



Audit and Risk Committee Annual Report 2022-23



Campaspe
Shire Council

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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 two reports to Council per annum, 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. These reports provide the Council with details of how the Committee has discharged its responsibilities contained in the Committee's Charter. The half yearly report for this financial year was presented to Council at its meeting held on 21 March 2023.

This is the Annual Report for the 2022-23 financial year.

The key purpose 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 2022-23 financial year, Council's internal auditor, AFS and Associates, presented a program of three 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 2022-23 financial year the Victorian Auditor General's Office (VAGO) appointed Johnsons MME as its 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 audit fully reflects 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. Council responses to a number of VAGO audit report recommendations were also considered.

The Committee adds value to the Council's governance and control processes through the diverse experience and knowledge of its members.

On behalf of the Committee, I wish to acknowledge the professionalism and support of the Victorian Auditor General's appointed external audit agents, Johnsons MME and Council's internal auditor, AFS and Associates. I also thank the CEO, the Director Corporate Services and all other Council officers who contribute to the work of the Committee.

Finally, I thank all my fellow Audit and Risk Committee members (Councillors and independent members) for their participation, diligence, professionalism and contributions throughout 2022-23. I also wish to thank the Mayor, Councillor Rob Amos for his participation and attendance at ARC meetings and to the former Mayor Chrissy Weller for her support and attendance at ARC Meetings.

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 adopted by Council on 21 March 2023.

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.

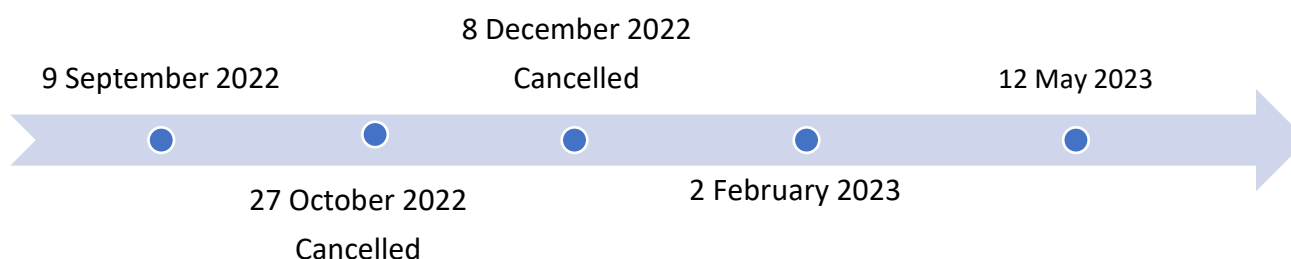
To ensure that the Committee is appropriately discharging its responsibilities, the Committee can request information from management on issues, within its areas of responsibility. This assists the Committee in providing further assurance to Council that it is meeting the responsibilities contained in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

3. MEMBERSHIPS, MEETINGS AND PERFORMANCE

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

The Committee is required to meet a minimum of four times each year, based on the approved Charter, however, due to the significant flood event in October 2022 the October and December meetings were cancelled.

For the 2022-23 year the Committee met three 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
Linda MacRae (Full Member)	3	3
Simone Knight (Full member)	3	3
Chris Gillard (Full Member)	3	3
Cr Rob Amos (Councillor Member)	1	1
Cr Tony Marwood (Councillor Member)	3	2
Cr Paul Jarman (Councillor Member)	2	2
AFS Chartered Accountants (internal auditor)	3	3
JohnsonsMME (external auditor)	3	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 (current and former) 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 undertaken in March 2023 by AFS & Associates, Council's appointed internal auditor.

The results of this self-assessment were independently collated and of the seven (7) committee members invited to participate, six (6) 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 5.14. This compares last year's average response on a scale of 1 to 5 of 4.16. No area received a weighted average score below 4.50 in the current assessment. This is a strong positive result.

4. AUDIT & RISK COMMITTEE ACTIVITIES 2022-23

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>9 September 2022</p> <ul style="list-style-type: none"> Review of the Annual Financial Report and Annual Performance Statement for the 2021/22 year were considered by the Committee. The review included presentation and discussion of the Victorian Auditor General's Office (VAGO) drafts of the 2021-22 Financial Management Letter, Financial Statements, Performance Statement and Closing Report. After review and consideration of all documentation, the Committee recommended to Council that the Annual Financial Statements and Performance Statement be signed. <p>2 February 2023</p> <ul style="list-style-type: none"> Received the Quarterly Budget Report for the period ended 31 December 2022. Received a report on the Council's cash liquidity position. <p>12 May 2023</p> <ul style="list-style-type: none"> Received an update on changes to the Local Government Performance Reporting Framework. Reviewed Quarterly Financial Report.
Internal Control Environment
<p>2 February 2023</p> <ul style="list-style-type: none"> Received a Policy Timetable providing clarity of the policies that require Audit and Risk Committee consideration and review prior to the consideration and approval by Council or the Chief Executive Officer. <p>12 May 2023</p> <ul style="list-style-type: none"> Reviewed the updates to the Asset Valuation and Asset Capitalisation Policies and recommended they be referred to Council for adoption. The report was included in the agenda of Council's meeting held on the 20 June 2023.
Risk Management
<p>9 September 2022</p> <ul style="list-style-type: none"> Received the Strategic Risk Register reviewed by the organisation in July 2022. Received Council's insurance program noting the increase in insurance premiums incurred by Council. The Committee raised a number of issues regarding Council's insurance portfolio and requested the CEO to engage a suitably qualified person or persons to undertake an analysis of Council's insurance policies to ensure best value for money is being obtained and that all aspects of insurance are covered. <p>2 February 2023</p> <ul style="list-style-type: none"> Received the Strategic Risk Register, noting no changes since the previous report. <p>12 May 2023</p> <ul style="list-style-type: none"> Received an update on the current status of the Strategic Risk Register. A significant review of the risk framework is to be undertaken during the next year. Received an update on the current Strategic Risk controls and treatment plans. Received an update on the current status of the Business Continuity Program and Disaster Recovery testing plans.

Fraud Prevention Systems & Controls

At all meetings:

- There have been no reported incidents of fraudulent or corrupt behaviour during this reporting period.
- There have been no reported incidences of unethical behaviour, fraud or corruption.

Internal Audit

9 September 2022

- Reviewed the outcome of the Building Maintenance (Including Essential Safety Measures) Internal Audit completed by the Internal Auditor, noting that management accepted all recommendations made by the Auditor.
- Reviewed the outcome of the Purchasing Card Use and Management Internal Audit completed by the Internal Auditor, noting that management agreed to 7 of the 8 recommendations made by the Auditor.
- Reviewed the status of delivery of the Annual Internal Audit Plan and Scopes of Proposed Internal Audit Reviews.
- Reviewed the Past Issues Review resulting in the closure of 3 actions in response to past internal audits.
- Reviewed the progress by management on open internal audit recommendations.
- Reviewed the Internal Auditor Performance.
- Met with the Internal Auditor in the absence of management. There were no issues identified requiring action from this meeting.

2 February 2023

- Reviewed the status and delivery of the annual Internal Audit Plan.
- Reviewed the outcome of the Fleet Management Internal Audit completed by the Internal Auditor, noting that Council accepted 21 of the 24 detailed recommendations made by the Auditor. The 3 recommendations not accepted related to minor audit findings.
- Reviewed the outcome of the Request and Complaint Management Internal Audit completed by the Internal Auditor, noting that Council accepted all recommendations made by the Auditor.
- Reviewed the progress by management on open internal audit recommendations.

12 May 2023

- Received an update of the Internal Audit Program status and scope of upcoming audits. The Committee noted that the scope of the proposed Human Resources audit would be revised.
- Reviewed the progress by management on open internal audit recommendations.
- Received an update of a review conducted on actions nominated by management as closed in response to past internal audits. A summary of findings confirmed 3 actions closed by management were satisfactorily addressed.
- Received results of the Audit & Risk Committee self-assessment.

External Audit

9 September 2022

- The Committee met without management. There were no issues identified requiring action from this meeting.
- Reviewed the VAGO Report – Fraud Control Over Local Government Grants. At the conclusion of the audit, VAGO made 9 recommendations to all Victorian Councils. These recommendations were reviewed by Council and two actions were identified for improvement.
- (Refer also Section relating to 'Financial and Performance Reporting')

<p>2 February 2023</p> <ul style="list-style-type: none"> Reviewed the Final Audit Management Letter and Audit Closing Report issued by the Victorian Auditor General's Office (VAGO) for the 2021-2022 audit. <p>12 May 2023</p> <ul style="list-style-type: none"> Received an update of the 2022-23 VAGO Audit Strategy. The Committee noted that the Strategy would be reissued on the basis of consolidating the accounts of the Campaspe Port Enterprise (CPE).
Compliance Management
<p>9 September 2022</p> <ul style="list-style-type: none"> Received an overview of compliance with the introduction of the Local Government Act 2020 and Gender Equality Act 2020, with the Committee agreeing that this report was no longer required
Reporting to Council
<p>9 September 2022</p> <ul style="list-style-type: none"> A draft 2021-2022 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 of Council's meeting held on the 21 September 2022. <p>2 February 2023</p> <ul style="list-style-type: none"> A draft Half Yearly Report for the period 1 July 2022 to 31 December 2022 was reviewed and recommended to be presented to Council at the next available meeting. The report was included in the agenda of Council's meeting held on 21 March 2023.
Performance Evaluation
<p>12 May 2022</p> <ul style="list-style-type: none"> Reviewed the results of the Committee's evaluation of the Internal Auditor performance.
Review of Charter
<p>2 February 2023</p> <ul style="list-style-type: none"> Reviewed the Audit and Risk Committee Charter, in particular the section relating to the Chair position and recommended it be presented to Council for adoption at the next available meeting. The Charter was included in the agenda of Council's meeting held on 21 March 2023.
Other Matters
<p>2 February 2023</p> <ul style="list-style-type: none"> Received a report on Procurement Performance KPI's <p>12 May 2023</p> <ul style="list-style-type: none"> Received the Commission of Inquiry into Moira Shire Council. <p>At all meetings the Committee:</p> <ul style="list-style-type: none"> 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.