



BI-ANNUAL AUDIT & RISK COMMITTEE REPORT



Role of the Audit and Risk Committee

Section 53(1) of the Local Government Act 2020 (the Act) states that “a Council must establish an Audit and Risk Committee’.

The role of the Audit and Risk Committee (Committee) is to provide structured, systematic oversight of Golden Plains Shire Council’s (Council) governance, risk management and internal control practices. The Committee assists Council and its management by providing advice and guidance on the adequacy of initiatives for:

- values and ethics;
- governance structure;
- risk management;
- internal control framework;
- internal and external audit activity; and
- financial statements, performance, and public accountability reporting.

Independence

An independent Committee is a fundamental component of a strong corporate governance culture. The Committee is appropriately independent of management and is not involved in any operational decisions. Committee members do not have any executive powers, management functions or delegated financial responsibilities.

Composition of the Committee

Committee membership is comprised of five members appointed by Council, with two members being Councillors (one of which must be the Mayor) and three members being independent of Council. All members have full voting rights.

The Act has specific requirements about the Committee collectively having expertise in financial management and risk, experience in public sector management, and precluding any person who is a member of Council staff from being a Committee member.

Committee membership has remained stable during the reporting period, which has enhanced the ability of the Committee to provide a value adding experience to Council. Members have been fully engaged in all meetings held during the reporting period and have made valuable contributions to the work of the Committee.

Committee Charter

The Charter sets out the authority of the Committee to carry out the responsibilities established for it by Council. The Charter is set by Council and was last reviewed and approved by Council on 27th June 2023. The Charter is reviewed annually by the Committee.

Reporting Period of this Report

This report covers the Committee’s work for the meetings held on 14 February 2023 and 9 May 2023.

Meeting Attendance

Details of Committee membership and meeting attendance for the reporting period are summarised in the table below:

Name	Role	Meetings	
		14 February 2023	9 May 2023
Joseph Adamski	Independent Member (Chair)	Attended	Attended
Andrew Pearce	Independent Member	Attended	Attended
Phil Delahunty	Independent Member	Attended	Attended
Cr Brett Cunningham	Councillor (Mayor)	Attended	Attended
Cr Les Rowe	Councillor	Attended	Attended

Senior Management Team

The Committee has been strongly supported by Council's Senior Management Team (SMT) who attend all Committee meetings when available.

Council's Manager Finance, Manager ICT, Manager People and Performance and Coordinator Governance and Risk attended both meetings during the reporting period to provide detailed updates to the Committee on the applicable activities of their respective divisions within Council. This has enabled the Committee to gain a better appreciation of Golden Plains Shire specific matters.

External Service Providers

The internal audit team (Crowe) and the external audit team (VAGO) have attended both meetings during the reporting period.

Committee Business

The agendas for the Committee meetings are driven by the Committee's Annual Work Plan.

Annual Work Plan

Under Section 54(3) of the Act, a Committee must adopt an annual work program.

Each year the Committee collaborate with Council's Director Corporate Services to establish an Annual Work Plan to ensure that the responsibilities of the Committee are scheduled and will be carried out.

The Annual Work Plan is reviewed in May each year at the same time as the Charter. The work of the Committee over the reporting period is summarised below in each of the key areas:

Financial and Performance Reporting

- Finance reports for quarter 2 and quarter 3 of the 2022-23 financial year were noted by the Committee at the February and May 2023 meetings. The quarterly reports assist the Committee to gain assurance on the financial management of Council's operations. Section 138 of the *Local Government Act 1989* requires a statement comparing the budgeted revenue and expenditure for the financial year with the actual revenue and expenditure to date to be presented to Council at least every three months. These

reports are provided to the Committee for noting prior to being presented at the following Council meeting.

- The 2023-24 Draft Budget was prepared in accordance with the requirements of the Act and noted by the Committee at the May 2023 meeting. At the 26 April 2023 Council meeting, Council endorsed the draft budget to be placed on public exhibition for the month of May for community feedback with submissions to be heard at a meeting on 6 June 2023 before the budget was adopted at the 27 June 2023 Council meeting.
- The Local Government Performance Reporting Framework (LGPRF) 6 monthly report was received by the Committee at the February 2023 meeting for the period 1 July 2022 to 31 December 2022. The LGPRF is a mandatory system of performance reporting for all Victorian Councils. It ensures that Councils are measuring and reporting on their performance against 58 measures from a range of service areas, including roads, planning, animal management and waste.

Internal Control Environment

- Council is replacing our core systems, known as the Core System Transformation Program. There are 5 subprojects covering records, customer requests, finance, community safety and property & rates. The Committee noted the progress of the program at the February 2023 Committee meeting.
- At the May 2023 meeting, the Committee noted the findings of ICT penetration testing that occurred in March 2023, and acknowledged the mitigations identified from the testing. In general, the findings were that Council's security posture is overall strong, with a robust web application firewall (WAF) in place to help protect the systems and customer data. Six (6) medium and two (2) low risk items were identified as requiring further action. The Committee will receive a future update on the status of the identified mitigations.
- Council recently moved to a new HR system which encompasses payroll, recruitment, and onboarding functions. Phase 1 involved the payroll module and occurred in December 2021. Phase 2 involved the onboarding and recruitment modules and commenced in August 2022 before being completed in March 2023. At the May 2023 meeting, the Committee received and noted an update on the system and the benefits associated with the improved integration and automation.
- At the February 2023 meeting, the Committee noted the progress on several outstanding tree management audit actions. Completion of actions were significantly impacted initially by appropriately skilled staff and staff turnover. Council's draft Tree Protection and Management Policy went to Council for endorsement to commence public exhibition and community feedback throughout March 2023. It was then presented to the Committee for noting alongside the update on the tree management outstanding actions. The Tree Protection and Management Policy was adopted by Council at their May 2023 meeting.

Risk Management

- Risk management and insurance reports for quarter 2 and quarter 3 of the 2022-23 financial year were noted by the Committee at the February and May 2023 meetings. These reports provide the Committee with an update on new risks identified, emerging risk events/issues, audits undertaken during the quarter, upcoming audits, and other items of interest to the Committee.
- At the February and May 2023 meetings, the Committee received presentations from risk owners on one of Council's 13 strategic or organisational risks. The Committee received the following presentations:
 - February 2023: Fraud and corruption control by Manager Finance
 - May 2023: Child Safety Standards by Manager People and Performance

- Safety and wellbeing reports for quarter 2 and quarter 3 of the 2022-23 financial year were noted by the Committee at the February and May 2023 meetings. The Committee received an update at both meetings regarding incident reporting, claims, current priorities and highlights for the quarter.

Fraud Prevention Systems and Controls

- Detecting instances of fraud and corruption and actions taken were noted by the Committee at the February and May 2023 meetings. No instances of fraud or corruption were reported on during this reporting period.

Internal Audit

- At each meeting, the Committee notes the progress on Council's internal audit program, which is presented by Council's internal auditor.
 - At the February 2023 meeting, the Committee noted:
 - The findings from the internal audit completed on incoming non-recurring grants which identified areas of improvement. A number of actions were identified in agreement with management.
 - The findings from part two of the data analytics review into HR processes which identified areas for improvement with policies and procedures, performance management, and training. A number of actions were identified in agreement with management.
 - The findings from the data analytics review into cyber security which identified areas for improvement with Council's cyber vulnerability scorecard. A number of actions were identified in agreement with management.
 - The scope of an audit scheduled on waste handling to consider the processes, controls and programs of work supporting the management of garbage and recycling kerbside collection services in alignment with the Waste and Resource Recovery Strategy 2020-2030.
 - At the May 2023 meeting, the Committee noted:
 - The findings from the data analytics review into animal management which found databases to be accurate and reliable with no issues of significant concern.
 - The findings from the data analytics review into fuel cards which identified a number of anomalies with the majority due to operational reasons and proposed improvements to processes identified to be actioned.
 - The findings from the waste handling audit which identified areas for improvement with WRRS oversight, operational management procedures, prioritising strategic goals, management reporting, and compliance with legislation and Council's plans. A number of actions were identified in agreement with management.
 - The scope of an audit scheduled on asset management to identify what asset management principles have been established, determine what risk management assessment process is undertaken, and determine what asset management planning is undertaken.
- At the February 2023 meeting, the Committee noted the revised 3-year Strategic Internal Audit Plan and Data Analytics Plan as prepared by Council's internal auditor. These plans were originally presented at the November 2022 meeting with feedback

received from the Committee which was incorporated into the revised plans presented at the February 2023 meeting.

- At each meeting, the Committee notes the updates on outstanding internal and external audit actions. These reports manage and monitor the progress to ensure outstanding actions are completed.

External Audit

- At the February 2023 meeting, the committee noted and approved the Victorian Auditor General's Office (VAGO) 2022-23 draft audit strategy prepared by VAGO which sets out their approach to the external audit of the financial report and performance statement of Council for the year ending 30 June 2023.
- VAGO issued a status report as of December 2022 which the Committee noted at the February 2023 meeting. The report provided an update on the status of financial audits, parliamentary reports, and performance audits proposed and in progress.
- At the May 2023 meeting, the Committee noted an update on the key challenges and decisions made in relation to the 2021/22 audit undertaken by VAGO who were appointed to undertake Council's financial audit. The 2021-22 VAGO Final Management Letter outlined items that were identified during the 2021-22 audit which required actioning. During the 2021-22 audit process there was a significant increase in audit requirements and the number of audit visits resulting in the September 2022 Audit and Risk Committee meeting having to be rescheduled to October 2022.
- At the May 2023 meeting, the Committee noted the status of the interim audit being undertaken by VAGO, and the contents of the VAGO Local Government status report.

Compliance Management

- At the February 2023 meeting, the Committee noted Council's Gifts, benefits, hospitality, and business events register offered to Councillors and Council Officers over the 2022-2023 financial year. The Gifts, Benefits, Hospitality and Business Events Register is to be reviewed annually by the Committee.
- Governance reports for quarter 2 and quarter 3 of the 2022-23 financial year were received by the Committee at the February and May 2023 meetings, noting the progress on the Governance Reform and Improvements Program which seeks to encourage improved standards of behaviour, processes, and practices to strengthen governance.
- At the February and May 2023 meetings, the Committee noted publications of interest released during the previous quarters, prepared by Council's internal auditor. The publications of interest identify outcomes for industry audits or reviews which may have the potential to impact Council's financial viability.
- At the May 2023 meeting, the Committee noted the progress updates provided to MAV on the Continuous Improvement Plan. A mandatory compliance review was conducted in 2017 by the Municipal Association of Victoria (MAV) in their capacity as Council's public liability and professional indemnity insurer. In December 2022, MAV requested progress updates on the recommendations from the review and that the updates be tabled at a Committee meeting.
- At the May 2023 meeting, the Committee received and noted the recent changes to the people and performance policy framework and approval process which seeks to improve the current duplication issue of existing policies and procedures leading to lack of clarity and substance.

Review of Committee Charter

At the May 2023 meeting, the Committee noted the Committee Charter and associated Annual Work Plan, adopted the Annual Work Plan, and recommended that Council approve the Committee Charter at their May 2023 Council meeting.

Reporting to Council

After every Committee meeting, minutes are presented to the next Council meeting. In addition, the Committee Biannual Report will be provided to Council half yearly.