



AUDIT AND RISK COMMITTEE

BIANNUAL REPORT

For the Period 1 January 2023 to 30 June
2023

Received by the Audit and Risk Committee on 14 September 2023.

Adopted by Council at its meeting on 24 October 2023.

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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 the Audit and Risk Committee was reconstituted on 25 August 2020 following the introduction of the *Local Government Act 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 2023-2025 was received by the Audit and Risk Committee on 1 June 2023 and adopted by Council on 27 June 2023.

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 2023 to 30 June 2023 was as follows:

Name	Membership Type	Term Expiry Date
Independent Members		
Mr David Stafford	Independent Member - <i>Chairperson (elected 8 December 2022)</i>	26 August 2024
Mr Philip Saunders	Independent Member	29 February 2024
Ms Bonnie Holmes	Independent Member	31 August 2025
Mr Greg Tremewen	Independent Member	26 April 2027
<i>Ms Teresa Paris</i>	<i>Independent Member</i>	<i>Resigned 10 May 2023</i>
Councillor Representatives		
Cr Scott Martin	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 and Council's Internal Auditors AFS & Associates.

MEETINGS AND ATTENDANCE

Two meetings were held between 1 January 2023 to 30 June 2023 and member attendance was as follows:

Member Name	Meeting 1 held 2 March 2023	Meeting 2 held 1 June 2023
Mr David Stafford	✓	✓
Mr Philip Saunders	✓	✓
Ms Bonnie Holmes	✓	✓
Mr Greg Tremewen	- (Not yet appointed)	✓
Ms Teresa Paris	✗	- (Resigned 10/05/2023)
Cr Scott Martin	✓	✓
Cr Karen Stephens	✓	✓
Cr Michael Carr	✓	✓

✓ = Attended ✗ = Apology received

EXTERNAL AUDIT

Council's external auditor is the Victorian Auditor General. The Auditor-General appointed RSD Audit as its representative to conduct the Glenelg Shire Audit for the 2022/23 financial year.

The External Auditor's 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.

On 2 March 2023, the External Auditor attended the Audit and Risk Committee via teleconference to present the Draft Audit Strategy for the financial year ending 30 June 2023. 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.

On 1 June 2023, the External Auditor attended the Audit and Risk Committee Meeting via teleconference to present the Interim Management Letter for the period ending 30 June 2023. The primary purpose of the Interim Management Letter is to communicate any matters arising from the Interim Audit.

INTERNAL AUDIT

The role of the internal auditor is to support the Audit and Risk Committee by providing an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Council manages the internal audit function with audits being outsourced to a single service provider established via a public tender process to obtain specialist audit and financial advice and satisfy the requirements under the Council's Procurement Policy. AFS & Associates were awarded the contract on 1 August 2022, expiring 1 August 2024 with an option for one (1) two (2) year extension.

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.

A three year Strategic Internal Audit Plan 2021-2024 was adopted by Council on 27 July 2021.

The following 'year two' internal audits of that Plan were presented to the Audit and Risk Committee in the period 1 January 2023 to 30 June 2023:

- **Internal Audit Report – Asset and Infrastructure Management;**
(Internal Audit undertaken by AFS & Associates)
(This report was presented to the 2 March 2023 Audit and Risk Committee)

For this review the objectives of the scope of works addressed the following controls and processes:

- Identification and establishment of Asset Management Principles, including:
 - integration with corporate and business plans;
 - asset management policies and objectives; and
 - linkages to asset strategies.
- Risk Management Assessment, including:
 - risk assessment process; and
 - asset control and monitoring.
- Review the adequacy of Asset Management Planning undertaken, including:
 - development of Asset Management Plans (sub-plans);
 - service delivery needs;
 - management monitoring and reporting
 - financial processes including
 - year-end processes
 - project closing and WIP transfers
 - feeding data into long term financial planning.
- Review the adequacy of Asset Management Information Systems.

Four 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 Committee also noted the areas of strength identified in the report. The Committee will monitor progress on actions arising from this report at future meetings.

Council's Internal Auditor attends each Audit and Risk Committee Meeting and also presents a quarterly Industry Update incorporating Regulatory and Integrity Agency Reports, along with an Internal Audit Plan Program Status.

- **Internal Audit Report – Rates Management**
(Internal Audit undertaken by AFS & Associates)
(This report was presented to the 1 June 2023 Audit and Risk Committee)

For this review the objectives of the scope of works addressed the following controls and processes:

- Review of internal controls over the annual rates revenue process including:

- striking and publicising the annual rates
 - completeness and accuracy of valuations
 - completeness and accuracy of actual rates loaded into the system
 - adjustments to individual rate assessment amounts due
 - accuracy of rates notices
 - timeliness of rates notices
 - objections
 - supplementary valuations
 - authorisation controls
 - segregation of duties.
- Review of policies and procedures supporting the rates function.
 - Review of controls over rateable property information.
 - Review of controls over the accuracy of rates notices including:
 - authorisation controls;
 - segregation of duties
 - rates simulation;
 - reconciliations of rates run to expected outcomes/budget/simulations;
 - application of:
 - concessions
 - rebates
 - differential rates
 - single farm enterprise rates
 - fire services levy
 - interest on overdue amounts.
 - Review of the internal controls and processes surrounding on objections and supplementary valuations.

Six 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 Committee also noted the areas of strength identified in the report. The Committee will monitor progress on actions arising from this report at future meetings.

The following Internal Audits are planned for the period 1 July 2023 to 31 December 2023:

- HR Workforce management (incl remote workforce management)
- Climate Change Adaptation.

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

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.

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

In addition to the external auditor and internal audit reports listed above, the following key activities of the Committee for the period 1 January 2023 to 30 June 2023 were as follows:

Financial Reports

At each of its meetings the Committee considered reports that provides an overview of developments in relation to Council's finance function.

The Committee considered the following finance related reports between 1 January 2023 to 30 June 2023:

- Update on Budget Timetable 2023/2024
- Status of the Budget 2023/2024 process
- Monthly Financial Management Reports including profit and loss, balance sheet, cash flow and capital works
- Councillor Expenditure Report
- CEO and EA Expenditure Report – Credit Card reimbursements.

Risk Management

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

The Committee considered the following risk management related reports between 1 January 2023 to 30 June 2023:

- Business Continuity Plan
- Occupational Health and Safety Report for the periods 1 October 2022 to 31 December 2022 and 1 January 2023 to 31 March 2023
- Workcover and Injury Management Report for the periods 1 October 2022 to 31 December 2022 and 1 January 2023 to 31 March 2023

- Risk Management Report for the periods 1 October 2022 to 31 December 2022 and 1 January 2023 to 31 March 2023
- Council Litigation Matters.

Other Matters

The Committee also considered the following matters during the period 1 January 2023 to 30 June 2023 in accordance with its Charter and Annual Work Plan:

- Review of Audit and Risk Committee Charter 2023 – 2025
- Audit and Risk Committee Biannual Report for the period 1 July 2022 to 31 December 2022
- Audit and Risk Committee Self-Assessment Survey 2022/2023
- Audit and Risk Register Review
- Draft Audit and Risk Annual Work Plan Year Ending 30 June 2024
- Strategic Internal Audit Plan Annual Review
- Review of Council's Fraud Prevention Framework
- Organisational Enterprise Resource Program (ERP) Update
- Review processes for communicating Council's Staff Code of Conduct and for monitoring compliance
- WEX Fuel Audit
- Information Asset Register Update Report
- Cyber Crime Action Plan
- Attestation Compliance Report (Standing Item)

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.

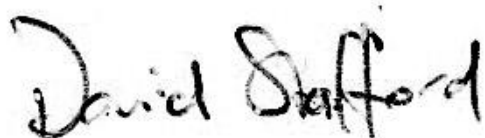
Accordingly, all minutes of the Audit and Risk Committee are presented to the next available Council Meeting.

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 2022-2023 were 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.

A handwritten signature in black ink that reads "David Stafford". The signature is written in a cursive, slightly slanted style.

David Stafford, Chair
On behalf of the Audit & Risk Committee
18 August 2023