

6.4.2 Cardinia Shire Audit and Risk Committee (ARC) for presentation to Council by the CEO

Responsible GM: Debbie Tyson
Author: Michael Said, Chair – Audit & Risk Committee

Recommendation(s)

That Council note the report for the Audit & Risk Committee activities presented to Council by the Chair, Michael Said.

Attachments

Nil

Introduction

Under Section 54 (5) of the Local Government Act 2020 the Audit and Risk Committee (ARC) must prepare a biannual report which the Chief Executive Officer must table at the next Council meeting. This is the third of these reports and covers three ARC meetings since the formation of the new Council in November 2020.

Audit & Risk Committee membership

- Mr Michael F Said OAM, CPA Independent Chairperson
- Vincent Philpott – Independent Member
- Leanna La Combre –Independent Member (Commenced March 2022)
- Cr Jack Kowarzik
- Cr Stephanie Davies
- Mr Homi Burjorjee – Independent Member (Retired after the November 2021 meeting)

All independent members are experienced people in ARC's in Local Government.

Committee meetings and Audit & Risk Committee Charter

The Committee held two meetings on the 26 November 2021 and 18 March 2022. The agenda for both meetings was in accordance with the agreed ARC work plan for the 2021-2022 ARC work year.

All members of the ARC were present for the November and March meeting with the exception of the November meeting where one Councillor was able to participate. The CEO, General Managers and other officers attending as required.

Audit & Risk Committee Objectives and Purpose

The key objective and purpose of the ARC as stated in the ARC Charter is to “provide support to Council in discharging its oversight responsibilities related to:

- financial and performance reporting,
- risk management,
- fraud prevention systems and control'
- internal and external audit assurance services, and
- councils compliance with its policies and legislative and regulatory requirements”

Audit & Risk Committee Responsibilities and Activities

Financial and Performance Reporting

Comprehensive quarterly and year to date (YTD) financial and performance reports were presented and discussed at both meetings covered by this report. There were no matters of concern noted by the ARC

Internal Control Environment

The CEO advised the ARC that there were no organizational or system changes that impacted on the internal control environment at Council. In addition, the ARC reviewed the various comprehensive 'data analytics' papers related to various subject matters such as procurement OHS and safety at each meeting.

Risk Management (RM)

The ARC reviewed and discussed RM updates at the November and March meetings, including reports from Executive Management (EM) relating to RM activities. An updated schedule of all strategic risks together with all extreme and operational risks was discussed at our March ARC meeting. This schedule details the status of the 11 strategic risks (3 high and 8 moderate) and the 25 operational risks with high risk ratings. In addition, there were presentations by the General Manager (GM) Infrastructure and Environment and the GM Liveable Communities of the 4 and 1 Strategic risks respectively for which they have responsibility.

Minutes for all strategic and extreme and high operational risks were made available to the ARC. The ARC was further advised that the Business Continuity Management (BCP) and OHS Committees continue to meet on regular basis. These minutes are of value to the ARC as it indicates the robustness of RM and active implementation of RM responsibilities under the LG Act 2020

The ARC were advised that the Senior Leadership Team (SLT) has implemented a program for Business Unit Managers, on a rotational basis, to present and discuss operational risks for which they are responsible at SLT risk meetings. This program is applauded by the ARC and will assist in enhancing a RM skill and culture throughout Council.

Fraud Prevention Systems and Controls

Risk registers of Council include relevant risk and control information related to fraud and corruption control. There were not any instances of potential fraud or corruption advised to the ARC at any of the meetings covered by this report.

In addition, the ARC continues to monitor outcomes from reviews by integrity bodies including the Auditor General, Ombudsman, IBAC and LG Inspectorate reports relating to this topic, especially those related to the Local Government will be considered by the ARC after "self-evaluation/gap analysis" by Council officers of these reports.

Internal audit

The Partner and senior audit manager from the contracted internal audit firm attended the November and March meetings and presented their status reports (on progress against the approved internal audit plan) and other literature of a general nature relevant to work of ARC's generally. In addition he presented the following two internal audit reports:

- Fraud Awareness, and
- Tendering.

Report findings and audit recommendations identifying where controls could be strengthened together with comprehensive management comments were discussed by the ARC. The ARC monitors the implementation by management of all audit recommendations at subsequent meetings.

Prior to the commencement of any internal audit, the ARC is provided with the proposed scope (MAP) of each audit. The MAP is developed by the auditor, with input from SLT, and discussed and approved at ARC meetings. Any ad hoc engagements undertaken by the internal auditor must similarly be referred to the ARC prior to commencement. There were no additional assignments

External Audit by the Auditor General (AG)

The AG has elected to contract Cardinia Shire external audit to one of his 9 specialist audit service provider's (ASP) to HLB Mann Judd. The AG's office still oversees all aspects of the audit including giving direction to the ASP regarding the scope of the audit, reference to any Council or industry related matters, undertaking a quality review prior to issuing his opinion and detailed quality review processes including review of the ASP work papers post completion of the audit. The partner responsible for Councils audit is a proven and very experienced agent of the AG.

It should be noted that issuing audit opinions this year may also be impacted by the State elections later in the year as it expected that the Government will go into caretaker mode sometime late September/early October.

The ARC met with the partner from HLB Mann Judd at the March ARC meeting. The firms audit strategy memorandum including the proposed timeline for completing the interim and final audit was discussed with the partner and officers at this meeting.

Compliance

The CEO provides the ARC with an update at each meeting relating to any noncompliance matter relating to Council policies and/or any Legislation. No instances of non-compliance issues were reported to the ARC for the period covered by this report.

The ARC continued to monitor the implementation of the Local Government Act 2020 (LGA 2020). and also received updates at each meeting

General

This report has been reviewed and approved by ARC members. It is respectfully requested that Council note the report from the Audit & Risk Committee.