



Ararat Rural City



Ararat Rural City

# MINUTES

## Audit and Risk Committee

Tuesday 3 June 2025

Location: CEO's Office,  
59 Vincent St, Ararat

Commencing at 1:00 pm

### **Audit and Risk Committee:**

Cr Jo Armstrong (Mayor)

Cr Bob Sanders

Ms Jessica Adler

Mr Greg Jakob

Ms Janet Dore

### **In attendance:**

Dr Tim Harrison

Mr Bradley Ead

Mr Ryan Schischka

Ms Karissa Hogan

Mrs Chandra Willmott

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## SECTION 1 – PROCEDURAL MATTERS

### 1.1 APOLOGIES

There were no apologies

### 1.2 DECLARATION OF DISCLOSURE OF INTERESTS

No disclosures of Interests

### 1.3 CONFIRMATION OF MINUTES

#### RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 04 March 2025 be received.

**MOVED** Jessica Adler  
**SECONDED** Greg Jakob

That the Minutes of the Internal Audit and Risk Committee Meeting held on 04 March 2025 be received.

**CARRIED**

## **SECTION 2- CEO UPDATE**

### **2.1 CEO UPDATE – CONFIDENTIAL**

The CEOs report will be circulated prior to the meeting

#### **RECOMMENDATION**

**That the CEO's report be received.**

#### **RECEIVED**

#### **ATTACHMENTS**

CEO Confidential Report provided as Attachment 2.1  
Community Vision 2035 and Council Plan 2025-2029 provided as Attachment 2.2  
Financial Plan 2025-35 provided as Attachment 2.3  
Rating and Revenue Plan 2025-29 provided as Attachment 2.4  
Ararat Rural City Budget 2025-26 provided as Attachment 2.5

## SECTION 3- FINANCE AND PERFORMANCE REPORTING

### 3.1 MONTHLY PERFORMANCE REPORT – ENDING 30 APRIL 2025

**Aligns with Audit and Risk Committee Charter 5.6: Review the appropriateness of the format and content of periodic management financial reports and performance statements.**

#### EXECUTIVE SUMMARY

The financial statements and performance indicators have been prepared for the period ended 30 April 2025.

Based on the information provided by responsible officers and managers Council's overall financial performance is in line with budget.

#### DISCUSSION

Council must establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management.

#### Key Financial information:

##### Income Statement (Attachment 1)

The Income Statement measures how well Council has performed from an operating nature. It reports revenues and expenditure from the activities and functions undertaken, with the net effect being a surplus or deficit. Capital expenditure is excluded from this statement, as it is reflected in the Balance Sheet.

Attachment 1 shows that Council generated \$30.707 million in revenue and \$28.005 million in expenses to 30 April 2025. This has resulted in an operating surplus of \$2.702 million for the ten months ended 30 April 2025.

#### Income

**Rates and charges** account for 50% of the total budgeted income for 2024/25. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of \$17.912 million has been recognised as income for the ten months ended 30 April 2025.

**User fees** account for 4% of the total budgeted income for 2024/25 and \$1.469 million has been received to 30 April 2025. The majority of this relates to transfer station fees, fitness centre income and commercial waste management charges.

**Recurrent Operating Grants** total \$8.362 million to 30 April 2025, including \$4.583 million from the Victorian Local Government Grants Commission for general purpose grants and \$2.975 million for the local roads grants.

**Non-recurrent Operating Grants** total \$1.274 million to 30 April 2025. Council has been successful in obtaining several grants that had not been budgeted for, as detailed in the table below. The amounts shown as unearned income will be treated as income in future accounting periods once the performance obligations of the grant have been met.

Non-Recurrent Operating Grants	Budget 2024/25 \$'000	Income 2024/25 \$'000	Unearned Income \$'000
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	5	949
Free Public Wi-Fi Services	-	47	1,196

Supported Playgroups	65	55	-
Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	-	36
CALD Outreach Workers Initiative	-	64	-
Tiny Towns Fund - Pomonal Community Hub	-	83	117
Natural Disaster Relief	-	160	-
Council Support Fund – Pomonal Fires	-	750	-
Centenary Park Dog Park	-	25	-
Other Minor Grants (under \$30,000)	-	85	-
	<b>65</b>	<b>1,274</b>	<b>2,598</b>

**Non-recurrent Capital Grants** total \$0.474 million to 30 April 2025, as detailed in the table below. The amounts shown as unearned income will be treated as income in future accounting periods once the performance obligations of the grant have been met.

Non-Recurrent Capital Grants	Budget 2024/25 \$'000	Income 2024/25 \$'000	Unearned Income \$'000
Mt William Road reconstruction	5,000	-	-
Back Bolac Road reconstruction	-	229	-
Churchill Avenue reconstruction	843	-	-
Pedestrian Infrastructure Program	-	20	50
Tiny Towns Fund - Buangor Recreation Reserve Pavillion Redevelopment	-	-	50
Tatyoan Oval Upgrade Grant	-	225	-
Tiny Towns Fund - Buangor Cobb & Co Stables	-	-	30
Pony Club Sports Arena	-	-	447
	<b>5,843</b>	<b>474</b>	<b>577</b>

#### Note

It is important to note the following:

1. Unearned revenue received in prior years has been adjusted between the Original Budget and Current Budget with an additional \$2.936 million for Grants Operating (non-recurrent), \$0.366 million for Grants Capital (recurrent) and \$0.070 million for Grants Capital (non-recurrent) included in the Current Budget on the assumption that each of the grant projects will be completed during the 2024/25 financial year.
2. These changes in the budget, plus the note reported under expenses, create a change in the reported surplus position from a projected surplus of \$8.163 million to a surplus of \$9.205 million for 2024/25. The year-end variance is a deficit of \$1.235 million when the actual year to date expenses are compared to the year to date budget.

#### Expenses

**Employee Costs** account for approximately 40% of the total budgeted expenditure for 2024/25. For the ten months ended 30 April 2025 Council has incurred \$9.750 million in employee costs, which includes additional wages for emergency management relief and recovery, and organisation restructure costs. Workcover premiums have increased by \$0.104 million compared to 2023/24.

**Materials and Services** account for approximately 29% of the total budgeted expenditure for 2024/25. For the ten months ended 30 April 2025, Council has incurred \$9.580 million in materials and services costs. There are a number of projects, including those carried forward from 2023/24 that are expected to be completed before the end of the financial year.

**Depreciation** totals \$8.099 million to 30 April 2025. The higher than budgeted depreciation has resulted from increased asset valuations being received as of 30 June 2024 after the budget was finalised.

#### **Note**

It is important to note the following:

There has been an increase in expenditure on materials and services from \$8.259 million in the Original Budget to \$10.589 million in the Current Budget for 2024/25. This has resulted from a carry forward amount of \$2.330 million from the 2023/24 financial year surplus and unspent grant funds which will be used for additional activity in 2024/25.

#### **Balance Sheet (Attachment 2)**

The Balance Sheet is one of the main financial statements and reports Council's assets, liabilities and equity at a given date, in this case 30 April 2025. Comparative figures have been provided as of 30 June 2024.

Council's current assets have increased by \$2.493 million from \$11.732 million as of 30 June 2024 to \$14.225 million as at 30 April 2025. Cash and cash equivalents have increased by \$5.818 million from \$3.049 million to \$8.867 million. Trade and other receivables have increased by \$0.073 million from \$5.212 million as at 30 June 2024 to \$5.285 million as at 30 April 2025.

Total liabilities have decreased from \$8.777 million in 2023/24 to \$8.062 million in 2024/25. Trade and other payables have decreased by \$0.024 million and trust funds and deposits have decreased by \$0.137 million. Unearned income/revenue decreased by \$0.197 million, which includes grants received by Council, where in accordance with accounting standards, they are held as a liability until grant-related performance obligations have been met.

#### **Statement of Cash Flows (Attachment 3)**

The Statement of Cash Flows shows how changes in the Statement of Financial Position and Income Statement affect Cash and Cash Equivalents, and breaks down the analysis to operating activities, investing activities and financing activities.

The Cash and Cash Equivalents at the beginning of the financial year of \$3.049 million have increased by \$5.818 million to \$8.867 million as at 30 April 2025.

Net cash of \$11.079 million was provided by operating activities, \$4.810 million was used in investing activities, and \$0.451 million was used in financing activities.

Investing activities includes payments for property, plant and equipment, and infrastructure.

#### **Financial Performance Indicators (Attachment 4)**

The Local Government Performance Reporting Framework requires Councils to report various performance indicators at the end of each financial year.

A full list of financial performance indicators is included in Attachment 4.



Indicator	30/6/2024	30/04/2025
<b>Working capital</b> <i>Measure - Current assets compared to current liabilities.</i> Expected values in accordance with the Local Government Performance Reporting Framework 100% to 400% Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity	162%	219%
<b>Loans and borrowings</b> <i>Measure - Loans and borrowings compared to rates.</i> Expected values in accordance with the Local Government Performance Reporting Framework – 0% to 70% Indicator of the broad objective that the level of interest-bearing loans and borrowings should be appropriate to the size and nature of a council's activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations	1.71%	0.86%
<b>Indebtedness</b> <i>Measure - Non-current liabilities compared to own source revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 2% to 70% Indicator of the broad objective that the level of long-term liabilities should be appropriate to the size and nature of a Council's activities. Low or decreasing level of long-term liabilities suggests an improvement in the capacity to meet long term obligations	7.49%	7.97%
<b>Rates concentration</b> <i>Measure - Rates compared to adjusted underlying revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 30% to 80% Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability	73.82%	59.33%
<b>Expenditure level</b> <i>Measure - Expenses per property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework \$2,000 to \$10,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency	\$4,592	\$3,761
<b>Indicator - Revenue level</b> <i>Measure - Average residential rate per residential property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework - \$700 to \$2,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency	\$1,993	\$2,002

Indicator	30/6/2024	30/04/2025
<p><b>Indicator – Percentage of total rates collected</b></p> <p>The internal audit conducted in 2019 on Rates Revenue and Rate Debtor Management found no routine or regular reporting of large and long outstanding rates debtors.</p> <p>The outstanding Rates Debtors is reported in the Annual Financial report.</p> <p>As at 30 April 2025 the outstanding Rates Debtors totalled \$4.490 million compared to \$2.320 million as at 30 June 2024, an increase of \$2.170 million. In percentage terms 77.7% of the rates raised have been collected at 30 April 2025 compared to 78.9% up to 30 April 2024.</p> <p>Outstanding rates are currently charged 10% interest.</p> <p>Council issues approximately 7,900 rate notices. In 2024/25 there are 2,158 assessments paying by instalments compared with 2,640 assessments in 2023/24.</p>	88.1%	77.7%
<p><b>Indicator – Asset Renewal &amp; Upgrade</b></p> <p><i>Measure - Asset renewal &amp; Upgrade compared to depreciation</i></p> <p>Expected range in accordance with the Local Government Performance Reporting Framework – 40% to 130%</p> <p>Assessment of whether council assets are being renewed or upgraded as planned. It compares the rate of spending on existing assets through renewing, restoring, replacing or upgrading existing assets with depreciation. Ratios higher than 1.0 indicate there is a lesser risk of insufficient spending on Council's asset base.</p>	124.63%	90.79%

The Local Government Performance Reporting Framework provides “Expected ranges” for each indicator. The framework has been developed to consider results at the end of the financial year so some results during the year are outside the expected range due to the timing of receipts and payments.

Explanations are provided in Attachment 4 for those indicators that are outside the “expected ranges”.

## KEY CONSIDERATIONS

### **Alignment to Council Plan Strategic Objectives**

- 6 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; well measured risk management; and implementation of effective community engagement practices
- 6.1 Deliver responsible budget outcomes, linked to strategy, that deliver value, innovation, and rating fairness

### **Budget Implications**

Council's financial performance is in line with expectations. Council's cash position was expected to reduce in the first half of the year, and then increase in the third quarter with many ratepayers electing to pay their rates in full due 15 February 2025 and the third instalment due 28 Feb 2025.

### **Policy/Relevant Law**

Section 97 – Quarterly Budget Report of the Local Government Act 2020 states:

1. As soon as practicable after the end of each quarter of the financial year, the Chief Executive Officer must ensure that a quarterly budget report is presented to the Council at a Council meeting which is open to the public.
2. A quarterly budget report must include—

- a. a comparison of the actual and budgeted results to date; and
  - b. an explanation of any material variations; and
  - c. any other matters prescribed by the regulations.
3. In addition, the second quarterly report of a financial year must include a statement by the Chief Executive Officer as to whether a revised budget is, or may be, required.

***Sustainability Implications***

There are no economic, social or environmental implications in relation to the item

***Risk Assessment***

Council is required to establish and maintain a budgeting and reporting framework that is consistent with the principles of sound management and this report assists Council in meeting that requirement.

***Stakeholder Collaboration and Community Engagement***

Council's financial performance reports will continue to be published monthly.

**RECOMMENDATION**

**That the Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 April 2025 be received**

**RECEIVED**

**ATTACHMENTS**

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 September 2024 are provided as Attachment 3.1

## SECTION 4 – INTERNAL CONTROLS

### 4.1 COUNCIL POLICY REVIEW UPDATE

**Aligns with Audit and Risk Committee Charter 5.7: Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment.**

#### BACKGROUND

Council policies are reviewed on an ongoing and procedure review process.  
This report outlines two Administrative and Council Policies which are currently being reviewed.

#### DISCUSSION

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

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at the Depot and Municipal Offices and on Council website.

The below table outlines all policies that will be presented to the Audit and Risk Committees as they come up for review.

Council Policy	Due	Audit and Risk Committee
Asset Management Policy	Jan-15	Sept 25
Audit and Risk Committee Charter	Dec 25	Dec 25
Community Engagement Policy	Feb-25	Jun 25
Complaints Handling Policy	Mar-25	Jun 25
Compliance Framework and Policy	Jan 27	Dec 26
Council Expenses and Support Policy	Jul 28	Jun 28
Councillor Code of Conduct	Dec 28	Dec 28
Councillor Gifts Policy	Feb-25	Jun 25
Election Period 2020 Policy	Apr 28	Mar 28
Fraud and Corruption Policy	Dec 25	Dec 25
International and Interstate Travel Policy	Mar-28	Mar 28
Investment Policy	Feb-25	Sept 25
Prevention of Sexual Harassment Policy	Sep-24	Sep-25
Privacy Policy ( <i>prev Privacy &amp; Data Protection &amp; Health Records Policy</i> )	Jan-25	Sept 25
Procurement Policy	Jun-24	Jun 25
Public Transparency Policy	Jul-24	Sept 25
Risk Management Policy	Dec 25	Dec 25
Social Media Policy	Feb 28	Dec 27
Valuation Policy - Major Asset Classes	May-26	Mar-26

Administration Policy		
Conflict of Interest Policy	Nov 28	Sept 28
Corporate Purchase Card Policy	Nov-23	Jun 25
Disposal and Sale of Items at Transfer Station Policy	Mar-26	Mar-26
Disposal and sale of minor assets policy	Sep-25	Sep-25
Equal Employment Opportunity Policy	Mar-26	Mar-26
Equity, Diversity and Inclusion Policy	Nov 28	Sept 28
Essential Safety Measures Policy	Mar-24	Sept 25
Health and Wellbeing Policy	Mar-24	Sep-25
Injury Management Policy	Sep-25	Sep-25
Municipal Emergency Policy	May-25	Jun 25
Occupational Health and Safety Policy	Sept 26	Sep 26
OHS Workplace Emergency Evacuation Policy	Nov-25	Dec-25
Prevention of Sexual Harassment in the Workplace	Aug-24	Sep-25
Public Interest Disclosures Procedure	Oct 25	Sept 25
Risk Management Framework	Dec 25	Dec 25
Staff Code of Conduct	Aug-25	Sep-25
Staff Gift Policy	Sep-25	Sep-25
Staff Grievances Policy	Sept-27	Sep-27
Vehicle Policy	July 25	Sep 25
Workplace Anti-Discrimination & Harassment Policy	Jun 26	Jun 26

There are six policies / frameworks being presented for review at this meeting which are:

- Corporate credit card policy
- Procurement Policy

The table below provides a list of the reviewed policies noting the main changes and a copy of the policies with track changes are attached.

Administrative / Council	Policy Title	Last review and adopted	Current Review Date ready for Adoption	Next Review
Administrative	Corporate credit card	31 January 2023	June 2025	October 2027
Council	Procurement	June 24	June 2025	June 2028

The review of the corporate credit card policy is timely as Council are changing of service providers from ANZ to Commonwealth bank. The policy outlines the responsibility of the card holders, compliance responsibilities, and as the distribution of new corporate credit cards occurs, each card holder will complete the corporate purchase card application and acknowledgement. This policy was presented at the last Audit and Risk Committee and had to undergo some additions. This is now been completed for further review.

The Procurement Policy is required under the Local Government Act 2020 and is required to be reviewed at least every 4 years. This policy applies to all contracting and procurement activities at the Ararat Rural City Council. This policy will enhance Council's objectives such as sustainable and socially responsible procurement, supporting local economies and

obtaining value for money, leading to better result in the provision of goods, services and works for the benefit of the community.

#### **RECOMMENDATION**

**That the Council Policy Review Update be noted.**

#### **RECEIVED**

#### **ATTACHMENTS**

Draft review of Corporate Credit Card Policy is attached as Attachment 4.1.1

Draft review of Procurement Policy is attached as Attachment 4.1.2

**ACTIONS:** Changes as outlined to be made to the Procurement Policy.

#### 4.2 INSURANCE PROGRAM - Confidential

Aligns with Audit and Risk Committee Charter 5.16 Review the insurance program annually prior to renewal

#### RECOMMENDATION

That the Council Insurance report be noted.

#### NOTED

**ACTIONS:** Organise for JLT to meet with the Audit and Risk Committee.

## SECTION 5- RISK MANAGEMENT

### 5.1 STRATEGIC RISK REGISTER REVIEW AND RISK REGISTER PROGRAM UPDATE

**Aligns with Audit and Risk Committee Charter 5.14: Review Council's risk profile and the changes occurring in the profile from meeting to meeting and 5.15 Review Councils treatment plans for significant risks**

#### BACKGROUND

Council's Strategic Risk Register is reviewed by the Chief Executive Officer on a regular basis and is presented to the Audit and Risk Committee.

#### DISCUSSION

The Chief Executive Officer ensures that strategic risks are identified and assessed, treatment options are prioritized and implemented, actions are assigned, and performance is monitored and reviewed.

Over the past 12 months, the Chief Executive Officer has reviewed all strategic risks in as per the past plan and have now updated the plan to reflect the 2025-2026 for reviewing the strategic risks within Ararat Rural City Council. The suggested program focused on the higher risk areas first however if the Audit and Risk Committee would like this program altered at any stage then

July 2025	Fraud and Corruption; Cyber Attack	January 2026	Legislative Compliance
August 2025	Asset Management	February 2026	Business Continuity
September 2025	Business Continuity	March 2026	Procurement; and Emergency Management
October 2025	Financial Sustainability	April 2026	Waste Management; and Occupational Health and Safety
November 2025	IT Infrastructure	May 2026	Strategic Leadership and Advocacy
December 2025	Governance	June 2026	Climate Change; and Records Management

The Governance and Risk Lead Continues to work with Service owners to review the operational risks and set ongoing review dates. The table below outlines the timeframe for each of these reviews to take place over the next 6 months and continuing training for key service providers in using the system.

Month	Service Area
June	Local Laws, Municipal Building Services, Planning, Environmental Health, Environmental Management and Sustainability
July	Risk Management, Governance, Emergency Management, Insurance Management
August	Design and Project Management, Information Technology, Asset Management, Records Management, Graphic Information Systems,
September	Maternal & Child Health, Occupational Health and Safety, Library Service, Events, Human Resource, Customer Services
October	Art Gallery / TAMA, Sport and recreation, Tourism, Town Hall, Media and Communications, Economic Development



November	Depot, Waste management, Contracts and Procurement, Finance, Property Rates and Valuation,
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#### RECOMMENDATION

**That the Strategic Risk Review and Update Report be received.**

#### RECEIVED

#### ATTACHMENTS

The Strategic Risk Register is provided as Attachment 5.1

**ACTIONS:** Align the strategic topics with the Internal audit timeframes. Add ESVF and Cultural Risks into the strategic risks

## SECTION 6- FRAUD PREVENTION

No reports tabled at this meeting

## SECTION 7- INTERNAL AUDIT

### 7.1 INTERNAL AUDIT – INTERNAL AUDIT REPORT: RISK ASSESSMENT AND STRATEGIC INTERNAL AUDIT PROGRAM DEVELOPMENT

**Aligns with Audit and Risk Committee Charter 5.25 Review reports on internal audit reviews, including recommendations for improvement arising from those review**

#### BACKGROUND

AFS Associates is Ararat Rural City Council's Internal Audit service provider. AFS has completed a Risk Assessment which has informed a proposed Five Year rolling Strategic Internal Audit Program (SIAP) This report presents the outcome of the risk assessment work and the proposed SIAP for consideration.

#### DISCUSSION

The purpose of the risk assessment was to gain an understanding of the risk environment at ARCC to:

- Allocate internal audit resources to the areas of greatest risks as perceived by you for the Five Year Strategic Internal Audit Program (SIAP)
- Accurately scope topics
- Maximise the value you achieve for your internal audit budget.

The Risk Assessment Survey was completed by Councillors, Audit and Risk Committee members and the Executive Leadership Team to gain an understanding of the key risk area of concern to ARCC as well as met with five participants for further discussion on key themes and risks identified in the survey as well as a review of other measures.

As a result of the work undertaken the attached Five Year SIAP is attached and is seeking adoption through the Audit and Risk Committee.

#### RECOMMENDATION

**That the committee adopts the 5 Year Strategic Internal Audit Program.**

#### ADOPTED

#### ATTACHMENTS

**The AFS & Associate Internal Audit Planning document for the Risk Assessment and Strategic Internal Audit Program Development report as Attachment 7.1**

## 7.2 INTERNAL AUDIT – AUDIT REVIEW THE STRATEGIC AUDIT PLAN

**Aligns with Audit and Risk Committee Charter 5.23 Review progress of annual internal audit plan**

### BACKGROUND

Council appointed AFS & Associates from Bendigo as Council's Internal Auditors. This report outlines the audit program that was presented at the last Audit and Risk Committee meeting with changes to the delivery time as discussed between Council and Audit and Risk Committee.

### DISCUSSION

AFS & Associates have provided the internal Audit Program Review document which outlines the forward rolling four year program for Council.

This Status Update includes:

- The current status in the previous SIAP
- The new SIAP (with adjustments following the March Audit and Risk Committee Meeting)
- Review the proposed scopes for
  - Waste Management
  - Service Review – Environmental Health
  - Rates Revenue and Debtor Management

### RECOMMENDATION

**The Strategic Audit Program Status Update be received**

**RECEIVED**

### ATTACHMENTS

**The Strategic Internal Audit Program Status Update as Attachment 7.2.1**

**The Internal Audit Action on Internal Audit Findings and Recommendations as Attachment 7.2.2**

### **7.3 INTERNAL AUDIT – RATES REVENUE & DEBTOR MANAGEMENT**

**Aligns with Audit and Risk Committee Charter 5.24 Review and approve proposed scopes for each review in the annual internal audit plan**

#### **BACKGROUND**

In accordance with Ararat Rural City Council's Internal Audit Program, an internal audit is to be undertaken to the rates revenue function and associated internal controls.

#### **DISCUSSION**

The objective is to assess the reliability and effectiveness of the current internal controls operating within the rate revenue and rates debtor management functions.

The attached document, outlines the scope and the approach on how this audit will be delivered as well as what is excluded from the scope.

The timeframe for this audit is scheduled for 18 September 2025 and the results are scheduled to be presented at the December 2025 audit and risk committee meeting.

#### **RECOMMENDATION**

**That the Internal audit planning document for the Rates Revenue and Debtor Management audit be received.**

#### **REVEIWED**

#### **ATTACHMENTS**

The AFS & Associate Internal Audit Planning document for the Rates Revenue and Debtor Management is provided as Attachment 7.3.

#### **7.4 INTERNAL AUDIT – ENVIRONMENTAL HEALTH**

**Aligns with Audit and Risk Committee Charter 5.24 Review and approve proposed scopes for each review in the annual internal audit plan**

##### **BACKGROUND**

In accordance with Ararat Rural City Council's Internal Audit Program, an internal audit is to be undertaken as a service review for Environmental Health.

##### **DISCUSSION**

The objective of this internal audit is to assess the effectiveness of Council's management and enforcement of compliance with relevant Environmental Health legislation and regulations.

The attached document, outlines the scope and the approach on how this audit will be delivered as well as what is excluded from the scope.

The timeframe for this audit is scheduled for 15 July 2025 and the results are scheduled to be presented at the December 2025 audit and risk committee meeting.

##### **RECOMMENDATION**

**That the Internal audit planning document for the Environmental Health audit be received.**

##### **RECEIVED**

##### **ATTACHMENTS**

**The AFS & Associate Internal Audit Planning document for the Service Review – Environmental Health as Attachment 7.4**

## 7.5 INTERNAL AUDIT – WASTE MANAGEMENT

**Aligns with Audit and Risk Committee Charter 5.24 Review and approve proposed scopes for each review in the annual internal audit plan**

### BACKGROUND

In accordance with Ararat Rural City Council's Internal Audit Program, an internal audit is to be undertaken of Waste Management

### DISCUSSION

The objective of this internal audit is to examine how and to what extent Council is ensuring water management services are delivering value for money for ratepayers

The attached document, outlines the scope and the approach on how this audit will be delivered as well as what is excluded from the scope.

The timeframe for this audit is scheduled for 21 July 2025 and the results are scheduled to be presented at the December 2025 audit and risk committee meeting.

### RECOMMENDATION

**That the Internal audit planning document for the Waste Management audit be received.**

### RECEIVED

### ATTACHMENTS

**The AFS & Associate Internal Audit Planning document for the Service Review – Waste Management as Attachment 7.5**

## 7.6 INTERNAL AUDIT – INTERNAL AUDIT REPORT: 2024-08 DEPOT COSTINGS REVIEW

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

### BACKGROUND

Ararat Rural City Council (ARCC) utilises cost tracking codes within its Xero general ledger that allow the capture and allocation of costs, both direct and indirect, to specific programs, projects and activities.

### DISCUSSION

ARCC sought to assess how the true and complete cost of labour, plant, equipment and inventory is applied to jobs/ assets from depot operations, including whether:

- The on-cost model currently used for depot labour, plant and equipment is most suitable
- ARCC should move to a more activity-based costing method.

The audit concluded there were 8 areas of strength and 5 moderate and 2 minor findings.

All recommendations suggested to management have been agreed to. An update on the progress of the agreed to action items will be provided at the September 2025 Audit & Risk Committee meeting.

### RECOMMENDATION

That the findings from the depot Costing Review audit be received.

### RECEIVED

### ATTACHMENTS

The AFS & Associate Audit of the Depot Costing report is provided as Attachment 7.6



## SECTION 8- EXTERNAL AUDIT

### 8.1 EXTERNAL AUDIT – DRAFT INTERIM MANAGEMENT LETTER FOR THE FINANCIAL YEAR ENDING 30 JUNE 2025

Aligns with Audit and Risk Committee Charter 5.33 Quarterly review to ensure that managements responses to any external audit findings are acted upon in a timely manner.

#### BACKGROUND

The Victoria Auditor General appoints a service provider to undertake the annual financial audit. Mr Ryan Schischka of Johnsons MME has been appointed by the Victoria Auditor-General's office to undertake the annual financial audit for the year ending 30 June 2025.

#### DISCUSSION

Johnsons MME conducted the interim audit in April within the remote working environment. A draft interim management letter has been received. There is one new issue for the current period that has been fully resolved and two open issues from the prior period.

VAGO has also included in the letter four recommendations that are specific to all councils, based on the findings in their report to parliament, *Results of 2023-24 audits – Local Government*. Three of these recommendations have been resolved and one remains unresolved at the time of issuing the letter.

Mr Ryan Schischka of Johnsons MME will attend the meeting remotely to present the draft Interim Management Letter

#### RECOMMENDATION

**That the draft Interim Management Letter Report for the financial year ending 30 June 2025 be noted.**

#### NOTES

#### ATTACHMENTS

The draft Interim Management Letter is provided as Attachment 8.1

**ACTIONS:** Valuations to be forward to committee once received

## 8.2 EXTERNAL AUDIT – IMPACT OF CHANGES TO AUSTRALIAN ACCOUNTING STANDARD AASB 13 FAIR VALUE MEASUREMENT

Aligns with Audit and Risk Committee Charter 5.35 Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them

### BACKGROUND

The Victoria Auditor General's Office (VAGO) presented a report to parliament, *Results of 2023-24 audits - Local Government* on 3 April 2025. The report discusses the observations and findings across all 79 councils as a result of their audit of the sector. The report includes a total of seven recommendations, however only four of the recommendations are specific to all councils. The fourth recommendation requires a report to the Audit & Risk Committee to brief the committee on the material changes introduced by the AASB 13 amendments, which covers the impact on valuation practices, financial reporting, and any new disclosure requirements. Also, where material, impacts to the asset management plan, long-term financial plan, operating and capital expenditure budgets.

### DISCUSSION

The Australian Accounting Standards Board (AASB) undertook a special project in relation to Fair Value for Public and Not for Profit sectors and released clarifications and additional Australian Guidance to AASB13 Fair Value Measurement in December 2022 with a commencement date of 1 July 2024.

The clarifications and guidance has been reviewed against Council's processes with the determinations outlined in the following table:

Topic	Issue	Impact
Depreciation Calculation	<p>AASB notes each part of the asset should be depreciated separately.</p> <p>Straight line depreciation should be calculated (Carrying Amount – Residual Value)/(Remaining Useful Life).</p> <p>Where appropriate, depreciation should be calculated following the pattern of consumption</p>	Council assets were not previously componentised. Council systems were based on useful life, however the same depreciation amount resulted. All depreciation has previously been based on straight line depreciation.
Componentisation of Assts and Useful Lives - Long Life/Short Life Assets	To properly determine the carrying amount of an asset to enable the calculation of depreciation expense, it is required that the asset be disaggregated into different parts with a different remaining useful life. This is so that the carrying amount of the different parts can be depreciated to its residual value over its remaining useful life.	Council assets were not previously componentised.

Topic	Issue	Impact
Replacement Cost	<p>Replacement cost should be calculated using the gross replacement cost, identifying the modern equivalent asset rate. Guidance added to AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not for Profit Public Sector Entities includes the following in Replacement Cost:</p> <ul style="list-style-type: none"> <li>- Costs to restore third-party assets</li> <li>- Other disruption costs (e.g. costs associated with redirecting traffic)</li> <li>- Site preparation costs</li> </ul> <p>Of note, is that Council does not need to go above and beyond to ascertain the replacement cost data, per AASB 2022-10 (F6), for the purposes of determining the fair value, exhaustive efforts need not be undertaken to assess whether market data is reasonably available.</p>	Building and infrastructure assets were previously valued using depreciated replacement cost.
Highest and Best Use	<p>AASB 2022 – 10 includes the specific amendments to AASB 13: Current Use is presumed to be highest and best use, unless the asset is classified as held for sale or it is highly probable the asset will be used for an alternative purpose to its current use. Entities must assess whether the highest and best use of non-financial assets differs from their current use.</p>	Compliant
Restricted Land	<p>AASB 13 and 116 state Council must only take into consideration the restrictions that would pass from a hypothetical seller to a hypothetical buyer, not whether you could ever sell it.</p>	Compliant

Council has engaged a valuation and asset management firm, APV, to conduct full revaluations on all property and infrastructure asset classes, to ensure that Council valuations are fully compliant with the updates to the Australian Accounting Standard AASB 13 Fair Value Measurement. The valuations will have an effective date of 1 July 2024. Onsite visits have been completed and staff are currently working with APV to finalise the results. Preliminary figures show a significant increase in both the replacement cost and the annual depreciation expense. The increased replacement cost appears to result primarily from the substantial increases in building and civil construction costs in recent years. Additionally, an increase in land sales has resulted in higher market values for land, compared to the previous valuation.

A full assessment of the revaluations will be performed upon completion and will be presented to the September Audit and Risk Committee meeting.

The following table outlines Council's accounting policy for each property class, including the depreciation period, capitalisation threshold, date of the last independent valuation and approach to valuations.

	Depreciation Period	Capitalisation Threshold	Recorded at Cost or Fair Value	Standard Cycle of Full Revaluation	Date of Last Full Revaluation
Freehold land	-	\$10,000	Fair Value	2 years	30-Jun-22
Controlled land	-	\$10,000	Fair Value	2 years	30-Jun-22
Land under roads	-	\$10,000	Fair Value	2 years	30-Jun-22

Land improvements – Playground assets	20 years	\$10,000	Fair Value	2 years	30-Jun-22
Building on freehold land	25-193 years	\$10,000	Fair Value	2 years	30-Jun-22
Building on controlled land	25-193 years	\$10,000	Fair Value	2 years	30-Jun-22

The valuation method to be applied at 30 June 2025 will be a fair value assessment, which will involve reviewing the Valuer General Victoria Index for Land and Buildings and making adjustments for material changes.

The following table outlines Council's accounting policy for each infrastructure asset class, including the depreciation period, capitalisation threshold, date of the last independent valuation and approach to valuations.

	Depreciation Period	Capitalisation Threshold	Recorded at Cost or Fair Value	Standard Cycle of Full Revaluation	Date of Last Full Revaluation
Roads - pavements and seals	10 - 20 years	\$10,000	Fair Value	3 years	30-Jun-22
Roads - substructure	30 - 80 years	\$10,000	Fair Value	3 years	30-Jun-22
Roads - kerb, channel and minor culverts	30 - 100 years	\$10,000	Fair Value	3 years	30-Jun-22
Bridges	50 -120 years	\$10,000	Fair Value	3 years	30-Jun-22
Footpaths and cycleways	10 - 80 years	\$10,000	Fair Value	3 years	30-Jun-22
Drainage	50 - 100 years	\$10,000	Fair Value	3 years	30-Jun-22

The valuation method to be applied at 30 June 2025 will be a fair value assessment, which will involve reviewing the ABS Producer Price Index and making adjustments for material changes. The index for Road and Bridge Construction Victoria will be considered for road, bridge and footpath asset classes, while the index for Other Heavy & Civil Engineering Construction Victoria will be considered for drainage assets.

## RECOMMENDATION

**That the Impact of Changes to Australian Accounting Standard AASB 13 Fair Value Measurement be noted.**

## NOTED

## ATTACHMENTS

No attachment

## SECTION 9- COMPLIANCE

### 9.1 AGVIC CHEMICAL REVIEW – NON COMPLIANCE

**Aligns with Audit and Risk Committee Charter 5.20 Review reports by management about actual actions taken by Council to report such matters to the appropriate integrity bodies.**

#### BACKGROUND

Agriculture Victoria within the Department of Energy, Environment and Climate Action (DEECA) Is responsible for administering the Agriculture and Veterinary Chemicals (Control of Use) Act 1992 and the Agricultural and Veterinary Chemicals (Control of Use) Regulations 2017.

At the end of 2024, Agriculture Victoria audited Ararat Rural City Council as part of a project auditing councils chemical use across Victoria.

#### DISCUSSION

On the 12<sup>th</sup> December 2024, Agriculture Victoria visited the Municipal Office to audit agricultural chemical use records of herbicide applications made by various staff from the Parks and Gardens department. This was to assess compliance with the Act and Regulations.

From this audit several issues were identified for improvement which are outlined below:

- **Trade name of the product:** Records made by two staff members do not specified the product name, whilst records made by another two staff members were lacking sufficient information to identify the specific product.
- **The date of use:** Records made by several staff members did not include the date of application.
- **Applicator Name and Contact Details:** These details were incomplete on some records and the applicator was unable to be identified or verified in the ACUP database.
- **The rate of application of the product:** or information to allow calculation of rate of application. In the records by one employee the application rate was recorded as "as per" The correct was to record application rate is 10ml/L
- **Crop / commodity or situation** which is the product was applied. During the audit council mentioned that most applications are herbicides on roadsides, parks & gardens and ovals / turf. All records audited were lacking enough information to determine the situation. A correct way to record the crop commodity / situation could include "general weeds, knapsack around parks and gardens."
- **Application Location:** specifying where the chemical was applied. Some records contained general location much as Moyston and Ararat. Locations where the chemical was applied needs to be more specific such as Alexandra Gardens, Ararat and Warrak Road, Ararat

Under Section 73 of the Act businesses and employers may be held liable for offences committed by their employees or contractors. Council is required to adequately address the above matters outline or Agriculture Victoria may be required to undertake enforcement action and may be contacted at any time to audit our chemical use.

#### ACTIONS

The following actions are currently taking place:

- Standard Operating Procedure has been updated including the Chemical Record log that is based off the template that has been shared from Ag Victoria. All previous versions of the template are not to be available to staff.

- Meeting with the Supervisors on 3 June 2025 to discuss the results of the audit and plan moving forward.
- Meeting 5 June 2025 with all employees involved in chemical applications at Council to discuss audit outcomes and to re-train employees how to complete the chemical log and record forms.
- Develop a training video that will be mandatory to undertake annually. This will be part of compliance training for Parks and Garden employees as well as anyone else who is involved in these works.
- Random spot checks / audits on Chemical logs and record forms that will be matched with timesheets / Confirm works.

#### RECOMMENDATION

**That the report from AGVIC be noted and that a follow up actions are reported at next Audit and Risk Committee Meeting.**

#### NOTED

#### ATTACHMENTS

The letter from AGVIC is provided as Attachment 9.1

**ACTION: Follow up actions are to be reported at the next Audit and Risk Committee Meeting.**

## **SECTION 10- GENERAL BUSINESS**

### **10.1 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 16 recent articles and reports, covering a range of different topics from sources such as: IBAC, IIA, and OVIC etc.

#### **RECOMMENDATION**

**That the Industry Update report be noted.**

#### **ATTACHMENTS**

The Industry Update report is provided as Attachment 10.1.

## SECTION 11 – FUTURE MEETINGS

### 11.1 FUTURE MEETING DATES

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

- Tuesday 9 September 2025 1pm
- Tuesday 2 December 2025 1pm
- Tuesday 3 March 2026 1pm
- Tuesday 2 June 2026 1pm



## SECTION 12- NEXT MEETING/CHARTER ITEMS

September 2025	
Ref. from Charter	
5.1	Review significant accounting and external reporting issues
5.2	Review changes to the Local Government Performance Reporting Framework
5.3	Review the annual financial report and annual performance statement
5.4	Review with management and the external auditors the results of the audit
5.5	Recommend the adoption of the annual financial report and annual performance statement to Council
5.19	Receive reports from management about actual or suspected instances of fraud or corruption
5.20	Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies
5.24	Review and approve scopes for each review in the annual internal audit plan
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
5.29	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.
5.30	Recommend to Council, if necessary, the termination of the internal audit contractor.
5.32	Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restrictions on scope or work or access to information.
5.33	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.
5.34	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.
5.36	Meet with the external auditor at least annually in the absence of management