



# AUDIT AND RISK COMMITTEE

---

## BIANNUAL REPORT

For the Period 1 July 2020 to 31 December  
2020

Presented to the Audit and Risk Committee on 4 March 2021.

To be approved by Council at its meeting on 27 April 2021.

## **OVERVIEW**

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 2005 and following the 2020 general Council election, the Audit and Risk Committee was reconstituted as an Advisory Committee to Council on 25 August 2020.

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.

## **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 annually. The Audit and Risk Committee Charter for 2020/2021 was adopted by Council on 25 August 2020.

## **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 and the minutes of the meetings are tabled at the next available Council Meeting.

Membership for the period 1 July 2020 to 31 December 2020 was as follows:

1 July 2020 to 24 October 2020 (Council Term 2016 – 2020)

<b>Name</b>	<b>Membership Type</b>	<b>Term Commencement date</b>	<b>Term Expiry Date</b>
Mr Philip Saunders (Chairperson)	Independent Member	Re-appointed 29 February 2020	29 February 2024
Ms Bonnie Holmes	Independent Member	1 September 2017	31 August 2021
Ms Teresa Paris	Independent Member	1 September 2018	31 August 2022
Mr David Stafford	Independent Member	26 August 2020	26 August 2024
Cr Anita Rank	Mayor	November 2016	24 October 2020
Cr Karen Stephens	Councillor	November 2016	24 October 2020
Cr Alistair McDonald	Councillor	November 2016	24 October 2020

24 November 2020 to 31 December 2020 (Council Term 2020 – 2024)

<b>Name</b>	<b>Membership Type</b>	<b>Term Commencement date</b>	<b>Term Expiry Date</b>
Mr Philip Saunders (re-elected Chairperson 10 December 2020)	Independent Member	Re-appointed 29 February 2020	29 February 2024
Ms Bonnie Holmes	Independent Member	1 September 2017	31 August 2021
Ms Teresa Paris	Independent Member	1 September 2018	31 August 2022
Mr David Stafford	Independent Member	26 August 2020	26 August 2024
Cr Anita Rank	Mayor	24 November 2020	November 2024
Cr Karen Stephens	Councillor	24 November 2020	November 2024
Cr Michael Carr	Councillor	24 November 2020	November 2024

The Audit and Risk Committee recommended to Council at its meeting on 10 December the appointment of a fifth member. This was approved by Council on 27 January 2021. Recruitment for a fifth member is currently being addressed.

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, RSD Audit.

## MEETINGS AND ATTENDANCE

Two meetings were held between 1 July 2020 and 31 December 2020 and member attendance was as follows:

Member Name	Meeting 1	Meeting 2
	10 September 2020	10 December 2020
Mr Philip Saunders	✓	✓
Ms Bonnie Holmes	✓	✓
Ms Teresa Paris	✓	✓
Mr David Stafford	✓	✓
Cr Anita Rank	✓ (2016-2020 Council term)	✓ (2020-2024 Council term)
Cr Karen Stephens	✓ (2016-2020 Council term)	✓ (2020-2024 Council term)
Cr Alistair McDonald	✓ (2016-2020 Council term)	(not re-elected to Council)
Cr Michael Carr		✓ (2020-2024 Council term)

✓ = Attended  
 ✕ = Apology received

## EXTERNAL AUDIT

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

The External Auditor attended the Audit Committee meeting on 10 September 2020 via teleconference to discuss the Draft General Purpose Financial Report for the year ended 30 June 2020 where the Committee recommended to Council that they be approved 'in principle'.

At the Audit and Risk Committee meeting on 10 December 2020 a teleconference was held with the External Auditor to discuss the Final Management Letter (2019-2020 Financial report and Performance Statement) for the year ending 30 June 2020. The interim audit management letter identified five new issues, all of which have a low risk rating.

Six issues from previous audits remain open at the time of the interim audit (4 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 2021.

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;

A three-year Strategic Internal Audit Plan 2018-2021 was developed and adopted by Council at its 26 June 2018 meeting. Year three is currently in progress and a revised 'year three' of the Strategic Internal Audit Plan (the Plan) for the period July 2018 to June 2021, was adopted by Council on 10 December 2020.

The following year three internal Audits are currently being undertaken:

- Review of Non-Conformance Issues arising from the National Self-Insurer OHS Management System Compliance Assessment (to be presented to the March Audit and Risk Committee);
- Road Management Plan (to be presented to the March Audit and Risk Committee); and
- Human Resources Bullying and Harassment (to be presented to the June Audit and Risk Committee)

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, which are reviewed quarterly by the Audit and Risk Committee to monitor the outstanding actions.

The Strategic Internal Audit Plan was reviewed at the December 2020 meeting to ensure year two of the Plan considered current and emerging risks.

## **KEY ACTIVITIES – AUDIT AND RISK ANNUAL 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 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 Charter the Annual Work Plan has been reviewed for the 2020/21 financial year to be adopted by the Council at its September 2020 meeting.

The key activities of the Committee for the period 1 July 2020 and 31 December 2020 are as follows:

### Financial Reports

The Committee considered the following finance reports between 1 July 2020 and 31 December 2020:

- 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;
- Draft General Purpose Financial Report for the year ending 30 June 2020;
- Local Government Performance Reporting Framework (LGPRF) for the Full Year Results as at 30 June 2020 (Unaudited);
- Outstanding Debtors (Rates and General) – as at 30 June 2020; and
- Final Management Letter For 30 June 2020;

### 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 July 2020 and 31 December 2020:

- Occupational Health and Safety (OHS) and Risk Management Quarterly Report April 2020 to 30 June 2020;

- Occupational Health and Safety (OHS) Final Audit Report as at 30 June 2020;
- Occupational Health and Safety (OHS) March 2020 to March 2021 – First Quarter Action Plan Report at 30 June 2020; and
- OHS and Risk Management Quarterly Report 1 July 2020 to 30 September 2020.
- OHS Risk Management Plan - Roll-Out of Electronic Access System to High Risk Sites - Update on Project/Timeline

### Other Matters

The Committee also considered the following matters during the period 1 July 2020 and 31 December 2020 in accordance with its Charter and Annual Work Plan:

- RSD Audit - Glenelg Shire Council Fraud Awareness Survey Results FY20
- Review of Council's Procurement Policy 2020-2021
- Audit and Risk Register Review
- Review of Audit and Risk Committee Annual Work Plan Year Ending 30 June 2021
- Audit and Risk Committee Self-Assessment Results 2019/20
- Audit Committee Annual Report 2019/2020
- Election of Audit and Risk Committee Chairperson
- Council's Investment Policy Compliance
- Roads to Recovery Program Funding as at 30 June 2020
- Glenelg Shire Council - First Quarter Performance Report 2020-2021
- Receipt of The Glenelg Shire Council Annual Report 2019-2020
- Local Government Act 2020 Update
- Defined Benefits Superannuation Vested Benefit Position 30 June 2020
- VicRoads Information Protection Agreement Audit 2019/20
- Audit and Risk Register Review
- Review of Strategic Internal Audit Plan July 2018 to June 2021
- Council Litigation Matters
- Audit and Risk Committee Meeting Schedule For 2021
- Regulatory and Integrity Agency Reports
- Audit and Risk Committee Annual Work Plan – Standing Item

At the Audit and Risk Committee meeting held on 10 December 2020 the Independent Members requested a quarterly Attestation Report be added to the Annual Work Plan, reporting on litigation and non-compliance matters, not reported through the Agenda process. Reporting will commence at the March 2021 Audit and Risk Committee Meeting.

### Fraud and Corruption Control

Council maintains a Fraud & Corruption Control Plan and Policy along with a Fraud and Corruption Risk Register reviewed annually to ensure it reflects current risks and controls.

A staff Fraud Awareness Survey was undertaken and presented to the Audit and Risk Committee in September 2020. The survey was conducted by RSD Accountants to allow insight into the fraud awareness culture across the organisation.

### **SELF-ASSESSMENT OF COMMITTEE'S EFFECTIVENESS**

The current Charter requires that the Committee shall undertake an annual self-assessment with the results to be published in the annual report of the Audit and Risk Committee.

The self-assessment survey is based on the template provided in "Audit Committee's – A Guide to Good Practice for Local Government".

The Committee assessed its own performance for the 2019/20 with seven surveys distributed and returned by Members. The results show that Members have assessed the performance of the Committee as either "Adequate" or "More than Adequate" for all survey questions.

A review of the Self-Assessment of the Audit and Risk Committee's Effectiveness Form will be undertaken prior to the next Assessment to be conducted in June, as requested by the Audit and Risk Committee Independent Members.

### **CONCLUSION**

The Audit and Risk Committee is of the view that it has fulfilled its responsibilities under the 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 2018-2021 and Internal Audit Annual Work Plan has been developed taking into consideration both the organisation's operational and strategic risks as well as current 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.