



Ararat Rural City



Ararat Rural City

AGENDA

Audit and Risk Committee

Thursday 8 September 2022

Location: Mayors Room, 59 Vincent St, Ararat

Commenced at 1:05 pm

Audit and Risk Committee:

Cr Jo Armstrong (Mayor)

Cr Henry Burridge

Ms Jessica Adler

Mr Robert Tommasini

Mr Brian Keane

In attendance:

Dr Tim Harrison

Mr Brad Ead (via Microsoft Teams)

Ms Cassandra Gravenall (via Microsoft Teams)

Ms Karissa Hogan

Mrs Chandra Willmott

Ms Josie Frawley (via Microsoft Teams)

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SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES

There are no apologies.

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed.

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 07 June 2022 be confirmed.

**MOVED ROBERT TOMMASINI
SECONDED JESSICA ADLER**

That the Minutes of the Internal Audit and Risk Committee Meeting held on 07 June 2022 be confirmed.

CARRIED



SECTION 2- CEO UPDATE

2.1 CEO UPDATE – **CONFIDENTIAL**

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 REVIEW THE ANNUAL FINANCIAL REPORT AND ANNUAL PERFORMANCE STATEMENT

3.1.1 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

BACKGROUND

Part of the Audit and Risk Charter requires that the Audit and Risk Committee review the draft Annual Financial Report and the draft Annual Performance Statement.

DISCUSSION

Council's external auditors have been completing the end of year audit remotely. Draft Financial Statements and Draft Performance Statement compiled by Council officers have been sent to the auditors for review. These Statements may change depending on the outcomes of the auditor's review.

Financial Report

The Draft Comprehensive Income Statement shows total income in 2022 of \$36.620 million compared with \$35.196 million in 2021. Rates & Charges income decreased by \$0.204 million, Government Grants for operations increased by \$1.846 million, and Government Grants for capital works decreased by \$0.518 million.

Total income from rates decreased by 1.15%. The budget incorporated a rates decrease of 1.50%, although interest on rates and charges has increased by 24% due to an increase in interest concessions being provided in the previous financial year.

Council received the following non-recurrent operating grants in 2022:

| | Budget 2021/22 \$'000 | Income 2021/22 \$'000 |
|---|-----------------------------|-----------------------------|
| Non-Recurrent Operating Grants | | |
| Women Building Surveyors Program | 75 | 69 |
| Library Upgrade Grant | - | 63 |
| Supported Playgroups | 59 | 60 |
| Community Events Fund - Bushfire Recovery Vic | - | 48 |
| City Community Digital Hub and Co-Working Space | - | 92 |
| New Arrivals Settlement Program | - | 254 |
| COVID Safe Outdoor Activation Fund | - | 92 |
| Pilot Coordination Grampians Workforce | - | 55 |
| Business Concierge & Hospitality Support Program | - | 63 |
| Local Councils Outdoor Eating Entertainment Package | - | 158 |
| Community Funding Initiative Digital Literacy | - | 60 |
| Other Minor Grants | 13 | 208 |
| | 147 | 1,222 |

Council received the following non-recurrent capital grants in 2022:

| Non-Recurrent Capital Grants | Budget 2021/22 \$'000 | Income 2021/22 \$'000 |
|---|--------------------------------------|--------------------------------------|
| Gordon Street Recreation Reserve Development | 2,950 | 278 |
| Back Bolac Road | 1,620 | 1,620 |
| Delacombe Way | 434 | 370 |
| Chatsworth-Wickliffe Road | 852 | 852 |
| Darlington-Nerrin Road | 738 | 738 |
| Chatsworth-Lake Bolac Road | 434 | 434 |
| Wilson Street | 489 | 218 |
| Pollands Bridge | 267 | - |
| Urban Drainage Works | 330 | - |
| Ararat East Development Zone Trunk Infrastructure Project | - | 64 |
| Ararat Linkages Project | - | 180 |
| Yalla Y Poora Road Crossing | - | 77 |
| Willaura Rec Reserve-Female Friendly Facilities | - | 39 |
| | 8,114 | 4,870 |

Total expenses in 2022 were \$29.264 million compared with \$29.128 million in 2021, an increase of \$0.136 million. A breakdown of expenses reveals an increase in materials and services costs of \$2.982 million which can be largely attributed to the increased operating expenditure required to deliver the outcomes for the additional operating grants. Employee costs have decreased by \$1.088 million which is partly due to Council employing new employees under the Working for Victoria initiative in 2021, as well as delays in replacing some staff members and some vacancies that have not been filled in 2022. Depreciation has decreased by \$1.734 million based on the revaluation of infrastructure as at 30 June 2021.

The surplus for 2022 was therefore \$7.356 million compared with a surplus of \$6.068 million in 2021.

The revaluation of property assets at 30 June 2022 has resulted in an increase in value of \$9.189 million and the revaluation of infrastructure assets at 30 June 2022 has resulted in an increase in value of \$20.151 million.

The Cash Flow Statement shows a net decrease in cash and cash equivalents of \$1.534 million compared with an increase of \$3.516 million in 2021.

The Cash Flow Statement shows net cash provided by operating activities was \$15.137 million in 2022 compared with \$19.947 million in 2021, representing a decrease of \$4.810 million. This is largely due to a decrease in capital grants of \$2.652 million and an increase in materials and services expenditure of \$2.921 million.

Net cash used in investing activities (e.g. payments for property, infrastructure, plant and equipment) was \$14.479 million in 2022 compared with \$16.181 million in 2021, representing a decrease of \$1.702 million.

Net cash used in financing activities was \$2.192 million in 2022 compared with \$0.250 million in 2021.

The Statement of Capital works shows \$14.664 million invested in 2022 compared with \$16.564 million in 2021, a decrease of \$1.900 million. Total Infrastructure works decreased by \$1.175 million.

Performance Statement

The Victorian Government has introduced a mandatory system of performance reporting which prescribes performance information to be included on Council's annual reports.

"Councils must describe the prescribed indicators and measures in the performance statement, so it is clear to the audience what is being measured. In addition, the performance statement must include the results achieved in relation to the prescribed service performance outcome, financial performance and sustainable capacity for the financial year and three preceding years.

For the financial performance indicators and measures, the performance statement must also include the forecast results for four years based on the financial statements included in the strategic resource plan.

Reporting trend information helps the reader understand changes in Council performance over time and acts as a point of reference for results. The regulations require that Councils must also provide an explanation of any material variations in the results between the current year and other years disclosed, to enable the reader to form an understanding of the reason for the variation".

The performance reporting framework requires Councils to load the indicators included in this performance statement, as well as a number of other indicators that are required to be included in the report of operations, onto the "Know your Council" website, which will allow the community to compare the performance result of Councils across Victoria.

Part of the performance reporting framework includes the State Government setting expected ranges for each indicator. Based on the draft financial statements and performance statement Council is within the expected range for most indicators. The reasons for the material variations are included in the performance statement.

The Financial Statements and Performance Statements included in this agenda are still subject to change based on the feedback from either Crowe Australasia or by the Auditor General.

RECOMMENDATION

That the Audit and Risk Committee recommends:

- 1. Council authorise Cr Jo Armstrong, Cr Henry Burrridge (Audit and Risk Committee Members) and Dr. Tim Harrison, Chief Executive Officer to certify the Financial Statements in their final form, and*
- 2. Council authorise Cr Jo Armstrong, Cr Henry Burrridge and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.*

MOVED JESSICA ADLER SECONDED ROBERT TOMMASINI

That the Audit and Risk Committee recommends:

- 1. Council authorise Cr Jo Armstrong, Cr Henry Burrridge (Audit and Risk Committee Members) and Dr. Tim Harrison, Chief Executive Officer to certify the Financial Statements in their final form, and**
- 2. Council authorise Cr Jo Armstrong, Cr Henry Burrridge and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form, subject to final material clearance from VAGO.**

CARRIED

ATTACHMENTS

The Draft Financial Statements and Draft Performance Statements are included as Attachment 3.1.1

3.2 REVIEW OF DISCRETIONARY COUNCIL RESERVES

BACKGROUND

A review of Council's discretionary reserves has been undertaken to evaluate whether funds set aside for specific purposes in previous years are still required.

DISCUSSION

Council uses reserves to set aside funds from operating and capital incomes, for specific purposes, to meet future funding of projects. From an accounting perspective the value of reserve funds are included in the equity section in the balance sheet.

Council held the following reserves in the previous financial year, as at 30 June 2021:

| Reserves | Purpose of Reserve | Type of Reserve | Balance at 30 June 2021 |
|----------------------------|--|-----------------|-------------------------|
| Capital Works and Projects | to fund carried forward works and projects from the previous year | Discretionary | \$13,768,914.00 |
| Plant Replacement | to replace major items of plant and equipment | Discretionary | \$774,423.00 |
| Vehicle Replacement | to replace vehicles | Discretionary | \$343,584.00 |
| Election | to fund election | Discretionary | \$37,303.00 |
| Aerial Imaging | to fund aerial imaging costs | Discretionary | \$8,011.00 |
| Library | to fund library upgrade works | Discretionary | \$235,000.00 |
| Defined Benefits | to fund defined benefit superannuation calls | Discretionary | \$361,000.00 |
| Essential Services | to fund essential services reports and works | Discretionary | \$194,840.00 |
| Recreational Lands | to fund public open space works | Restricted | \$78,209.50 |
| Pit Restoration | to fund works required to reinstate gravel pits | Discretionary | \$0.00 |
| Building Capital | to fund major building capital works | Discretionary | \$3,081,094.00 |
| Environmental Projects | to fund innovative environmental projects | Discretionary | \$94,709.00 |
| Waste Management | to fund works related to the delivery of waste management services | Discretionary | \$1,889,489.00 |
| Asset Management | to fund asset management works | Discretionary | \$164,943.00 |
| Information Technology | to fund information technology works | Discretionary | \$597,000.00 |
| Loan Repayment | to provide for repayment of loans | Discretionary | \$2,000,000.00 |
| Aerodrome | to fund works required at the Ararat Aerodrome | Discretionary | \$45,627.00 |
| | | | \$23,674,146.50 |

It is recommended that the following reserves be closed effective from 30 June 2022, with the reserve balances, totalling \$1,987,308, transferred to the Building Capital Reserve, where Council can allocate funds toward future projects when required:

| Reserves | Reason for Closure |
|--------------------------------|---|
| Vehicle Replacement Reserve | Fund in the Annual Budget |
| Election Reserve | Fund in the Budget every 4 years |
| Aerial Imaging Reserve | Fund in the Budget when required |
| Library Reserve | There is no longer a specific purpose for the use of these funds |
| Defined Benefits Reserve | Funds have not been required since the reserve was started in 2012/13. Fund in the Budget when required |
| Essential Services Reserve | There is no longer a specific purpose for the use of these funds. Fund in the Budget when required |
| Asset Management Reserve | There is no longer a specific purpose for the use of these funds |
| Information Technology Reserve | There is no longer a specific purpose for the use of these funds |
| Loan Repayment Reserve | Interest only loan has been repaid |
| Aerodrome Reserve | There is no longer a specific purpose for the use of these funds. Fund in the Budget when required |

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

1 Strong and Effective Governance

We will work hard to build models of governance that place delivering public value at the centre through effective financial management; and implementation of effective community engagement practices.

Budget Implications

Streamlining the number of reserves provides more accurate reporting and gives greater clarity of funds available, that can be allocated to future projects.

Policy/Relevant Law

Council is required under the Local Government Act 2020 and financial reporting standards to disclose all reserves set aside for specific purposes in its annual financial statements. Transfers to and from reserves, and closure of reserves should be by resolution of Council.

Sustainability Implications

Maintaining reserve funds helps Council achieve financial sustainability, with funds set aside to fund future Council projects.

Risk Assessment

Council reserves provide additional funds set aside for specific purposes and by Council resolution can be used to fund Council projects.

Innovation and Continuous Improvement

The review of reserve funds provides greater transparency and improved reporting.

Stakeholder Collaboration and Community Engagement

The purpose of each Council reserve has been reviewed by management, leading to the recommendations of this report.

The following recommendation was put to Council on the 30 August 2022:

RECOMMENDATION

That the following reserves be closed effective from 30 June 2022, with the total balance of \$1,987,308 transferred to the Building Capital Reserve:

- *Vehicle Replacement Reserve (\$343,584)*
- *Election Reserve (\$37,303)*
- *Aerial Imaging Reserve (\$8,011)*
- *Library Reserve (\$235,000)*
- *Defined Benefits Reserve (\$361,000)*
- *Essential Services Reserve (\$194,840)*
- *Asset Management Reserve (\$164,943)*
- *Information Technology Reserve (\$597,000)*
- *Loan Repayment Reserve (\$0 – loan repaid in 2021/22)*
- *Aerodrome Reserve (\$45,627)*

CARRIED

RECOMMENDATION

That the Review of Discretionary Council Reserves Report be received.

OUTCOME

The Review of Discretionary Council Reserves Report was noted.

ATTACHMENTS

There are no attachments in relation to this item.

SECTION 4 – INTERNAL CONTROLS

Nil.

SECTION 5- RISK MANAGEMENT

Nil.

SECTION 6- FRAUD PREVENTION

Nil.

SECTION 7- INTERNAL AUDIT

7.1.1 MONITOR ACTION BY MANAGEMENT ON INTERNAL AUDIT FINDINGS AND RECOMMENDATIONS

INTERNAL AUDIT - AUDIT REVIEW OUTCOMES UPDATE

BACKGROUND

Council appointed AFS & Associates from Bendigo as Council's Internal Auditors. Council has reviewed the recommendations made by the Internal Auditor in relation to the internal audit reviews and these are presented as an attachment to this report.

DISCUSSION

An Audit Review Outcomes Action Plan was developed to capture the recommendations highlighted in the various internal audits conducted by AFS.

The Audit Review Outcome Action Plan lists the recommendations and subsequent outcomes and projected completion dates.

Internal Auditor, Brad Ead from AFS & Associates and Dr Tim Harrison (ARCC), met on Friday 12 August and deemed 9 recommendations as complete, these have since been removed from the spreadsheet attachment.

These included recommendations from the following audits:

- Waste Management
- Library Services
- Depot Operations
- Building Services Unit and
- Cash Handling

More details surrounding the Past Issues Review are outlined in Item 7.2.3

RECOMMENDATION

That the Audit Review Outcomes Update report be received.

OUTCOME

The Audit Review Outcomes Update report was noted.

ATTACHMENTS

The Audit Review Outcomes Update report is included as Attachment 7.1.1

7.2 REVIEW REPORTS ON INTERNAL AUDIT REVIEWS, INCLUDING RECOMMENDATIONS FOR IMPROVEMENT ARISING FROM THOSE REVIEWS

7.2.1 STRATEGIC INTERNAL AUDIT PROGRAM STATUS UPDATE

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. This report outlines the audit program that AFS will undertake over the next three years.

DISCUSSION

AFS & Associates have provided the current status of the Internal Audit Program.

Three audits were conducted between January and May 2022 in relation to:

- Business Continuity Planning & Disaster Recovery Planning (Draft issued- pending management comment)
- Operation Review- HACCC (Draft issued- pending management comment)
- Payroll (Complete)

These items will be discussed further by the CEO at the September 2022 Audit & Risk Meeting.

A Past Issues Review was also completed in July 2022, which has now been marked as complete.

Two audits were conducted in August 2022; OHS and Wellbeing and Depot Operations, the report for both of these is currently in progress and will be presented at the December 2022 Audit & Risk Committee meeting.

The next two audits to be conducted include:

- Information Technology Governance and Cyber Security (November)
- Review of forward Internal Audit Program (November)

The proposed scope and approach for each of these is included in Attachment 7.2.1

RECOMMENDATION

That the Strategic Internal Audit Program Status Update report be received.

OUTCOME

The Strategic Internal Audit Program Status Update report was noted.

ATTACHMENTS

The Strategic Internal Audit Program Status Update report is provided as Attachment 7.2.1

Note: the OHS and Wellbeing, Depot Operations and Business Continuity Planning & Disaster Recovery Planning reports will be presented at the December 2022 meeting

Note: The Operation Review- HACCC will now be marked as complete

7.2.2 INTERNAL AUDIT- PAYROLL REVIEW

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Councils cash handling.

DISCUSSION

The objective of the Payroll Review was to confirm the following:

- Accuracy of employees pays
- An effective internal control environment exists.

The audit concluded there were 12 areas of strength. 2 areas rated as moderate risks, 6 areas rated as minor risks and 1 area of opportunity. The definition of a moderate risk is medium likelihood and/or consequence – requires attention over six months. The definition of a minor risk is low likelihood and/or consequence – attention within 12 months.

Recommendations from and responses to the Payroll Review audit are included in Item 7.1.1- the Internal Audit- Audit Review Outcomes Update spreadsheet.

All recommendations suggested to management have been agreed to, and an update on the progress of these action items will be provided at the December 2022 Audit & Risk Committee meeting.

RECOMMENDATION

The Audit and Risk Committee recommends management adopt the recommendations from the Payroll Review report.

OUTCOME

The Audit and Risk Committee recommended management adopt the recommendations from the Payroll Review report.

ATTACHMENTS

The AFS & Associates Audit of Payroll Review report is provided as Attachment 7.2.2.

Note: Page 12 of Attachment, the tick box was not completed, however management have agreed to the recommendation

7.2.3 INTERNAL AUDIT – PAST ISSUES REVIEW

BACKGROUND

AFS & Associates are Council’s Internal Auditors. This report outlines the recommendations that have now been deemed complete, since the previous review in February 2021.

DISCUSSION

AFS & Associates have provided their past issues report. There are nine recommendations deemed complete since their last review.

The work undertaken by AFS & Associates involved:

- Discussions with the CEO and key personnel
- Site visit to the Ararat offices
- Review and examination of documentation supporting the action taken against the previous recommendations.

RECOMMENDATIONS

The Past Issues Review report be received.

OUTCOME

The Audit and Risk Committee recommended management adopt the recommendations from the Payroll Review report.

ATTACHMENTS

The Internal Audit past issues report is provided as Attachment 7.2.3

7.3 REVIEW THE AUDIT AND RISK COMMITTEE CHARTER

BACKGROUND

Council policies are currently reviewed on an ongoing policy and procedure review process.

This report outlines the review that will take place for the Audit and Risk Committee Charter in June 2022.

DISCUSSION

Council has committed to reviewing policies through a review process to ensure that all Council policies meet legislative requirements and established internal processes.

The Audit and Risk Committee Charter was last reviewed in July 2020. It was due to be reviewed again on 21 July 2022.

Council is seeking feedback from the Audit & Risk Committee on the altered Audit & Risk Committee Charter, in particular the Work Plan. This will then be implemented and form a new charter to be presented at the December 2022 Audit & Risk Committee meeting.

RECOMMENDATION

That Council seek feedback from the Audit & Risk Committee to form the revised Audit & Risk Committee Charter 2022.

OUTCOME

The Audit & Risk Committee Charter 2022 was received and noted, and some minor changes were proposed for consideration.

ATTACHMENTS

Audit & Risk Committee Charter is provided as Attachment 7.3

Note: The Audit & Risk Committee Charter will be presented at the December meeting for adoption

SECTION 8- EXTERNAL AUDIT

8.1. REVIEW CHANGES TO THE LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK

8.1.1 FINANCIAL AND PERFORMANCE REPORTING FRAMEWORK CHANGES- LOCAL GOVERNMENT BETTER PRACTICE GUIDE

BACKGROUND

Part of the Audit and Risk Charter requires that the Audit and Risk Committee Review changes to the Local Government Performance Reporting Framework.

DISCUSSION

The Local Government Performance Reporting Framework's (LGPRF) primary objective is to provide comprehensive performance information that meets the needs of a number of audiences. Local Government Victoria provide Councils with updates to the Local Government Performance Reporting Framework.

The Summary of Changes document outlines the key changes that were made from 2021-2022 to 2022-2023. The following are some examples of the changes that have been implemented:

| Section | Original | Revised text |
|---|---|---|
| Mandatory target setting | N/A | Added new section regarding requirements for mandatory target setting. |
| Development of indicators | N/A | Content acknowledging the latest technical working groups. "...Technical Working Groups were last held in 2021" |
| Distinguishing inputs, outputs and outcomes | Examples of commentary to explain the link between indicators to community outcomes | Examples were updated for 2021 |
| Reporting checklist | Checklist related to Local Government Act 1989 and 2014 Regulations | Updated with requirements from the Local Government Act 2020 and Local Government (Planning and Reporting) Regulations 2020 |

There are no new indicators identified for the 2022 period.

Other changes made to the Performance Reporting Framework including referring to the Local Government Act 2020 rather than the Local Government Act 1989.

In addition to the changes above, minor layout and presentation changes were made to the document.

RECOMMENDATION

That the Financial and Performance Reporting Framework changes report be received.

OUTCOME

The Financial and Performance Reporting Framework changes report was received and noted.

ATTACHMENTS

Summary of Changes- Local Government Better Practice Guide 2021-2022 & 2022-2023 is provided as Attachment 8.1.1

8.1.2 EXTERNAL AUDIT- MANAGEMENT LETTER FOR THE FINANCIAL YEAR ENDING 30 JUNE 2022

BACKGROUND

The Victoria Auditor General appoints a service provider to undertake the annual financial audit. Ms Cassandra Gravenall of Crowe Australasia has been appointed by the Victoria Auditor-General's office to undertake the annual financial audit for the year ending 30 June 2022.

DISCUSSION

Crowe Australasia conducted the interim audit in April/May 2022.

At the time of preparing this agenda Crowe Australasia was still completing the year end audit. The final management letter will be distributed as soon as it becomes available.

Ms Cassandra Gravenall is invited to attend the September 2022 meeting to provide an update on the Audit's progress.

RECOMMENDATION

That:

- 1 *The Management Letter Report for the financial year ending 30 June 2022 be received; and*
- 2 *The final management letter will be distributed to the Audit & Risk Committee members once it has been finalised.*

OUTCOME

- 1 The Management Letter Report for the financial year ending 30 June 2022 was received and noted; and
- 2 The final management letter will be distributed to the Audit & Risk Committee members once it has been finalised.

ATTACHMENTS

There are no attachments in relation to this item.

Note: Accounts in draft form have been unmodified

SECTION 9- COMPLIANCE

Nil.

SECTION 10- GENERAL BUSINESS

10.1 REVIEW OF GOVERNANCE RULES

BACKGROUND

The *Local Government Act 2020 (the Act)* requires all Councils in Victoria to adopt and maintain documents to give effect to good governance and transparency principles.

In accordance with *section 60 of the Act*, Council is required to adopt and keep in force Governance Rules.

This report outlines the process for the Governance Rules to be revised in accordance with Council's community engagement policy.

DISCUSSION

Council adopted its Governance Rules on 25 August 2020.

The Governance Rules set out how Council meetings are conducted and how Council decision are made. Council bases its Governance Rules on templates provided by Maddocks Lawyers, which provide a 'standard' form of Governance Rules that are capable of satisfying the requirements of s 60(1) of the Local Government Act 2020.

Amendments to the *Local Government Act 2020* concerning "attendance" and "remote" meetings will take effect on 2 September 2022. The revised Governance Rules reflects these amendments, such as:

- 1 whether meetings are to be wholly attendance meetings, wholly virtual meetings or partially attendance and partially virtual meetings;
- 2 how, if a meeting is intended to a wholly attendance meeting, a Councillor can request that they attend by electronic means; and
- 3 a decision by Council as to whether it accedes to such a request.

A number of miscellaneous changes have been made to:

- (a) make it clear that the Mayor can only be elected with an absolute majority of votes;
- (b) provide for the acceptance of electronic petitions, joint letters and memorials;
- (c) reflect the repeal of certain provisions in the Local Government Act 1989; and
- (d) adopt more gender-neutral language.

Following endorsement by Council of the revised Governance Rules a community engagement process will be undertaken in accordance with section 60(4) of *the Act*.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

6. Strong and Effective Governance

Budget Implications

There are no budget implications in relation to the development of the revised Governance Rules.

Policy/Relevant Law

Council must develop, adopt and keep in force Governance Rules in accordance with section 60 of the Act

In accordance with section 60(2) of *the Act* the Governance Rules must provide for Council to:

- (a) consider and make decisions on any matter being considered by the Council fairly and on the merits; and
- (b) institute decision making processes to ensure that any person whose rights will be directly affected by a decision of the Council is entitled to communicate their views and have their interests considered.

A community engagement process will be undertaken in relation to the revised Governance Rules in accordance with section 60(4) of *the Act*.

Sustainability Implications

Environmental, social and economic impacts have been considered in the development of the revised Governance Rules.

Risk Assessment

The development of the revised Governance Rules will ensure that Council meets its legislative requirements.

Innovation and Continuous Improvement

The revised Governance Rules meet the requirements of *the Act*.

Stakeholder Collaboration and Community Engagement

The Chief Executive Officer and Councillors will discuss the revised Governance Rules at the briefings held in September.

Consultation with Maddocks Lawyers in relation to provision of a standard form template Governance Rules.

RECOMMENDATION

That the Review of Governance Rules report be received.

OUTCOME

- 1 The Review of Governance Rules report was received and noted; and
- 2 The Audit & Risk Committee recommend the report is presented to Council at the next Council meeting.

ATTACHMENT

Revised Governance Rules is provided as Attachment 10.1

Action: Pg 183 of Attachment booklet- 2.1 & 2.3, Dr Tim Harrison to clarify

10.2 INDUSTRY UPDATE- RECENT REPORTS AND PUBLICATIONS OF INTEREST

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. AFS have provided an Industry Update report to be included in the agenda. The Industry Update report lists recent reports and publications that may be of interest to Ararat Rural City Council.

DISCUSSION

The Industry Update report lists 11 recent articles and reports, covering a range of different topics from sources such as: Maddocks, Rural Councils Victoria, ABC News and WorkSafe Victoria and more.

The report includes a column outlining the *'Implications for clients'*, which outlines how the publication is applicable to Council.

RECOMMENDATION

That the Industry Update report be received.

OUTCOME

The Industry Update report was received and noted.

ATTACHMENTS

The Industry Update report is provided as Attachment 10.2.

SECTION 11 – FUTURE MEETINGS

11.1 FUTURE MEETING DATES

Future meetings of the Audit and Risk Committee are scheduled as follows:

- Thursday 8 December 2022 at 1pm
- Tuesday 7 March 2023 at 1pm
- Tuesday 6 June 2023 1pm

The meeting closed at 2:20pm.

SECTION 12- NEXT MEETING/CHARTER ITEMS

| December 2022 | |
|---------------|---|
| Ref. | |
| | An in-camera meeting to be conducted with the external auditor prior to the December meeting- 12:45pm, Thursday 8 December 2022. |
| 5.6 | Review the appropriateness of the format and content of periodic management financial reports and performance statements |
| 5.7 | Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment* |
| 5.8 | Determine whether systems and controls are reviewed regularly and updated where required* |
| 5.9 | Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile |
| 5.25 | Review reports on internal audit reviews, including recommendations for improvement arising from those reviews |
| 5.27 | Monitor action by management on internal audit findings and recommendations |
| 5.35 | Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them |
| 7 | Annual performance evaluation |