



AUDIT AND RISK COMMITTEE

BIANNUAL REPORT

For the Period 1 January 2021 to 30 June
2021

Presented to the Audit and Risk Committee on 16 September 2021.

To be approved by Council at its meeting on 26 October 2021.

PURPOSE OF THIS REPORT

The purpose of this report is to provide to Council a bi-annual report on the activities of Council's Audit and Risk Committee in accordance with the *Local Government Act 2020*.

BACKGROUND

Under Section 54 (5) of the *Local Government Act 2020* an Audit and Risk Committee must prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations. This biannual report must be provided to the Chief Executive Officer for tabling at the next Council Meeting.

Under Section 53 of the *Local Government Act 2020* it is a requirement that Council must establish an Audit and Risk Committee.

The Glenelg Shire Council Audit Committee (the Committee) was established in 1997 and following the 2020 general Council election, the Audit and Risk Committee was reconstituted as an Advisory Committee to Council on 25 August 2020.

AUDIT COMMITTEE CHARTER

Under Section 54 (1) of the *Local Government Act 2020* it is a requirement for Council to prepare and approve an Audit and Risk Committee Charter.

The Committee reports to Council and provides advice, assurance and recommendations relevant to its charter.

Under Section 54 (2) of the *Local Government Act 2020*, the Audit and Risk Committee Charter must specify the functions and responsibilities of the Audit and Risk Committee including the following:

- Monitor the compliance of Council policies and procedures with:
 - The overarching governance principles; and
 - The *Local Government Act 2020* and the regulations and any Ministerial directions.
- Monitor Council financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls; and
- Oversee internal and external audit functions.

The Charter is reviewed bi-yearly. The revised Audit and Risk Committee Charter for 2021 -2023 was received by the Audit and Risk Committee on 3 June 2021.

MEMBERSHIP

Membership of the Committee currently comprises of four independent representatives, one of whom is chair, and three Councillors including the Mayor. The Committee meets at least four times a year.

Membership for the period 1 January 2021 to 30 June 2021 was as follows:

Name	Membership Type	Term Expiry Date
Mr Philip Saunders	Independent Member Chairperson (elected 10 December 2020)	29 February 2024
Ms Bonnie Holmes	Independent Member	31 August 2021
Ms Teresa Paris	Independent Member	31 August 2022
Mr David Stafford	Independent Member	26 August 2024
Cr Anita Rank	Mayor	November 2024
Cr Karen Stephens	Councillor	November 2024
Cr Michael Carr	Councillor	November 2024

The Chairperson of the Committee is appointed on an annual basis from the independent membership by all members of the Committee.

The Chief Executive Officer, Director Corporate Services, Chief Finance Officer and Corporate Governance Coordinator attend all meetings by invitation to assist the Committee, however they do not have voting rights. A standing invitation is also extended to the Council's appointed VAGO representative (external auditor) RSD Audit.

MEETINGS AND ATTENDANCE

Two meetings were held between 1 January 2021 and 30 June 2021 and member attendance was as follows:

Member Name	Meeting 3 4 March 2021	Meeting 4 3 June 2021
Mr Philip Saunders	✓	✓
Ms Bonnie Holmes	✓	✓
Ms Teresa Paris	✓	✓
Mr David Stafford	✓	✓
Cr Anita Rank	✓	✓
Cr Karen Stephens	✓	✓
Cr Michael Carr	✓	x

✓ = Attended

x = Apology received

The Committee's meeting schedule for the remainder of 2021 is as follows:

- 16 September 2021; and
- 10 December 2021.

EXTERNAL AUDIT

Council's external auditor is the Victorian Auditor General. The Auditor-General has appointed RSD Audit as its representative to conduct the Glenelg Shire Audit for the 2020/21 financial year.

The External Auditors primary duty is to express an opinion on the financial statements, and to report to Council on any weakness in internal control identified during the audit.

The External Auditor, attended the Audit and Risk Committee meeting on 4 March 2021 via teleconference to discuss the Audit process for 2020/2021 and advise of their interim visit planned for 29 March 2021.

At the Audit and Risk Committee meeting held on 3 June 2021 a teleconference was held with the External Auditor to present the External Audit Strategy for the financial year ending 30 June 2021, which was received by the Audit and Risk Committee. The Primary purpose of the Audit Strategy is to communicate the Auditor-General's planned approach to the audit of the Glenelg Shire's annual financial statements and performance reports.

The External Auditor also presented the Interim Management Letter for the year ending 30 June 2021, which was received by the Audit and Risk Committee. The primary purpose of the Interim Management Letter is to communicate any matters arising from the Interim Audit. The Interim Management Letter identified two new matters, one of which has a low risk rating and one a medium risk rating.

Eight matters from previous audits remain open at the time of the interim audit (6 low risks and 2 moderate risks). Appropriate management comments have been provided for all open issues.

INTERNAL AUDIT

Council manages the internal audit function with audits being outsourced to a panel of service providers established via a public tender process to obtain specialist audit and financial advice and satisfy the requirements under the Council's Procurement Policy. The current contract expires on 30 June 2022.

Following is a list of current panel members:

- AFS & Associates Pty Ltd;
- Crowe Horwarth (Aust) Pty Ltd;

- CT Management Group
- Daniel John Keating TA DJK Consulting;
- Galpins Accountants;
- HLB Mann Judd;

In accordance with the Audit and Risk Committee Charter, Council sets a Strategic Internal Audit Plan to direct the activities of the internal audit function. Internal audit provides a review of the effectiveness of governance, risk management and control processes.

The Strategic Internal Audit Plan 2018-2021 expired on 30 June 2021. The following year three internal Audits of that Plan were presented to the Audit and Risk Committee as follows:

- **Review and Assessment of Council's Road Management Plan**
(Internal Audit undertaken by Crowe Horwarth (Aust) Pty Ltd)
This report was presented to the 4 March 2021 Audit and Risk Committee.

For this review the internal auditor concluded that whilst the Road Management Plan meets the requirements of the *Road management Act 2004*, the controls in place require further strengthening. Eight recommendations were presented to the Audit and Risk Committee. The Committee noted that the management responses to the recommendations indicated strong acceptance of the need to make the improvements and the target completion dates for the actions were acceptable. The Audit and Risk Committee will monitor progress on actions arising from this report at future meetings.
- **Occupational Health and Safety Non-Conformance Matters Arising from the Self Insurer OHS Management System Compliance Assessment**
(Internal Audit undertaken by AFS & Associates Pty Ltd)
Presented to the 4 March 2021 Audit and Risk Committee.

For this review the internal auditor concluded that Council's actions to date have been demonstrably successful. Five recommendations were presented to the Audit and Risk Committee. The Committee noted that the management responses to the recommendations indicated strong acceptance of the need to make the improvements and the target completion dates for the actions were acceptable. The Audit and Risk Committee will monitor progress on actions arising from this report at future meetings.
- **Review of Human Resources Bullying and Harassment**
(Internal Audit undertaken by AFS & Associates Pty Ltd)
Presented to the 3 June 2021 Audit and Risk Committee.

For this review the internal auditor concluded that Council's current controls are strong and effective but that some control improvements are required. Eight recommendations were presented to the Audit and Risk Committee.

The Committee noted that the management responses to the recommendations indicated strong acceptance of the need to make the improvements and the target completion dates for the actions were acceptable. The Audit and Risk Committee will monitor progress on actions arising from this report at future meetings.

The following two Internal Audits were also carried out internally:

- Review of Procurement Quotation Threshold \$5,000 to \$14,999
- WEX Motorpass Fuel Card Audit

The internal audit reports contain recommendations regarding process and/or control improvements, along with management comments, which are included in the Audit and Risk Register, reviewed quarterly by the Audit and Risk Committee to monitor the outstanding actions.

A Draft three-year Strategic Internal Audit Plan for the period July 2021 to June 2024 was presented to the Audit and Risk Committee on 4 June 2021 for consideration.

KEY ACTIVITIES – AUDIT AND RISK ANNUAL WORK PLAN

Under Section 54 (3) of the *Local Government Act 2020* an Audit and Risk Committee must adopt an annual work program.

The Audit and Risk Committee Annual Work Plan sets the framework for the reports to be considered by the Committee throughout the year.

In addition, the Executive Team include additional items of interest during the year to keep the Committee briefed of emerging issues or changes.

As required by the Audit and Risk Committee Charter the Annual Work Plan for the period 2021/2022 was presented to the Audit and Risk Committee on 4 June 2021.

The key activities of the Committee for the period 1 January 2021 and 30 June 2021 were as follows:

Financial Reports

The Committee considered the following finance reports between 1 January 2021 and 30 June 2021:

- Monthly Financial Management Report including profit and loss, balance sheet, cash flow and capital works;
- Councillor Expenditure Report;
- CEO and EA Expenditure Report – Credit Card reimbursements;
- External Audit Strategy for the year ending 30 June 2021;

- External Auditor's Interim Management Letter for the year ending 30 June 2021;
- Progress Report on the Implementation of the Updated Australian Accounting Standards; and
- Update on Draft Budget 2021-2022.

Risk Management

At each of its meetings the Committee considered a report that provides an overview of developments in relation to Council's organisational risk management function.

The Committee considered the following risk management reports between 1 January 2021 and 30 June 2021:

- Occupational Health and Safety (OHS) and Risk Management Quarterly Report October 2020 to December 2021;
- Occupational Health and Safety (OHS) and Risk Management Quarterly Report January 2021 to March 2021;
- Business Continuity Plan Update;
- Council Litigation Matters;
- Cyber Security Report; and
- Disaster Recovery Plan Update Report.

Other Matters

The Committee also considered the following matters during the period 1 January 2021 and 30 June 2021 in accordance with its Charter and Annual Work Plan:

- Audit and Risk Committee Biannual Report for Period 1 July 2020 to 31 December 2020.
- Local Government Performance Reporting Framework for the Half Year Results as at 31 December 2021;
- Glenelg Shire Council Plan – Second Quarter Performance Report 2020-2021;
- Local Government Act 2020 Update;
- Regulatory and Integrity Agency Reports;
- Review of Council's Fraud Prevention Policy and Fraud Control Plan and Awareness Programmes;

- Review Processes for Communicating Council's Staff Code of Conduct and for Monitoring Compliance;
- Review Report on Gifts, Benefits and Hospitality (Councillors) and (Employees);
- Audit and Risk Register Review;
- Review of Audit and Risk Committee Charter;
- Audit and Risk Committee Self-Assessment Survey 2020-2021 (Forms)
- Attestation Report.

COMMITTEE PERFORMANCE

As required by its Charter, the Committee is required to undertake a self-assessment of its performance measured against the Committee's obligations as detailed in the Charter. The results of the self-assessment is scheduled for the September Audit and Risk Committee Meeting.

MINUTES OF THE AUDIT AND RISK COMMITTEE

In accordance with Section 54(6) of the *Local Government Act 2020* the Chief Executive Officer must ensure the preparation and maintenance of agendas, minutes and reports of the Audit and Risk Committee and table reports and annual assessments of the Audit and Risk Committee at Council meetings when required and when requested by the chairperson of the Audit and Risk Committee.

Accordingly, all minutes of the Audit and Risk Committee are presented to the next available Council Meeting.

CONCLUSION

It is of the view that the Audit and Risk Committee has discharged its responsibilities under the Audit and Risk Committee Charter and that with the information presented to it, considers the Council has strong executive management, leadership and governance processes in place to proactively respond to organisational risks that may present.

The three-year Strategic Internal Audit Plan 2021-2024 and Internal Audit Annual Work Plan 2021-2022 have been developed taking into consideration both the organisation's operational and strategic risks as well as current emerging issues faced by the Glenelg Shire Council.

The Committee will continue to review Council's governance, accountability, risk and internal controls to reduce the risk to the organisation and recommend improvements where identified.