

Mansfield Shire Council

# Audit & Risk Committee Report to Council

2023-24



Mansfield Shire

## 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 for at the ARC meetings in February and August and tabling at the March and September council meetings.

## Overview

This Annual Report of the Audit and Risk Committee fulfils the requirements of the governing legislation. The structure of this Annual 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, approved by Council on 21 March 2023.

The Charter (s13.1(a)) 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 March Audit and Risk Committee meetings and tabled with Council at the following monthly meeting.

This report satisfies that requirement for a report in August by providing an outline of the Committee's activities and highlights across the six month period to 31 December 2023.

## 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 2023 has been as follows:

Mr Peter Johnston (Chair)	Independent member from 13 November 2019 and Chair since 21 November 2022
Ms Moh-Lee Ng	Independent member from 13 November 2020
Ms Jane Watson	Independent member from 13 November 2022
Cr Mark Holcombe	Councillor member from 24 November 2020
Cr James Tehan	Councillor member from 21 November 2021 to 28 November 2023
Cr Steve Rabie	Councillor member from 28 November 2023

## Meeting Attendance

The Committee met three times during the six months to 31 December 2023year, with attendance shown in the table below. A quorum was achieved for each meeting.

Member	28 Aug 2023	4 Oct 2023*	27 Nov 2023
Mr Peter Johnston (Chair)	✓	✓	✓
Ms Moh-Lee Ng	✓	✓	✓
Ms Jane Watson	✓	✓	✓
Cr Mark Holcombe	✓	✓	✓
Major Cr James Tehan	✓	✓	✓

*\*Additional meeting to consider the Annual Financial Statements*

## Annual Highlights

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

- ▶ The endorsement of the annual Financial Statements, accompanying notes information, the Governance and Management Checklist, and Performance Statement for 2022-23
- ▶ The review of the External Audit Strategy & Interim Audit Outcomes for 2022-23
- ▶ The review of the quarterly financial reports
- ▶ The review of the Debt Schedule
- ▶ The regular review of the Investment Schedule and Compliance
- ▶ The regular review of Procurement and Compliance
- ▶ The regular review of the Policy Register Status
- ▶ The regular review of the Occupational Health and Safety Management Report and Register
- ▶ The review of the five-year strategic Internal Audit Plan and annual internal audit plan
- ▶ The Capital Works service area presentation
- ▶ The conduct of internal audits by Council's contract auditors, AFS & Associates, in the following areas:
  - Cyber Security Strategy and Governance
  - Audit and Risk Committee Self-Assessment



## 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.

### Annual Work Plan - Year Ending 30 June 2024

No	Charter Requirement	Charter Ref	Timing	Aug	Nov	Feb	May	Status
<b>Financial &amp; Performance Reporting</b>								
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	4.1(c)	Annually	✓				Additional meeting set for 25 Sept 2023
4	Review outcomes of the external audit with management and the auditors	4.1(d)	Annually	✓				Additional meeting set for 25 Sept 2023
5	Recommend adoption of annual financial report and performance report	4.1(e)	Annually	✓				Additional meeting set for 25 Sept 2023
6	Review management finance reports and performance statements	4.1(f)	As Req'd		✓	✓	✓	
<b>Internal Control Environment</b>								
7	Review key policies - Refer attached plan	4.2(a)	Quarterly	✓	✓	✓	✓	Refer to attached plan
8	Review significant changes to key systems and consider impact of changes on Council's risk profile	4.2(c)	Quarterly	✓	✓	✓	✓	No significant changes to systems and controls year to date. The Digital Transformation Project will monitor risks arising as the new systems are progressed.
9	Ensure a program is in place to test compliance with systems and controls	4.2(d)	Quarterly	✓	✓	✓	✓	Audit programs established
10	Assess whether the control environment is consistent with Council's Governing Principles	4.2(e)	Half Yearly		✓		✓	
<b>Risk Management</b>								
11	Review effectiveness of Council's risk management framework	4.3(a)	Annually		✓			
12	Review Council's risk appetite statement	4.3(b)	Annually			✓		To be progressed
13	Review Council's risk profile and significant changes thereto	4.3(c)	Quarterly	✓	✓	✓	✓	
14	Review Council's treatment plans for significant risks	4.3(d)	Half Yearly		✓		✓	
15	Review Council's Cyber Security	4.3(e)	Annually			✓		Review in progress
16	Review Council's insurance programme	4.3(f)	Annually				✓	

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No	Charter Requirement	Charter Ref	Timing	Aug	Nov	Feb	May	Status
17	Review BCP framework and testing regime	4.3(g)	Annually		✓			BCP testing was completed in Dec. 2023. The BCP document is currently under review to incorporate learnings from the testing, and will be presented at the May 2024 meeting.
<b>Fraud Prevention Systems &amp; Controls</b>								
18	Review Council's fraud prevention policy and controls	4.4(a)	Bi-annual			✓		
19	Review Council's fraud control plan and awareness programme	4.4(a)	Annually			✓		The Fraud Control Plan is under review - to be extended to include corruption for consistency with the Policy
20	Review reports on any instances of unethical behaviour, fraud and corruption	4.4(b)	Quarterly	✓	✓	✓	✓	Feb. - Nil to Report
21	Review actions taken to report any incidents of fraudulent or corrupt behaviour	4.4(c)	Quarterly	✓	✓	✓	✓	Feb. - Nil to Report
<b>Internal Audit</b>								
22	Review Internal Audit Charter and revise if required	4.5(a)	Annually			✓		
23	Review and approve strategic & annual internal audit plans	4.5(b)	Annually				✓	
24	Review status of delivery of annual internal audit plan	4.5(c)	Quarterly	✓	✓	✓	✓	
25	Review scopes of proposed internal audit reviews	4.5(d)	Quarterly	✓	✓	✓	✓	
26	Review reports on internal audit reviews	4.5(e)	Quarterly	✓	✓	✓	✓	
27	Meet with internal auditor in the absence of management	4.5(f)	Annually		✓			
28	Review progress by management on open audit recommendations	4.5(g)	Quarterly	✓	✓	✓	✓	
29	Review effectiveness of the internal audit function	4.5(h)	Annually			✓		AFS contract extends to 30 June 2024. The internal audit services will be tendered - refer to agenda item
30	Committee involvement in appointment of internal audit service provider	4.5(i)/(j)	As Req'd			✓		
<b>External Audit</b>								
31	Review and approve external audit scope and plan	4.6(a)	Annually			✓		In progress - refer VAGO reporting
32	Discuss any audit issues encountered during the course of the audit	4.6(b)	Annually	✓				

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No	Charter Requirement	Charter Ref	Timing	Aug	Nov	Feb	May	Status
33	Ensure that management responses to any audit findings are appropriate and timely	4.6(c)	Quarterly	✓	✓	✓	✓	
34	Review performance of external auditor	4.6(d)	Annually		✓			
35	Review other VAGO reports for impacts on Council	4.6(e)	Quarterly	✓	✓	✓	✓	
36	Meet with external auditor in absence of management	4.6(f)	Annually	✓				
<b>Compliance Management</b>								
37	Review systems and processes to monitor compliance with legislation and regulations and management follow up of instances of non compliance	4.7(a)	Annually				✓	
38	Review processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance	4.7(b)	Annually			✓		In progress
39	Obtain briefings on any significant compliance matters	4.7(c)	Quarterly	✓	✓	✓	✓	Feb. - No significant matters
40	Review Report on Gifts, Benefits and Hospitality	4.7(d)	Annually			✓		
41	Consider reports by regulatory and integrity agencies on investigations and relevance for Council	4.7(e)	Quarterly	✓	✓	✓	✓	No reports identified
<b>Reporting to Council</b>								
42	Provide Minutes to Council	12.2	Quarterly	✓	✓	✓	✓	
43	Report on activities to Council	13 / 9.4(d)	Half Yearly	✓		✓		
<b>Performance Evaluation</b>								
44	Assessment of Committee performance	14 / 9.4(c)	Annually			✓		
<b>Review of Charter</b>								
45	Review of Committee Charter	15	Annually			✓		
<b>Other Matters</b>								
46	Conflict of Interest Disclosures	16.1	As Req'd	✓	✓	✓	✓	
47	Committee member induction	18	As Req'd					
48	Consider other matters referred by Council		As Req'd	✓	✓	✓	✓	Feb. - Nil matters referred
49	Related Party Disclosures		As Req'd	✓	✓	✓	✓	
50	Annual Presentation to Committee on Asset Valuations	VAGO	Annually				✓	
<b>Meeting Schedule</b>								
51	Set Committee meeting schedule		Annually	✓				

Completed
In Progress
Overdue

## **Overall assessment of Council's risk, control and compliance framework**

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. A detailed action plan was agreed upon ensuring that members were comfortable and confident the responses and actions outlined by management would adequately address the 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 2022-23 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.