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Strathbogie Shire
Council

Audit and Risk Committee
Bi-Annual Committee
Performance Report

January to June 2023

1. Purpose of this Report

The Audit and Risk Committee is an Advisory Committee of Council established to provide guidance around strengthening Council's governance and risk management frameworks, monitoring the organisation's financial management and to help drive continuous improvement.

Our Committee is comprised of four independent community members with a strong and broad background in private enterprise, Boards and Councils. Two Councillor members strengthen our ranks, supported by a third 'reserve' Councillor representative. The Committee is supported by internal audits undertaken by AFS and Associates and also by the Victorian Auditor General's Office appointed auditors Crowe Australasia.

The Committee will prepare a six-monthly audit and risk report that describes the activities of the Audit and Risk Committee and includes the Committee's findings and recommendations in accordance with section 54(5a) of the Act, along with the agreed actions. This report will be provided to the Chief Executive Officer for reporting to Council twice a year in July and January.

2. Period of this Report

This report covers Audit and Risk Committee activity from 1 January 2023 to 30 June 2023. In the period the Committee met three times.

Table 1: Meetings held in the calendar year

Meeting Date	Purpose of Meeting
3 March 2023	Ordinary Meeting
21 April 2023	Extra-Ordinary Meeting to consider the 2023-24 Draft Budget and 2023-24 Financial Plan
2 June 2023	Ordinary Meeting

3. Membership and Attendance

Membership of the Committee currently comprises four independent representatives, one of whom is chair, two permanent Councillor members and one Councillor acting as a reserve member should they be needed to achieve a quorum.

Membership for the period 1 January 2023 to 30 June 2022 is listed below, along with meeting attendance

Table 2: Attendance at meetings by the Committee members

Committee Member	3 March 2023	21 April 2023	2 June 2023
Paul Ayton	Yes	Yes	Yes
Mark Freudenstein	Yes	No	Yes
Alister Purbrick	Yes	Yes	Yes
Alistair Thomson	Yes	No	Yes
Mayor Laura Binks	Yes	Yes	Yes

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Cr Chris Raeburn	Yes	Yes	No
Deputy Mayor Paul Murray (appointed by Council as the reserve member in February 2023)	Yes	No	Yes

At the meeting held on 2 June 2023 the Audit and Risk Committee will consider the proposed dates (below) for the meeting schedule for the 2023-24 period.

A date in July or August 2023	Annual Strategic Planning meeting (deferred from May)
15 September 2023	Ordinary meeting
6 October 2023	Extraordinary meeting – policy review
1 December 2023	Ordinary meeting
1 March 2024	Ordinary meeting
5 April 2024	Extraordinary meeting – 2024-25 draft budget and performance statements review
1 June 2024	Ordinary meeting

4. Key Activities for the Reporting Period

There are twenty key action groupings listed in the Committee’s current Workplan listed under the following themes as per the Act.

The status of the Workplan as at the time of writing this review forms Attachment 1. The commentary and status of actions shows the progression towards completion for the year.

More specifically, the key matters considered-discussed during the reporting period by the Committee are outlined in Table 3.

Table 3: Matters considered during the calendar year

Topic		Period 1 January 2023 to 30 June 2023		
		3 March	21 April	2 June
1	At the meeting, the Audit and Risk Committee were advised that Officers are working through the preliminary parameters for the 2023-24 Budget. A timetable for budget preparation and workshops for Councillors to consider the budget was still to be determined.			
2	The Audit and Risk Committee were advised that the current contract for internal audit services expires on 1 July 2023 therefore a tender process will be required for ongoing internal audit services. The tender process to appoint internal auditors has been delayed and an appointment is expected in August 2023.			
3	Strategic Risk Register Review In March, Management reported emerging risks relating to:			

Topic		Period 1 January 2023 to 30 June 2023		
		3 March	21 April	2 June
	<ul style="list-style-type: none"> • Staff accommodation • Financial implications resulting from the Council failing to adopt the mid-year review and annual budget. • Financial impacts of flood damage and recovery <p>The Committee expressed concern around the completion of the Business Continuity and Disaster Recovery Plans and ensuring that they are properly documented and tested.</p>			
4	<p>Outstanding Internal Audit Items Review Updates Held over in March 2023</p>			
5	<p>Policy Review Updates Held over in March 2023</p>			
6	<p>Human Resources Key Strategic Indicators</p> <p>In March, the Committee expressed concern at the number of staff over sixty years of age and the implications of those staff transitioning to retirement in a difficult recruitment environment. Management acknowledged this and advised that the OHS consultant has been retained in a limited capacity in the short term to assist with Enterprise Agreement negotiations and develop the workforce plan, with the aging workforce and succession planning as a high priority.</p> <p>An update of Enterprise Agreement negotiations was provided in June 2023.</p>			
7	<p>Internal Audit Program Updates Held over in March 2023</p>			
8	<p>The Audit and Risk Committee reviewed the 2023-24 draft Budget and 2023-24 Draft Capital Works Program</p>			
9	<p>Project CODI (Collaborative Digital Transformation Project Update)</p> <p>Following from Victoria State Government funding, Strathbogie Shire Council is collaborating with Benalla, Mansfield, and Murrindindi Councils in a digital transformation project to develop modern ICT systems. The objective of the project is to integrate and align our existing systems to be more efficient and functional. This collaboration is known as Project CODI.</p> <p>The project is well underway, and the Project Steering Group, Project Control Group, Project Management Group, and content expert leads have been meeting regularly so as to meet stringent time frames around the tender and procurement process. Tenders for the project</p>			

Topic		Period 1 January 2023 to 30 June 2023		
		3 March	21 April	2 June
	<p>closed in May 2023 and short-listed vendor demonstrations are underway. Award contracts are expected to be in place by 30 June 2023.</p> <p>Director Bray notes that the development of an ICT Strategy is overdue, however an ICT Strategy will be developed that is reflective of the new integrated system when it is in place.</p>			
10	<p>Municipal Monitors Report</p> <p>Director Bray reported the Municipal Monitor's (Janet Dore) Final Report had been tabled at the Council meeting held on 21 February 2023. The report was tabled for information.</p> <p>It was noted that another Municipal Monitor, Peter Stephenson was appointed by the Minister for Local Government on 15 May 2023. Mr Stephenson's appointment will build on the work completed by our first Monitor, Janet Dore, who finished her six-month appointment in September 2022</p> <p>The Minister is responding to serious concerns about governance and conduct raised with her by some Councillors, Council staff and members of Council's Audit and Risk Committee.</p>			
11	<p>Electoral Structure Review</p> <p>The report was provided for information and summarised the previous concerns raised by the Audit and Risk Committee and Council regarding the electoral restructure review, process, and funding.</p> <p>Although Council has not made a submission, it was suggested that Council may agree on a number of principles reflected in the review e.g., the number of Councillors, the number of wards, Councillor election mechanism e.g., by ward or across the entire Shire. Defaulting to agreed principles is a good way to ensure a suitable model for the Shire is finally implemented.</p>			
12	<p>Disaster Recovery and Emergency Recovery Update</p> <p>Director Tingay provided an overview of the emergency management provisions in Victoria, how they impact the Strathbogie Shire, what obligations are placed on the Strathbogie Shire Council and what strategies Council has in place to meet its obligations.</p>			
13	<p>Confidential Briefings</p>			

Topic	Period 1 January 2023 to 30 June 2023		
	3 March	21 April	2 June
It is noted that confidential briefings were held between the Audit and Risk Committee, Director Bray, and CEO Salomon.			

6. External Audit

During the reporting period our external auditor Crowe Howarth (Australia) Pty Ltd commenced audits relating to the 2022-23 Financial Statements and other documents for presentation to, and approval by the Council in September 2023.

Below is the schedule for the progress towards the finalisation of the 2022-23 financial statements:

- 26 April 2023 - Interim audit commenced
- 12 May 2023 - Shell financial report/performance statement provided to audit
- 16 June 2023 - Shell financial report/performance statement reviewed and feedback provided
- 16 August 2023 – Draft financial report / performance statement submitted to audit after internal quality assurance by management
- 21 August 2023 – Final audit commences
- 28 August 2023 – Closing meeting with auditors
- September 2023 – Closing report discussed at the Audit and Risk Committee meeting
- September 2023 – Financial report/performance statement adopted and signed by governing body
- October 2023 – Independent Auditor’s Report signed
- October 2023 – Final management letter issued
- October 2023 – Annual Report.

7. Internal Audit

In the period since the last report the Internal Auditors AFS and Associates have completed or commenced a number of audits in line with the Strategic Internal Audit Program.

Audits completed and due for reporting:

- Rates and Revenue Review
- Past Audits Review March 2023
- Waste Management
- Environmental Sustainability and Climate Change

Audits underway:

- Capital Project Delivery Framework
- Risk Management Framework (on hold until further notice due to the absence of key stakeholders)
- Scoping - Environmental Health (Food safety, registered premises, and temporary food events)

All recommendations from the final audit reports are entered into an action plan (Outstanding Items Internal Audit Program) which is a standing agenda item on the Audit and Risk Committee Agenda and is reviewed quarterly.

The current contract for the appointment of internal auditors expires in June 2023. The tender process to appoint an ongoing internal auditor should be completed by August 2023.

9. Risk Management

The Committee noted that many improvements to the Risk Management Framework were underway with significant progress made, particularly related to the assessment of the effectiveness of controls that Council relies on to mitigate risk through the finalisation of a Strategic Risk Register in July 2022.

The Committee shared its collective experience with management regarding the extension of the improvements proposed but it is noted that there is still much work to be done regarding the development of a comprehensive risk management framework across the organisation. The Committee welcomed the opportunity to engage further as the work progresses.

The Strategic Risk Register update is a standing agenda item on the Audit and Risk Committee Agenda and is reviewed quarterly.

10. Being Proactive

The Committee recognise the workload pressures on officers and the growing demands that the revised duties of an audit and risk committee has under the *Local Government Act 2020*. To this end, the Committee wishes to express its commitment to a more proactive approach to key tasks such as the recruitment of independent members, which happens on an annual basis, and the tendering of the contract for internal audit services.

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Audit Committee Work Plan – Summary Of Actions/Updates In Quarter To June 2023		
Action	Comment	Status
Monitor the compliance of Council policies and procedures with the overarching governance principles and the <i>Local Government Act 2020</i> and the regulations and any ministerial directions (section 54(2a))		
<p>Monitor Council processes for compliance of Council policies and procedures.</p> <p>Assess the Council's policy framework and procedures to ensure the embedding of the governance principles.</p>	<p>A comprehensive audit of policies and CEO Directives has been underway since June 2022.</p> <p>To date all policies and CEO Directives have been updated or are under review and consultation. Policies and Directives have been work flowed to the relevant subject matter expert(s) and this process allows for tracking and monitoring progress to completion.</p> <p>A number of new policies and CEO Directives have been developed in 2023 and are in various stages of endorsed and/or leading to approval by Council. These include:</p> <ul style="list-style-type: none"> • Working Alone CEO Directive • Provision of Services During the Declared Fire Danger Period CEO Directive • Councillor/Staff Interaction Policy • Draft Councillor Briefing Policy • Draft Addressing Unreasonable/Vexatious Conduct Policy • Draft Business Continuity Policy • Flag Flying Protocol <p>As required by legislation the following policies will be reviewed at an extraordinary Audit and Risk Meeting in October 2023 (or date to be confirmed):</p> <ul style="list-style-type: none"> • Procurement Policy • Purchasing Card Policy • Rates and Charges Collection and Hardship Policy • Risk Management Policy • Council Expenses Policy • Disposal or Sale of Council Assets. 	<p>Underway/ Within Timeframe</p>

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	<p>A comprehensive rewrite of the Business Continuity Plan is underway, and the Governance Rules are under review by Council.</p> <p>Policies are a standing agenda item on the Audit and Risk Committee Agenda and are reviewed quarterly.</p>	
<p>Monitor compliance with relevant laws and regulations</p>		
<p>Monitor Council's processes regarding compliance with legislation and regulations</p>	<p>Standing internal and external audits and report to Audit and Risk Committee provide quarterly oversight of compliance.</p> <p>Legislative updates are a standing agenda item on the ELT/Management Group monthly meetings.</p> <p>A legislation and strategy annual calendar is under development</p>	<p>Underway/ Within Timeframe</p>
<p>Monitor the compliance of Council policies and procedures with the overarching governance principles and the <i>Local Government Act 2020</i> and the regulations and any ministerial directions (section 54(2a))</p>		
<p>Review the CEO Employment and Remuneration Policy Employment Matters Policy annually as per section 45 of the Act.</p>	<p>This policy will be reviewed within the next three months.</p>	<p>Within Timeframe</p>
<p>Oversee internal audit function (section 54(2d))</p>		
<p>Review the Internal Audit Committee Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations.</p>	<p>Audit and Risk Committee Charter was endorsed by Council in December 2022.</p> <p>The current Charter is available on Council's website under newly created Audit and Risk Committee Tab</p>	<p>Within Timeframe</p>
<p>Recommend to Council the appropriate method for the provision of the internal audit function including the evaluation criteria and the appointment of the contractor</p> <p>Monitor the performance and ongoing effectiveness of the contractor, which can include making a recommendation to Council to terminate the contractor should performance not meet the standards set out in the contract.</p>	<p>Internal audit contract in place until 30 June 2023.</p> <p>Council resolution from November 2022 meeting to receive a report on the tender process for Internal Auditors at the February 2023 Council meeting. This process has been delayed due to key officers being diverted to focus on Council conduct matters.</p> <p>This item is also listed for discussion at December 2022 Audit and Risk Committee meeting—agenda item 6.3. It is expected a report will be considered by Council to appoint an Independent Auditor at its August 2023 meeting.</p>	<p>Within Timeframe</p>

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<p>Review the reporting on completed internal audits, seeking clarification through critical analysis to assure the Committee that management is responding adequately to the findings and key risks are mitigated</p> <p>Monitor the progress of the strategic annual internal audit plan and work program and consider the implications of internal audit findings for the control and operating environment.</p> <p>Monitor the implementation of internal audit's findings and recommendations.</p>	<p>To date (in 2023) the following internal audits have been conducted and are awaiting final reports:</p> <ul style="list-style-type: none"> • Rates and Revenue • Waste Management • Environmental Sustainability and Climate Change <p>The following internal audits are underway or about to commence:</p> <ul style="list-style-type: none"> • Capital Project Delivery Framework • Risk Management Framework (deferred due to absence of key stakeholders) • Environment Health. <p>The following are listed as standing agenda items at Audit and Risk Committee meetings and are reviewed quarterly:</p> <ul style="list-style-type: none"> • Internal Audit Program Reports • Outstanding Internal Audit Items • Audit Committee Work Plan • Strategic Risk Register • Policy Updates <p>Internal Auditors conduct periodic testing of whether audit actions reported as completed have been effectively implemented.</p>	
<p>Monitor compliance with relevant laws and regulations</p>		
<p>Assess the Council's procurement framework with a focus on the probity and transparency of policies and procedures/processes</p> <p>Monitor the implementation of financial management policies, including they are aligned with the achievement of the Act's financial management principles.</p>	<p>The documents below are current and were endorsed by the Audit and Risk Committee in October 2022.</p> <p>As required by legislation the following policies will be reviewed at an extraordinary Audit and Risk Meeting in October 2023 (or date to be confirmed):</p> <ul style="list-style-type: none"> • Procurement Policy • Purchasing Card Policy • Rates and Charges Collection and Hardship Policy • Risk Management Policy • Council Expenses Policy • Disposal or Sale of Council Assets. 	<p>Within Timeframe</p>

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Monitor work by the council to mitigate and plan for climate change risk.	Council has declared Climate Emergency. Climate Change Action Plan adopted by Council on 16 August 2022. Internal Audit of Environmental Sustainability and Climate Change is underway.	Underway/ Within Timeframe
Review issues relating to national competition policy and Local Government Performance Reporting Framework (LGPRF)	This will be undertaken as part of the preparation and consideration of the Annual Report and the 2023 LGPRF reporting (currently underway).	Underway/ Within Timeframe
Monitor Council financial and performance reporting (section 54(2b))		
Review management's processes for ensuring and monitoring compliance with legislation and other requirements on the external reporting by the Council of financial and non-financial information, performance reporting under the Act, and other relevant legislation.	External audit underway by Crowe Australasia on Financial Statements, Performance Statement and Governance and Management Checklist. Due for reporting to Audit and Risk Committee in September 2023.	Underway/ Within Timeframe
Assess any changes to Council's accounting policies and procedures and the methods of applying them, with the input of management, external and internal auditors, ensuring that they are in accordance with the stated financial reporting framework	Reviewed at external and internal audits. Finance Manager in discussion groups such as Fin Pro – for Local Government finance professionals and is due to attend the FinPro annual conference along with the Senior Finance Officer. Accounting/Financial Policies to be updated and reviewed at Audit and Risk Meeting in October 2023 (date to be confirmed).	Underway/ Within Timeframe
Review the appropriateness of accounting policies and disclosures to present a true and fair view	External Audits are underway. The schedule for the remainder of the financial year is listed below: <ul style="list-style-type: none"> • 26 April 2023 - Interim audit commences • 12 May 2023 - Shell financial report/performance statement provided to audit • 16 June 2023 - Shell financial report/performance statement reviewed and feedback provided • 16 August 2023 – Draft financial report / performance statement submitted to audit after internal quality assurance by management • 21 August 2023 – Final audit commences • 28 August 2023 – Closing meeting with auditors • September 2023 – Closing report discussed at the Audit and Risk Committee meeting 	Underway/ Within Timeframe

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	<ul style="list-style-type: none"> September 2023 – Financial report/performance statement adopted and signed by governing body October 2023 – Independent Auditor's Report signed October 2023 – Final management letter issued October 2023 – Annual Report. 	
Review the financial reporting provided to Council and monitor the financial performance and sustainability of Council	Review format at start of each Council term then report quarterly. Format has been reviewed to include further detail and information on Key Performance Indicators.	Underway/ Within Timeframe
Assess reports from internal and external auditors that make recommendations about the quality of financial reports such as actual and potential material audit adjustments, financial report disclosures, non-compliance with legislation and regulations, internal control issues	Refer to timeframes listed above.	Underway/ Within Timeframe
Recommend to the Council whether the financial report including the performance statement section of the Annual Report should be approved based on the Committee's assessment of them.	Refer to timeframes listed above.	Within Timeframe
Monitor and provide advice on risk management and fraud prevention systems and controls (section 54(2c))		
Monitor the implementation of the Risk Management Strategy and progress in managing risk identified on the Risk Register priorities. The progress against these documents will be reported to the Committee at each meeting.	Report on Strategic Risks scheduled as a standing item at quarterly Audit and Risk Committee meetings. Strategic Risk Register scheduled as a standing item at monthly ELT/Management Group meetings.	Underway/ Within Timeframe
Review and recommend enhancements to Council's policy for the oversight and management of business risks.	Updated Risk Management Policy to be presented to the Audit and Risk Meeting in October 2023 (date to be confirmed) for annual review and oversight.	Within Timeframe
Receive regular risk reports, which: <ul style="list-style-type: none"> provide an overview of management of each strategic risk by strategic risk owners 	Report on Strategic Risks scheduled as a standing item at quarterly Audit and Risk Committee meetings. Risk register and framework is scheduled as a quarterly standing item on ELT/Management Group meetings for officer to review existing strategy and risks and assess emerging risks.	Underway/ Within Timeframe

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<ul style="list-style-type: none"> • identify key risks, the status, and the effectiveness of the risk management systems to ensure that identified risks are monitored and new risks are identified, mitigated, and reported. 	<p>Internal audit of Risk Management Framework is underway and due for reporting July 2023.</p>	
<p>Review whether the Council has a current and active business continuity plan and disaster recovery plan which is tested periodically as determined by the plan.</p>	<p>An existing Business Continuity Plan and Disaster Recovery Plan in place and a scheduled internal audit review took place in August 2022 and reported to Audit and Risk Committee.</p> <p>A new Business Continuity Policy is under development and is in the workflow for approval by management before being presented to Council for endorsement.</p> <p>A complete rewrite of the Business Continuity Plan is underway.</p>	<p>Underway/ Within Timeframe</p>
<p>Oversee external audit function (section 54(2d))</p>		
<p>Seek information from the external auditor to outline the external audit plan including proposed audit strategies and how they might relate to identified risk areas, discuss audit results, and consider the implications of the external audit findings for the control environment.</p> <p>Ask the external auditor if there have been any significant resolved or unresolved disagreements with management.</p> <p>Ask the external auditor if there have been any significant resolved or unresolved disagreements with management.</p> <p>Sight all representation letters signed by management and consider the completeness and appropriateness of the information provided</p>	<p>The following reports will be presented to the Audit and Risk Committee in September 2023 for endorsement:</p> <ul style="list-style-type: none"> • 2022-23 Annual Financial Reports • 2022-23 Performance Statement and Governance Management Checklist • Final Management Letter • External Auditors Closing Report to Audit Committee <p>The external audit schedule is listed above.</p>	<p>Underway/ Within Timeframe</p>

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Monitor internal controls		
Review the effectiveness of the Council's internal control system with management and the internal and external auditors.	Ongoing program of internal and external audits monitors effectiveness of internal controls.	Underway/ Within Timeframe