

## **Biannual Audit and Risk Committee Report, June 2022**

### **Purpose**

This biannual report is provided in accordance with the Local Government Act 2020, Section 54 (5a) and describes the activities of the Audit and Risk Advisory Committee for the second half of 2021-2022 and includes Committee findings and recommendations.

### **Recommendation**

That Council receive and note the report.

### **Background**

The biannual report is prepared in accordance with the Murrindindi Shire Council Audit and Risk Committee Charter, section 6. This report covers the period January-June 2022 (including meetings on 10 March and 12 May).

### **Discussion**

This report provides a summary of the work the Committee performed to discharge its responsibilities and includes a summary of management's progress in addressing the results of internal and external audit reports. For the topics covered in the period under review, the report includes an overall assessment of management's risks, controls, and compliance processes, including details of any significant emerging risks or legislative changes impacting the organisation. In general, it should be observed that:

1. The Committee has followed a schedule of activity that reflects the requirements of Council as documented in the Committee's Charter.
2. The Committee monitors Council's implementation of responses to audits and in addressing the specific risks identified in the strategic and operational risk registers.
3. A lot of the work follows a process which is intended to ensure continued close oversight of Council procedure and process.
4. The Committee was supported in its performance through the review of other audit issues across Australia as provided through a regular consideration of Recent Reports and Publications as provided by the internal auditors. This helps ensure the Committee maintains a wide perspective and doesn't just follow the tail of current audits.

Work undertaken by the Committee included consideration of a wide range of reports (many on a regular basis) that indicated Council's continued monitoring of developments. The Committee had no outstanding concerns in regard to the matters contained in the following reports:

1. VAGO Audit Strategy Memorandum for the financial year ending 30 June 2022.
2. Chief Executive Officer's Questionnaire to Directors (twice).
3. Chief Executive Officer's update (twice).
4. Draft Enterprise Risk Management Policy including Risk Appetite Statement.
5. Review Risk Register Report (twice).
6. Draft revised Investment Policy.
7. Draft revised Borrowings Policy.
8. Approval processes for the Chief Executive Officer's and the CEO's Executive Assistant's credit card transactions for the period 1 October 2021 to 31 December 2021.
9. Approval processes for the Chief Executive Officer's and the CEO's Executive Assistant's credit card transactions for the period 1 January 2022 to 31 March 2022 including the identification and handling of the inappropriate use of a card.
10. Review Implementation of Previous Audit Actions report (twice).

## OFFICIAL

11. Audit Scope for a review of Cyber Security.
12. Proposed Review of Council Asset Building Maintenance Internal Audit Plan.
13. Quarterly Financial Reports to 31 December 2021 and 31 March 2022.
14. The Chief Executive Officer advice that the formal adoption of a revised budget for the 2021/22 financial year was not required.
15. Policy Register Report.
16. Audit and Risk Biannual Report.
17. Policies and Plans recently adopted by Council (twice).
18. The Rates and Revenue Follow Up Review, Final Report.
19. Draft 2022/23 Annual Budget.
20. The Audit and Risk Committee Annual Plan.
21. The Local Government Act 2020 Implementation Report.
22. Revised Audit and Risk Committee Charter (including a recommendation to Council to adopt the revised charter).

In respect of the Charter (the last item above), the amendments were in regard to provision for 'virtual' attendance and the inclusion of a section to emphasise the Council's focus on transparency.

The Committee was pleased to see Council management's overall progress in respect of a wide number of matters and considers these to be an indication of significant progress and achievement. Three things stand out:

1. The risk strategy has had a lot of work applied. The progress is partly about cultural change and achieving a wider understanding across all staff. It also includes signs of a serious engagement between Council and management around risk appetite. It is evident that management and staff have applied considerable effort in this area.
2. One of the perhaps more tedious-sounding reports is the Review Implementation of Previous Audit Actions but this has been one area which has preoccupied the Committee over a number of years. Behind this stands the question of how well and how quickly the Council management is responding to recommendations to change or improve processes. The Committee is very pleased to say, when compared to three or four years ago, Council management is making good progress.
3. Another seemingly trite area of concern has been the review of the Policy Register and Policies (eg items 15 and 17 above). Council management's attention in this area suggests a more timely and orderly review of policies and procedures than was previously the situation. This helps keep Council ahead of some risks.

In broad terms, the Committee is of the view that Council is adequately addressing known risks. There are no risks regarding which the Committee has developed a specific or heightened concern.

The Committee would be hesitant to make any sweeping statement regarding an overall assessment of management's risks, controls, and compliance processes, however, as indicated above, there appear to be some good signs regarding management's attention to matters of risk. Further, management appears to have an appropriate focus on the management of fraud and corruption. There are currently no reported legislative changes that might impact the organisation and beyond those risks currently on the Committee's radar, including climate-related risk, wide community health issues and cybercrime, the Committee has not identified any significant emerging risk.

After nine years' service to the Council, Ian McKaskill retired from the Committee with the Committee expressing thanks for his commitment and contribution.

### **Council Plan/Strategies/Policies**

The role and activity of the Audit and Risk Committee supports the *Council Plan 2021-2025* with particular regard to risk management and governance.

This report is a requirement of the Audit and Risk Committee Charter as adopted by Council.

### **Relevant Legislation**

The Audit and Risk Committee is established by Council in accordance with the requirements of the *Local Government Act 2020*. The Act requires the Committee to monitor the compliance of Council policies and procedures with both overarching governance principles and Council financial and performance reporting. The Act requires also that the Committee monitors and provides advice on risk management and fraud prevention systems and controls, and oversees internal and external audit functions.

The Act requires also that the Committee adopts an annual work program, undertakes an annual assessment of its performance against the Audit and Risk Committee Charter and undertakes an annual assessment and prepares this biannual audit and risk report.

All of these requirements have been fulfilled.

### **Financial Implications and Risk**

This report identifies no further risks than are identified by Council officers and as reported regularly as part of the minutes of the Audit and Risk Committee Minutes.

### **Conflict of Interest**

There are no declared conflicts of interest by Audit and Risk Committee members in relation to this report.

### **Community and Stakeholder Consultation**

No external community or stakeholder consultation was undertaken or required for this report.

Claude Baxter  
Chair, Audit & Risk Committee  
For and on behalf of the Audit & Risk Committee

11 August 2022