



AUDIT AND RISK COMMITTEE

BIANNUAL REPORT

For the Period 1 July 2022 to 31 December
2022

Presented to the Audit and Risk Committee on 2 March 2023.

To be adopted by Council at its meeting on 25 April 2023.

Table of Contents

PURPOSE OF THIS REPORT	3
BACKGROUND	3
AUDIT COMMITTEE CHARTER	3
MEMBERSHIP	4
MEETINGS AND ATTENDANCE	4
EXTERNAL AUDIT	5
INTERNAL AUDIT	5
KEY ACTIVITIES – AUDIT AND RISK ANNUAL WORK PLAN.....	7
COMMITTEE PERFORMANCE.....	10
MINUTES OF THE AUDIT AND RISK COMMITTEE.....	10
CONCLUSION	10

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 2021-2023 was received by the Audit and Risk Committee on 3 June 2021 and therefore is due for review by 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 July 2022 to 31 December 2022 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
Ms Teresa Paris	Independent Member	31 August 2026
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 July 2022 and 31 December 2022 and member attendance was as follows:

Member Name	Meeting 1 15 September 2022	Meeting 2 8 December 2022
Mr Philip Saunders	✓	✓
Ms Bonnie Holmes	✓	✓
Ms Teresa Paris	✓	✗
Mr David Stafford	✗	✓
Cr Anita Rank	✓	Ceased to be Mayor 26/10/22
Cr Scott Martin (Mayor)	N/A	✓
Cr Karen Stephens	✓	✓
Cr Michael Carr	✓	✓

✓ = Attended

✗ = Apology received

The Committee's meeting schedule for the remainder of the 2022/2023 year is as follows:

- 2 March 2023; and
- 1 June 2023.

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 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 15 September 2022, the External Auditor attended the Audit and Risk Committee via teleconference to present the Audited Financial Statements as at 30 June 2022. The External Auditor also presented the VAGO Closing Report 2021/2022 Financial Report and Performance Statement.

On 15 September 2022, the External Auditor presented the Final Management Letter for the period ending 30 June 2022. The Final Management Letter includes a 'Summary of Audit Findings'.

INTERNAL AUDIT

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 Internal Audits were presented during the period 1 July 2022 and 30 December 2022:

- **Internal Audit – Payroll**
(Internal Audit undertaken by Crowe, presented to the Audit and Risk Committee on 15 September 2022)

For this review the objectives of the scope of works assessed the controls and processes associated within:

- Internal controls designed to prevent fraud and corruption, including management's processes for ensuring the validity/existence of employees, staff appointment, termination and transfers;
 - The process for recording and paying autopay, timesheets, overtime worked and changes in pay rates;
 - Payroll system controls, including reconciliations, bank accounts, leave balances, clearing accounts and master file changes;
 - The process for the transfer of payroll information between the payroll system and the general ledger;
 - IT system controls;
 - The control of PAYG and superannuation payments;
 - The processes for calculating and paying termination payments;
 - The process for recording and paying employees for leave;
 - Policies and procedures for payroll have been appropriately documented, maintained to reflect changing circumstances/requirements and are available to staff; and
 - Payroll masterfile is regularly updated and reviewed to ensure currency and accuracy. Access to the payroll Masterfile and duties in key payroll processes are appropriately segregated.
- **Internal Audit – Social Media and Communications Strategy and Framework**
(Internal Audit undertaken by AFS & Associates, presented to the Audit and Risk Committee on 8 December 2022)

For this review the objectives of the scope of works assessed the controls and processes associated within:

- Confirmed the processes and framework in place to govern effective social media and communications across Glenelg Shire Council to support clarity and consistency to external and internal stakeholders.
 - Assessed the processes and controls in place to mitigate communications risks associated with reputation, compliance with privacy, legal and governance obligations, inconsistent and/or miscommunication, staff and Councillor use of personal social media or communications.
 - Reviewed internal processes and systems in place to manage social media and communications, including budget considerations.
- **Internal Audit – Procurement (below tender) and Accounts Payable**
(Internal Audit undertaken by AFS & Associates, presented to the Audit and Risk Committee on 8 December 2022)

For this review the objectives of the scope of works assessed the controls and processes associated within:

- Confirmed whether an adequate framework exists to support efficiency and promote value for money in procurement below tender threshold including:
 - spend thresholds and associated procedures
 - application of internal controls
 - reference to the Delegations of Authority
 - reference to the Code of Conduct
 - governance and oversight arrangements
 - identification of high risk procurements below tender thresholds
 - controls to support establishing vendor supplier panels.
- Evaluated the process, delegations and approval over non-tender procurements.
- Evaluated the IT and procurement systems in place to support procurement, including:
 - electronic delegations and approval
 - seeking and obtaining appropriate quotes
 - issuing purchase orders
 - retaining records to support transparency and probity.
- Confirmed the adequate and appropriate (expected) internal controls exist over accounts payable.
- Assessed the effective use of monitoring and oversight of procurement (below tender) and accounts payable, including identification of trends or risk indicators requiring further investigation.

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 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.

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

The key activities of the Committee for the period 1 July 2022 to 31 December 2022 were as follows:

Financial Reports

The Committee considered the following finance reports between 1 July 2022 and 31 December 2022:

- Audited Financial Statements as at 30 June 2022;
- Final Management Letter 2021/2022;
- 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;
- Outstanding Debtors at 30 June 2022;
- Roads to Recovery Program 2021/2022;
- Open Office Finance Upgrade Report;
- Compliance with Council's Investment Policy; and
- Annual Update on Defined Benefits Superannuation vested benefit position.

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 2022 and 31 December 2022:

- Occupational Health and Safety (OHS) and Risk Management Quarterly Report for the periods April 2022 to 30 June 2022 and 1 July 2022 to 30 September 2022;
- OHS Management Plan Year 3 Action Plan March 2022 – March 2023;
- Risk Management Report 1 July to 30 September 2022
- Council's Insurance Programme; and
- Council Litigation Matters.
- Organisational Strategic Risk Register Review

Other Matters

The Committee also considered the following matters during the period 1 July 2022 and 31 December 2022 in accordance with its Charter and Annual Work Plan:

- Election of the Audit and Risk Committee Chairperson;
- Biannual Report for the period 1 January 2022 to 30 June 2022;
- OVIC Requirements – Protective Data Security Plan and Information Assets Register;
- Local Government Performance Reporting Framework 2021/2022;
- Glenelg Shire Council Plan 2017-2021 Quarter Three and Quarter Four Performance Reports;
- Glenelg Shire Council Annual Report 2021-2022;
- Audit and Risk Committee Self-Assessment Survey 2021-2022;
- Audit and Risk Committee Biannual Report for the period 1 January 2022 to 30 June 2022;
- Local Government Act 2020 Update;
- Review key policies – Receive a Review Report on Gifts, Benefits and Hospitality (Councillors) and (Employees);
- Regulatory and Integrity Agency Reports:
 - VAGO Report Fraud Control Over Local Government Grants May 2022
- Audit and Risk Register Review;
- Cyber Security Incident Report;
- Internal Audit Cyber Crime Year 1 Action Plan – December 2022;
- VicRoads Information Protection Agreement Audit 2021/2022;
- Attestation Compliance Report (Standing Item); and
- Audit and Risk Committee Annual Work Plan Ending 30 June 2023 (Standing Item)

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 were presented to the September 2022 Audit and Risk Committee Meeting.

The results of the self-assessment from seven respondents showed that members have rated the Audit and Risk Committee as having a special strength, performing as expected, with nil areas for focus.

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 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.

David Stafford, Chair

On behalf of the Audit & Risk Committee
18 January 2023