



Ararat Rural City



Ararat Rural City

MINUTES

Audit and Risk Committee

Tuesday 9 September 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

Cr Jo Armstrong was an apology

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

No disclosure of Interests.

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 03 June 2025 be received.

MOVED GREG JAKOB SECONDED

That the Minutes of the Internal Audit and Risk Committee Meeting held on 03 June 2025 be received.

SECTION 2- CEO UPDATE

2.1 CEO UPDATE – CONFIDENTIAL

RECOMMENDATION

That the CEO's report be received.

RECEIVED

ATTACHMENTS

CEO Confidential Report provided as Attachment 2.1

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 MONTHLY PERFORMANCE REPORT – ENDING 31 JULY 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 31 July 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 \$18.771 million in revenue and \$3.679 million in expenses to 31 July 2025. This has resulted in an operating surplus of \$15.092 million for the month ended 31 July 2025.

Income

Rates and charges account for 54% of the total budgeted income for 2025/26. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of \$17.716 million has been recognised as income for the month ended 31 July 2025.

User fees account for 5% of the total budgeted income for 2025/26 and \$0.359 million has been received to 31 July 2025. The majority of this relates to transfer station fees, fitness centre income and commercial waste management charges.

Non-recurrent Operating Grants total \$0.328 million to 31 July 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 2025/26 \$'000	Income 2025/26 \$'000	Unearned Income \$'000
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	-	950
Free Public WiFi Services	-	-	1,243
Supported Playgroups	67	6	-
Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	-	36

CALD Outreach Workers Initiative	129	129	-
Tiny Towns Fund - Pomonal Community Hub	-	-	119
Natural Disaster Relief	-	102	-
Council Support Fund – Pomonal Fires	-	-	-
Engage - Youth Events Activities & Happenings	55		-
Centenary Park Dog Park	100	-	25
Queen Street Housing Program	-	91	3,391
Ararat Hills Adventure Sports Precinct	-	-	400
Early Career Educators	-	-	103
Ararat Active Bike Network	266	-	-
Ararat City Tennis Sports Lighting and Accessibility	-	-	280
Other Minor Grants (under \$30,000)	-	-	-
	617	328	6,847

Non-recurrent Capital Grants have not been recognised as income up to 31 July 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 2025/26 \$'000	Income 2025/26 \$'000	Unearned Income \$'000
Pedestrian Infrastructure Program	-	-	50
Tiny Towns Fund - Buangor Recreation Reserve Pavillion Redevelopment	-	-	50
Tiny Towns Fund - Buangor Cobb & Co Stables	-	-	30
Pony Club Sports Arena	1,490	-	433
Queen Street Housing Program	-	-	1,683
Ararat Library Lighting & Exterior Upgrade	-	-	51
TAC Safe Local Roads and Streets Program	-	-	468
Jack & Jill Kindergarten Upgrade	-	-	75
Other Minor Grants (under \$30,000)	-	-	10
	1,490	-	2,850

Note

It is important to note the following:

1. The Grants Operating (recurrent) figure in the Original Budget was \$8.909 million and in the Current Budget is recorded as \$4.721 million, as \$4.188 million was paid to Council in 2024/25 by the Victorian Local Government Grants Commission (VLGGC) for the 2025/26 financial year. Council has still received the expected VLGGC income, to be spent in 2025/26, however it will be reported over two financial years.
2. Unearned revenue received in prior years has been adjusted between the Original Budget and Current Budget with an additional \$6.659 million for Grants Operating (non-recurrent), \$0.386 million for Grants Capital (recurrent) and \$2.282 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 2025/26 financial year.
3. These changes in the budget, plus the note reported under expenses, create a change in the reported surplus position from a projected surplus of \$2.050 million to a surplus of \$3.028 million for 2025/26. The year-end

variance is a surplus of \$0.163 million when the actual year to date expenses are compared to the year to date budget.

Expenses

Employee Costs account for approximately 37% of the total budgeted expenditure for 2025/26. For the month ended 31 July 2025 Council has incurred \$0.950 million in employee costs.

Materials and Services account for approximately 28% of the total budgeted expenditure for 2025/26. For the month ended 31 July 2025, Council has incurred \$1.686 million in materials and services costs. There are a number of projects, including those carried forward from 2024/25 that are expected to be completed before the end of the financial year.

Note

It is important to note the following:

There has been an increase in expenditure on materials and services from \$9.186 million in the Original Budget to \$13.357 million in the Current Budget for 2025/26. This has resulted from a carry forward amount of \$4.171 million from the 2024/25 financial year unspent grant funds which will be used to complete the projects in 2025/26.

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 31 July 2025. Comparative figures have been provided as at 31 July 2024.

Council's current assets have increased by \$17.695 million from \$17.747 million as at 31 July 2024 to \$35.442 million as at 31 July 2025. Cash and cash equivalents have decreased by \$2.263 million from \$14.841 million to \$12.578 million. Trade and other receivables have increased by \$19.943 million from \$2.835 million as at 31 July 2024 to \$22.778 million as at 31 July 2025 which is predominantly due to the full year rates being raised in July 2025.

Total liabilities have decreased from \$16.464 million in 2024/25 to \$15.936 million in 2025/26. Trade and other payables have decreased by \$1.288 million and trust funds and deposits have increased by \$0.089 million. Unearned income increased by \$0.746 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 \$14.841 million have decreased by \$2.263 million to \$12.578 million as at 31 July 2025.

Net cash of \$1.822 million was used in operating activities, \$0.356 million was used in investing activities, and \$0.085 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	30/6/2025	31/07/2025
Working capital <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	120%	249%
Loans and borrowings <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	0.86%	0.66%
Indebtedness <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	8.02%	9.38%
Rates concentration <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	50.13%	94.38%
Expenditure level <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	\$4,948	\$493
Indicator - Revenue level <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	\$2,002	\$2,035

Indicator	30/6/2025	31/07/2025
<p>Indicator – Percentage of total rates collected</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. As at 31 July 2025 the outstanding Rates Debtors totalled \$19.524 million compared to \$2.466 million as at 30 June 2025, an increase of \$17.058 million. In percentage terms 5.5% of the rates raised have been collected at 31 July 2025 compared to 5.1% up to 31 July 2024.</p> <p>Outstanding rates are currently charged 10% interest.</p> <p>Council issues approximately 7,900 rate notices. In 2024/25 there were 2,158 assessments paying by instalments compared with 2,640 assessments in 2023/24.</p>	87.8%	5.5%
<p>Indicator – Asset Renewal & Upgrade</p> <p><i>Measure - Asset renewal & 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>	99.92%	36.12%

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 month of the year to pay for the outstanding accounts at year end.

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 31 July 2025 be received.

RECEIVED

ATTACHMENTS

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 31 July 2025 are provided as Attachment 3.1

3.2 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2025

Aligns with Audit and Risk Committee Charter 5.3 Review the annual financial report and annual performance statement

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

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. The 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 2025 of \$37.526 million compared with \$27.347 million in 2024. Rates & Charges income increased by \$0.210 million, Government Grants for operations increased by \$11.197 million, and Government Grants for capital works decreased by \$0.852 million. The increase in operating grants was predominantly due to the change in the timing of payment of financial assistance grants, with a payment of \$6.656 million for 2025 being received in July 2024, compared to \$7.426 million for 2004 being received in advance in June 2023. Council has received grant payments of \$6.659 million for non-recurrent operating grants, \$2.282 million for non-recurrent capital grants and \$0.386 million for recurrent capital grants that have not yet been recognised as income due to the grant performance obligations not being met at the end of the financial year.

Council received the following non-recurrent operating grants in 2025:

	Budget 2024/25 \$'000	Income 2024/25 \$'000	Unearned Income \$'000
Non-Recurrent Operating Grants			
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	4	950
Free Public WiFi Services	-	-	1,243
Supported Playgroups	65	61	-
Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	-	36
CALD Outreach Workers Initiative	-	64	-
Tiny Towns Fund - Pomonal Community Hub	-	-	119
Natural Disaster Relief	-	160	-
Council Support Fund – Pomonal Fires	-	750	-
Centenary Park Dog Park	-	-	25
Tatyoan Oval Upgrade Grant	-	250	-
Queen Street Housing Program	-	-	3,483
Ararat Hills Adventure Sports Precinct	-	-	400
Early Career Educators	-	-	103
Other Minor Grants (under \$30,000)	-	126	-
	65	1,415	6,659

Council received the following non-recurrent capital grants in 2025:

	Budget 2024/25 \$'000	Income 2024/25 \$'000	Unearned Income \$'000
Non-Recurrent Capital Grants			
Mt William Road reconstruction	5,000	-	-
Back Bolac Road reconstruction	-	228	-
Churchill Avenue reconstruction	843	777	-
Pedestrian Infrastructure Program	-	20	50
Tiny Towns Fund - Buangor Recreation Reserve Pavillion	-	-	25
Tiny Towns Fund - Pomonal Community Hub	-	81	-
Tiny Towns Fund - Buangor Cobb & Co Stables	-	-	30
Pony Club Sports Arena	-	14	433
Queen Street Housing Program	-	-	1,683
Ararat Library Lighting & Exterior Upgrade	-	-	51
Other Minor Grants (under \$30,000)	-	-23	10
	5,843	1,097	2,282

Total expenses in 2025 were \$36.369 million compared with \$33.973 million in 2024, an increase of \$2.396 million. The increased expenditure has resulted as Council continues to deliver outcomes for several large project grants, and to complete projects carried forward from the previous year. Council also incurred over \$0.343 million expenditure for emergency and reinstatement works, and operating relief and recovery centres in response to the bushfire events in December 2024 and January 2025. Employee costs have increased by \$0.268 million. Depreciation has increased by \$1.311 million based on the revaluation of infrastructure as at 1 July 2024.

The surplus for 2025 was therefore \$1.157 million compared with a deficit of \$6.626 million in 2024.

Property and infrastructure assets were revalued at 1 July 2024 with an indexation revaluation applied at 30 June 2025. These revaluations have resulted in an increase in value of property assets of \$65.157 million and an increase in value of infrastructure assets of \$65.087 million.

The Cash Flow Statement shows a net increase in cash and cash equivalents of \$11.792 million compared with a decrease of \$8.408 million in 2024. At 2024 year-end Council held a \$3 million term deposit with a six-month term, that resulted in the funds being excluded from the cash and cash equivalents balance at the end of the financial year.

The Cash Flow Statement shows net cash provided by operating activities was \$21.875 million in 2025 compared with \$2.048 million in 2024, representing an increase of \$19.827 million. This is largely due to the change in the timing of payment of financial assistance grants resulting in a payment of \$6.656 million for 2025 being received in July 2024, compared to \$7.426 million for 2004 being received in advance in June 2023.

Net cash used in investing activities (e.g. payments for property, infrastructure, plant and equipment) was \$9.503 million in 2025 compared with \$9.283 million in 2024, representing an increase of \$0.220 million. In 2025 Council has invested \$1.000 million contribution to its joint venture, Ararat Housing Enterprise Pty Ltd, which represents the agreed contributions of \$0.500 million for both 2024 and 2025.

Net cash used in financing activities was \$0.580 million in 2025. In comparison net cash used in financing activities was \$1.173 million in 2024, which included the repayment of two equipment finance loans.

The Statement of Capital Works shows \$11.704 million invested in 2025 compared with \$15.033 million in 2024, a decrease of \$3.329 million. Total property works decreased by \$3.186 million with the completion of several projects including the Gordon Street Recreation Reserve redevelopment.

Performance Statement

Council is required to prepare and include a performance statement within its annual report.

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 includes the target budget for the current year and the forecast results for four years based on the financial statements included in Council's annual budget.

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.

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 draft Financial Statements and Performance Statement included in this agenda are still subject to change based on the feedback from either Johnsons MME or by the Auditor General.

RECOMMENDATION

That the Audit and Risk Committee recommends:

- 1. Council authorise Cr Jo Armstrong, Cr Bob Sanders (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 Bob Sanders and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.**

COMMITTEE HAS PUT THIS MOTION ON HOLD UNTIL THEY RECEIVE THE FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT IN ITS FINAL FORM

ATTACHMENTS

The Draft Financial Statements and Draft Performance Statement are included as Attachment 3.2

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 & Data Protection & Health Records Policy</i>)	Jan-25	Sept 25
Procurement Policy	Jun- 28	Jun 28
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	Oct 27	Dec 27
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	Sept 25
Workplace Anti-Discrimination & Harassment Policy	Jun 26	Jun 26

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

- Health and Wellbeing Policy
- Prevention of Sexual Harassment in the Workplace
- Councillors Gift Policy
- Public Transparency 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
Admin	Health and Wellbeing Policy	March 2020	September 2025	September 2029
Administrative	Prevention of sexual harassment in the workplace	August 2020	August 2025	August 2028
Council	Councillor Gifts Policy	18 May 2021	September 2025	September 2029
Council	Public Transparency Policy	21 July 2020	September 2025	September 2029

The health and Wellbeing Policy have been reviewed. This policy now outlines councils commitment to the safe, healthy and supportive workplace. Its also has delved deeper into the responsibilities at all levels and lined the procedures.

The Prevention of Sexual Harassment in the Workplace Policy may seem like there are many changes however the procedure has been incorporated into the policy. There is also more inclusive language, which aligns with our responsibilities under the Gender Equality Act. This review is based on the APSC model policy of 2024, which includes our relatively new “positive duty” requirements under the Sex Discrimination Act, while the 2020 policy as based on the VPSC model policy at the time.

Councilor Gifts Policy has been review and bench marked against like policies that have been put on the Local Government Inspectorate website as model policies. Track changers have been provided to highlight the changes in the policy. The major change to this policy is that it uses everyday language as oppose to the last revision quoted much of the Local Government Act 2020.

The Public Transparency Policy has also been reviewed against model policies on the Local Government Inspectorate website. The main changes are administrative. Some minor clarifications and rewording have been made to improve the readability and alignment with legislative requirements. These changes aim to enhance clarity, ensure compliance with updated legislation and streamline the document for better usability.

RECOMMENDATION

That the Council Policy Review Update be noted.

NOTED

ATTACHMENTS

- Draft review of Health and Wellbeing Policy is attached as Attachment 4.1.1
- Draft review of Procurement Policy is attached as Attachment 4.1.2
- Draft review of Councilors Gift Policy is attached as Attachment 4.1.3
- Draf review of the Public Transparency Policy is attached as Attachment 4.1.4

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 Insurance report be noted.

NOTED

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.

The Chief Executive Officer has a yearly plan for viewing strategic risks with Ararat Rural City Council. The suggest program is outlined below which focuses on the highest risk areas earlier on in the program. Strategic risk reviews are currently up to date.

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 Chief Operating officer 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. June and Julys service areas have been reviewed to date.

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,

RECOMMENDATION

That the Strategic Risk Review and Update Report be received.

RECEIVED

ATTACHMENTS

The Strategic Risk Register is provided as Attachment 5.1

SECTION 6- FRAUD PREVENTION

No reports tabled at this meeting

SECTION 7- INTERNAL AUDIT

7.1 INTERNAL AUDIT – PAST ISSUES REVIEW

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

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 Recommendation Action Plan was developed to capture the recommendations highlighted in the various internal audits conducted by AFS.

AFS, as the internal auditors, conduct reviews of the audits to confirm that the actions taken by management have addressed the risks raised by internal audits. The review focuses on the internal audit agreed management actions where a risk rating was assigned to the issue raised and management has actioned the agreed management action.

AFS has found 4 moderate findings and 8 minor findings to now be completed and attached is the full past issues review which will outline each on these findings.

The Audit Recommendation Outcomes Action Plan, list the recommendations and subsequent outcomes and projected completion dates.

RECOMMENDATION

The Audit Recommendation Outcome Updates report be received

RECEIVED

ATTACHMENTS

The Audit Recommendation Outcomes Update Action Plan is included as Attachment 7.1.1

The Internal Audit Report Past issues review is included as Attachment 7.1.2

7.2 INTERNAL AUDIT – STRATEGIC INTERNAL AUDIT PROGRAM STATUS UPATE

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 and accepted at the last Audit and Risk Committee meeting with the current status.

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 of SIAP
- Status of previous Strategic Internal Audit Program

RECOMMENDATION

The Strategic Audit Program Status Update be received

RECEIVED

ATTACHMENTS

The Strategic Internal Audit Program Status Update as Attachment 7.2

SECTION 8- EXTERNAL AUDIT

8.1 REVIEW CHANGES TO THE LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK

Aligns with Audit and Risk Committee Charter 5.2 Review changes to the Local Government Performance Reporting Framework.

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 primary objective of the Local Government Performance Reporting Framework (LGPRF) is to provide comprehensive performance information that meets the needs of multiple audiences. Local Government Victoria provides Councils with updates to the framework.

There have been no changes to the service performance, financial performance and sustainability capacity indicators that will be measured between 2024-2025 and 2025-2026. Only minor amendments have been made to the guidance material for 2025-2026 to provide clarification.

RECOMMENDATION

That the Local Government Performance Reporting Framework changes report be received

RECEIVED

ATTACHMENTS

There are no attachments in relation to this item.

8.2 EXTERNAL AUDIT – DRAFT FINAL MANAGEMENT LETTER FOR THE FINANCIAL YEAR ENDING 30 JUNE 2025

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

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 has conducted the year-end financial audit remotely and have issued a draft final management letter. There are currently no new issues and one open issue from the prior period. However, at the time of preparing this agenda the auditors are still working to finalise their review, including their review of the management's assessment of the asset revaluations.

VAGO 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 were resolved during the interim audit and one remains unresolved at the time of issuing the draft letter.

Mr Ryan Schischka of Johnsons MME will attend the meeting remotely to provide an update on the Audit progress.

RECOMMENDATION

That:

- 1 The Draft Final Management Letter for the financial year ending 30 June 2025 be received; and
- 2 The Final Management Letter be distributed to the Audit & Risk Committee members once it has been finalised.

RECEIVED

ATTACHMENTS

The Draft Final Management Letter is provided as Attachment 8.2

8.3 EXTERNAL AUDIT – DRAFT CLOSING REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2025

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The purpose of the Closing Report is to summarise the results of the audit and communicate any significant audit findings to those in charge of governance.

DISCUSSION

Johnsons MME has provided a draft closing report for the year-end financial audit.

The report notes that there are still a number of outstanding audit matters at the date of the draft report that need to be resolved before audit reports will be issued.

The report outlines the adjusted and unadjusted differences in the financial report and performance statement identified by the auditor during preparation of the draft closing report. The unadjusted disclosure differences have since been updated in the most recent draft financial and performance statements provided to the auditor for review. The audit is still in progress, particularly with regard to audit testing of asset revaluations, and any changes to the adjusted and unadjusted differences will be reflected in the final closing report.

RECOMMENDATION

That:

- 1 The Draft Closing Report for the financial year ending 30 June 2025 be received; and
- 2 The Closing Report be distributed to the Audit & Risk Committee members once it has been finalised.

RECEIVED

ATTACHMENTS

The Draft Closing Report is provided as Attachment 8.3

8.4 EXTERNAL AUDIT – ASSESSMENT OF EXTERNAL REVALUATIONS

Aligns with Audit and Risk Committee Charter 5.32 Discuss with the external auditor any audit issues encountered in the normal course of audit work including any restriction on scope of work or access to information

BACKGROUND

Council engaged an independent external valuer, APV Valuers and Asset Management, to conduct revaluations on all property and infrastructure asset classes, with an effective date of 1 July 2024.

An assessment of the final valuations has been undertaken to ensure that the valuations:

- Are consistent with the requirements of AASB 13 *Fair Value Measurement*
- Appropriately reflect the fair value of Council's non-current physical assets
- Are reasonable and can be relied upon for inclusion in the financial statements

DISCUSSION

In compliance with amendments and clarifications to AASB 13, under the revaluations:

- each asset is disaggregated into different parts to identify the different useful life of each component
- each component of the asset is now depreciated separately
- the replacement cost is calculated using the gross replacement cost
- assets have been assessed as to whether the highest and best use differs from their current use
- restrictions on land have been re-assessed

Management has reviewed the external valuer's reports and notes the following:

- **Qualifications and Independence:** Each valuer engaged holds appropriate professional qualifications and is independent of Council.
- **Methodology:** Valuation approaches (market value, gross replacement cost) are consistent with AASB 13.
- **Assumptions:** Construction cost indices, condition assessments, and unit rates applied are considered reasonable and supportable.

Assessment of Results

Management considers the valuation reports to be compliant with relevant accounting standards.

Movements are within expectations based on observed market trends and cost indices.

The impact of the revaluations is material and requires recognition in the financial statements.

Adjustments to valuations

Management's review of the external valuations has resulted in the following adjustments to valuation amounts:

Asset Class	External Valuer Amount	Management Adjustment	Final Revalued Amount
Property Assets			
Land	46,498,590		46,498,590
Buildings	95,694,010	-2,148,163	93,545,847
Playgrounds	1,171,562		1,171,562
Sports Fields	1,358,000	-1,358,000	0
	144,722,162	-3,506,163	141,215,999

Infrastructure Assets			
Road Seal	21,119,777		21,119,777
Sealed Road Pavement	163,503,259		163,503,259
Unsealed Roads	24,380,245		24,380,245
Kerb & Channel	12,915,126		12,915,126
Bridges	52,327,733	-10,148,069	42,179,664
Footpaths	9,405,098		9,405,098
Drainage	6,074,668		6,074,668
	289,725,906	-10,148,069	279,577,837

- An error in a bridge length resulted in fair value being overstated by \$10.148 million
- Sports fields values have been excluded as the fair value and useful lives do not accurately reflect the asset value. The primary asset value is already included in the land valuations.
- Stormwater pits have been excluded as the value of each pit is below Council's capitalisation threshold of \$10,000 for infrastructure assets.
- The valuer recommended that low value building assets, such as sheds and shelters, that had previously been fully depreciated and removed from Council's financial reporting, be included in the valuation on the basis that their gross replacement cost was likely to now be over Council's capitalisation threshold of \$10,000 for building assets. Management has reviewed the resulting valuations and identified assets not likely to be replaced and excluded the values due to obsolescence.
- Council identified an additional building that would not be replaced and has applied a discount to adjust the value for obsolescence.
- A comparison of building assets to the previous valuation identified several building assets not included in the revaluation. The previously held values have been reviewed and have been considered an appropriate estimate of fair value.
- The valuation included property assets currently accounted for under AASB 140 Investment Property

Based on the review undertaken, management is satisfied that the external valuations:

- Provide a reliable measure of fair value for Council's property and infrastructure assets.
- Comply with the requirements of AASB 13
- Have been appropriately reviewed and adopted, subject to the above-mentioned adjustments

Accordingly, the following revalued amounts (with adjustments) have been incorporated into Council's financial reporting for 2024-2025.

Asset Class	Fair Value 30/06/2024	Fair Value 01/07/2024	Variance \$	Variance %
Property Assets				
Land	18,097,119	46,498,590	28,401,471	156.9%
Buildings	57,875,740	93,545,847	35,670,107	61.6%
Playgrounds	1,178,698	1,171,562	-7,136	-0.6%
	77,151,557	141,215,999	64,064,442	83.0%

Infrastructure Assets				
Road Seal	15,075,697	21,119,777	6,044,080	40.1%
Sealed Road Pavement	138,634,072	163,503,258	24,869,186	17.9%
Unsealed Roads	22,567,052	24,380,245	1,813,193	8.0%
Kerb & Channel	6,769,216	12,915,127	6,145,911	90.8%
Bridges	26,024,123	42,179,664	16,155,541	62.1%
Footpaths	6,534,710	9,405,098	2,870,388	43.9%
Drainage	6,440,153	6,074,668	-365,485	-5.7%
	222,045,023	279,577,837	57,532,814	25.9%

Council has considered the amendments to AASB 13 Fair Value Measurement that apply for the 2024-25 financial year as a result of AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities. Following consultation and advice from the external valuer, Council is unable to estimate the actual impact of the AASB 13 amendments on the financial statements, as it cannot be reliably measured.

RECOMMENDATION

That the Assessment of External Valuations be noted.

NOTED

ATTACHMENTS

The Land, Buildings and Playgrounds Valuation Report, Infrastructure Valuation Report, Infrastructure Summary Report and Infrastructure Methodology Report are provided as Attachment 8.4

SECTION 9- COMPLIANCE

9.1 JLT Public Sector – Public Sector Risk Report

Aligns with Audit and Risk Committee Charter 5.40 Receive reports from management on the findings of any examination by regulatory or integrity agencies.

BACKGROUND

The 2024 JLT Public Sector Risk Survey highlights the risks that local government face. The survey examined twelve key risks such as Financial Sustainability, the Management of Damage and Aging Assets and Infrastructure, Climate Change / adaptation, Cybersecurity and People and Culture.

DISCUSSION

This is the 7th edition of the JLT Public Sector Risk Report which provides insights into the key strategic risks facing Australian local governments in 2025. The report highlights the complexity of the local government environment, driven by community expectations, financial sustainability and legislative frameworks.

5 Key risks identified include:

1. Financial Sustainability – this remains the top concern due to rising costs and fluctuating revenue. It affects councils' ability to invest in essential services, infrastructure, and community programs. Other risks, like ageing infrastructure and natural disasters worsen financial pressures.
2. Cybersecurity – ranked second, cyber security is critical for protecting digital assets and ensuring operational continuity. Cyber-attacks can disrupt services, damage reputations and lead to financial losses, further straining resources.
3. Asset & Infrastructure – managing ageing infrastructure is the third major concern with increase maintenance costs, safety risks, and service disruptions. Councils need strategic plans to balance immediate repairs with long-term investments.
4. Natural Hazards and Catastrophic Events – these unpredicted events, often linked to climate change, pose challenges for disaster management and infrastructure resilience.
5. People and Culture – councils face difficulties in retaining skilled staff, and fostering a strong organisational culture, which impacts governance and strategic initiatives.

The risk landscape for councils in Victoria has shifted over the previous 12 months, reflecting the evolving challenges faced in local government. Financial sustainability was the top concern for Victorian Councils as identified by 89.6% respondents which is a significant increase from 74.4% in the 2023 survey. This indicates a significant growing concern regarding fiscal health.

RECOMMENDATION

JLT Public Sector –Public Sector Risk Report be noted

NOTED

ATTACHMENTS

The JLT Public Sector Risk Report³ is provided as Attachment 9.1

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 15 recent articles and reports, covering a range of different topics from sources such as: IBAC, VAGO and OVIC etc.

RECOMMENDATION

That the Industry Update report be noted.

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

SECTION 12- NEXT MEETING/CHARTER ITEMS

December 2025	
Ref. from Charter	
5.6	Review the appropriateness of the format and content of periodic management financial report 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
5.19	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.
5.35	Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's response to them
7	Annual performance evaluation