

Mansfield Shire Council

Audit & Risk Committee

2019-20 Report to Council

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
- Progress Against KPIs
- Acknowledgements

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, most recently approved by Council on 21 July 2020.

The Charter requires that the Chairperson of the Committee facilitates a bi-annual report to Council on the activities, issues, and related recommendations of the Committee. In future periods this is likely to be in the form of an Annual Report in August/September and half year report in the following February/March period.

This report satisfies that requirement for a report in August by providing an outline of the Committee's activities and highlights across the 12-month period to the end of August 2020.

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 Council on an annual basis, and two Councillors.

In line with this, membership of the Committee across the 12 months period to 31 August 2020 has been as follows:

Mr Bruce Potgieter	Chair and independent member from 13 November 2019
Mr Peter Johnstone	Independent member from 13 November 2019
Ms Katie Lockey	Independent member from 13 November 2019 to 12 November 2020
Cr Marg Attley	Mayor and Councillor member from 12 November 2019 until 24 October 2020
Cr Harry Westendorp	Councillor member from 12 November 2019 until 24 October 2020

The committee extend thanks to all three retiring members for their commitment and contribution during their term.

Meeting Attendance

The Committee met four times during the year, with attendance shown in the table below. A quorum was achieved for each meeting.

Member	25 Nov 2019	13 Mar 2020	18 May 2020	31 Aug 2020
Mr Bruce Potgieter	✓	✓	✓	✓
Mr Peter Johnstone	✓	✓	✓	✓
Ms Katie Lockey	✓	✓	✓	✓
Cr Marg Attley	✓	✓	✓	✓
Cr Harry Westendorp	✓	✓	✓	✓

Annual Highlights

Key highlights for the Committee across the last 12 months have been:

- The endorsement of the annual Financial Statements, accompanying notes, Performance Statement and Governance and Management checklist for 2019-20.
- The review of the External Audit Strategy & Interim Audit Outcomes for 2019-20.
- The review of the quarterly financial reports.
- The regular review of Procurement and Compliance.
- The review of the Risk Framework and Strategic Risks.
- The review and refresh of Council's Risk Management Register.
- The review of the three-year strategic Internal Audit Plan and annual internal audit plan.

- The conduct of internal audits by Council's contract auditors, AFS & Associates, in the following areas:
 - Occupational health and safety wellbeing risk management
 - Fraud and corruption risk management
 - Past Issues
 - Strategic and Service Level Planning
- The review of the Audit and Risk Committee Charter.

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 the year.

Meetings Scheduled for:	Qtr 1 Aug	Qtr 2 Nov	Qtr 3 Feb	Qtr 4 May	Closed
Financial Reporting					
Quarterly Finance Report	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y
Review of Annual Financial Statements and Performance Report	<input checked="" type="checkbox"/>				Y
VAGO Closing Report	<input checked="" type="checkbox"/>				Y
VAGO Interim Management Letter				<input checked="" type="checkbox"/>	Y
Review of six monthly performance indicators	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		Y
Asset Accounting Valuations Paper	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	Y
CAPEX Program Update	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y

Risk Management					
Quarterly Risk Management Report	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y
Major Incidents/Legal Proceedings	<input checked="" type="checkbox"/>	NA	<input checked="" type="checkbox"/>	NA	Y
Ethical/Statutory Compliance Issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NA	Y
Review the Risk Register	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y
Review the High Residual Risks		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Y
BCP and IT DRP Scheduled Tests Outcomes			<input checked="" type="checkbox"/>		Y
Policy Register Status Update		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y
Review Code of Ethics			<input checked="" type="checkbox"/>		Y
Review Fraud Policy		<input checked="" type="checkbox"/>			Y
Review Protected Disclosure Policy			<input checked="" type="checkbox"/>		Y
Review Procurement Policy		<input checked="" type="checkbox"/>			Y
Review Investment Policy				2021	

Internal Audit					
Approve 3-year IA Program (every 3rd year)		<input checked="" type="checkbox"/>			Y
IA Report 1		NA			Y
IA Report 2			NA		Y
IA Report 3				<input checked="" type="checkbox"/>	Y
IA Report 4					Y
Review of Internal Auditor's Performance	Deferred	AUG2020			
Review and recommend annual IA Plan		<input checked="" type="checkbox"/>			Y
Actions resulting from IA's	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y
IA Plan quarterly status update	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Y
Forward Quarter's IA Scopes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Y
Meet with Internal Auditor Without Management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Y

Meetings Scheduled for:	Qtr 1 Aug	Qtr 2 Nov	Qtr 3 Feb	Qtr 4 May	Closed
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External Audit

Note External Auditor's Audit Strategy				<input checked="" type="checkbox"/>	Y
Review Draft Management Letter	<input checked="" type="checkbox"/>				Y
Meet with External Auditor Without Management	<input checked="" type="checkbox"/>				Y
Note Final Management Letter & Audit results		<input checked="" type="checkbox"/>			Y

Audit Committee Reporting and Administration

Election of Chair		<input checked="" type="checkbox"/>			Y
Audit Committee Self-Assessment	<input checked="" type="checkbox"/>				Y
Charter Review (every 2 years)				<input checked="" type="checkbox"/>	Y
Discuss upcoming vacancy / retirement of outgoing members			<input checked="" type="checkbox"/>		Y

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 in regard to Council's risk management, financial reporting and capacity to maintain a strong system of internal controls. These presentations ensure the Committee is able to concentrate its efforts on the areas of highest potential risk to Council.

Council's internal auditors, AFS & Associates have completed several reviews, in accordance with the adopted Internal Audit three year plan. Each of the internal audit reports provided detailed recommendations in relation to opportunities to improve controls. These recommendations were discussed at length 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.

In regard to the 2019-20 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.