

Mansfield Shire Council

Audit and Risk Committee Report to Council

August
2024



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 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 March 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 August by providing an outline of the Committee's activities and highlights across the six month period to 30 June 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 30 June 2024 has been as follows:

Peter Johnston (Chair)	Independent member from 13 November 2019 Chair since 21 November 2022
Moh-Lee Ng	Independent member from 13 November 2020
Jane Watson	Independent member from 13 November 2022
Mayor Cr Steve Rabie	Councillor member from 28 November 2023
Cr Mark Holcombe	Councillor member from 24 November 2020

Meeting Attendance

The Committee met twice during the six months to 30 June 2024 year, with attendance shown in the table below. A quorum was achieved for each meeting.

Member	26 Feb 2024	27 May 2024
Peter Johnston (Chair)	✓	✓
Moh-Lee Ng	✓	✓
Jane Watson	✓	✓
Mayor Cr Steve Rabie	✓	✓
Cr Mark Holcombe	✘	✓

Annual Highlights

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

- ▶ Audit and Risk Committee Performance Self-Assessment
- ▶ Review of the quarterly financial reports
- ▶ Review of the Debt Schedule
- ▶ Review of the Investment Schedule and Compliance
- ▶ Review of Procurement and Compliance
- ▶ Review of the Policy Register Status
- ▶ Review of the Occupational Health and Safety Management Report and Register
- ▶ Review of the valuation reports for bridges and culverts, and the indexation report (buildings, drainage, footpaths and cycleways, and roads).
- ▶ Review of the 2022-23 carry forwards for capital projects and the proposed carry forwards for capital projects for 2023-24.
- ▶ Noted Council's obligations under the revised Sex Discrimination Act 1984 that introduced a positive duty on employers to eliminate workplace sexual harassment, sex discrimination and sex-based harassment.
- ▶ Service area presentations from Council areas:
 - Rural Councils Transformation Program
 - Compliance & Local Laws
- ▶ Review of internal audits conducted by Council's contract auditors, AFS & Associates:
 - Procurement
 - Information Privacy and Records Management
 - Management of Council Buildings
- ▶ Review of the VAGO Audit Strategy Memorandum for 2023-24

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	4.1(c)	Annually
4	Review outcomes of the external audit with management and the auditors	4.1(d)	Annually
5	Recommend adoption of annual financial report and performance report	4.1(e)	Annually
6	Review management finance reports and performance statements	4.1(f)	As Req'd
Internal Control Environment			
7	Review key policies - Refer attached plan	4.2(a)	Quarterly
8	Review significant changes to key systems and consider impact of changes on Council's risk profile	4.2(c)	Quarterly
9	Ensure a program is in place to test compliance with systems and controls	4.2(d)	Quarterly
10	Assess whether the control environment is consistent with Council's Governing Principles	4.2(e)	Half Yearly
Risk Management			
11	Review effectiveness of Council's risk management framework	4.3(a)	Annually
12	Review Council's risk appetite statement	4.3(b)	Annually
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
16	Review Council's insurance programme	4.3(f)	Annually
17	Review BCP framework and testing regime	4.3(g)	Annually
Fraud Prevention Systems & Controls			
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
20	Review reports on any instances of unethical behaviour, fraud and corruption	4.4(b)	Quarterly
21	Review actions taken to report any incidents of fraudulent or corrupt behaviour	4.4(c)	Quarterly
Internal Audit			
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
30	Committee involvement in appointment of internal audit service provider	4.5(i)/(j)	As Req'd

Mansfield Shire Council Audit and Risk Committee Report to Council

No	Charter Requirement	Charter Ref	Timing
External Audit			
31	Review and approve external audit scope and plan	4.6(a)	Annually
32	Discuss any audit issues encountered during the course of the audit	4.6(b)	Annually
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
Compliance Management			
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
39	Obtain briefings on any significant compliance matters	4.7(c)	Quarterly
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
Reporting to Council			
42	Provide Minutes to Council	12.2	Quarterly
43	Report on activities to Council	13 / 9.4(d)	Half Yearly
Performance Evaluation			
44	Assessment of Committee performance	14 / 9.4(c)	Annually
Review of Charter			
45	Review of Committee Charter	15	Annually
Other Matters			
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
49	Related Party Disclosures		As Req'd
50	Annual Presentation to Committee on Asset Valuations	VAGO	Annually
Meeting Schedule			
51	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.

At the May Audit and Risk Committee Meeting it was noted that AFS and Associates were successful in their tender to continue Mansfield Shire Council's internal audit program.