

Mansfield Shire Council

Audit and Risk Committee Report to Council

June –
December 2024



Purpose

The Chairperson of the Audit and Risk Committee is required to facilitate a bi-annual audit and risk report that describes the activities of the Committee and includes its findings and recommendations, to be provided to the CEO for tabling at the next Council meeting.

These reports are presented to ARC meetings in February and August and are subsequently tabled at the March and September Council meetings.

Overview

This half year Report of the Audit and Risk Committee fulfils the requirements of the governing legislation. The structure of this report includes the following:

- ▶ Overview
- ▶ Introduction
- ▶ Role of the Audit and Risk Committee
- ▶ Membership of the Audit and Risk Committee
- ▶ Meeting Attendance
- ▶ Annual Highlights
- ▶ Summary of the Work of the Committee
- ▶ Overall Assessment of Council's Risk, Control and Compliance Framework

Introduction

Section 53 of the *Local Government Act 2020* requires that Council establishes an Audit and Risk Committee. The Terms of Reference of the Committee are outlined in the Mansfield Shire Council Audit and Risk Committee Charter (the Charter), approved by Council on 19 March 2024.

Section 9.4(d) of the Charter requires that the Chairperson of the Committee to facilitate a bi-annual report to Council on the activities, issues, and related recommendations of the Committee.

This will be in the form of an Annual Report in August and half year report in February at the Audit and Risk Committee meetings and tabled with Council at the following monthly meeting.

This report satisfies that requirement for a report in February by providing an outline of the Committee's activities and highlights across the six month period to 31 December 2024.

Role of the Audit and Risk Committee

The role of the Audit and Risk Committee is to provide independent assurance and assistance to the Council (and management) on the Council's risk, control and compliance framework, and its external accountability responsibilities as defined in the governing legislation and in adherence to the various requirements of the Victorian Auditor-General's Office (VAGO).

The Audit and Risk Committee also provides an effective and efficient means of communication between the VAGO appointed external auditor, internal audit contractor, management and the Council.

Membership of the Audit and Risk Committee

The Charter requires that the Committee has a minimum of three independent members, one of whom will be appointed as the Chair by the Committee, and two Councillors. In line with this, membership of the Committee across the six-month period to 31 December 2024 has been as follows:

Jane Watson (Chair)	Independent member from 13 November 2022 Chair since 9 December 2024
Peter Johnston	Independent member from 13 November 2019 Chair from 21 November 2022 until 9 December 2024
Moh-Lee Ng	Independent member from 13 November 2020
Mayor Cr Steve Rabie	Councillor member from 28 November 2023
Cr Mandy Treasure	Councillor member from 26 November 2024
Cr Mark Holcombe	Councillor member from 24 November 2020 - 26 October 2024

Meeting Attendance

The Committee met three times during the six months from 1 July 2024 to 31 December 2024 with attendance shown in the table below. A quorum was achieved for each meeting.

Member	26 Aug 2024	16 Sep 2024	9 Dec 2024
Jane Watson (Chair)	✕	✓	✓
Peter Johnston (Chair)	✓	✓	✓
Moh-Lee Ng	✓	✓	✓
Mayor Cr Steve Rabie	✓	✓	✓
Cr Mark Holcombe	✕	✓	-
Cr Mandy Treasure	-	-	✓

Annual Highlights

Key highlights for the Committee across the last six months have been:

- ▶ Endorsement of the annual Financial Statements, accompanying notes information, the Governance and Management Checklist, and Performance Statement for 2023-24
- ▶ Review of the of the External Audit Strategy & Interim Audit Outcomes for 2023-24
- ▶ Review of the quarterly financial reports
- ▶ Review of the Debt Schedule
- ▶ Regular review of the Investment Schedule and Compliance
- ▶ Regular review of Procurement and Compliance
- ▶ Regular review of the Policy Register Status
- ▶ Regular review of the Occupational Health and Safety Management Report and Register
- ▶ Service area presentations from Council areas:
 - Business and Finance
 - Planning – Strategic and Statutory
- ▶ Review of internal audits conducted by Council's internal auditors, AFS & Associates:
 - Human Resources Management (incl. Gender Equality)
 - Occupational Health, Safety & Wellbeing Risk Assessment
 - Data Analytics - Procurement and Accounts Payable

Summary of the work of the Committee

The Committee meets on a quarterly basis to consider those matters within the scope of its terms of reference. The table below provides a schematic of the major items considered over the meetings across this financial year.

No	Charter Requirement	Charter Ref	Timing
Financial & Performance Reporting			
1	Review changes in significant accounting policies and disclosures	4.1(a)	Annually
2	Review LGPRF changes	4.1(b)	Annually
3	Review annual financial report and annual performance statement and recommend adoption	4.1(c) & (e)	Annually
4	Review outcomes of the external audit with management and the auditors	4.1(d)	Annually
5	Review management finance reports and performance statements	4.1(f)	As Req'd
Internal Control Environment			
6	Review key policies - Refer attached plan	4.2(a)	Quarterly
7	Review significant changes to key systems and consider impact of changes on Council's risk profile	4.2(c)	As Req'd
8	Ensure a program is in place to test compliance with systems and controls	4.2(d)	Quarterly
9	Assess whether the control environment is consistent with Council's Governing Principles	4.2(e)	Half Yearly
Risk Management			
10	Review effectiveness of Council's risk management framework	4.3(a)	Annually
11	Review Council's risk appetite statement	4.3(b)	Annually
12	Review Council's risk profile and changes occurring	4.3(c)	Quarterly
13	Review Council's treatment plans for significant risks	4.3(d)	Half Yearly
14	Review Council's Cyber Security	4.3(e)	Annually
15	Review Council's insurance programme	4.3(f)	Annually
16	Review BCP framework and testing regime	4.3(g)	Annually
Fraud Prevention Systems & Controls			
17	Review Council's fraud prevention policy and controls including Council's fraud control plan and awareness programme	4.4(a)	Bi-annual
18	Review reports from management about actual or suspected instances of fraud or corruption	4.4(b)	As Req'd
19	Review actions taken to report any incidents of fraudulent or corrupt behaviour	4.4(c)	As Req'd
Internal Audit			
20	Review Internal Audit Charter	4.5(a)	As Req'd
21	Review and approve strategic & annual internal audit plans	4.5(b)	Annually
22	Review progress on delivery of annual internal audit plan	4.5(c)	Quarterly
23	Review scopes of proposed internal audit reviews	4.5(d)	As Req'd
24	Review reports on internal audit reviews	4.5(e)	As Req'd
25	Meet with internal auditor in the absence of management	4.5(f)	Annually
26	Review action by management on internal audit recommendations	4.5(g)	Quarterly
27	Review effectiveness of the internal audit function	4.5(h)	Annually
28	Committee involvement in proposed changes to the internal audit service provider appointment	4.5(i)/(j)	As Req'd
External Audit			

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No	Charter Requirement	Charter Ref	Timing
29	Review and approve external audit scope and plan	4.6(a)	Annually
30	Discuss any audit issues encountered during the course of the audit	4.6(b)	Annually
31	Ensure that management responses to any audit findings are appropriate and timely	4.6(c)	Quarterly
32	Review performance of external auditor	4.6(d)	Annually
33	Review other VAGO reports for impacts on Council	4.6(e)	Quarterly
34	Meet with external auditor in absence of management	4.6(f)	Annually
Compliance Management			
35	Review systems and processes to monitor compliance with legislation and regulations and management follow up of instances of non-compliance	4.7(a)	Annually
36	Review processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance	4.7(b)	Annually
37	Obtain briefings on any significant compliance matters	4.7(c)	Quarterly
38	Consider reports by regulatory and integrity agencies on investigations and relevance for Council	4.7(d)	As Req'd
39	Review reports of any complaints received from regulatory or integrity agency regarding Council and responses to them	4.7(e)	As Req'd
Reporting to Council			
40	Provide Minutes to Council	12.2	Quarterly
41	Report on activities to Council	13 / 9.4(d)	Half Yearly
Performance Evaluation			
42	Assessment of Committee performance	14 / 9.4(c)	Annually
Review of Charter			
43	Review of Committee Charter	15	As Req'd
Other Matters			
44	Committee member induction	18	As Req'd
45	Consider other matters referred by Council		As Req'd
46	Related Party Disclosures		As Req'd
47	Annual Presentation to Committee on Asset Valuations	VAGO	Annually
Meeting Schedule			
48	Set Committee meeting schedule		Annually

Overall Assessment

Executive and senior staff, together with the appointed external and internal auditors, regularly brief the Committee regarding Council's risk management, financial reporting, and capacity to maintain a strong system of internal controls. These presentations ensure the Committee can concentrate its efforts on the areas of highest potential risk to Council.

Council's internal auditors, AFS & Associates have completed audit reviews, in accordance with the adopted Internal Audit five-year plan. Each of the internal audit reports provided detailed recommendations in relation to opportunities to improve controls.

These recommendations are discussed at Committee meetings and included on Council's detailed action plan that records open audit recommendations. The Committee then monitors the implementation of these recommendations and actions at each subsequent meeting to ensure that the agreed actions are carried out, thus assisting in improving Council's procedural and control environments.

Regarding the 2023-24 annual financial statements and performance statement audit, an unqualified (clear) audit opinion was given by the Victorian Auditor General's Office (VAGO) on the annual financial and performance statements.

VAGO is responsible for providing:

- ▶ An opinion as to whether the Annual Financial Statements of Council present a true and fair view of the financial affairs of Mansfield Shire Council in accordance with applicable Accounting Standards and legislation.
- ▶ An opinion on the Performance Statement based on the Local Government Performance Reporting Regulations, which consist of a series of service, financial and non-financial indicators.