Ararat Rural City

Ararat Rural City

MINUTES

Audit and Risk Committee

Tuesday 15 September 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 Phuong Au

Mr Bradley Ead

Mr Ryan Schischka

Ms Karissa Hogan

Mrs Chandra Willmott

Ararat Rural City

SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES

Apology was accepted for Janet Dore

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed. There were no disclosures of interest.

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 02 June 2026 be received.

MOVED – JESS ALDER
SECOND – GREG JAKOB

That the Minutes of the Internal Audit and Risk Committee Meeting held on 02 June 2026 be received.

SECTION 2- EXTERNAL AUDIT

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

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

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 has conducted the year-end financial audit remotely and has issued a final management letter. There are two open issues from the interim audit, with four issues being resolved during the period since the interim audit.

VAGO 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*. This recommendation has been resolved.

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

RECOMMENDATION

That Final Management Letter for the financial year ending 30 June 2026 be received.

RECEIVED

ATTACHMENTS

The Final Management Letter is provided as Attachment 2.1.

Ararat Rural City

2.2 EXTERNAL AUDIT – CLOSING REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2026

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 the closing report for the year-end financial audit.

The report includes details of adjusted and unadjusted differences in the financial report and performance statement identified by the auditor during preparation of the closing report.

RECOMMENDATION

That Closing Report for the financial year ending 30 June 2026 be received.

RECEIVED

ATTACHMENTS

The Closing Report is provided as Attachment 2.2.

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

The Local Government Performance Reporting Framework (LGPRF) undergoes a comprehensive review every three years. In 2024 the Local Government Performance Reporting Steering Committee undertook a review of the framework, including examining its structure, indicators and measures, the governance and management checklist, and the target-setting process. The changes from this review have been introduced for the 2026-2027 reporting period. These are summarised below.

Changes to Framework Structure

The structure of the categories of metrics collected will shift from a service/financial area-based model to an outcomes-based approach, with a stronger focus on common themes of Council performance. Seven domains will replace the former 15 categories for service areas, financial grouping and sustainable capacity.

The table below shows the previous structure of categories, and the seven new domains.

Previous Service Areas	New Domains
AQUATIC FACILITIES	GOVERNANCE
ANIMAL MANAGEMENT	COMMUNITY
FOOD SAFETY	ENVIRONMENT
GOVERNANCE	RESPONSIVENESS
LIBRARIES	COST
MATERNAL & CHILD HEALTH	FINANCIAL FORECASTING
ROADS	FINANCIAL MANAGEMENT
STATUTORY PLANNING	
WASTE MANAGEMENT	
EFFICIENCY	
LIQUIDITY	
OBLIGATIONS	
OPERATING POSITION	
STABILITY	
SUSTAINABILE CAPACITY	

Changes to Indicators & Measures

The existing indicators from previous service areas are aligned to the new domains as follows. Several new metrics have been added to Council's data collection requirements, shown in green in the below table. The justification for these new metrics is also outlined below. There have also been some slight changes in how Council needs to report on some of the current metrics.

Ararat Rural City

GOVERNANCE	COMMUNITY
GOV-G1 Council resolutions made at meetings closed to the public GOV-G2 Satisfaction with community consultation and engagement GOV-G3 Councillor attendance at Council meetings GOV-G4 Cost of elected representation GOV-G5 Satisfaction with Council decisions GOV-G10 Percentage of staff turnover GOV-G6 Councillor attendance at Council briefings GOV-G7 Council meeting duration GOV-G8 Capital Works Planning GOV-G9 Total Unpaid rates and charges GOV-11 Executive management staff turnover	COM-AF6 Utilisation of aquatic facilities COM-LB6 Library loans per head of population COM-LB7 Library membership COM-LB8 Library visits per head of population COM-MC2 Infant enrolments in MCH service COM-MC4 Participation in MCH service COM-MC5 Participation in MCH service by Aboriginal children COM-MC6 Participation in 4-week Key Age and Stage visit COM-R6 Active travel infrastructure
ENVIRONMENT	**RESPONSIVENESS**
ENV-AF8 Health inspections of Council registered aquatic facilities ENV-AM2 Animals reclaimed ENV-EC1 Water usage ENV-EC2 Electricity usage ENV-EC3 Gas usage ENV-FS5 Food safety samples ENV-FS7 Food safety assessments ENV-R2 Sealed local maintained to condition standards ENV-R5 Satisfaction with sealed local roads ENV-R7 Population density per length of road ENV-WM8 Kerbside collection waste diverted from landfill	RSP-AM8 Time taken to action animal management requests RSP-FS4 Critical and major non-compliance outcome notifications RSP-FS6 Time taken to action food complaints RSP-SP1 Time taken to decide planning applications RSP-SP2 Planning applications decided within required time frames RSP-SP4 Council planning decisions upheld at VCAT RSP-WM9 Kerbside collection bins missed
COST	**FINANCIAL FORECASTING**
CST-AF7 Cost of aquatic facilities CST-FS3 Cost of food safety service CST-LB2 Recently purchased library collection CST-LB5 Cost of library service CST-MC3 Cost of MCH service CST-R3 Cost of sealed local road reconstruction CST-R4 Cost of sealed local road resealing CST-SP3 Cost of statutory planning service CST-WM6 Cost of kerbside waste collection services	FIF-O4 non-current liabilities compared to own source revenue FIF-O5 Asset renewal and upgrade compared to depreciation FIF-O6 Loans and borrowings compared to own source revenue FIF-O7 Loans and borrowings repayments compared to own source revenue FIF-C1 Expenses per head of population FIF-C2 Infrastructure per head of population FIF-C4 Own-source revenue per head of population FIF-C5 Recurrent grants per head of population
FINANCIAL MANAGEMENT	
FIM-E2 Expenses per property assessment FIM-E4 Average rate per property assessment FIM-L1 Current assets compared to current liabilities FIM-L3 Cash compared to current liabilities FIM-OP1 Adjusted underlying surplus (or deficit) FIM-S1 Rates compared to adjusted underlying revenue FIM-S2 Rates compared to property values FIM-S3 Rates and charges debt	

Ararat Rural City

Justification for new metrics added

New measure added	GOV-G6 Councillor attendance at councillor briefings (percentage of attendance at Councillor briefings by Councillors)	Designed to demonstrate that councillors are engaged in the decision-making process through active participation in councillor briefings.
New measure added	GOV-G7 Council meeting duration (average length of council meetings for the financial year)	New measure to monitor the depth of discussion and engagement of councillors through the average duration of council meetings.
New measure added	GOV-11 Executive management staff turnover (number of executive management staff resignations, terminations and contract completions as a percentage of average number of executive management staff)	New measure to track staff movement at the executive level.
New measure added	GOV-G8 Capital works planning (actual capital works expenditure as a percentage of budgeted capital works expenditure for the financial year)	New measure to demonstrate appropriate forecasting, planning and delivery in managing council's capital works.
New measure added	GOV-G9 Total unpaid rates and charges (total unpaid rates and charges and unpaid interest on rates and charges for all financial years as a percentage of all rates and charges for the financial year)	Measures the council's overall strategy to managing longer term outstanding debts.
New measure added	COM-R6 Active travel infrastructure (length of pedestrian footpaths and bicycle paths per head of population)	New measure to focus on council's commitment to promote healthy activity through active travel infrastructure.
New measure added	ENV-EC1 Water usage (total units of metered water purchased by Council per head of population)	To support council's sustainable and efficient energy consumption goals
New measure added	ENV-EC2 Electricity usage (total units of metered electricity purchased by Council per head of population)	To support council's sustainable and efficient energy consumption goals
New measure added	ENV-EC3 Gas usage (total units of metered gas purchased by Council per head of population)	To support council's sustainable and efficient energy consumption goals
New measure added	FIM-S3 Rates and charges debt (unpaid rates and charges as a percentage of all rates and charges)	To demonstrate the council's capacity to manage its rate revenue collection and manage outstanding debts and debtor ratepayers.

Changes to the Governance & Management Checklist

Several items Council currently reported on have been removed from the Governance & Management Checklist as changes in responsibility for these policies and procedures have occurred. A new checklist item called 'Community Vision' has been added, designed to capture Council's compliance with the community vision requirement as outlined in the Act.

Changes to Target Setting

Councils are required to provide targets for the forthcoming year in their annual budget for:

- the eight mandatory measures consistent with the four service and four financial measures from the previous reporting period,
- In addition to council selecting any other eight measures from the prescribed LGPRF measures.

As consistent with the existing provisions, council must include these 8 mandatory targets and 8 council selected targets in their council budget and annual report.

For more detail on selected metrics and target setting measures, or any further detail on the changes please refer to the following guidance document on the Know your Council website - Summary of Changes LGPRF 2026-2027.

RECOMMENDATION

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

RECEIVED

ATTACHMENTS

There are no attachments in relation to this item.

ACTION:

1. **That the chosen eight selected measures be circulated to the committee members**
2. **A plan be implemented for testing the new measures.**

Ararat Rural City

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 MONTHLY PERFORMANCE REPORT – ENDING 31 JULY 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 31 July 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 $19.488 million in revenue and $4.002 million in expenses to 31 July 2026. This has resulted in an operating surplus of $15.486 million for the month ended 31 July 2026.

Income
Rates and charges account for 49% of the total budgeted income for 2026/27. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of $18.282 million has been recognised as income for the month ended 31 July 2026.

User fees account for 4.4% of the total budgeted income for 2026/27 and $0.332 million has been received to 31 July 2026. The majority of this relates to transfer station fees, fitness centre income and commercial waste management charges.

Non-recurrent Operating Grants total $0.160 million to 31 July 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 2026/27 $'000	Income 2026/27 $'000	Unearned Income $'000
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	-	950
Free Public Wi-Fi Services	-	-	1,289
Supported Playgroups	69	6	-
CALD Outreach Workers Initiative	133	133	-
Streatham CRO & Hub	-	-	90
Engage - Youth Events Activities & Happenings	55	-	-

Centenary Park Dog Park	-	-	75
Queen Street Housing Program	-	-	5,697
Ararat Hills Adventure Sports Precinct	-	-	400
Early Career Educators	-	-	103
Ararat Active Bike Network	-	-	128
Ararat City Tennis Sports Lighting and Accessibility	-	-	504
Moyston Multi-Use Court Upgrade	-	-	203
Other Minor Grants (under $30,000)	-	21	17
	257	**160**	**9,756**

Non-recurrent Capital Grants total $0.010 million to 31 July 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 2026/27 $'000	Income 2026/27 $'000	Unearned Income $'000
Tiny Towns Fund - Buangor Recreation Reserve Pavillion Redevelopment	-	-	50
Pony Club Sports Arena	-	10	182
Queen Street Housing Program	-	-	1,638
TAC Safe Local Roads and Streets Program	-	-	560
Jack & Jill Kindergarten Upgrade	-	-	2
Buangor-Ben Nevis Road Upgrade	5,000	-	2,000
Other Minor Grants (under $30,000)	-	-	-
	5,000	**10**	**4,432**

Gain on disposal of property, plant & equipment totals $0.521 million with a parcel of Council land sold in July 2026.

Note
It is important to note the following:
1. The Grants Operating (recurrent) figure in the Original Budget was $9.122 million and in the Current Budget is recorded as $2.040 million, as $7.022 million was paid to Council in 2025/26 by the Victorian Local Government Grants Commission (VLGGC) for the 2026/27 financial year. Council has still received the expected VLGGC income, to be spent in 2026/27, 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 $9.756 million for Grants Operating (non-recurrent) and $4.116 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 2026/27 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 $4.624 million to a surplus of $4.261 million for 2026/27. The year-end variance is a surplus of $0.284 million when the actual year to date expenses are compared to the year-to-date budget.

Expenses
Employee Costs account for approximately 37.8% of the total budgeted expenditure for 2026/27. For the month ended 31 July 2026 Council has incurred $0.866 million in employee costs. Council has also incurred capitalised salary costs of

$0.024 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 26.7% of the total budgeted expenditure for 2026/27. For the month ended 31 July 2026, Council has incurred $2.150 million in materials and services costs. There are a number of projects, including those carried forward from 2025/26 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 $9.078 million in the Original Budget to $16.238 million in the Current Budget for 2026/27. This has resulted from a carry forward amount of $7.160 million from the 2025/26 financial year surplus and unspent grant funds which will be used to complete the projects in 2026/27.

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 2026. Comparative figures have been provided as at 30 June 2026.

Council's current assets have increased by $15.363 million from $27.103 million as at 30 June 2026 to $42.466 million as at 31 July 2026. Cash and cash equivalents have decreased by $2.546 million from $21.266 million to $18.720 million. Trade and other receivables have increased by $18.387 million from $2.902 million as at 30 June 2026 to $21.289 million as at 31 July 2026.

Total liabilities have decreased from $22.042 million in 2025/26 to $21.309 million in 2026/27. Trade and other payables have decreased by $1.125 million and trust funds and deposits have increased by $0.111 million. Unearned income/revenue increased by $0.316 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 $21.266 million have decreased by $2.546 million to $18.720 million as at 31 July 2026.

Net cash of $2.977 million was used in operating activities, $0.477 million was provided by investing activities, and $0.046 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	30/6/2026	31/07/2026
Working capital *Measure - Current assets compared to current liabilities.* 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	130%	211%
Loans and borrowings *Measure - Loans and borrowings compared to rates.* 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	0.00%	0.00%
Indebtedness *Measure - Non-current liabilities compared to own source revenue* 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	5.60%	6.34%
Rates concentration *Measure - Rates compared to adjusted underlying revenue* 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	49.66%	93.86%
Expenditure level *Measure - Expenses per property assessment* 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	$4,974	$533
Indicator - Revenue level *Measure - Average residential rate per residential property assessment* 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	$2,030	$2,087

Indicator	30/6/2026	31/07/2026
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 31 July 2026 the outstanding Rates Debtors totalled $19.758 million compared to $2.121 million as at 30 June 2026, an increase of $17.637 million. In percentage terms 5.7% of the rates raised have been collected at 31 July 2026 compared to 5.5% up to 31 July 2025. Outstanding rates are currently charged 10% interest. Council issues approximately 7,900 rate notices. In 2025/26 there were 2,495 assessments paying by instalments compared with 2,158 assessments in 2024/25.	89.9%	5.7%
Indicator – Asset Renewal & Upgrade *Measure - Asset renewal & Upgrade compared to depreciation* 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.	113.93%	25.14%

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.

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

Ararat Rural City

   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 2026 be received.

RECEIVED

ATTACHMENTS
Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 31 July 2026 are provided as Attachment 3.1.
The attachment also includes a table of Percentage of Rates Collected to 31 July 2026 by Rating Option

Ararat Rural City

3.2 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2026

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 2026 of $46.232 million compared with $37.526 million in 2025. Rates & Charges income increased by $0.417 million, Government Grants for operations decreased by $1.052 million, and Government Grants for capital works increased by $7.709 million. Council has received grant payments of $9.756 million for non-recurrent operating grants and $4.116 million for non-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 2026:

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 Wi-Fi Services	-	-	1,289
Supported Playgroups	67	69	-
Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	40	-
CALD Outreach Workers Initiative	129	129	-
Tiny Towns Fund - Pomonal Community Hub	-	119	-
Natural Disaster Relief	-	162	-
Council Support Fund – Streatham Fires	-	400	-
Streatham CRO & Hub	-	-	90
Engage - Youth Events Activities & Happenings	55	55	-
Centenary Park Dog Park	100	-	75
Queen Street Housing Program	-	-	5,697
Ararat Hills Adventure Sports Precinct	-	-	400
Early Career Educators	-	-	103
Ararat Active Bike Network	266	-	128
Ararat City Tennis Sports Lighting and Accessibility	-	-	504
Primary Producer Support Payment	-	125	-
Emergency Services and Volunteers Fund Implementation	-	50	-

Moyston Multi-Use Court Upgrade	-	-	203
Other Minor Grants (under $30,000)	-	60	17
	617	**1,209**	**9,756**

Council received the following non-recurrent capital grants in 2026:

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	-	-	50
Tiny Towns Fund - Buangor Cobb & Co Stables	-	54	-
Ararat Pony Club Sports Arena	1,490	1,283	-
Queen Street Housing Program	-	45	1,638
Ararat Library Lighting & Exterior Upgrade	-	51	-
TAC Safe Local Roads and Streets Program	-	262	426
Jack & Jill Kindergarten Upgrade	-	669	2
Mt William Road reconstruction	-	4,360	-
Footpath-Ararat Retirement Village & Sports Precinct	-	35	-
Barkly St Raised Crossing	-	312	-
Buangor-Ben Nevis Road Upgrade	-	-	2,000
Other Minor Grants (under $30,000)	-	13	-
	1,490	**7,134**	**4,116**

Total expenses in 2026 were $37.326 million compared with $36.369 million in 2025, an increase of $0.957 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. Employee costs have increased by $0.455 million. Depreciation has increased by $0.347 million.

The surplus for 2026 was therefore $8.906 million compared with a surplus of $1.157 million in 2025.

The revaluation of property assets at 30 June 2026 has resulted in a decrease in value of $9.972 million, with a change in accounting estimate resulting in a decrease of $13.258 million to adjust specialised land valuations where land use is restricted. The revaluation of infrastructure assets at 30 June 2026 has resulted in an increase in value of $41.105 million

The Cash Flow Statement shows a net increase in cash and cash equivalents of $6.425 million compared with an increase of $11.792 million in 2025.

The Cash Flow Statement shows net cash provided by operating activities was $22.535 million in 2026 compared with $21.875 million in 2025, representing an increase of $0.660 million.

Net cash used in investing activities (e.g. payments for property, infrastructure, plant and equipment) was $15.408 million in 2026 compared with $9.503 million in 2025, representing an increase of $5.905 million. In 2025 Council 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, with the final contribution of $0.500 million invested in 2026.

Net cash used in financing activities was $0.702 million in 2026 compared with $0.580 million in 2025.

The Statement of Capital Works shows $15.063 million invested in 2026 compared with $11.704 million in 2025, an increase of $3.359 million. Total property works increased by $2.318 million with works on several projects including the Jack & Jill Kindergarten and the Ararat Pony Club Sports Arena

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 Bob Sanders, Cr Peter Joyce (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 Bob Sanders, Cr Peter Joyce and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.

MOVED – JESS ALDER
SECOND – GREG JAKOB

That the Audit and Risk Committee recommends:

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

ATTACHMENTS
The Draft Financial Statements and Draft Performance Statement are included as Attachments 3.2.1 and 3.2.2.

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

Ararat Rural City

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	Aug 28	Sept 28
Privacy Policy *(prev Privacy & Data Protection & Health Records Policy)*	Jan 30	Dec 29
Procurement Policy	Jun- 28	Jun 28
Public Transparency Policy	Sept 29	Sept 29
Risk Management Policy and Framework	Jun 28	Jun - 28
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-30	Mar-30
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	Dec 26
OHS Workplace Emergency Evacuation Policy	Nov-25	Mar 26
Prevention of Sexual Harassment in the Workplace	Aug 25	Sept 28
Public Interest Disclosures Policy & Procedure	Oct 25	Mar 26
Risk Management Framework	Jun 28	Jun 28
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 is one policy and procedure being presented for review at this meeting which s:

- Public Interest Disclosures Policy and Procedure

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	Public Interest Disclosures Policy and Procedure	Oct 2021	September 2026	September 2030

The review has identified an opportunity to improve the structure and usability of Council's current Public Interest Disclosures framework. The existing arrangement is primary contained within a single detailed procedure. As part of the review, it is proposed that this be replaced with a separate Public Interest Disclosure Policy and Procedure. This approach will allow the policy to clearly set out Council's commitment to transparency, accountability, confidentiality, protection from detrimental action and appropriate governance, while the procedure will contain the more detailed operational requirements for making, receiving, assessing and managing disclosures.

The revised approach will also modernise the documents to better reflect the current legislative and regulatory environment and the June 2025 IBAC guidance. The new procedure will provide clearer guidance on who can make and receive a disclosure, the 28 day notification requirements, welfare arrangements, confidentiality and secure recordkeeping. Position titles, rather than individual employee names are also proposed to be sued wherever possible so that the document remains current despite staffing changes. The revised framework is intended to make Council's obligations easier to understand, easier to administer and more accessible to employees, Councillors, and members of the public.

RECOMMENDATION

That the Council Policy Review Update be noted.

NOTED

ATTACHMENTS
Draft review Public Interest Disclosure Policy and Procedure as Attachment 5.1

ACTIONS:

1. **Records Management Policy needs to be added to the above policy list**
2. **Business continuity plan needs to be added to the above policy list**
3. **Update above policy list to clarify when last review, current review and future review dates**
4. **Make changes as identified by the A&R committee to the Public Interest Disclosure Policy and Procedure**

5.2 INSURANCE PROGRAM - Confidential

RECOMMENDATION

That the Insurance report be noted.

NOTED

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.

July 2026	Fraud and Corruption; Cyber Attack	January 2027	Legislative Compliance
August 2026	Asset Management	February 2027	Workforce Planning
September 2026	Business Continuity	March 2027	Procurement; and Emergency Management
October 2026	Financial Sustainability	April 2027	Waste Management; and Occupational Health and Safety
November 206	IT Infrastructure	May 2027	Strategic Leadership and Advocacy
December 2026	Governance	June 2027	Climate Change; and Records Management

At the previous Audit and Risk Committee meeting, it was agreed that the Chief Operating Officer and Deputy Chief Executive Officer would undertake a comprehensive review of Council's Strategic Risk Register. The existing register has evolved over a number of years through the addition and amendment of individual risks and controls. As a result, it has become increasingly difficult to navigate and no longer provides the clear and contemporary view of Council's strategic risk environment that is required. Rather than continuing to update the existing register, a full review is being undertaken to reconsider the structure, strategic risks, controls and overall presentation.

Initial meetings have been held to commence this work and consider the approach to the review. However, completing organisational priorities, together with a period of extended leave, have limited progress since the previous Committee meeting. Consequently, there is not revised Strategic Risk Register to present at this meeting.

The Deputy Chief Executive Officer will commence as the Chief Executive Officer on 1 October 2026, providing an appropriate opportunity to progress and finalise the review within the context of Council's strategic priorities and risk environment. The review will continue as a priority, and a Strategic Risk Register will be presented at the next Audit and Risk Committee meeting for consideration.

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 June. Continued works with the digital Risk Register are currently being reviewed as now that the digital Risk Register has been in place for just over a year, there are some changes in report generation which is required.

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.

ATTACHMENTS
There are no attachments

ACTION:
1. **Next Audit and Risk Committee Meeting report of internal audit recommendation**
2. **Next Audit and Risk Committee to present an update of the Risk Management System**

SECTION 7- FRAUD PREVENTION

No Report Table

Ararat Rural City

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. For 2026/27, the Grant Management audit is currently in progress, while reviews of Long-Term Financial Planning, Procurement and Accounts payable data analytics, Economic Development are scheduled for the remainder of the year and into 2027.

This Status Update includes:

- The current status of SIAP
- Review of the 2026/27 – 2028/29 Internal audit program
- Extending the 4-year rolling program to 2029/2030
-

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

Ararat Rural City

8.2 INTERNAL AUDIT – RECORDS MANAGEMENT

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

BACKROUND

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

DISCUSSION

Records management is overseen by the Records Officer with ultimate accountability resting with the Chief Executive Officer. ARCC's primary electronic records platform is SharePoint, supported by AvePoint for records classification, retention and disposal processes. Physical records are stored at the Depot and in basement storage areas, including permanent records, records pending disposal and other physical records.

As a local government entity, ARCC is required to manage public records in line with Public Record Office Victoria (PROV) Standards and the Public Records Act 1973 (Vic). ARCC must also comply with the Privacy and Data Protection Act 2014 (Vic) administered by the Office of the Victorian Information Commission (OVIC) and the Freedom of Information Act 1982 (Vic).

The recommendation from this internal audit focuses on consolidating improvement actions into a Records Management Improvement Plan, strengthening policy and governance controls, improving disposal evidence, formalising awareness and training, addressing physical storage issues and strengthening access controls. There were six moderate finding and nine areas of strengths.

RECOMMENDATION

That the Records Management Internal Audit Report be noted

NOTED

ATTACHMENTS

The AFS & Associate Audit of Records Management report is provided as Attachment 8.2

ACTION:

1. **Present and project plan and update for Records Management Plan at the next Audit and Risk Committee**

Ararat Rural City

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 15 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

Ararat Rural City

SECTION 10 – FUTURE MEETINGS

10.1 FUTURE MEETING DATES

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

- Tuesday 1 December 2026 1pm
- Tuesday 2 March 2027 1pm
- Tuesday 1 June 2027 1pm
- Tuesday 7 September 2027 1pm

Ararat Rural City

SECTION 11- NEXT MEETING/CHARTER ITEMS

December 2026	
Ref. from Charter	
5.6	Review the appropriateness of the format and content of periodic management financial reports and performance statements
5.7	Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment*
5.8	Determine whether systems and controls are reviewed regularly and updated where required*
5.9	Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile
5.19	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
5.35	Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them
7	Annual Performance Review