



Audit and Risk Committee Meeting

Minutes

Thursday 8 September 2022
Alexandra Council Chambers
Perkins Street
9:00 AM

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1 TEMPORARY CHAIR - CHIEF EXECUTIVE OFFICER

Cr D Gallagher opened the meeting and nominated Claude Baxter as the temporary Chairperson, given he is the outgoing Chair and has completed his three consecutive terms as Chair.

RESOLUTION

Cr D Gallagher / C Nisbet
That Claude Baxter be appointed as temporary Chairperson until the election of the Chair at item 7.1.

2 WELCOME AND RECOGNITION OF COUNTRY

The Audit and Risk Committee meeting was opened with the temporary Chair declaring the following Pledge:

“I would like to welcome you all to the Audit and Risk Committee Meeting, on behalf of the Committee I would like to acknowledge the Taungurung and Wurundjeri people as the traditional custodians of the land we now call Murrindindi Shire.

We pay our respects to First Nations leaders and elders, past, present and emerging.”

3 APOLOGIES AND REQUEST FOR LEAVE OF ABSENCE

There were no apologies or requests for leave of absence tendered.

Present:

Dr C Nisbet (Chair), Mr C Baxter, Mr S Schinck, Cr S McAulay, Cr D Gallagher

In attendance:

Mayor: Cr Sue Carpenter

Chief Executive Officer: Livia Bonazzi

Director Corporate and Shared Services: Michael Chesworth

Director Assets and Development: Vito Albicini

Manager Governance and Risk: Tara Carter

Manager Business Services: Cheryl Nickels Beattie

Coordinator Integrity & Governance: David Echeverry

4 CONFIRMATION OF MINUTES

4.1 Confirmation of Minutes

Minutes of the Audit and Risk Committee Meeting held on 12 May 2022.

RESOLUTION

C Nisbet / Cr D Gallagher

That the Minutes of the Audit and Risk Committee Meeting held on 12 May 2022 be confirmed.

CARRIED

5 DISCLOSURE OF INTEREST OR CONFLICT OF INTEREST

Nil.

6 AUDIT & RISK COMMITTEE INDEPENDENT MEMBER APPOINTMENT

6.1 Audit & Risk Committee Independent Member

Council at its 24 August 2022 Scheduled Meeting appointed Mr Steve Schinck as an independent member of the Audit and Risk Committee for a three-year term ending 30 June 2025.

RESOLUTION

C Nisbet / Cr D Gallagher

That the Audit and Risk Committee note the appointment of Mr Steve Schinck for a term ending 30 June 2025.

CARRIED

7 ELECTION OF THE CHAIR

7.1 Elect Chair of Audit Committee

Attachment(s)	Nil
Presenter	Temporary Chairperson
Approved by	Director Corporate & Shared Services
Purpose	For decision

The purpose of this item is for the Audit and Risk Committee to recommend a Chairperson for endorsement by Council for a 12 month term. The temporary Chairperson will call for nominations.

RESOLUTION

C Baxter / Cr D Gallagher

That the Audit and Risk Committee recommend that Dr Craig Nisbet be appointed by Council as Chair of the Audit and Risk Committee for a 12 month period.

CARRIED

Dr Craig Nisbet took the Chair and thanked Mr Claude Baxter for his period as Chair of the Committee

8 REVIEW ANY BUSINESS ARISING FROM PREVIOUS MINUTES

Nil.

9 AUDITS - EXTERNAL

9.1 Consider External Auditors Comments on Control Environment & Management Letters

Attachment(s)	Attachment 1 - Final Management Letter - RSD - VAGO Audit - 2021-22 [9.1.1 - 9 pages] Attachment 2 - Closing Report - RSD - VAGO Audit - 2021-22 [9.1.2 - 20 pages]
Presenter	RSD Audit
Approved by	Manager Business Services
Purpose	For noting

RSD Audit will present this report at the meeting.

Discussion regarding any management letter points will be referenced with consideration of the financial statements at item 10.2 on the agenda.

RESOLUTION

C Baxter / Cr S McAulay

That the Audit and Risk Committee note the management letter and closing report from external auditors as contained in Attachments 9.1.1 and 9.1.2.

CARRIED

All officers left the meeting at 9.22 am.

9.2 Committee to Meet with External Auditors

Opportunity for a closed discussion with the Committee, internal auditor and the external auditor, RSD Audit, without Council officers present to raise any relevant questions or matters.

Any advice to officers following this discussion can be subsequently relayed by the Chair.

All officers returned to the meeting at 9.31 am.

RECOMMENDATION

Cr D Gallagher / C Baxter

That the Audit and Risk Committee note the feedback from the External Auditors was very positive about the interactions with Council Officers and the Committee thank Cheryl and the team for their efforts.

CARRIED

10 FINANCIAL REPORT

10.1 Review Significant Accounting & Reporting Issues

Nil to report.

10.2 Review & Recommend Adoption of Annual Financial Report

Attachment(s)	Attachment 1 - Financial Statements 2021-22 [10.2.1 - 48 pages] Attachment 2 - Performance Statement 2021-22 [10.2.2 - 11 pages]
Presenter	Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For Recommendation

Purpose

This report is to present the Financial Statements and Performance Statement for the financial year ended 30 June 2022 for the Audit and Risk Committee's (Committee) review.

RECOMMENDATION

That the Audit and Risk Committee recommend to Council that:

- 1. Council approve in principle the Murrindindi Shire Council Financial Statements and Performance Statement subject to the review by the Victorian Auditor-General's Office for the year ended 30 June 2022 as tabled**
- 2. Council authorise two Councillors to certify the Financial Statements and Performance Statement, subject to the review of the statements by the Victorian Auditor-General's Officer in their final form after any changes recommended, or agreed to, by the Auditor have been made.**

Background

Council officers will present to the Committee the Financial Statements inclusive of the Performance Statement for the financial year ended 30 June 2022.

Representatives of Council's external auditors, RSD Audit, will present to the Committee to address any matters raised during the Audit. Council officers will also be in attendance to provide input where required.

Following the review of the Financial Statements by the Committee, it is proposed that the Committee recommend approval of the statements by Council subject to any changes required by the Victorian Auditor-General's Office (VAGO).

The resolution by Council involves approval of the Financial Statements in principle and will require authorisation by two Councillors to certify the Financial Statements in their final form. A draft copy of the 2020/22 Financial Statements and Performance Statement are attached to the Agenda.

RESOLUTION

S Schinck / C Baxter

That the Audit and Risk Committee recommend to Council that:

- 1. Council approve in principle the Murrindindi Shire Council Financial Statements and Performance Statement subject to the review by the Victorian Auditor-General's Office for the year ended 30 June 2022 as tabled**
- 2. Council authorise two Councillors to certify the Financial Statements and Performance Statement, subject to the review of the statements by the Victorian Auditor-General's Officer in their final form after any changes recommended, or agreed to, by the Auditor have been made.**

CARRIED

10.3 Review Quarterly Financial Statement

Attachment(s)	Attachment 1 - Quarterly Statement June 2022 [10.3.1 - 4 pages]
Presenter	Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For information

Purpose

This report provides the quarterly financial report for the period ending 30 June 2022.

It should be noted that the figures included in the report are the interim, pre-audited results, and may differ from the final audited annual financial results presented at this meeting.

Background

The interim Quarterly Financial Report for the period ended 30 June 2022 was presented for consideration by Council at the August 2022 Scheduled Council Meeting, in accordance with the *Local Government Act 2020* ("the Act").

The report includes the following statements:

- Comprehensive Income Statement
- Balance Sheet
- Statement of Cash Flow.

Discussion

The interim statements for the fourth quarter to 30 June 2022 are included in Attachment 10.3.1.

Income Statement (Statement A)

The interim Income Statement for the period 1 July 2021 to 30 June 2022, also within the above attachment is reproduced below.

The operating surplus of \$3.59 million for the 2021/22 financial year is a \$351,000 unfavourable variance to the annual revised budget. The explanations for this variance are outlined in Table 1: Explanation of Budget Variances below.

The Income statement below provides information on two budgetary components:

1. **Forecast adjustments:** adjustments to the March revised budget figures to reflect the predicted result at the end of the 2021/22 financial year (refer to the column titled “(1) Forecast Adjustment”).
2. **Year-to-date budget variances:** variances between June revised year-to-date budget and the year-to-date result (refer to column titled “(2) Budget Actual Variance”).

Statement A

**Murrindindi Shire Council
Income Statement
For the period ended 30th June 2022**

	NOTE	March Revised Budget	(1) Forecast Adjustment	Annual Revised Budget	Actual	(2) YTD Budget V Actual Variance	YTD Budget V Actual Variance
		2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		\$	\$	\$	\$	\$	%
Revenue							
Rates & Charges	1	22,030,713	-	22,030,713	22,104,549	73,836	0%
Statutory fees and fines	2	1,404,840	-	1,404,840	1,346,299	(58,541)	-4%
User fees	3	1,080,846	-	1,080,846	1,288,392	207,546	19%
Grants - Operating	4	8,963,386	30,000	8,993,386	8,907,015	(86,371)	-1%
Grants -Capital	5	6,652,699	150,000	6,802,699	3,510,055	(3,292,644)	-48%
Contributions - Cash	6	325,803	151,000	476,803	394,470	(82,333)	-17%
Contributions - Non Cash	7	600,000	-	600,000	1,204,062	604,062	0%
Reimbursements	8	353,532	99,300	452,832	304,438	(148,394)	-33%
Other revenue	9	825,824	-	825,824	1,181,143	355,319	43%
Total Revenue		42,237,643	430,300	42,667,943	40,240,423	(2,427,520)	-6%
Expenses							
Employee Benefits	10	15,612,690	40,193	15,652,883	14,785,116	867,767	6%
Materials and Services	11	13,430,381	354,784	13,785,165	12,368,862	1,416,303	10%
Depreciation and amortisation	12	8,305,822	-	8,305,822	8,440,819	134,997	0%
Bad and Doubtful Debts	13	-	-	-	8,968	(8,968)	0%
Other Expense	14	388,886	-	388,886	543,227	(154,341)	-40%
Total Expenses		37,737,779	394,977	38,132,756	36,146,992	2,255,758	6%
Net gain/(loss) on disposal of property, infrastructure, plant and equipment.	15	(596,364)	-	(596,364)	(229,176)	367,188	-62%
Increase Landfill Provision	16	-	-	-	(276,566)	(276,566)	0%
Surplus (deficit) for the period		3,903,500	35,323	3,938,823	3,587,689	(351,134)	-9%
Total Materials and Contractors							
Utilities		499,332	-	499,332	448,920	50,412	10%
Contractors		9,255,567	353,784	9,609,351	9,054,819	554,532	6%
Software and related IT		557,031	-	557,031	497,999	59,032	11%
Legal Expenses		252,745	-	252,745	193,373	59,372	23%
Insurance		691,638	-	691,638	603,386	88,252	13%
Materials		866,054	-	866,054	793,293	72,761	8%

Contributions	978,036	-	978,036	587,617	390,419	40%
Consultants	329,978	1,000	330,978	189,455	141,523	43%
		354,784			1,416,303	
	13,430,381		13,785,165	12,368,862		10%

Table 1: Explanation of Budget Variances

Table 1 below explains by income and expense line item the following

1. *Forecast adjustments*: adjustments to the March revised budget figures to reflect the predicted result at the end of the 2021/22 financial year (refer to the column titled "(1) Forecast Adjustment").
2. *Year-to-date budget variances*: variances between June revised year-to-date budget and the year-to-date result (refer to column titled "(2) Budget Actual Variance").

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
1	Rates & Charges	No Change	\$73,836 additional revenue due to supplementary rates.
2	Statutory fees and fines	No Change	\$58,541 reduced revenue <ul style="list-style-type: none"> • \$ 28,420 reduced income development services and plan checking fees. • \$ 20,314 reduced building permit fees • \$17,777 reduced planning fees. • \$8,353 increased revenue from collection of election fines.
3	User fees	No Change	\$207,545 increased revenue, <ul style="list-style-type: none"> •\$151,077 increased saleyard fees. •\$50,561 increased landfill and resource recovery fees.
4	Grants - Operating	\$30,000 additional revenue. <ul style="list-style-type: none"> •Local Government Business Concierge and Hospitality grant. 	\$86,369 reduced revenue, <ul style="list-style-type: none"> • \$148,590 reduced revenue from Family Day-care Service due to reduced service provision • \$60,000 reduced revenue from the Natural Disaster Financial Assistance (NDFA) grant for the June 2021 storm event. Claim yet to be finalised, • \$81,000 increased revenue new grant received, Free from Violence Local Government Program • \$58,120 increased revenue additional grant funds received Rubicon Village Waste Water project.
5	Grants -Capital	\$150,000 additional revenue. <ul style="list-style-type: none"> •DITRDC Additional Bridge renewal grant. 	\$3,292,644 reduced income. Capital grants are recognised as the capital works program is completed. Delays in works will influence the timing of the recognition of the grants. The recognition of the following grants will be delayed and reported in the 2022/23 accounting period. <ul style="list-style-type: none"> • \$2,015,800 DITRDC Bridge renewal. • \$721,868 Local Road and Community infrastructure Program Stage 2 • \$439,022 Blue gums to Eildon Trail

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
6	Contributions - Cash	\$151,000 additional revenue • \$150,000 Goulburn Valley Water contribution to Yea Caravan Park Bridge. • \$1,000 minor contribution to infrastructure works.	\$82,333 reduced income. • \$150,000 reduced Income Goulburn Valley Water contribution yet to be received. • \$67,500 increased income Public Open Space contributions.
7	Contributions - Non-Cash	No Change	\$604,062 additional income. The timing and value of assets gifted to Council is determined by the sub-division development during the year. It is difficult to budget for this item as Council does not directly control it. The current year's total of \$1,204,064 included \$448,562 land and land under roads, and \$755,498 for infrastructure assets.
8	Reimbursements	\$99,300 additional revenue. • Project undertaken on behalf of the Yea Cemetery Trust with costs being reimbursed by the Yea Cemetery Trust.	\$148,394 decreased income. • \$75,320 reduced recovery of rate collection legal fees as the expense was not incurred as debt collection activities have been curtailed. • \$99,300 reduced recovery Yea Cemetery project, expense have not been incurred, income and expenses will now be recognised in 2022/23. • \$27,273 increased recovery from CFA for tree removal works at Kinglake.
9	Other revenue	No Change	\$355,319 increased income. • \$156,048 increased income due to the recognition of the value of volunteer contributions as covid restrictions eased. This is a book entry with corresponding recognition under other expenditure. No impact on operating result. • \$79,477 increased interest earnings, as interest rates increased, and the cash held increased due to grants being received in advance of expenditure. • \$77,769 increased revenue from the sale of scrap metal. • \$12,270 Increased income. Administration charged for services to Goulburn Murray Climate Alliance (GMCA) not budgeted.

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
10	Employee Benefits	\$40,193 additional expenditure. •\$30,000 offset against new grants. • \$8,600 Yea Cemetery Trust project fully recoverable. • \$2,313 minor adjustments moving from wages to creditors.	\$867,767 decreased expenditure. Note that an estimated liability has been recognised for funds owed to staff due to the on ongoing EBA negotiations. In addition, the variances below are generally due to vacant positions. • \$274,768 decreased expenditure road and infrastructure, funds partially used to engage temporary labour hire services which are included under the materials and services line item. • \$182,377 decreased expenditure road and infrastructure maintenance, funds partially used to engage temporary labour hire services which are included under the materials and services line. • \$79,862 decreased expenditure environmental programs, vacant positions, and staff changeovers. • \$68,986 decreased expenditure environmental health, vacant positions and staff changeovers and use of temporary labour hire and contractors.
11	Materials and Services	\$354,977 additional expenditure. •\$257,677 expenditure Kinglake Streetscape project previous budgeted as capital, but now identified as Regional Roads Victoria assets. • \$90,000 Yea Cemetery Trust project fully recoverable. • \$7,000 Essential Services Measures, buildings monitoring and audit budget moved from capital projects.	\$1,141,303 decreased expenditure. Note: variances below partially relate to unspent operating grants and specific operational projects, the expenditure will now be carried forward and incurred in the 2022/23 year. • \$271,782 decreased expenditure grants and contributions program. • \$240,328 decreased expenditure plant and fleet. • \$168,966 decreased expenditure children services. • \$150,330 decreased expenditure human resources and occupational health. • \$101,190 decreased expenditure community development. • \$98,305 decreased expenditure procurement, insurance, and risk. • The balance or reduced expenditure was across various areas and projects. <i>An alternative summary of the materials and services line item is located at the bottom of the income statement.</i>
12	Depreciation and amortisation	No Change	\$134,997 decreased expenditure. Mostly due to decreased value of landfill airspace consumption \$122,916. Airspace consumption is dependent upon the amount and compaction of waste delivered to landfill. This item is difficult to budget.
13	Bad and Doubtful Debts	No Change	\$8,968 increased expenditure. A provisional allocation has been made in anticipation that a percentage of Community Safety fines will be uncollected.

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
14	Other Expense	No Change	\$154,341 increased expenditure. <ul style="list-style-type: none"> • \$ 156,048 increased expenditure due to recognising the value of volunteer contributions, this amount has an offsetting book entry see note 9. It has no impact on the operating result. • Balance being small variances across several areas.
15	Net gain/(loss) on disposal of property, infrastructure, plant and equipment.	No Change	\$367,188 favourable outcome. There are two components to this item, the disposal of realisable assets like plant and equipment, and the disposal of non-realisable property and infrastructure assets renewed and upgraded as part of the capital works program <ul style="list-style-type: none"> • \$88,457 favourable outcome plant and equipment. While the changeover of many items was delayed due to market constraints, the items that were transacted achieved results above the recorded book value. The budgets for the changeover of the items not completed in the current year will be recommended to be carried forward, with changeovers now to occur in the 2022-23 year • \$278,731 decreased in the book value cost of property and infrastructure renewed. This reflects that several capital works jobs were not completed at year end, the cost of writing out the book value of the renewed underlying assets will now be recorded in the 2022-23 year.
16	Increase Landfill Provision	No Change	\$276,566 increased expenditure. The recent sharp upturn in construction costs has required an increase to the liability provision established to cap, rehabilitate and monitor the landfill site. The increased provision is required to satisfy EPA and Accounting Standards requirements.

Balance Sheet (Statement B)

The Balance Sheet is included Attachment 10.3.1.

The Commentary below refers to Column (2) interim year-end result to revised budget variance.

Assets

The statement shows the movement of Cash (decrease \$18.5 million) and Financial Assets (term deposits with maturity greater than 90 days. increase \$29.4 million) a net result of an additional \$10.9 million cash. This reflects the value of cash collected and held to fund carry forward projects, and grants received in the financial year with the associated expenditure to be incurred in the 2022/23 year, and the receipt of 75% of the Financial Assistance Grants (FAG Victorian Grants Commission) being received in advance. A more detailed explanation is provided within the Cashflow statement.

Non-current assets are \$16.6 million above expectations due to a combination of increased asset values resulting from asset revaluations, \$23 million, partly offset by delayed capital works.

Liabilities

The major variance is \$4.2 million for the value of grants received in advance. These grants will be recognised as income in 2022/23 when the matching expenditure is incurred. The funds held for contract retentions, bonds, and amounts in trust is above budget by \$438 thousand.

Equity

The statements show a favourable variance, of \$22.7 million due to the movement in the asset revaluation reserve. This is partly offset by the small reduction in the budgeted operating surplus.

The operating surplus is explained in more detail by the commentary outlined in Statement A – Income Statement.

Cash Flow Statement (Statement C)

This statement combines the cash related movements from the Income Statement and the Balance Sheet into one statement. This Statement shows how funds are generated and consumed. The unaudited improvement in the cash position is \$10.9 million. The movement is explained by the three activities for generating and consuming cash:

Cash flow from operating activities

The statement shows an improvement of \$3.7 million, relating to receipt of grants and lower payments to suppliers.

Cash flow from investing activities

An increase of \$7.3 million mostly due to delays in the completion of capital work projects or savings. Several projects will be carried forward into the 2022/23 financial year. There was also a decline in expected cash from assets sales, \$629,000 as the changeover of various vehicle and plant items was delayed.

Cash flow from financing activities

No borrowing activities were undertaken.

Councillor Expenses (GST Exclusive):

As required in the adopted Councillor Reimbursement Policy (July 2020), Council reports quarterly on the Councillor related expenses. The following table details Councillor expenses for the fourth quarter period ending 30 June 2022.

Councillor Expenses for 3 months ended 30 June 2022:

	Allowances	Travel Expenses	Childcare Expenses	Information & Communications Expenses	Conference & Training Expenses	Other Expenses
Cr Carpenter	\$16,445.11	\$2,468.63	\$-	\$199.92	\$243.36	\$110.91
Cr Gallagher	\$11,020.38	\$4,028.24	\$-	\$199.92	\$118.36	\$110.91
Cr Gerencser	\$5,047.49	\$2,373.84	\$-	\$199.92	\$1,111.40	\$110.91
Cr Haslam	\$5,047.49	\$1,457.20	\$-	\$199.92	\$218.36	\$110.91
Cr Lording	\$5,047.49	\$1,649.68	\$-	\$199.93	\$118.36	\$110.91
Cr McAulay	\$5,047.49	\$2,088.63	\$-	\$199.92	\$1,354.19	\$120.66
Cr Walsh	\$5,047.49	\$1,145.06	\$-	\$199.92	\$118.36	\$110.91

It should be noted that accommodation and travel costs include the reimbursement of the claims, which a Councillor may choose to submit for travelling to Council meetings, briefings, and other functions, which they attend in their capacity as a Councillor. Where a Councillor's residence is greater than fifty (50) kilometres from the location of a Council meeting, they may also claim the statutory remote area allowance.

It should also be noted that Councillors can elect for part of their allowance to be deducted for superannuation purposes.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategy to "ensure Council remains financially-sustainable through sound management, forward planning, innovative service delivery and asset consolidation as appropriate".

Relevant Legislation

Section 97 of the *Local Government Act 2020* requires that at the end of each quarter of the financial year, a quarterly budget report is presented to the Council at a Council meeting which is open to the public.

Financial Implications and Risk

The financial governance of a council is an important role for Councillors. The risk of poor financial management can have a significant impact upon the governance of the Council. The financial implications flowing from this quarterly financial review are outlined in this report.

Conflict of Interest

There were no conflicts of interest declared by Council officers in relation to the matters contained in this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

C Baxter / S Schinck

That the Audit and Risk Committee receives the Quarterly Financial Report to 30 June 2022.

CARRIED

11 RISK MANAGEMENT

11.1 CEO's Questionnaire

Attachment(s)	Attachment 1 - Audit and Risk - CEO Questionnaire - 31 August 2022 [11.1.1 - 3 pages]
Presenter	L Bonazzi
Approved by	Director Corporate & Shared Services
Purpose	For information

RESOLUTION

Cr D Gallagher / S Schinck
That the Audit and Risk Committee note the Chief Executive Officer's Questionnaire to Directors.

CARRIED

11.2 CEO's Update

Attachment(s)	Nil
Presenter	L Bonazzi
Approved by	Director Corporate & Shared Services
Purpose	For information

The Chief Executive Officer will provide a verbal update on the following matters:

- Biosecurity - Foot and Mouth Disease and Lumpy Skin Disease.
- Victorian Ratepayers Association request for Council documents.
- Uninsurability becoming a future challenge.
- Recent staff resignations.

RESOLUTION

C Baxter / S Schinck
That the Audit and Risk Committee note the Chief Executive Officer's update.

CARRIED

11.3 Review Risk Register

Attachment(s)	Attachment 1 - Strategic Risk Report - September 2022 [11.3.1 - 9 pages] Attachment 2 – Operational Risk Register to be distributed separately to the Committee prior to the meeting.
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Purpose

The purpose of this report is to provide the Audit and Risk Committee with an update on the management of Council's Strategic and Operational Risk Registers.

Background

This report provides the Audit and Risk Committee with an update on how Council is managing its strategic and operational risks and any emerging risks that have been identified.

Discussion

As part of the review of the Enterprise Risk Management Policy, a new risk appetite statement was introduced. This included setting appetite levels for the different categories of risk. Over the last quarter this has been implemented in Council's risk management system and both the strategic and operational risk registers reflect this change.

Target risk assessments were also introduced to enable Council to assess each risk individually and set a target level. This may differ to the appetite statement.

Strategic Risk Register

There are four strategic risks, after a recent review two sit within appetite and two are outside of appetite. The two risks that sit within appetite have significant controls in place to reduce Council's liability and therefore the residual risk for these is low.

"Failure to meet Council's financial obligations and long-term sustainability" and "Increased vulnerability and exposure to the effects of climate change" both have quite significant consequences for Council and therefore remain outside of appetite. As expected with strategic risks, they are impacted by causes that sit outside of the Council's control and the potential treatments require significant financial and human resources.

The Executive Team continues to monitor Strategic Risks on an ongoing basis.

Operational Risk Register

Prior to the change in the risk appetite, the report presented to the Audit and Risk Committee only outlined operational risks with a residual rating of high or extreme. The Operational Risk Report (tabled separately) now includes all operational risks that sit outside of appetite. This ensures that the Committee has oversight of how Council is managing its major operational risks.

There are various operational risks that whilst they sit outside of appetite the residual risk meets the target risk level. This is because the risk consequence rating remains high, and even with a low likelihood the risk remains at a level that is not within the appetite for that category. This also means that these risks remain a priority to monitor. Most of these relate to staff / people safety outcomes or risks where there is potential for a major financial consequence, both of which involve a low tolerance level.

Emerging Risks

The operational risk register has been updated to include the biosecurity threat of Foot and Mouth and Lumpy Skin Disease impacting on Council's Saleyards activities in Yea and the potential diversion of staff and financial resources required in the event of an emergency response being required. Both of these risks do not appear in the Operational Risk Report because they remain at a level within appetite currently due to the current low likelihood. These continue to be monitored and evaluated.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective "to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future".

Relevant Legislation

The *Local Government Act 2020* has a general requirement that the Audit and Risk Committee will provide advice on financial management and broader aspects of the council's operations, particularly where compliance issues and risks are involved.

Financial Implications and Risk

This report directly relates to the management of risk by Council so that it is best able to realise its strategic objectives and opportunities.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

Cr D Gallagher / C Baxter

That the Audit and Risk Committee note the Strategic and Operational Risk Reports as contained in Attachments 11.3.1 and 11.3.2.

CARRIED

11.4 Reports & Publications of Interest to Local Council's

Attachment(s)	Attachment 1 - Local Government - Recent Reports and Publications (Aug 2022) [11.4.1 - 17 pages]
Presenter	HLB Mann Judd
Approved by	Manager Governance & Risk
Purpose	For information

RESOLUTION

C Baxter / Cr S McAulay

That the Audit and Risk Committee note the Recent Reports and Publications presented by HLB Mann Judd.

CARRIED

11.5 Review of CEO Credit Card Expenditure

Attachment(s)	Nil
Presenter	Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For noting

Purpose

The purpose of this report is to provide the Audit and Risk Committee with a summary of the Chief Executive Officer's (CEO) credit card transactions for noting.

Discussion

The CEO's and CEO's Executive Assistants' (EA's) credit card transactions for the period 30 March 2022 to 30 June 2022 have been reviewed and approved by the Mayor and Director Corporate and Shared Services in accordance with the Corporate Card Policy.

The disputed transactions reported previously, have been credited to the CEO's credit card.

The transactions are listed below:

Date	Officer	Supplier	Description	Value (\$)
30/03/2022	F Kay	Urban Brew	Eco Coffee Pods - Staff tearoom	43.00
1/04/2022	F Kay	Full Bloom	Get Well Flowers - Cr S Carpenter	50.00
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-177.54
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-270.95
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-139.99
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-179.99
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-179.99
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-252.60
5/04/2022	L Bonazzi	Dispute Refund	Disputed Transaction - Case 10746420 Refund	-219.58
12/04/2022	F Kay	Goody's Discounts	60 x Photo frames / 3 gift bags – Civic Ceremonies	356.95
20/04/2022	F Kay	Alexandra Newsagent	USB Flash Drive - Dir Assets & Development	19.95
26/04/2022	F Kay	Alexandra Garden Centre	4 x native plants - Citizenship Ceremonies	61.00
9/05/2022	T Fallon	GSCC Riverlinks Venues	CEO Registration ALGWA Victorian Annual Conference	550.00
11/05/2022	F Kay	Alexandra Bakery & Café	Birthday cake - Director Assets & Development	13.20
13/05/2022	T Fallon	GSCC Riverlinks Venues	Cr McAulay Registration ALGWA Victorian Annual Conference	550.00
13/05/2022	T Fallon	GSCC Riverlinks Venues	Cr Gerencser Registration ALGWA Victorian Annual Conference	550.00
13/05/2022	F Kay	Officeworks	Clipboards x 4 - Citizenship Ceremonies	9.96
26/05/2022	F Kay	Urban Brew	Eco Coffee Pods - Alexandra Office	62.00
28/05/2022	F Kay	Officeworks	Folder for Citizenship Ceremonies	7.99
7/06/2022	T Fallon	The Carrington	Accom & Breakfast Cr Ilona Bonazzi ALGWA Vic Conference	389.84
7/06/2022	T Fallon	The Carrington	Accom & Breakfast L Bonazzi ALGWA Vic Conference	393.82
7/06/2022	T Fallon	The Carrington	Accom & Breakfast Cr McAulay ALGWA Vic Conference	410.06
Total				2047.13

RESOLUTION

C Baxter / Cr S McAulay

That the Audit and Risk Committee note that the Chief Executive Officer's and the CEO's Executive Assistant's credit card transactions for the period 30 March 2022 to 30 June 2022 have been appropriately approved.

CARRIED

11.6 Insurance Management

Attachment(s)	Nil
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Purpose

The purpose of this report is to provide the Audit and Risk Committee with the high-level update regarding the management of Council's insurance suite including workers compensation and the annual premiums.

Background

The Audit and Risk Committee has a responsibility to monitor that Council is actively managing risks, its liability in relation to claims or the potential for claims and the impact of claims on the annual premiums.

Discussion

WorkCover Insurance

As Council exited the MAV self-insurance scheme in 2021 it is treated by WorkCover as a new entrant to the market, as if it has no claims history. Therefore, for the first 3 years the premium is calculated based solely on workforce size, type and number of work sites and total remuneration. The premium during this period does not take into account Council's claims history.

Council's premiums under the WorkCover Insurance scheme are summarised as follows:

Year	Premium
21/22	\$218,688.67 including GST
22/23	\$243,207.49 including GST

Under the MAV WorkCare Scheme the cost to Council in the 20/21 year was \$275,332 (including GST).

The increase this financial year reflects general insurance market price increases, and as previously outlined does not take into account Council's claims history.

Council has also appointed AEGIS Risk Management Services Pty Ltd to work with Council in managing Council's risk associated with worker's compensation. AEGIS assists the organisation with the following:

- Ensuring Council has robust procedures and comprehensive policies that mitigate the impact of any injuries and in turn reduce liability
- Provide advice regarding premium, policy and legislative compliance related matters
- Provide support in annual declarations of remuneration for premium calculation
- Being the first point of contact for a potential claim – assessment prior to insurer being notified
- Assist with strategies where claims are being questioned
- Ensuring that the interests of Murrindindi are given foremost consideration in relation to claims goals and outcomes
- Attendance with Murrindindi at conciliation meetings as required.

The focus for Council over the last 12 months has been on claims management, both existing and new. The intention was to:

- reduce the existing long term claims impact on future premiums and minimise ongoing liability, and
- to ensure that new claims are resolved in a timelier manner.

This has proven successful with three long term claims reaching a point where they will no longer have any impact on Council's premium going forward.

Currently Council only has two open claims and both employees remain engaged in work with changed duties and/or hours and it is hoped they can be closed in coming months.

Insurance Renewal suite

The following shows a summary of Council's insurance suite and the associated premium changes:

Class of Protection	2020/21	2021/22	2022/23	% change from 21/22
Community Liability Pack	\$1,397.14	\$952.05	\$1,025.26	+ 7.41%
Cyber Liability	\$7,460.64	\$10,718.93	\$14,918.50	+ 32.76%
Councillors and Officers Liability	\$28,655.00	\$31,942.09	\$ 34,661.76	+ 8.17%
Motor Vehicle	\$98,019.79	\$123,142.67	\$127,014.29	+ 3.1%
Personal Accident	\$1,002.40	\$1,025.87	\$1,066.16	+ 3.85%
Travel	\$311.35	\$97.01	\$101.86	+ 4.88%
Annual Fee	\$21,223.40	\$21,223.40	\$21,223.40	-
Asset Protect	\$138,597.66	\$150,586.59	\$163,039.14	+ 7.94%
Public Liability	\$251,596.40	\$267,949.78	\$281,347.00	+ 4.88%
Commercial Crime	\$2,907.22	\$3,728.81	\$4,258.31	+ 13.26%
TOTAL	\$551,171.00	\$611,367.20	\$648,655.68	+ 5.92%

Last year it was reported to the Audit and Risk Committee that Council had an overall increase of 10.92%, therefore the 5.92% increase this year is significantly reduced. Increases in insurance costs across the Local Government Sector were generally in the range of 8% to 17%.

The cyber liability increase is not surprising given the changes to the work environment during the COVID-19 Pandemic. This is an increase worldwide due to a narrowing of suppliers in the market. We are advised that sharp increases in cyber-related incidents and claims have resulted in insurance providers exiting this market.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective "to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future".

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategy to "ensure Council remains financially-sustainable through sound management, forward planning, innovative service delivery and asset consolidation as appropriate".

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategy to "provide a workplace that is flexible and inclusive to support the health and wellbeing of our employees".

Relevant Legislation

Council as an employer in Victorian is legally required to have Worker Compensation Insurance coverage.

Financial Implications and Risk

The Annual Budget allows for all insurance related expenses, including the payment of these premium amounts. Council's insurance suite is an essential control in minimising and managing Council's exposure to operational and strategic risks.

It is noted that the percentage increases in insurance suite costs over the last two years (17%) is significantly higher than the percentage increase allowed under the State Government cap on rate revenue (3.25%), indicating that increasing insurance costs will increasingly become a significant factor to manage in Council's annual budget considerations.

Conflict of Interest

There were no conflicts of interest declared by Council officers in relation to the matters contained in this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

Cr D Gallagher / C Baxter

That the Audit and Risk Committee note the Insurance Management report.

CARRIED

12 AUDITS - INTERNAL

12.1 Review Internal Audit Reports & Management Responses

Attachment(s)	Attachment 1 - Final Report - Review of Cybersecurity (Essential Eight) [12.1.1 - 25 pages]
Presenter	HLB Mann Judd
Approved by	Director Corporate & Shared Services
Purpose	For noting

HLB Mann Judd will present this report.

RESOLUTION

S Schinck / Cr S McAulay
That the Audit and Risk Committee note the Final Report - Review of Cybersecurity (Essential 8).

CARRIED

12.2 Follow Up Significant Issues Raised by Internal Audit

Nil.

12.3 Review Implementation of Previous Audit Actions

Attachment(s)	Attachment 1 - Audit Recommendations Status Report - September 2022 [12.3.1 - 15 pages]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

The purpose of this report is to provide the Audit and Risk Committee with an update regarding the implementation of previous audit actions.

Background

Each year as part of the internal audit program, specific areas of Council functions are reviewed and recommendations for improvement are tabled at the Audit and Risk Committee meetings. Management responds to audit findings with an agreed set of responses to address the findings.

Quarterly, officers provide the Audit and Risk Committee with an update on the implementation of outstanding internal audit recommendations.

Discussion

Attached is the report produced for the Audit and Risk Committee showing the status of all internal Audit recommendations as at 8 September 2022.

Since the May 2022 Audit and Risk Committee Meeting, the review of Procurement (Depot Operations) Audit recommendations have been added.

Items completed since the May 2022 meeting:

Review of Business Continuity Planning and Disaster Recovery

The following three recommendations have been completed since the last meeting:

1. When conducting the Business Impact Analysis, document all the required SLA metrics (including RPO and MAO). This will include interviewing the business owners / stakeholders and service providers to ascertain their tolerances for disruption and agreeing with them appropriate SLAs
2. Included the newly defined (post BIA) business agreed SLA metrics: RPO and MAO per business function within the BCP.
3. Stipulate BCP/ DR related risks in the risk register

Rates and Revenue Review

One recommendation has been completed since the last meeting including the following actions:

- Continue reviewing the Instrument of Delegation (including those relating to rates management practices) to ensure the delegations be relevant to Council's current practices;
- Relevant documentation pertaining to debt collection processes (e.g. application form, recommendation for approval, review checklist, formal advice to rates payer, payment plan, etc.) be developed, adequately completed by Council staff members and retained for audit trail purpose.

Review of Procurement (Depot Operations)

Two recommendations have been completed since the last meeting which include the following actions:

- Reinforce the requirement to relevant staff members with respect to the following:
 - Conflict of Interest declarations are signed and retained as part of the procurement process;
 - Obtain and retain all documents associated with procurement including quotations;
 - Ensure POs are raised on a timely basis and for the correct amount;
 - All procurement documents are approved as per the delegated authority;
 - All templates are used as stipulated in the policy/guidelines; and - Running sheets are used only for purchases up to \$200 as per the procurement policy.
- Update the running sheets with current ledger numbers to avoid misunderstanding within staff.
- Review and update Financial Delegations Policy
- Establish a formally documented internal monitoring program for procurement related activities, including but not limited to elements listed in the "Observation" column.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective “to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future”.

Relevant Legislation

The *Local Government Act 2020* has a requirement that the Audit and Risk Committee will provide advice on financial management and broader aspects of the council’s operations, particularly where compliance issues and risks are involved, this includes the implementation of audit recommendations.

Financial Implications and Risk

Internal audits are designed to identify risk areas and address them so as to risk Council’s exposure to risk.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

C Baxter / S Schinck

That the Audit and Risk Committee note the Internal Audit Recommendations Summary report – September 2022 as contained in Attachment 12.3.1.

CARRIED

12.4 Review Scopes of Audits by HLB Mann Judd

Attachment(s)	Attachment 1 - Review of Customer Requests and Complaints Draft IA Plan [12.4.1 - 6 pages]
Presenter	HLB Mann Judd
Approved by	Director Corporate & Shared Services
Purpose	For noting

HLB Mann Judd will present this report.

RESOLUTION

S Schinck / C Baxter

That the Audit and Risk Committee note the Review of Customer Requests and Complaints - Draft Internal Audit Plan as contained in Attachment 12.4.1.

CARRIED

13 MANAGEMENT REPORTING

13.1 Policy Register Report

Attachment(s)	Attachment 1 - Policy Register Report September 2022 [13.1.1 - 1 page]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

This report provides the Audit and Risk Committee with an overview of the status of both council and organisational level policies.

Background

Council has two levels of policies. Firstly, Council policies, which are adopted by Council, and are aimed at addressing a legislated or strategic need. These are made publicly available. Secondly, Organisational policies, which are approved by the Chief Executive Officer and are operational in nature, setting the requirements of Council in achieving service delivery and compliance.

The Audit and Risk Committee reviews the Policy Register on a six-monthly basis.

Discussion

Council and organisational policies contain review dates, which range from annually through to once per Council term (every four years). Policies remain in effect until reviewed, however it is good business practice to ensure that policies are regularly reviewed, to ensure that they meet legislated requirements and industry standards.

Council policies are a priority to review in accordance with the due date as they address legislated or strategic requirements, which is evident in the Policy Register Report (Attachment 13.1.1).

Currently there are two policies overdue for review, one of which is already being reviewed by the CEO Remuneration and Employment Committee. The Policy was adopted last year and Council committed to a review when the committee was operational, this is underway. The Customer Service Policy is also currently being reviewed.

Organisational policies are still an issue, with the majority of overdue policies sitting in the Human Resources area. Our People and Culture team is now fully staffed as of August (first time for 2 years) and its priority has been the current Enterprise Agreement negotiations. Once that is completed the overdue policies will be reviewed.

Since the last report, the following policies have been reviewed and adopted:

Council

1. Borrowings
2. Enterprise Risk Management
3. Child Safety and Wellbeing

Organisational

1. Financial Delegations
2. Investment
3. Smoke Free Workplace
4. Driver Safety

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective “to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future”.

Relevant Legislation

Policies at both levels address the various legislated responsibilities that Council must meet. Reviews are undertaken on regular basis to ensure that the policies are adequately addressing legislated responsibilities, Australian Standards and industry best practice.

Financial Implications and Risk

Policies are in place to mitigate Council’s risk in various areas. Policies that address higher risk areas to Council are reviewed on a more regular basis to ensure that they are adequately addressing the issue.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

Cr D Gallagher / C Baxter

That the Audit and Risk Committee note the Policy Register Report including Attachment 13.1.1.

CARRIED

The Chair asked that future reports on the Policy Register include the list of policies, their review date and the policy owner.

14 GENERAL BUSINESS AND FUTURE PLANNING

14.1 Annual Assessment of Committee's Performance

Attachment(s)	Attachment 1 - Audit and Risk Advisory Committee - 2021 22- Self-assessment Questionnaire [14.1.1 - 2 pages]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For information

Executive Summary

This report provides the results of the Audit and Risk Committee Self Assessment Survey.

Background

The Audit and Risk Committee Charter outlines that the Committee will conduct an annual self-assessment as part of its reporting requirements under the *Local Government Act 2020*. This survey is sent to the independent members (including any recent outgoing members), the Council representatives, the Mayor and Council's Executive Team.

Discussion

The attached document provides a summary of this year's results, it also shows last year's average score for each question and the trend in responses.

We had 5 responses, with a mix of Audit and Risk Committee Members and Council Executive. The average is then calculated across the scores and this gives a rating that is comparable to last year's assessment.

Generally, across all of the categories there was an increase in performance. There were three areas however where the scores went down, these were:

1. The Audit Committee has the ability to liaise with internal and external auditors and promote compatibility between audit programs

It is questionable whether this is a realistic expectation, as the external audit agenda is set annually by the Victorian Auditor General, whereas the internal audit plan is developed in consultation with the Executive and endorsed by the Committee.

2. The Audit Committee has the ability to determine whether systems of control are adequate to enable good governance and ethical practices

This may require the Executive to consider how its reporting could improve to ensure the Committee has adequate oversight to be able to advise Council in this area.

3. The Audit Committee has the ability to oversee investigation of any suspected cases of fraud

Again it is debateable as to whether this is a role the Audit and Risk Committee can play given the tight protocols required to be followed when conducting such investigations, and the potential role of integrity agency investigators (IBAC, Ombudsman, Inspectorate).

Many of the comments reflected positive change or noting improvement. This was particularly evident in areas relating to the quality of the information coming to the Audit and Risk Committee meetings from all parties and reflective of the changes made in risk management.

Last year's overall average was 5.04 and this year's average has increased to 5.49.

RESOLUTION

**C Baxter / Cr S McAulay
That the Audit and Risk Committee note the Audit and Risk Committee Annual Assessment.**

CARRIED

The Chair noted the need for the Committee to review the content of the self assessment questionnaire prior to its use next year to ensure its relevance.

15 COMMITTEE REPORTING

15.1 Audit Committee Biannual Report

Attachment(s)	Attachment 1 - Biannual Report - Audit and Risk Committee [15.1.1 - 3 pages]
Presenter	C Baxter
Approved by	Director Corporate & Shared Services
Purpose	For noting

This report will be presented by outgoing Chair, Mr Claude Baxter.

RESOLUTION

**S Schinck / Cr S McAulay
That the Audit and Risk Committee note the Committee's January – June 2022 Biannual Report for presentation to Council at the 28 September 2022 Scheduled Meeting.**

CARRIED

16 CONFIDENTIAL REPORTS

16.1 Internal Audit Contract and Procurement Process Discussion

A verbal report was presented.

17 NEXT MEETING

17.1 Next Meeting

The next meeting of the Audit and Risk Committee is scheduled for 8 December 2022 at 3.00 pm.

The meeting was closed at 11.10am.

CONFIRMED THIS

CHAIRPERSON C Nisbet