



Ararat Rural City



Ararat Rural City

MINUTES

Audit and Risk Committee

Tuesday 2 June 2026

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

Commencing at 1:00 pm

Audit and Risk Committee:

Cr Bob Sanders (Mayor)

Cr Peter Joyce

Ms Jessica Adler

Mr Greg Jakob

Ms Janet Dore

In attendance:

Dr Tim Harrison

Ms Kate Scarce

Mr Ryan Schischka

Ms Karissa Hogan

Mrs Chandra Willmott

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SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES No Apologies

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed.
Janet Dore disclosed that she is currently working with Buloke Shire and committee agreed there was no perceived conflict of interest.

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 03 March 2026 be received.

MOVED: GREG JAKOB
SECOND: JANET DORE

That the Minutes of the Internal Audit and Risk Committee Meeting held on 03 March 2026 be received.

SECTION 2- EXTERNAL AUDIT

2.1 EXTERNAL AUDIT - DRAFT INTERIM MANAGEMENT LETTER FOR THE FINANCIAL YEAR ENDING 30 JUNE 2026

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 Victorian Auditor-General appoints a service provider to undertake the annual financial audit. Mr Ryan Schischka of Johnsons MME has been appointed by the Victorian Auditor-General's Office to undertake the annual financial audit for the year ending 30 June 2026.

DISCUSSION

Johnsons MME conducted the interim audit in April within the remote working environment. A draft interim management letter has been received. There are three new issues for the current period and three open issues from the prior period. It is anticipated that Council will have fully resolved all items prior to the issue of the final management letter.

VAGO has also included in the letter one recommendation that is specific to all councils, based on the findings in their report to parliament, *Results of 2024-25 audits – Local Government*. The following item 2.2 provides further information of VAGO's report, including an analysis of Council's capital works budgets to address the recommendation.

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.

NOTED

ATTACHMENTS

The draft Audit Strategy Memorandum is provided as Attachment 2.1

2.2 EXTERNAL AUDIT – RESULTS OF AUDIT 2024-25: LOCAL GOVERNMENT

Aligns with Audit and Risk Committee Charter 5.34 Quarterly review Victorian Auditor General’s Office (VAGO) reports to assess the impacts on Council.

BACKGROUND

The Victorian Auditor General’s Office (VAGO) presented a report to parliament, *Results of 2024-25 Audits: Local Government* on 30 March 2026. The report discusses the observations and findings across all 79 councils as a result of their audit of the sector. The report includes two new recommendations, however only one of the recommendations is specific to all councils

DISCUSSION

This year VAGO have prepared a briefing report for Audit and Risk Committee members, which includes an overview and the key findings of the full report.

The report found that councils in Victoria continue to underspend their capital budgets. In 2024–25, sector capital expenditure totalled \$3.370 billion, which was 19.6 per cent (\$0.820 billion) below council budgets. In the previous year, the underspend was 17.1 per cent (\$0.720 billion).

In response to this finding VAGO recommends:

- That councils undertake a review of their capital expenditure budgeting process to understand why the underspend is occurring, whether key assumptions require enhancement and adjust future asset management plans accordingly.

In recent years, Council has maintained a strong and consistent focus on delivering its full capital works program.

A review of the past five years shows that Council budgeted \$64.945 million and delivered \$69.551 million in works. This is an increase of \$4.606 million, or 7 per cent above budget.

When works funded by capital grants are excluded, Council budgeted \$42.838 million in Council-funded works and delivered \$48.317 million. This is an increase of \$5.479 million, or 13 per cent above budget.

To compensate for delays in several major grant-funded projects in 2024-25, Council made a strategic decision to bring forward expenditure on resheeting works and alternative surface treatments, such as Otta seals. This ensured that a high level of capital project delivery was maintained. Additionally, Council increased reseal program expenditure to secure pricing under an expiring contract.

Preliminary analysis of capital expenditure against budget for 2025-26 indicates a corresponding decrease in works funded by Council, reflecting an adjustment for the apparent overspend in the previous year.

It is important to note that capital works delivery can vary considerably from the budget, due to factors that affect timing, including project planning, preliminary works, tender processes, construction schedules, and the timing of grant funding. However, after reviewing capital expenditure compared to budget Council is confident that no underlying underspend exists, particularly when assessed over the longer term.



RECOMMENDATION

That the Results of 2024-25 Audits: Local Government be noted.

NOTED

ATTACHMENTS

The VAGO briefing report is provided as Attachment 2.2.1

The capital works budget analysis is provided as Attachment 2.2.2

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 MONTHLY PERFORMANCE REPORT – ENDING 30 APRIL 2026

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 2026.

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 \$30.981 million in revenue and \$30.732 million in expenses to 30 April 2026. This has resulted in an operating surplus of \$0.249 million for the ten months ended 30 April 2026.

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 \$18.317 million has been recognised as income for the ten months ended 30 April 2026.

User fees account for 5% of the total budgeted income for 2025/26 and \$1.474 million has been received to 30 April 2026. The majority of this relates to transfer station fees, fitness centre income and commercial waste management charges.

Recurrent Operating Grants \$3.893 million to 30 April 2026, including \$1.880 million from the Victorian Local Government Grants Commission for general purpose grants and \$1.220 million for the local roads grants.

Non-recurrent Operating Grants total \$1.857 million to 30 April 2026. 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	-	-	1,289
Supported Playgroups	67	58	-

Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	25	11
CALD Outreach Workers Initiative	129	129	-
Tiny Towns Fund - Pomonal Community Hub	-	61	58
Natural Disaster Relief	-	158	-
Council Support Fund -Streatham Fires	-	400	-
Engage - Youth Events Activities & Happenings	55	55	-
Centenary Park Dog Park	100	36	39
Queen Street Housing Program	-	514	5,183
Ararat Hills Adventure Sports Precinct	-	-	400
Early Career Educators	-	73	30
Ararat Active Bike Network	266	-	-
Ararat City Tennis Sports Lighting and Accessibility	-	131	373
Primary Producer Support Payment	-	125	-
Emergency Services and Volunteers Fund	-	50	-
Other Minor Grants (under \$30,000)	-	42	-
	617	1,857	8,633

Non-recurrent Capital Grants total \$3.394 million to 30 April 2026, 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	-	29	25
Pony Club Sports Arena	1,490	1,029	-
Queen Street Housing Program	-	-	1,683
Ararat Library Lighting & Exterior Upgrade	-	45	6
TAC Safe Local Roads and Streets Program	-	201	291
Jack & Jill Kindergarten Upgrade	-	75	-
Mount William Road Reconstruction	-	2,000	-
Footpath-Ararat Retirement Village & Sports Precinct	-	12	23
Other Minor Grants (under \$30,000)	-	3	9
	1,490	3,394	2,137

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 deficit of \$0.912 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 ten months ended 30 April 2026 Council has incurred \$10.648 million in employee costs. These costs include several grant-funded positions not budgeted for, and organisation restructure costs. Council has also incurred capitalised salary costs of \$0.669 million, which are included in capital works reporting rather than the income statement, as they are treated as part of the cost of creating or improving Council assets.

Materials and Services account for approximately 28% of the total budgeted expenditure for 2025/26. For the ten months ended 30 April 2026, Council has incurred \$10.029 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 surplus and 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 30 April 2026. Comparative figures have been provided as at 30 June 2025.

Council's current assets have increased by \$0.959 million from \$17.978 million as at 30 June 2025 to \$18.937 million as at 30 April 2026. Cash and cash equivalents have decreased by \$0.594 million from \$14.841 million to \$14.247 million. Trade and other receivables have increased by \$1.492 million from \$3.066 million as at 30 June 2025 to \$4.558 million as at 30 April 2026.

Total liabilities have increased from \$16.464 million in 2024/25 to \$17.131 million in 2025/26. Trade and other payables have decreased by \$0.364 million and trust funds and deposits have increased by \$0.123 million. Unearned income/revenue increased by \$1.436 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 \$0.594 million to \$14.247 million as at 30 April 2026.

Net cash of \$9.714 million was provided by operating activities, \$9.696 million was used in investing activities, and \$0.612 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	30/04/2026
<p>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</p>	122%	123%
<p>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</p>	0.86%	0.00%
<p>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</p>	7.83%	8.25%
<p>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</p>	49.39%	66.48%
<p>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</p>	\$4,936	\$4,094

Indicator	30/6/2025	30/04/2026
<p>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</p>	\$2,002	\$2,032
<p>Indicator – Percentage of total rates collected 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. The outstanding Rates Debtors is reported in the Annual Financial report. As at 30 April 2026 the outstanding Rates Debtors totalled \$4.057 million compared to \$2.466 million as at 30 June 2025, an increase of \$1.591 million. In percentage terms 80.4% of the rates raised have been collected at 30 April 2026 compared to 77.7% up to 30 April 2025. Outstanding rates are currently charged 10% interest. Council issues approximately 7,900 rate notices. In 2025/26 there are 2,495 assessments paying by instalments compared with 2,653 assessments in 2024/25.</p>	87.8%	80.4%
<p>Indicator – Asset Renewal & Upgrade <i>Measure - Asset renewal & Upgrade compared to depreciation</i> Expected range in accordance with the Local Government Performance Reporting Framework – 40% to 130% 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>	100.75%	85.50%

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”.

RECOMMENDATION

That the Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 April 2026 be received.

RECEIVED

ATTACHMENTS

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 April 2026 are provided as Attachment 3.1.

The attachment also includes a table of Percentage of Rates Collected to 30 April 2026 by Rating Option

SECTION 4 - CEO UPDATE

4.1 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 4.1

ACTION: Share budget document with the Audit and Risk Committee

ACTION: Capital works program to show actual % of works completed physically as well as % funds spent. Also to have an projected end date for projects

SECTION 5 – INTERNAL CONTROLS

5.1 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, 5.12 view annually the effectiveness of Council’s risk management framework and 5.13 review Council’s risk appetite and the degree of alignment with Councils risk profile.

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	Mar 26
Audit and Risk Committee Charter	Dec 26	Dec 26
Community Engagement Policy	Jan 30	Dec 29
Complaints Handling Policy	Jan 30	Dec 29
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	Sept-29	Sept 29
Election Period 2020 Policy	Apr 28	Mar 28
Fraud and Corruption Policy	Dec 26	Dec 26
International and Interstate Travel Policy	Mar-28	Mar 28
Investment Policy	Feb-25	Mar 26
Prevention of Sexual Harassment Policy	Sept-24	Mar 26
Privacy Policy (<i>prev Privacy & Data Protection & Health Records Policy</i>)	Jan 30	Dec 29
Procurement Policy	Jun- 28	Jun 28
Public Transparency Policy	Sept 29	Sept 29
Risk Management Policy	Dec 25	Mar 26
Social Media Policy	Feb 28	Dec 27
Valuation Policy - Major Asset Classes	May-26	Jun 26
Administration Policy		

Accounts Payable Policy	New	Jun 26
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	Jun-26
Disposal and sale of minor assets policy	Mar 30	Mar 30
Equal Employment Opportunity Policy	Mar-26	Jun 26
Equity, Diversity and Inclusion Policy	Nov 28	Sept 28
Essential Safety Measures Policy	Mar-24	Sept 25
Health and Wellbeing Policy	Aug 25	Sept 29
Injury Management Policy	Mar 30	Mar 30
Municipal Emergency Policy	Mar 30	Mar 30
Occupational Health and Safety Policy	Sept 26	Sep 26
OHS Workplace Emergency Evacuation Policy	Nov-25	Mar 26
Prevention of Sexual Harassment in the Workplace	Aug 25	Sept 28
Public Interest Disclosures Procedure	Oct 25	Mar 26
Risk Management Framework	Dec 25	Mar 26
Staff Code of Conduct	Jan 30	Dec 29
Staff Gift Policy	Jan 30	Dec 29
Staff Grievances Policy	Sept-27	Sep-27
Vehicle Policy	July 25	Mar 26
Workplace Anti-Discrimination & Harassment Policy	Jun 26	Jun 26

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

- Risk Management Policy
- Risk Management Framework
- Audit and Risk Committee Charter
- Disposal and Sale of Items at Transfer Station Policy
- Accounts Payable Policy
- Procurement Strategy

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
Council	Risk Management Policy	30 April 2024	June 2026	June 2028
Council	Risk Management Framework	30 April 2026	June 2026	June 2028
Council	Audit and Risk Committee Charter	27 January 2026	Current	December 2026
Administrative	Disposal and sale of items at Transfer Station Policy	1 March 2022	May 2026	May 2028
Administrative	Accounts Payable Policy	New	May 2026	May 2028

The revised version of the Risk Management Policy includes the following substantive changes to improve clarity, consistency and alignment with current risk management terminology and Council references. Wording has been refined to improve consistency of review and reporting statements, whilst the Risk Appetite and Tolerance section and selected appetite statements have been updated to correct drafting issues and improved including in relation to finance, service delivery and reputation. Supporting references have been updated to reflect the current Council Plan reference should in the policy and the definition of risk has been revised to align with current AS ISO 31000:2018 terminology by defining risk as the effect of uncertainty on objectives. These revisions do not change the overall intent of the Policy.

This update to the Risk Management Framework strengthens councils approach to risk by clarifying risk appetite, improving usability and ensuring alignment with contemporary local government better practice and to international standards.

The revised framework introduces a clearer and more practical risk appetite statement to support consistent decision making and escalation, particularly for high and extreme risks. Changes have also been made to improve readability by reducing reliance on technical language, making the framework easier for staff to understand and apply in day to day operations.

The Audit and Risk Charter was presented at the December 2025 Audit and Risk Committee meeting and adopted at the January 2026 Council meeting. At the last Audit and Risk Committee meeting, a request was made to table it at this meeting for review. No changes have been made at this stage and any further amendments will be guided by the committees feedback.

The Disposal and sale of items at Resource Recovery Policy has been reviewed and updated to provide clarity, consistency and readability while retaining its original intent and operational approach. Several Transfer Stations have been removed from the policy that are no longer operational. Also the Sales Shed at the Ararat Resource Recovery Centre no longer operates due to having several second hand shops in Ararat however they are selling our compost from the Ararat site.

The Accounts Payable Policy have been developed in response to issues identified through the internal audit to strengthen Council's controls over the processing and payment of accounts. The policy provides a clear and consistent framework for the management of accounts payable activities, ensuring that payments are accurate, appropriately authorized, timely and supported by adequate documentation. Its objective is to reduce the risk of error, fraud and non-compliance with legislation and governance requirements, while promoting accountability, segregation of duties and sound financial management practices across the organization.

The Procurement Strategy has been developed in response to findings from an internal audit which identified the need for a more strategic and consistent approach to procurement across Council. The Strategy is intended to promote better value for money by improving planning, supplier engagement and purchasing practices, while also strengthening governance and oversight of procurement activities. It provides a framework to support informed decision-making, encourage efficient and ethical procurement, and reduce exposure to procurement-related risks such as non-compliance, poor contract management and ineffective use of Council resources.

RECOMMENDATION

That the Council Policy Review Update be noted.

NOTED

ATTACHMENTS

Draft review of Risk Management Policy as Attachment 5.1.1
Draft review of Risk Management Framework as Attachment 5.1.2
Draft review of Audit and Risk Charter as Attachment 5.1.3
Draft review of Disposal and sale of items at Resource Recovery Centre Policy as Attachment 5.1.4
Draft review of Accounts Payable Policy as Attachment 5.1.5
Draft Review of Procurement Strategy as Attachment 5.1.6

ACTIONS:

- Combined the Risk Management Policy and Framework into one document
- Describe difference between Council Officers and Council Employee in RMP
- Frameworks assess the KPIs and source of KPIs.
- Procurement strategy needs stronger links to Fraud and Corruption Policy
- Accounts Payable Policy needs to be linked to Fraud and Corruption Policy and Code and Conduct Policy

SECTION 6 - RISK MANAGEMENT

6.1 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 up to date.

However, Council is committed to reviewing the Strategic Risks holistically to reflect the current risk environment. We will engage with an external provider such as our insurers JLT to facilitate a session with Councillors and key Council officers to address the strategic risks and current measures to reduce or mitigate those risks.

July 2025	Fraud and Corruption; Cyber Attack	January 2026	Legislative Compliance
August 2025	Asset Management	February 2026	Workforce Planning
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. Reviews have been completed up to the end of November.

Month	Service Area
February	Local Laws, Municipal Building Services, Planning, Environmental Health, Environmental Management and Sustainability
March	Risk Management, Governance, Emergency Management, Insurance Management
April	Design and Project Management, Information Technology, Asset Management, Records Management, Graphic Information Systems,
May	Maternal & Child Health, Occupational Health and Safety,
June	Sport and recreation, Tourism, Economic Development
July	Depot, Contracts and Procurement, Finance, Property Rates and Valuation,
August	Library Service, Events, Human Resource, Customer Services, Waste management
September	Art Gallery / TAMA, Town Hall, Media and Communications

RECOMMENDATION

That the Strategic Risk Review and Update Report be received.

RECEIVED

ATTACHMENTS

The Strategic Risk Register is provided as Attachment 6.1

ACTION: Prior to the September Audit and Risk Committee Meeting Council will undertake a comprehensive review and refresh of the Strategic Risk Register to ensure it reflects current and emerging risks, rather than simply adding new risks to the existing register.

Council will also present an update on the Incident and Risk Register.

SECTION 7- FRAUD PREVENTION

No Report Table

SECTION 8- INTERNAL AUDIT

8.1 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
- Proposed change to the 2026/27 Internal audit program
- Review of the 2026/27 – 2028/29 Internal audit program
- Extending the 4 year rolling program to 2029/2023

Topic	Current Timming	Proposed Timing
Grants Management	March 2027	24 August 26 – 8 September 2026
Economic Development	28 September – 6 October 2026	March 2027

RECOMMENDATION

The revised program has been reviewed and endorsed
The Strategic Audit Program Status Update be received

ENDORSED AND RECEIVED

ATTACHMENTS

The Strategic Internal Audit Program Status Update as Attachment 8.1

8.2 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 and aligns with Audit and Risk Committee Charter 5.27 Monitor action by management on internal audit findings and recommendations.

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.

Each year, AFS, as the internal auditors, conducts a review of the actions taken by management and confirm that they have been addressed the risks raised by the internal auditors. A review was undertaken in May 2026 and confirmed the actioned taken to address agreed management actions in previously issued internal audit reports.

At the review there were 4 moderate findings management actions and 15 minor findings deemed completed since the previous review. Any agreed management actions rated as “Opportunities” are deemed not critical to addressing a specific risk and therefore not reviewed.

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

RECOMMENDATION

The Past Issue Review report be received

RECEIVED

ATTACHMENTS

The Internal Audit Report – Past Issues Review is included as Attachment 8.2.1

The Audit Recommendation Outcomes Update Action Plan is included as Attachment 8.2.2

8.3 INTERNAL AUDIT – DATA ANALYTICS - PAYROLL

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

BACKGROUND

In accordance with Ararat Rural City Council Internal Audit Program, AFS has undertaken a detailed analysis of ARCC's payroll and Masterfile.

DISCUSSION

ARCC's payroll and Masterfile processes are governed by a framework comprised of policies, procedures and a Delegation of Authority to ensure controls are in place to mitigate the risk of fraud and non-bona fide use of the organisations financial resources.

The objectives of the review was to identify any significant adverse pay incidents or potential fraud within the payroll function through the use of data analytics.

The audit concluded there were 4 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 2026 Audit & Risk Committee meeting.

RECOMMENDATION

That the Data Analytics - Payroll report be received.

RECEIVED

ATTACHMENTS

The AFS & Associate Audit of the Data Analytics - Payroll report is provided as Attachment 8.3

8.4 INTERNAL AUDIT – GRANT MANAGEMENT INCLUDING COMMUNITY GRANTS 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 review the reliability and effectiveness of the internal controls over the management of grant funding.

DISCUSSION

The objective is to review the reliability and effectiveness of the internal controls over the management of grant funding and to confirm an appropriate framework exists and is applied to ensure grants to the community are issued fairly and responsibly.

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

The timeframe for this audit is scheduled for 24 August 2026 for the field work to commence with documentation to be provided by the 30 July 2026 and the results are scheduled to be presented at the December 2026 audit and risk committee meeting.

RECOMMENDATION

That the Internal audit planning document for the Grant Management including community grants management audit be received.

RECEIVED

ATTACHMENTS

The AFS & Associate Internal Audit Planning document for the Grant Management including community grants management is provided as Attachment 8.4

8.5 INTERNAL AUDIT – LONG TERM FINANCIAL PLANNING

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 assess the framework to promote long-term financial sustainability.

DISCUSSION

The objective is to assess the Council’s Long-Term Financial Planning to ensure it contains reasonable assumptions, is based on adequate availability data, is sufficiently maintained and enables the promotion of long-term financial sustainability.

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

The timeframe for this audit is scheduled for 6 October 2026 for the field work to commence with documentation to be provided by the 14 September 2026 and the results are scheduled to be presented at the December 2026 audit and risk committee meeting.

RECOMMENDATION

That the Internal audit planning document for the Long-Term Financial Planning audit be received.

RECEIVED

ATTACHMENTS

The AFS & Associate Internal Audit Planning document for the Long-Term Financial audit is provided as Attachment 8.5

SECTION 9- GENERAL BUSINESS

9.1 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 18 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.

NOTED

ATTACHMENTS

The industry Update report is provided as Attachment 9.1

SECTION 10 – FUTURE MEETINGS

10.1 FUTURE MEETING DATES

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

- Tuesday 15 September 2026 1pm
- Tuesday 1 December 2026 1pm
- Tuesday 2 March 2027 1pm
- Tuesday 1 June 2027 1pm

SECTION 11- NEXT MEETING/CHARTER ITEMS

September 2026	
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
5.16	Review the insurance program annually prior to renewal
5.17	Review the approach to business continuity planning arrangements.
5.19	Receive reports from management about actual or suspected instances of fraud or corruption (as required)
5.20	Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies (as required)
5.24	Review and approve proposed scopes for each review in the annual internal audit plan (as required)
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 regarding any proposed changes to the appointment of the internal audit service provider. (as required)
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 restriction on scope of 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 view
5.36	Meet with the external auditor at least annually in the absence of management