

Mansfield Shire Council

Audit & Risk Committee Report to Council

2022-23



Mansfield Shire

Purpose

The Chairperson of the Audit and Risk Committee (ARC) 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 provided for review 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 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 a half-year report in March to 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 12-month period to the end of 30 June 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 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 12-month period to 30 June 2023 has been as follows:

Mr Bruce Potgieter (Chair)	Chair and independent member from 13 November 2019 to 12 November 2022.
Mr Peter Johnston	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

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	14 Sep 2022	21 Nov 2022	27 Feb 2023	29 May 2023
Mr Bruce Potgieter (Chair)	✓	N/A	N/A	N/A
Mr Peter Johnston (Chair)	✓	✓	✓	X
Ms Moh-Lee Ng	✓	✓	✓	✓
Ms Jane Watson	N/A	✓	✓	✓
Cr Mark Holcombe	✓	✓	✓	X
Mayor Cr James Tehan	✓	✓	✓	✓

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 2021-22
- The review of the External Audit Strategy & Interim Audit Outcomes for 2021-22
- The review and update of the Charter of the Audit and Risk Committee
- The review of the quarterly financial reports
- The regular review of Procurement and Compliance
- The regular review of Strategic Risks in the following areas:
 - Community Health and Wellbeing – including Aged Care Services
 - Cyber Security and Information Technology
 - Climate Change
 - Business Continuity – Council wide
 - Landfills – including Dead Horse Lane
- The review of Council's Risk Management Register
- The review of the five-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:
 - Project Management – Capital Projects

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- Contract Management
- Statutory Planning
- Special Review – Cleaning Contract of Council Buildings Review
- Cyber Security Strategy and Governance
- Infrastructure Asset Management
- Audit and Risk Committee Self-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 the year.

Annual Work Plan - Year Ending 30 June 2023

No	Charter Requirement	Charter Ref	Timing					Comments
				Sep	Nov	Feb	May	
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		✓		✓	

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15	Review Council's insurance programme	4.3(e)	Annually				✓	
16	Review BCP framework and testing regime	4.3(f)	Annually		✓			Review and testing of BCP did not occur due to staff absences.
Fraud Prevention Systems & Controls								
17	Review Council's fraud prevention policy and controls	4.4(a)	Annually			✓		
18	Review Council's fraud control plan and awareness programme	4.4(a)	Annually			✓		
19	Review reports on any instances of unethical behaviour, fraud and corruption	4.4(b)	Quarterly	✓	✓	✓	✓	
20	Review actions taken to report any incidents of fraudulent or corrupt behaviour	4.4(c)	Quarterly	✓	✓	✓	✓	
Internal Audit								
21	Review Internal Audit Charter and revise if required	4.5(a)	Annually			✓		
22	Review and approve strategic & annual internal audit plans	4.5(b)	Annually				✓	
23	Review status of delivery of annual internal audit plan	4.5(c)	Quarterly	✓	✓	✓	✓	
24	Review scopes of proposed internal audit reviews	4.5(d)	Quarterly	✓	✓	✓	✓	
25	Review reports on internal audit reviews	4.5(e)	Quarterly	✓	✓	✓	✓	
26	Meet with internal auditor in the absence of management	4.5(f)	Annually		✓			
27	Review progress by management on open audit recommendations	4.5(g)	Quarterly	✓	✓	✓	✓	
28	Review effectiveness of the internal audit function	4.5(h)	Annually			✓		
29	Committee involvement in appointment of internal audit service provider	4.5(i)/(j)	As Req'd					
External Audit								
30	Review and approve external audit scope and plan	4.6(a)	Annually			✓		
31	Discuss any audit issues encountered during the course of the audit	4.6(b)	Annually	✓				
32	Ensure that management responses to any audit findings are appropriate and timely	4.6(c)	Quarterly	✓	✓	✓	✓	
33	Review performance of external auditor	4.6(d)	Annually	✓				
34	Review other VAGO reports for impacts on Council	4.6(e)	Quarterly	✓	✓	✓	✓	

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35	Meet with external auditor in absence of management	4.6(f)	Annually	✓				
Compliance Management								
36	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			✓		
40	Obtain briefings on any significant compliance matters	4.7(c)	Quarterly	✓	✓	✓	✓	
41	Review Report on Gifts, Benefits and Hospitality	4.7(d)	Annually			✓		
42	Consider reports by regulatory and integrity agencies on investigations and relevance for Council	4.7(e)	Quarterly	✓	✓	✓	✓	
Reporting to Council								
43	Provide Minutes to Council	12.2	Quarterly	✓	✓	✓	✓	
44	Report on activities to Council	13 / 9.4(d)	Half Yearly	✓		✓		
Performance Evaluation								
45	Assessment of Committee performance	14 / 9.4(c)	Annually			✓		
Review of Charter								
46	Review of Committee Charter	15	Annually			✓		
Other Matters								
47	Committee member induction	18	As Req'd					
48	Consider other matters referred by Council		As Req'd	✓	✓	✓	✓	
Meeting Schedule								
49	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 several 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.

In regard to the 2021-22 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.