

6.2.3 Audit and Risk Committee Biannual Report

Responsible GM: Owen Hardidge
Author: Michael Said

Recommendation(s)

That Council notes the Audit and Risk Committee Biannual Report as presented by Chairperson Michael Said.

Attachments

Nil

Executive Summary

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

Background

ARC Membership

- Mr Michael F Said OAM, CPA Independent Chairperson
- Vincent Philpott – Independent Member
- Leanna La Combre –Independent Member
- Cr Jack Kowarzik
- Cr Stephanie Davies

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

Committee Meetings and ARC Charter

The Committee held 2 meetings on the 25th November 2022 and 17th March 2023. The agenda for all meetings was in accordance with the agreed ARC work plan for the 2022-2023 ARC work year. All members of the ARC were present for both meetings. The CEO, all General Manager and other officers attended as required.

ARC 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”

ARC 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. There was discussion about the adjusted underlying year to date and full year forecast and the impact cost of living increases may have on revenue (rate income), operational and capital expenses and cash flows.

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 and OHS 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 high operational risks was discussed at our ARC meetings. This schedule details the status of the strategic risks rated extreme, high and moderate and the operational risks with high risk ratings.

Minutes for all strategic and extreme and high operational risks were made available to the ARC. Council management have undertaken a detailed review of all strategic risks resulting in a number of risks ratings being amended, merged or marked as no longer required. 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 is very pleased to see a continuing commitment from the Senior Leadership Team to continue to build on the risk management culture within Council.

Fraud Prevention Systems and Controls

Risk registers of Council include relevant risk and control information related to fraud and corruption control.

Council's Fraud and Corruption Policy and Plan were updated in November 2022 and discussed at the March ARC meeting. Importantly, it requires all employees to undertake face to face training every three years and new employees on commencement. The documents align with "AS8001:2021 Fraud and Corruption Control" standard. The policy is subject to detail review every two years. The process and contents of policy and plan demonstrate to the ARC Council's commitment to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

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 four internal audit reports:

- Privacy & Third-Party Management *including* Information provided to Third-parties;
- Cyber Security Review;
- Cyber Risk Report –Internal Vulnerability Assessment; and
- Payroll (including data analytics).

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 agent of the AG presented the Audit Strategy Memorandum (ASM), relating to 2022-2023 financial and performance statements, to the ARC at its March meeting. Although Council are currently implementing new financial software, the ARC has been assured that it will not impact timelines for the production of the annual statements. The agent anticipates having completed their interim audit over the next two months and intend to produce an interim management letter in time for the ARC meeting in June.

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.

Policy Implications

There are no policy implications as part of this report.

Relevance to Council Plan

5.1 We practise responsible leadership

5.1.2 Manage our finances responsibly and leave a positive legacy for future generations.

Climate Emergency Consideration

There are no climate emergency considerations as part of this report.

Consultation/Communication

No consultation was required as part of this report

Financial and Resource Implications

There are no financial or resourcing implications as part of this report.

Conclusion

It is respectfully requested that Council notes the Audit and Risk Committee Biannual report as prepared by Chairperson, Michael Said.