



# Audit and Risk Committee Annual Report 2020-21

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## **1. MESSAGE FROM THE CHAIRPERSON**

The Audit and Risk Committee Charter, in alignment with the Local Government Act 2020, requires the chairperson of the Campaspe Shire Council Audit and Risk Committee, to prepare a report to Council, through the Chief Executive Officer on the Committee's activities. The Committee has agreed that a mid year report be prepared for the 1 July -31 December period with an annual report covering the full financial year report. These reports provide the Council with details of how the Committee has discharged its responsibilities contained in the Committee's Charter. The first half yearly report was presented to Council at its meeting held on 17 February 2021.

This is the annual report for the 2020-21 financial year.

The key purposes of this report is to:

- Increase awareness of the composition, purpose, role and responsibilities of the Audit and Risk Committee;
- Outline the activities of the Audit and Risk Committee;
- Provide Council and the Community with confidence about the oversight provided on Council's operations, risk management, governance, internal controls and financial management.

During the 2020-21 year, Council's internal auditor, AFS and Associates, presented a program of four separate internal audit reviews. Further details of these audits can be found in section 4 of this report.

This year the Committee provided oversight to the implementation of numerous internal audit recommendations and Council's Internal Auditor has verified the implementation of the recommendations that addressed the identified risks.

For the 2020-21 financial year the Victorian Auditor General's Office appointed JohnsonsMME as their external audit agent for Campaspe Shire. The external auditors play a key role in providing the Committee and Council with confidence that the annual financial audits fully reflect the financial performance of Council.

In addition to the formal audit programs, the Committee reviews Council's quarterly finance reports to ensure that any financial risks are being appropriately managed and are an accurate reflection of Council's financial position. Further to this, the Committee provided oversight to the review and further development of Council's Risk Management Framework and the identification of strategic risks for the organisation.

The Committee appreciates that Council understands the valuable oversight role it performs and that it adds value through the diverse experience and knowledge of its members.

This year Council and the Committee acknowledged the valued contributions of its independent member, Mr Mike Bennett, who resigned as at 30 June 2021. Mr Bennett was farewelled by the Committee after serving a term of 6 years and 6 months.

The Committee reviewed the requirements of the new Local Government Act 2020, which passed through the Victorian Parliament in March 2020. Contained in the Act are newly defined role and responsibilities of the appointed Audit and Risk Committee. This will be a focus of the Committee into next year to ensure that it embeds and meets these new requirements.

On behalf of the Committee, I wish to acknowledge the professionalism and support of the Victorian Auditor General's appointed external audit agents, JohnsonsMME, Council's internal auditor, AFS and Associates and all Council officers who contributed to the work of the Committee.

Finally, I thank all my fellow Audit and Risk Committee members for their participation, diligence, professionalism and contributions throughout 2020-21.

**Linda MacRae – Chair & External Member**

## 2. AUDIT & RISK COMMITTEE PURPOSE

The Audit and Risk Committee (the Committee) operates under a Charter that defines the role, responsibilities, composition and operation of the Committee. This Charter was reviewed, updated and approved by Council in July 2020.

The Committee's purpose is to support Council in discharging its oversight responsibilities related to:

- financial and performance reporting,
- risk management,
- fraud prevention systems and controls,
- maintenance of a sound internal control environment,
- assurance activities including internal and external audit functions; and
- Council's performance with regard to compliance with its policy and legislative requirements.

Further details of the Committee's responsibilities under each of the above points can be found in the Committee's Charter that is available on Council's website.

The Committee achieves its purpose by monitoring, reviewing, endorsing and advising on the above matters.

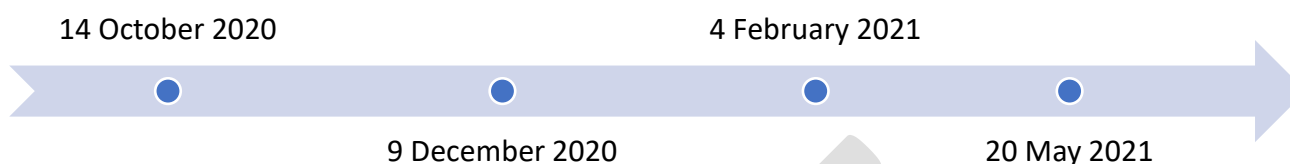
To ensure that the Committee is appropriately discharging its responsibilities, the Committee can request information from management on topics, within its areas of responsibility. This assists the Committee in providing further assurance to Council that it is meeting the responsibilities contained in the adopted Charter.

### 3. MEMBERSHIPS, MEETINGS AND PERFORMANCE

Committee membership comprises three external members, one affiliate member and two councillors, with support provided by the Corporate Division staff and Chief Executive Officer.

The Committee is required to meet a minimum of four times each year, based on the approved Charter.

For the 2020-21 year the Committee met four times as follows:



The following is a table of attendance for each of the Committee Members for the financial year:

Committee member	Eligible to attend	Attended
Mike Bennett (Full Member)	4	4
Linda MacRae (Full Member)	4	4
Simone Knight (Full member)	4	4
Ray Warren (Affiliate Member)	4	4
Cr Leanne Pentreath (Councillor Member)	1	1
Cr John Zobec (Councillor Member)	1	0
Cr Rob Amos (Councillor Member)	3	3
Cr Tony Marwood (Councillor Member)	3	2
AFS Chartered Accountants (internal auditor)	4	4
JohnsonsMME (external auditor)	4	2

In addition to the appointed members of the Committee, the Committee Charter provides for the Mayor or any other Councillor to attend a meeting of the Audit and Risk Committee as an observer. The Mayor attended each of the meetings held during the reporting period.

Each year the Committee undertakes a self-assessment of its performance against the Campaspe Shire Council's Audit and Risk Committee Charter. This assessment was managed and completed in December 2020 by AFS & Associates, Council's appointed internal auditor.

The results of this self-assessment were independently collated and of the eight (8) committee members invited to participate, five (5) committee members responded.

The following is an excerpt from the AFS report on the summary of results from the self-assessment.

#### **'Overall Result**

*The overall average response score from Audit and Risk Committee ('Committee') members on a scale of 1 to 6 was 5.06.*

*This is a strong positive result and an increase from last year's average response of 4.83. Of the 33 survey questions, there was an increase in rating across 18 of the questions (2019: 3) and decrease of eight areas (2019:28).'*

Areas of strength were identified as follows:

- Promoting compliance with applicable laws and regulations
- Working with Management and Internal Audit to develop a framework for monitoring the multi-dimensional elements of corporate governance.
- Meeting agendas and supporting papers have been well structured and well written.

The following areas were identified as requiring improved oversight:

- Determining the level and effectiveness of appropriate Business Continuity and Disaster Recovery Planning.
- Providing governance over Council's Information Technology control environment.

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#### 4. AUDIT & RISK COMMITTEE ACTIVITIES 2020-21

The following table outlines the activities of the Committee during the reporting period under the areas of responsibilities defined within the Audit and Risk Committee Charter.

Financial & Performance Reporting
<p><b>14 October 2020</b></p> <ul style="list-style-type: none"><li>Review of the Annual Financial Statements and Performance Statement for the 2019/20 year were considered by the Committee, which was later than in prior years due to an extension of time granted by the Minister of Local Government in response to the current COVID-19 pandemic. The review included presentation and discussion of the Victorian Auditor General's Office (VAGO) drafts of the 2019-20 Management Letter, Closing Report and Management Representation Letter. After review and consideration of all documentation, the Committee recommended to Council that the Annual Financial Statements and Performance Statement be signed.</li></ul>
<p><b>9 December 2020</b></p> <ul style="list-style-type: none"><li>Reviewed the Quarterly Budget Report for the period ended 30 September 2020</li></ul>
<p><b>4 February 2021</b></p> <ul style="list-style-type: none"><li>Review of changes to accounting policies and disclosures as well as areas of focus for the 2020-21 VAGO audit.</li><li>Reviewed the Quarterly Budget Report for the period ended 31 December 2020 and noted that Council was in receipt of significant operational and capital funding as an outcome of the COVID-19 pandemic that have restrictions and timeframes that are required to be met.</li></ul>
<p><b>20 May 2021</b></p> <ul style="list-style-type: none"><li>Received information on the proposed review of the Local Government Performance Reporting Framework and establishment of two technical working groups by the State Government to inform the review.</li><li>Reviewed the Quarterly Budget Report for the period ended 31 March 2021.</li></ul>
Internal Control Environment
<p><b>9 December 2020</b></p> <ul style="list-style-type: none"><li>A status of current policies that are reviewed by the Committee was noted. One policy remained overdue for review (Competitive Neutrality Policy) and was scheduled for the first meeting of 2021.</li><li>An overview of a management review conducted on the Echuca Riverfront Development Project was presented and noted. This review was to identify learnings from the project and improvement opportunities for Council's policies, systems and internal controls for future major projects.</li></ul>
<p><b>4 February 2021</b></p> <ul style="list-style-type: none"><li>Reviewed the Draft Competitive Neutrality Policy and recommended that the updated policy be referred to Council for adoption.</li></ul>
<p><b>20 May 2021</b></p> <ul style="list-style-type: none"><li>Reviewed a management report on the response and actions taken to a suspected privacy breach incident in consultation with the Office of the Victorian Information Commissioner (OVIC).</li></ul>
Risk Management
<p><b>9 December 2020</b></p> <ul style="list-style-type: none"><li>Reviewed the current strategic risk register of Council and the profile of these risks against the risk matrix. In addition to this the Committee reviewed the treatment (action) plan in place for the risks classified above Council's current risk appetite of 'moderate'.</li></ul>
<p><b>4 February 2021</b></p> <ul style="list-style-type: none"><li>Received a demonstration of Council's risk management system and reviewed the controls in place for each of the strategic risks in the Strategic Risk Register.</li></ul>

## Risk Management *cont...*

### 20 May 2021

- Reviewed the current strategic risk register of Council and the profile of these risks against the risk matrix. It was noted that through the most recent management review two high risks had been reassessed with their risk rating reducing to within Council's current risk appetite of 'moderate' or below.
- Reviewed the Business Continuity Plan monitoring and review conducted by management and noted that the plan was activated and used to assist with the response to the COVID-19 pandemic.

## Fraud Prevention Systems & Controls

- There was no activity during the reporting period in this section.

## Internal Audit

### 14 October 2020

- Reviewed past actions identified in internal audits that have been verified by the Internal Auditor that the action has been responded to and closed.

### 9 December 2020

- Reviewed the outcomes of two Internal Audits completed by the Internal Auditor on the topics of Long Term Financial Planning and Budgeting and Staff Performance Management, noting that Management agreed, or partially agreed, with all actions recommended by the Auditor.

### 4 February 2021

- Reviewed and endorsed an Internal Audit Charter to guide the operation of the Internal Audit Program.

### 20 May 2021

- Reviewed the outcome of the Information and Knowledge Management internal audit completed by the Internal Auditor, noting that management accepted 4 out of 5 actions recommended by the Auditor. One action was not agreed to due to current resource priorities and the risk assessment of 'minor' and on that basis, management determined to accept the risk.

At all meetings the Committee:

- Reviewed the status of the Annual Internal Audit Plan and the scopes for two Internal Audits that are scheduled for the first half of 2021.
- Reviewed the status of all actions recommended by the Internal Auditor from past Internal Audits that remain in progress.

## External Audit

### 9 December 2020

- Reviewed the Final Closing Report and Management Letter issued by the Victorian Auditor General's Office (VAGO) and management's plan to address the points raised within these documents in readiness for the next audit.

### 20 May 2020

- Reviewed and endorsed the 2020/21 Audit Strategy prepared by VAGO that outlines the scope and focus of the annual Financial and Performance audits.
- Reviewed the 2020/21 Interim Management Letter issued by VAGO, noting the progress of the outstanding management findings from the previous audit and two new management findings identified during the interim audit visit.
- Received a management report on the results of two VAGO reports tabled in parliament, Results of 2019-20 Audits: Local Government and Maintaining Local Roads, noting actions taken by management in relation to the report recommendations.



## Compliance Management

### 14 October 2020

- Reviewed the legislated Governance Checklist for inclusion in Council's 2019-20 Annual Report.

### 9 December 2020

- Received a report from management on Council's Waste Management approach as well as an overview of changes occurring within the sector.

### 4 February 2021

- Received a report from management on the completion rates of staff compliance training.

At all meetings the Committee:

- Reviewed the status of Council's compliance with implementing the requirements of the Local Government Act 2020.

## Reporting to Council

### 14 October 2020

- A draft 2019-2020 Audit and Risk Committee Annual Report was reviewed and recommended to be presented to Council at the next available meeting. The report was included in the agenda and minutes of Council's meeting held on the 20 October 2020.
- The Chair of the Committee (Linda MacRae) attended a Council Briefing session (virtually) on 20 October 2020 to present the results of Council's 2019-20 Financial and Performance Statements and to advise Council of VAGO's draft findings in relation to these statements. This session occurred prior to Council's consideration and signing of the statements.

### 4 February 2021

- A draft Half Yearly report for the period 1 July 2020 to December 2020 was reviewed and recommended to be presented to Council at the next available meeting. The report was included in the agenda and minutes of Council's meeting held on the 17 February 2021.
- The Chair of the Committee (Linda MacRae) attended a Council Briefing session on the 10 February 2021 to speak to the Committee's draft Half Yearly report and provide an opportunity for Councillors to ask any questions. This session occurred prior to report being presented to Council for noting.

## Performance Evaluation

### 14 October 2020

- Reviewed the results of the Committee's self-assessment of its performance for the 2019-20 financial year. The results were reported in the Committee's Annual Report that was presented to Council at its meeting held on 20 October 2020.
- Reviewed the results of a survey conducted on the performance of the Internal Auditor.

### 4 February 2021

- Reviewed the results of a survey conducted on the performance of the Internal Auditor for the 2020 calendar year.

### 20 May 2021

- Reviewed the results of the Committee's self assessment that was conducted by the Internal Auditor. The summary of these results is contained within this report.

## Review of Charter

- As the Committee charter was adopted by Council at its meeting held on the 21 July 2020, the charter is next due for review in mid 2022.

**9 December 2020**

- Appointed a Chair of the Committee for 2021. Independent Member, Linda MacRae, was nominated and accepted the position of Chair for the next 12 months.

At all meetings the Committee:

- Reviewed the Annual Work Plan of the Committee.
- Received a report summarising Councillor expenses & reimbursements received in accordance with Council's adopted Councillor Expenses Policy.

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