2019 Committee meeting.

Ms. Gravenall attended the Committee meeting on 3 March 2020 to discuss any issues raised by the Committee when the audit strategy for 2019/20 was presented at that meeting.

Ms. Gravenall also joined for a zoom meeting on 2 June 2020 to discuss the interim management letter for the financial year ended 30 June 2020. It is normal practice for the External Auditor to review the Internal Audit program to better understand the internal control framework that exists at Council.

ACCOUNTABILITY

In addition to this report, a second report will be prepared in first half of 2021. The Committee's minutes are also presented to Councillors in the Council agenda after each Committee meeting as an information report. If the Committee pass any resolutions that require a Council decision, then a separate report is prepared and is presented to Council for consideration.

RECOMMENDATION

That the Audit and Risk Committee annual Report be received.

**MOVED BRIAN KEANE
SECONDED ROBERT TOMMASINI**

That the Audit and Risk Committee annual Report be received.

CARRIED

ATTACHMENTS

There are no attachments relating to this item.