

AUDIT AND RISK COMMITTEE SEPTEMBER 2021 - MARCH 2022 REPORT TO COUNCIL

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 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 (CEO) 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. The report should indicate how the Committee has discharged its responsibilities as set out in this Charter for the previous year.

The Committee is directly responsible to Council for discharging its responsibilities, and has no delegated authority from Council. It does have authority, amongst other matters detailed in its Charter to:

- Endorse key documents including the annual financial reports and performance statements, new and revised policies and other documents that assist in maintaining a strong internal control environment;
- Approve internal and external audit plans and strategies;
- Seek relevant information from Council and its officers as required.

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

- Financial and performance reporting;
- Internal controls;
- Risk management;
- Fraud prevention systems and controls;
- Internal audit processes;
- External audit processes;
- Compliance with policies and legislative and regulatory requirements.

Membership

The membership of the Committee during the reporting period was:

Name	Role	Expiry Date	Attendance
Mr. Brian Keane	Independent Chair	30/11/2023	3 of 3 meetings
Mr. Robert Tommasini	Independent Member	30/11/2023	3 of 3 meetings
Ms. Jessica Adler	Independent Member	30/11/2022	3 of 3 meetings
Cr. Jo Armstrong	Internal Member	30/11/2022	3 of 3 meetings
Cr. Henry Burridge	Internal Member	30/11/2022	3 of 3 meetings

Meetings

Since the last report to Council, the Committee met on 3 occasions:

Date	Location
7 September 2021	On-line via Microsoft Teams
7 December 2021	Alexandra Oval Community Centre
1 March 2022	Green Room, Town Hall

Meetings were conducted in person at Ararat or via Microsoft Teams. On occasions, it was necessary for some attendees to participate via video conference.

Period In Review

This report covers Committee activity between September 2021 and March 2022. Activities are guided by the Charter's annual work plan. There are 7 areas of responsibility as outlined in the Charter and activities are summarised below:

Financial and performance reporting

The annual financial statements and performance reports were presented to the September 2021 meeting, reporting a surplus of \$6.1m for 2020/21. Details of accounts and performance reporting were reviewed and endorsed at that meeting. The Victorian Auditors General Office (VAGO) tabled a closing report and final management letter also in September. The Auditors concluded that the statements were presented fairly under the Local Government Act.

The Committee has also reviewed management financial reports during the period. Work continues to develop reporting to assist the reader to understand the results and forecasts. Financial performance for the September and December quarters were presented to the Committee. Council would benefit with financial performance reporting by providing an insight into forecasted results including cash flow forecasts.

The 10-year financial plan was also tabled at the Committee.

Internal controls

The CEO continues to provide a comprehensive report to each meeting, covering off compliance matters, emerging risks and issues, major initiatives not covered elsewhere in the reports and an update of the implementation of the Local Government Act 2020. The Committee finds this approach most useful and informative.

Other internal controls include the regular review of scheduled policy reviews and monitoring of outstanding items from previously conducted audit reviews.

Policies deemed to be relevant to the Audit and Risk Committee have been identified and these have progressively reviewed directly by Council, or via the Committee. The following table highlights policies to be reviewed during the period, with some still outstanding at this point:

Policies scheduled for review this period	
Council Policy	Review Meeting
Procurement	Dec-21
Risk Management	Dec-21
Fraud Prevention	Mar-22
Administrative Policy	
Code Red and Extreme Danger Preparedness Policy	Dec-21
Complaints Handling Policy	-
Corporate Purchase Card Policy	Dec-21
Disposal and sale of minor assets policy	-
Essential Safety Measures Policy	Mar-22
Injury Management Policy	-
Risk Management Framework	Dec-21
Staff Gift and Gratuities and Favours in Kind Policy	-
Vehicle Policy	-
Workplace Emergency Preparedness Policy	-
Disposal and Purchase of Materials at Transfer Station Policy	Mar-22

Significant work has been undertaken in ensuring compliance to the Local Government Act 2020. The Assets Plan is under development and is scheduled to be completed by 30 June 2022.

Risk management

A strategic risk update was provided to the December meeting, and the Committee requested further information be included in the report for the March meeting. Significant work has been undertaken to better understand the risks faced by Council, how they are mitigated and who is accountable for the mitigation and actions necessary to maintain the required appetite for risk. The Committee complimented the officers on the work done to help clarify risk exposure and action.

Reported to the Committee in March, was a plan to review specific risks over the next 12 months as follows:

Risk	Timing
Fraud and Corruption	March 2022
Cyber Attack	March 2022
Asset Management	April 2023
Governance	May 2022
Waste Management; and Occupational Health and Safety	June 2022
Legislative Compliance	July 2022
IT Infrastructure	August 2022
Business Continuity	September 2022

Workforce planning	October 2022
Procurement and Emergency Management	November 2022
Climate Change and Records Management	December 2022
Strategic Leadership and Advocacy	January 2023
Financial Sustainability	February 2023

Fraud prevention systems and controls

Revised versions of the Fraud Prevention Policies and Controls were presented to the Committee's March meeting and subsequently approved at Council. The CEO reports any potential fraud incidents or exposures to the Committee. There were no reports of fraud during the year.

Internal audit processes

AFS and Associates Pty Ltd has been commissioned as the internal audit firm for Council. Mr. Brad Ead is the partner in charge and has a solid working knowledge of the Council and its management team. AFS has been reappointed through to June 2023.

2021/2022 Internal Audit Plan consisted of the following topics:

Topic	Timing to Committee	Status
Depot operations – operational review	September 2021	Completed
Cash handling	December 2021	Completed
Past issues review	March 2022	Completed
Building Services	March 2022	Completed
Asset Management – Road Assets	March 2022	Completed
Business continuity and disaster recovery		In progress
Operational review		In progress

The scope for each of these topics are circulated to the Committee prior to the commencement of the audit, seeking feedback and questions.

The remainder of the 2022 tentative Plan covers the following areas of risk:

Payroll
Occupational Health, Safety and Wellbeing
Depot operations – work force planning
Fraud and corruption framework
Past issues review.

Audits completed and tabled at Committee for the period were as follows:

Audit Report	Recommendations – Risk/Actions		
	High	Moderate	Minor
Depot operations – operational review	-	6	6
Cash handling	-	2	4
Building Services	-	2	4
Asset Management – Road Assets	-	5	2
Past Issues review	-	-	-

Items that remain open are monitored to ensure timely closure of the risks. The past issues review also provides the Committee with evidence of closure. The internal auditor was invited to seek an "in-camera" session with the Committee but advised there was nothing to discuss.

External audit processes

The external audit function is the responsibility of VAGO, who in turn outsource to Crowe Australasia. For the 2020/21 financial year, VAGO provided a closing report at the September meeting and final management letter at the December meeting. In their opinion, the reports present fairly the financial position of Council. The final management letter highlighted 1 outstanding high, 1 moderate and 2 low level issues that required resolution in 2021/22.

Compliance with policies and legislative and regulatory requirements

The CEO has kept the Committee informed through his Report of progress of the LGA 2020 implementation, and has kept the Committee updated on any issues. The CEO report has also covered a well-structured approach to a COVID safe work place.

There was no evidence of non-compliance during the period.

At each meeting during the year, reports from regulatory bodies were provided by AFS and Council has provided commentary in regard to Council's position for matters raised in these reports.

Accountability

Following changes to the LGA Act 2020, this report is now prepared half yearly. The next report will coincide with the reporting of the annual financial statements and performance reports in the last quarter of 2022.

Brian Keane
Chair, Audit and Risk Committee
Ararat Rural City Council

31 May 2022