

7.7 Recommendations of Audit and Risk Committee meeting held 17 November 2021 and Bi Annual Report from Audit and Risk Committee

Executive Summary

Purpose

This report presents the recommendations of the most recent Audit and Risk Committee meeting for consideration by Council. A schedule of reports and committee recommendations is presented as an attachment to this report.

Also included with this report is the Bi-annual Report from the Audit and Risk Committee as required by Section 54 (5) of the *Local Government Act 2020*.

Background

The most recent meeting of the Audit and Risk Committee was held on 17 November 2021. This report presents the findings and recommendations from that meeting for consideration by Council.

Key Issues

As recorded in the minutes of the Audit and Risk Committee meeting held on 17 November 2021 the following reports were tabled:

- A5.1 Standard Questions for Tabling at the Audit and Risk Committee Meetings
- A5.2 Business Arising
- A5.3 Audit and Risk Committee Administrative Matters
- A5.4 Internal Audit report - Fraud and Corruption Control
- A5.5 Internal Audit report - Payroll
- A5.6 COVID-19 Update
- A5.7 Internal Audit Update
- A5.8 Reports to Parliament by VAGO and other regulatory authorities
- A5.9 Risk Management Update - Strategic Risk Register Update
- A5.10 Update - Business Function Risk Assessment Map (BFRAM)
- A5.11 Year-End Update and Final Audit Closing Report
- A5.12 Draft Procurement Policy

A summary of the content of the reports tabled and identification of the required Council action is contained in **Attachment 1**.

Bi-annual report from Audit and Risk Committee

The attached Bi-annual Report from the Audit and Risk Committee (**Attachment 2**) was approved by the Chair of the Audit and Risk Committee for tabling at this Council meeting.

Next Steps

The next meeting of Council's Audit and Risk Committee will be held 30 March 2022.

Officers' recommendation

That Council resolve to adopt the resolutions recommended to Council contained in **Attachment 1** (as annexed to the minutes) reflecting the recommendations from the Audit and Risk Committee meeting held on 17 November 2021 and note the tabling of the Bi-annual report from the Audit and Risk Committee as required by Section 54 (5) of the *Local Government Act 2020* contained in **Attachment 2** (as annexed to the minutes).

Responsible director: Phillip Storer, Chief Executive Officer

1. Purpose

To present to Council the recommendations of the Audit and Risk Committee meeting held on 17 November 2021. A schedule of reports and committee recommendations is presented as an attachment to this report. . Also included with this report is the Bi-annual Report from the Audit and Risk Committee as required by Section 54 (5) of the *Local Government Act 2020*.

2. Policy implications and relevance to community plan and council plan

The Audit and Risk Committee Charter provides that recommendations of the Audit and Risk Committee are not binding until considered and adopted by Council.

As detailed in the Council Plan 2017-21 and the Boroondara Community Plan 2017-27. In particular Objective 7 “Ensure that ethical financial and socially responsible decision making reflects community needs and is based on principles of accountability, transparency, responsiveness and consultation”.

Strategy 7.2: Ensure transparent decision making through open governance processes.

Strategy 7.5: Ensure sound financial management while allocating resources to deliver strategic infrastructure and services that meet community needs.

3. Background

Council’s Audit and Risk Committee was established on 24 August 2020 when Council resolved to adopt the ‘Audit and Risk Committee Charter 2020’.

The most recent meeting of the Audit and Risk Committee was held on 17 November 2021. This report presents the findings and recommendations from that meeting for consideration by Council.

Full copies of papers presented to the Audit and Risk Committee can be accessed by Councillors via the Councillor Portal. Assistance in locating these papers can be provided by the Governance and Legal unit.

Bi-annual report from Audit and Risk Committee

Section 54 (5) of the *Local Government Act 2020* (‘the Act’) states:

“An Audit and Risk Committee must:

- (a) prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and
- (b) provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.”

4. Outline of key issues/options

As recorded in the minutes of the Audit and Risk Committee meeting held on 17 November 2021 the following reports were tabled:

- A5.1 Standard Questions for Tabling at the Audit and Risk Committee Meetings
- A5.2 Business Arising
- A5.3 Audit and Risk Committee Administrative Matters
- A5.4 Internal Audit report - Fraud and Corruption Control
- A5.5 Internal Audit report - Payroll
- A5.6 COVID-19 Update
- A5.7 Internal Audit Update
- A5.8 Reports to Parliament by VAGO and other regulatory authorities
- A5.9 Risk Management Update - Strategic Risk Register Update
- A5.10 Update - Business Function Risk Assessment Map (BFRAM)
- A5.11 Year-End Update and Final Audit Closing Report
- A5.12 Draft Procurement Policy

A summary of the content of the reports tabled and identification of the required Council action is contained in **Attachment 1**.

Bi-annual report from Audit and Risk Committee

The attached Bi-annual Report from the Audit and Risk Committee (**Attachment 2**) was approved by the Chair of the Audit and Risk Committee for tabling at this Council meeting.

5. Consultation/communication

Members of Council's Audit and Risk Committee and external and internal auditors were consulted during the preparation of Audit and Risk Committee reports referred to within this Council report.

6. Financial and resource implications

Council's operating budget provides funds for the Internal Audit Program and for implementation costs associated with these Audit recommendations.

7. Governance issues

Officers involved in the preparation of this report have no conflict of interest. The list of prescribed human rights contained in the Victorian Charter of Human Rights and Responsibilities has been reviewed in accordance with Council's Human Rights Compatibility Assessment Tool and it is considered that the proposed actions contained in this report present no breaches of, or infringements upon, those prescribed rights.

8. Social and environmental issues

The contents of this report are consistent with Council's desire to provide solid financial and governance frameworks to support the enhancement of urban environmental and social amenity.

9. Conclusion

This report presents to Council the recommendations of the Audit and Risk Committee meeting held on 17 November 2021 as well as the Bi-Annual Report from the Audit and Risk committee as required by the *Local Government Act 2020*.

Manager: Adele Thyer, Acting Manager Governance and Legal

Report officer: Chris Hurley, Integrity Coordinator

**Summary of reports tabled at Audit and Risk Committee meeting held
17 November 2021**

Report No	Report Title	Summary of Content	Recommended Council Resolution
A5.1	Standard Questions for Tabling at the Audit and Risk Committee meetings.	Audit and Risk Committee Members were given the opportunity to: 1. Ask Auditors present, if their work had been obstructed in any way. Auditors present responded that no obstructions had been experienced. 2. Ask if there were any matters such as breach of legislation or practices that need to be brought to the attention of the Audit and Risk Committee. No matters were identified. 3. Request a discussion of any matter with the Auditors in the absence of management and other staff. An in-camera discussion with the Internal Auditors was held.	Council note the Officers, Auditors and Members had no matters to raise in response to the standard questions outlined in this report.
A5.2	Business Arising.	This report updated the Audit and Risk Committee on matters raised at previous meetings and provided follow up information on queries raised by Committee members. The Committee noted the actions taken in response to matters arising from the minutes of the previous meeting.	Council note the actions taken in response to matters arising from the minutes of previous meetings as outlined in Attachment 1 (as annexed to the Audit and Risk Committee minutes).
A5.3	Audit and Risk Committee Administrative Matters	This report updated the Audit and Risk Committee regarding administrative matters identified at previous Audit and Risk Committee meetings.	Council receive and note the report.
A5.4	Internal Audit report - Fraud and Corruption Control.	This report updated the Audit and Risk Committee on the outcomes of the Internal Audit review of Council's 'Fraud and Corruption Control' environment. The review was conducted in accordance with the Council adopted Strategic Internal Audit Plan. The internal audit report assessed the maturity of Council's Fraud and Corruption Control processes and key controls as 'Established' and assigned the residual risk as 'Moderate'.	Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
17 November 2021**

Report No	Report Title	Summary of Content	Recommended Council Resolution
		The report provided three audit recommendations to further strengthen the control environment. Management agreed with the report's recommendations and provided commentary and implementation dates in the report.	
A5.5	Internal Audit report - Payroll	<p>This report updated the Audit and Risk Committee on the outcomes of the Internal Audit review of Council's Payroll processes and key controls. The review was conducted in accordance with the Council adopted Strategic Internal Audit Plan.</p> <p>The internal audit report assessed the maturity of Council's policies, processes and structures to govern Payroll as being at the upper end of the 'Developing' threshold and on the cusp of the 'Established' threshold. Based on Council's Risk Management Framework the report assigned the residual risk as 'High'.</p> <p>The report provided six audit recommendations and identified one continuous improvement opportunity to further strengthen controls and processes over Payroll processing. The Internal Auditors noted the 'Modernise Payroll Project' currently underway is expected to address many of the findings contained in the report. Management agreed with the report's recommendations and provided commentary and implementation dates in the report.</p>	Council receive and note the report.
A5.6	COVID-19 Update	Inclusion of this item in the agenda for the Audit and Risk Committee meeting provides an opportunity for the Committee to be briefed on Council's response to the COVID-19 Pandemic.	Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
17 November 2021**

Report No	Report Title	Summary of Content	Recommended Council Resolution
		<p>Due to the dynamic nature of the Pandemic and Council's response, a verbal update is provided at each Audit and Risk Committee meeting.</p> <p>Explanatory notes to support the verbal updates were provided by the Manager Liveable Communities (Municipal Pandemic Coordinator) and Executive Manager, People Culture and Development.</p>	
A5.7	Internal Audit Update	<p>This report updated the Audit and Risk Committee on the progress of the internal audit plan and status of audit recommendations arising from finalised internal audit reports.</p> <p>Progress against the current year's Internal Audit Plan and implementation status of prior audit recommendations were also provided to the Audit and Risk Committee.</p>	Council receive and note the report.
A5.8	Reports to Parliament by VAGO and other regulatory authorities	<p>This report updated the Audit and Risk Committee on the reports to State Parliament by the Victorian Auditor-General's Office (VAGO) and other regulatory bodies with a local government impact or context.</p> <p>The report noted since the last Audit and Risk Committee meeting, the following reports had been tabled by VAGO and other regulatory bodies with local government oversight responsibilities.</p> <ol style="list-style-type: none"> 1. VAGO - Local Government Sector Update - September 2021. 2. Victorian Ombudsman - Investigation into allegations of collusion with property developers at Kingston City Council. 	Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
17 November 2021**

Report No	Report Title	Summary of Content	Recommended Council Resolution
		<p>A summary of recommendations from the reports was contained in this report and officers provided comments to assist the Audit and Risk Committee understand the current environment at Boroondara in relation to the recommendations provided.</p> <p>Following discussion at a previous meeting, this report also provided the Audit and Risk Committee with an update on actions taken by Council in response to the VAGO review of Sexual Harassment in Local Government.</p>	
A5.9	Risk Management Update - Strategic Risk Register Update	This report updated the Audit and Risk Committee on the status of Risk Management activities undertaken during the reporting period, including a summary of the current Strategic Risk Profile, pursuant to the Risk Management Framework.	Council receive and note the report.
A5.10	Update - Business Function Risk Assessment Map (BFRAM)	<p>This report provided the Audit and Risk Committee with the updated 'Business Function Risk Assurance Map (BFRAM) - Revision #1 - November 2021'.</p> <p>The BFRAM was first prepared in November 2020. At that time the Audit and Risk Committee requested it be reviewed and updated on an annual basis.</p> <p>The report contained the outcomes of the 2021 annual review and update.</p> <p>Going forward, the BFRAM will be used to help inform Council's overall assurance framework, including where management or the Audit and Risk Committee may seek</p>	Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
17 November 2021**

Report No	Report Title	Summary of Content	Recommended Council Resolution
		<p>additional assurance coverage through each 'line of defence' (e.g. management audits, internal audits and/or other external assurance sources) and will be used as a key input into future internal audit plans.</p> <p>Conducting this annual review of the BFRAM also identified an opportunity to perform an exercise to verify the contents of the BFRAM against Council's Risk Register to identify further opportunities for alignment. At the time of writing this exercise is underway.</p>	
A5.11	Year-End Update and Final Audit Closing Report	<p>This report provided the Audit and Risk Committee with an update on the conclusion of the 'Year End Audit' and advised the Committee final audit clearance was received from the Victorian Auditor-General. Management also received a Final Management letter which identified no audit findings for financial and performance statement reporting, however three information technology observations relating to general IT controls were made. Management has accepted and partially accepted the recommendations for all but one of the observations. None of these observations were found to compromise reliance for financial reporting purposes and none of the matters identified were deemed to be high risk. Management responses were provided for all observations and identified actions have either been concluded or scheduled for completion by June 2022.</p>	Council receive and note the report.
A5.12	Draft Procurement Policy	<p>The Draft Procurement Policy was presented to the Audit and Risk Committee for review and feedback prior to its presentation to Council for consideration and adoption by 31 December 2021 as required by legislation.</p>	The Procurement Policy was separately considered by Council at the Council meeting of 13 December 2021.

**Summary of reports tabled at Audit and Risk Committee meeting held
17 November 2021**

Report No	Report Title	Summary of Content	Recommended Council Resolution
		The Committee endorsed the Draft Procurement Policy and recommended it be presented to Council for consideration and adoption.	

Biannual audit and risk report describing the activities of the Audit and Risk Committee and its findings and recommendations.

Introduction

Section 54 (5) of the *Local Government Act 2020* ('the Act') states:

"An Audit and Risk Committee must:

- (a) prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and
- (b) provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.

This report has been prepared following the November 2021 Audit and Risk Committee meeting. The next Biannual report will be prepared in June 2022 following the May 2022 Audit and Risk Committee meeting.

Establishment of Audit and Risk Committee

Following adoption of the Act, a new Audit and Risk Committee was established by Council at its meeting of 24 August 2020. A new Audit and Risk Committee Charter was adopted ensuring Council complied with relevant provisions of the Act.

Membership and attendance during the reporting period

Membership of the Audit and Risk Committee during the reporting period comprised:

Cr Victor Franco

Cr Nick Stavrou

Mr John Watson (Chair)

Ms Fiona Green

Ms Freya Marsden

All members attended both meetings held during the reporting period.

Meetings of the Audit and Risk Committee and findings and recommendations.

During the reporting period the following meetings of the Audit and Risk Committee have been held:

18 August 2021

Agenda items considered:

1. Standard Questions for Tabling at the Audit and Risk Committee meetings.
2. Business Arising.
3. Audit and Risk Committee Administrative Matters.
4. Internal Audit Update.
5. COVID-19 Update.
6. Child Safe Standards - Implementation.
7. Outcomes of IT Security Testing.
8. Internal Audit Report - IT Strategic Planning and Governance.
9. Annual Report - Management of Health and Safety 2020-21.
10. Legal and Ethical Compliance Program 2020-21.
11. Update on the Activities of the Fraud Control Group.
12. Risk Management Update.
13. Response to the Victorian Ombudsman Investigation Report - Financial Hardship.
14. Response to the Victorian Ombudsman Investigation Report - Melton City Council.

15. Annual Financial Statements and Performance Statement for the year ended 30 June 2021.

17 November 2021

Agenda items considered:

1. Standard Questions for tabling at Audit and Risk Committee meetings.
2. Business Arising.
3. Audit and Risk Committee Administrative Matters.
4. Internal Audit Report - Fraud and Corruption Control.
5. Internal Audit Report - Payroll.
6. COVID-19 Update.
7. Internal Audit Update.
8. Reports to Parliament by VAGO and other regulatory authorities.
9. Risk Management Update - Strategic Risk Register Update.
10. Update - Business Function Risk Assurance Map (BFRAM).
11. Year-End Update and Final Audit Closing Report.
12. Draft Procurement Policy.

The relevant findings and recommendations from each meeting have been reported to Council through the respective Council reports entitled "Recommendations of Audit and Risk Committee Meeting" which have been presented to Council after each Audit and Risk Committee meeting.

Responding to Emerging Risks

The Committee, and management, continue to pay close attention to identifying and reviewing emerging risks. During the year, the Committee requested reports covering cyber security and information privacy and reviewed Council's management of these key risks. The Committee also received briefings at each meeting on Council's response to the COVID-19 Pandemic. A new standing agenda item "Chief Executive Officer Update" has been introduced to enable the Committee to be briefed on current and emerging issues within the municipality and organisation.

Internal Audit

Council's contracted provider of Internal Audit services is Pitcher Partners. Each meeting of the Committee provides opportunity for the Committee to meet 'in camera' with the Internal and External Auditors in the absence of management. All Internal Audit report recommendations are recorded on a register with their appropriate implementation actions and timeframes. This register of actions is formally followed up and progress is reported to the Committee at each meeting.

The progress of Internal Audit recommendations during the reporting period can be summarised as:

	High	Medium	Low	Total
Number open at start of reporting period	1	3	1	5
Number added during reporting period	0	3	1	4
Number completed during reporting period	1	3	1	5
Number open at end of reporting period	0	3	1	4

The Committee notes management has shown diligence in implementing internal audit recommendations in a prompt and accountable manner.

Annual assessment of performance of the Audit and Risk Committee

Section 54 (4) of the *Local Government Act 2020* ('the Act') states:

An Audit and Risk Committee must—

- (a) undertake an annual assessment of its performance against the Audit and Risk Committee Charter; and
- (b) provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

To assist the Committee meet this obligation, an agreed self-assessment survey was distributed. Completed surveys were returned by all Committee members.

A report compiling the survey responses has been prepared (**Attachment 3**).

The next annual self-assessment performance survey will be completed by the Committee in November 2022.

Conclusion

The Committee looks forward to continuing to fulfil its role and working with management, Council and its auditors during the remainder of the 2021-22 financial year and will provide its next Biannual report in June 2022 following the May 2022 Audit and Risk Committee meeting.

John Watson

Chair Audit and Risk Committee

December 2021

ATTACHMENT 3**Audit & Risk Committee - Self Assessment of Performance Survey 2021**

Our Audit and Risk Committee is required by statute to conduct a self-assessment of its performance each year and report the results to Council.

The survey was distributed seeking **Committee member's** scores on the following scale:

Less than adequate		Adequate		More than adequate	
1	2	3	4	5	6

NB: One respondent was unable to comment on some aspects of the survey due to not being a member for a full twelve month cycle.

1.The Audit and Risk Committee has monitored and reported on the systems and activities of Council in ensuring:

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Reliable financial reporting and management information.	High standards of corporate governance.	Appropriate application of accounting policies.	Compliance with applicable laws and regulations.	Effective and efficient internal audit functions.
1 score of 6 2 scores of 5 1 score of 4 1 score unable to comment	3 scores of 5 1 score of 6 1 score of 4	2 scores of 6 2 scores of 5 1 score unable to comment	3 scores of 6 1 score of 5 1 score of 4	1 score of 6 3 scores of 5 1 score of 4
Average: 5	Average: 5	Average: 5.5	Average: 5.4	Average: 5

ATTACHMENT 3**2.The Audit and Risk Committee has monitored and reported on the systems and activities of Council in ensuring:**

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Effective and efficient external audit functions.	Measures to provide early warning of any issues affecting the organisations financial well-being.	The level and effectiveness of appropriate Business Continuity and Disaster Recovery Planning.	Maintenance and fostering an ethical environment.
1 score of 6 2 scores of 5 2 scores of 4	1 score of 5 3 scores of 4 1 score unable to comment	1 score of 5 4 scores of 4	3 scores of 6 1 score of 5 1 score of 4
Average: 4.8	Average: 4.25	Average: 4.2	Average:5.4

3.The Audit and Risk Committee has received whatever information, presentations, or explanations it considers necessary to fulfil its responsibilities.

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Comments: 2 scores of 6, 2 scores of 5, 1 score of 4

Average: 5.2

4.The Audit and Risk Committee has worked with management and Internal Audit to develop a framework for monitoring the multi dimensional elements of corporate governance.

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Comments: 1 score of 6, 2 scores of 5, 2 scores of 4.

Average: 4.8

ATTACHMENT 3**5.The Audit and Risk Committee has:**

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Gained a level of assurance that systems are in place within Council to identify high risks.	Scheduled audit reviews in accordance with risk assessments.	Reviewed the accountability of Council's corporate governance arrangements.	Reviewed the effectiveness of internal control systems in place.
1 score of 6 1 score of 5 3 scores of 4	4 scores of 5 1 score of 4	2 score of 5 1 score of 4 1 score unable to comment 1 no response	3 scores of 5 1 score of 4 1 score unable to comment
Average: 4.6	Average:4.8	Average: 4.6	Average:4.75

6.The Audit and Risk Committee has reviewed the effectiveness of management information including financial controls and reporting.

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Comments: 2 scores of 5, 1 score of 4, 1 score unable to comment, 1 no response

Average: 4.6

7.The Audit and Risk Committee shall review reports outlining:

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Developments and changes in the various rules, regulations and laws which relate generally to Council's business operations.	Measures to ensure Council's compliance with legislation.
2 scores of 5 3 No scores registered	1 score of 5 1 score of 4 3 No scores registered.
Average: 5	Average: 4.5

ATTACHMENT 3**8.The Audit and Risk Committee will:**

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Review the performance of internal audit.	Review the effectiveness of the annual external audit.	Recommend internal audit appointments to Council.	Provide a structured reporting line for internal and external audit.	Annually approve the Internal Audit Program and rolling three year plan.	Review and approve the Audit and Risk Committee Annual Plan.
1 score of 6 1 score of 5 3 scores of 4	1 score of 6 1 score of 5 3 scores of 4	1 score of 6 2 scores of 5 2 scores of 4	1 score of 6 3 scores of 5 1 score of 4	1 score of 6 3 scores of 5 1 score of 4	1 score of 6 3 scores of 5 1 score of 4
Average: 4.6	Average: 4.6	Average:4.8	Average: 5	Average: 5	Average: 5

9.How has the Audit and Risk Committee performed according to the following statements:

Rank your performance from 1 (less than adequate) to 6 (more than adequate).

Committee members have attended meetings on a regular basis.	Meetings have been conducted in accordance with the agenda issued by Governance.	Meetings have been conducted to allow for full participation by all members.	Meetings have allowed Committee members to raise any issue they believe relevant.	Meetings have been conducted to allow for open, frank and robust discussion of all matters raised.
2 scores of 6 1 score of 5	2 scores of 6 1 score of 5	1 score of 6 2 scores of 5	2 scores of 6 1 score of 4	2 scores of 6 1 score of 4

10.Are there any other matters you believe should be raised as part of this assessment of the performance of the Audit and Risk Committee? Please list here:

Nil provided.