

## 7 Presentation of officer reports

### 7.1 Bi-annual Report from the Audit and Risk Committee

#### Executive Summary

##### Purpose

This report presents to Council for tabling the Bi-annual Report for the Audit and Risk Committee for the period from 1 July 2023 to 31 December 2023 including results of the self-assessment survey as required by section 54(4) and 54(5) of the *Local Government Act 2020*.

##### Key Issues

The attached Bi-annual Report from the Audit and Risk Committee (**Attachment 1**) was provided to the CEO by the Chair of the Audit and Risk Committee to table at this Council meeting. It describes the activities of the Audit and Risk Committee for the period from 1 July 2023 to 31 December 2023 and includes results of the Committee's annual self assessment survey.

##### Next Steps

This report presents to Council the Bi-Annual Report for the period from 1 July 2023 to 31 December 2023 from the Audit and Risk committee as required by the *Local Government Act 2020*. The next Biannual report will be presented to Council following the June 2024 Audit and Risk Committee meeting.

#### Officers' recommendation

That Council resolve to accept the Bi-annual report for the period 1 July 2023 to 31 December 2023 from the Audit and Risk Committee including results of the self-assessment survey required by section 54(5)(4) of the *Local Government Act 2020* as contained in **Attachment 2** (as annexed to the minutes).

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**Responsible officer:**        **Phillip Storer, Chief Executive Officer**

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**1. Purpose**

To present to Council for tabling the Audit and Risk Committee Bi-annual Report for 1 July 2023 to 31 December 2023.

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

As detailed in the Council Plan and the Boroondara Community Plan. 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.

**3. Background**

Section 54 (5) of the *Local Government Act 2020* 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.”*

Section 54(4) of the *Local Government Act 2020* 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.”*

**4. Outline of key issues/options**

The attached Bi-annual Report from the Audit and Risk Committee (**Attachment 1**) was provided by the Chair of the Audit and Risk Committee to the CEO to table at this Council meeting.

**5. Consultation/communication**

Members of Council’s Audit and Risk Committee were consulted during the preparation of this Council report.

**6. Financial and resource implications**

Council's operating budget includes funding for its Audit and Risk Committee.

## 7. Governance issues

Officers involved in the preparation of this report have no conflict of interest, nor were any breaches to the Victorian Charter of Human Rights and Responsibilities identified.

**Manager:** Bryan Wee, Manager Governance and Legal

**Report officer:** Mai Mostafa, Senior Audit and Assurance Officer

## **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 was prepared following the November 2023 Audit and Risk Committee meeting. The next Biannual report will be prepared following the June 2024 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. The Audit and Risk Charter is reviewed for update annually.

### **Membership and attendance during the reporting period**

The Audit and Risk Committee held two meetings in this reporting period. The first was on 3 October 2023 and the second on 15 November 2023. The members of the Audit and Risk Committee for these meetings were:

<b>ARC Members</b>	<b>Attendance on 3 October 2023</b>	<b>Attendance on 15 November 2023</b>
Mr John Watson (Chair and Independent member)	✓	✓
Cr Nick Stavrou (Councillor member)	✓	✓
Cr Jim Parke (Councillor member)	✓	✓
Ms Fiona Green (Independent member)	✓	✓
Ms Freya Marsden (Independent member)	✓	✓

### **Meetings of the Audit and Risk Committee, findings and recommendations**

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

#### ***Meeting on 3 October 2023***

Agenda items considered:

1. Standard Questions for tabling at ARC Meetings
2. Business Arising

3. Audit and Risk Committee Administrative Matters
4. Annual Financial Statements and Performance Statement for the year ended 30 June 2023  
Quarterly Performance Report
5. Victorian Auditor-General's Final Management Letter and Closing Report - year ended 30 June 2023
6. 2022-23 Annual Report
7. Outcomes of IT Disaster Recovery Plan
8. Risk Management Update
9. Outcomes of Legal and Ethical Certification Program
10. Internal Audit Report - Follow Up Review
11. Internal Audit Report - Privacy/third-party Management of Information
12. Internal Audit Report - Special Rates and Charges Scheme
13. Internal Audit Update September 2023

### ***Meeting on 15 November 2023***

Agenda items considered:

1. Standard Questions for tabling at ARC meetings
2. Business Arising
3. Audit and Risk Committee Administrative Matters
4. Biannual Report including the results of self-assessment survey
5. Business Function Risk Assurance Map Report
6. Fraud and Corruption Control Group Activities Report
7. Transforming Boroondara Report
8. Quarterly Performance Report
9. Internal Audit Report - Road Management Plan
10. Internal Audit Update October 2023
11. Internal Review Oversight – Infringements ACT 2006 – Department of Justice and Community Safety

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" that are presented to Council after each Audit and Risk Committee meeting.

### ***Audit and Risk Committee Work Plan***

Section 54 of the Act requires Council to prepare and approve a Charter for the Audit and Risk Committee. The Charter specifies the functions and responsibilities of the Audit and Risk Committee, particularly those set out in section 54(2) of the Act. Sections 54(3), (4) and (5) of the Act requires the Audit and Risk Committee to perform other tasks.

The Audit and Risk Committee adopts an annual workplan each year. The annual workplan sets out reports to be presented to each meeting to allow the Audit and Risk Committee to discharge all the functions, responsibilities and tasks in the

Charter and the Act. **Attachment 1** to this report sets out the reports against the relevant section of the Charter or Act. It also shows when those reports are received by the Audit and Risk Committee to assure the Council that the Audit and Risk Committee is discharging its functions, responsibilities and statutory tasks.

### Responding to Emerging Risks

The Committee, and management, continue to pay close attention to identifying and reviewing emerging risks. During the reporting period the Audit and Risk Committee received the “Chief Executive Officer Update” including briefings about current and emerging issues within the municipality and organisation. In addition, the Audit and Risk Committee received reports about:

- Risk Management updates including a summary of insurance arrangements and active insurance claims for the purposes of s 54(2)(c) of the *Local Government Act 2020*.
- The Outcomes of IT Disaster Recovery Plan Testing Report
- The status of Transforming Boroondara and key milestones.
- Strategic Risk Register Update including Presentation of the annual work plan
- Business Function Risk Assurance Map (BFRAM) Report
- Fraud and Corruption Control Group Activities Report

### Internal Audit

Council's contracted provider of Internal Audit services is Crowe Findex. Crowe Findex were engaged by Council in December 2022.

Each meeting of the Committee provides an opportunity for the Committee to meet with the Internal 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:

Category	Number
Number open at start of reporting period	6
Number added during reporting period	36
Number completed during reporting period	10
Number open at end of reporting period	32

Risk level of open recommendations	High	Moderate	Low
32 Open recommendations	7	19	6

The Committee considers management diligently actioned internal audit recommendations in this period. It also monitored actions not due and reported on actions past their due date.

### **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 to meet this obligation, an agreed self-assessment survey was distributed to the committee members.

A report compiling the survey responses has been prepared (**Attachment 2**).

Subject to any comments or feedback from the Committee on the attached survey outcomes, the survey outcomes will be presented to a future Council meeting in accordance with Section 54 (4) (b) of the Act.

At the request of the Audit and Risk Committee, the same survey was sent to Council’s Senior Management Group and Internal Auditors to complete. A report compiling the survey responses from this cohort is attached for the information of the Committee (**Attachment 3**). The results from this cohort are not required by legislation to be reported to Council.

### **Conclusion**

The Committee looks forward to continuing to fulfil its role and working with management, Council and its auditors during the 2023-24 financial year and will provide its next Biannual report following the June 2024 Audit and Risk Committee meeting.

**John Watson**

**Chair Audit and Risk Committee**

**Date 02/02/2024**



**Attachment 1****2023-24 Annual Workplan (relevant parts of the *Local Government Act 2020* and Audit and Risk Committee Charter noted)**

(An X denotes when a report is due. A green shaded box indicated the report was received. A yellow shaded box indicates a report is delayed. A red shaded box indicates a report was not received).

<b>1 - Audit and Risk Committee Functions</b>	<b>Oct 23</b>	<b>15 Nov 23</b>	<b>Mar 24</b>	<b>June 24</b>	<b>Local Government Act or Charter reference</b>
Bi-Annual Audit and Risk report of the activities, findings and recommendations of the Audit and Risk Committee for tabling at Council meeting. The November Report includes results of self-assessment survey: section 54(5)(4) <i>Local Government Act 2020</i>		X		X	Section 54(5) Local Government Act 2020  Section 54(4) Local Government Act 2020
Copies of all Audit and Risk Committee reports, agendas, minutes and formal resolutions for tabling at Council meeting.	X	X	X	X	Section 54(6) (b) Local Government Act 2020 Clause 7 Audit and Risk Committee Charter
Review of the Audit and Risk Committee Charter: Clause 7 <i>Audit and Risk Committee Charter</i>				X	Clause 7 Audit and Risk Committee Charter
Opportunity for Audit and Risk Committee to meet in camera with external auditors.	X	X	X	X	Appendix A (5) Audit and Risk Committee Charter
Annual review of the criteria for monitoring performance of the Committee for the coming financial year to be provided to the CEO for tabling at the next Council meeting: section 54(4) <i>Local Government Act 2020</i>				X	Section 54(4) Local Government Act 2020



2 - Risk Management Assessment	Oct 23	15 Nov 23	Mar 24	June 24	Act or Charter reference
Risk Management Update	X		X		Section 54(2) Local Government Act 2020
Strategic Risk Register Update including Presentation of the annual work plan		X			Clause 3 Audit and Risk Committee Charter
Report on the implementation of actions contained within the Risk Management Framework.				X	Clause 3 Audit and Risk Committee Charter
Occupational Health and Safety Report- including appropriate indicators and measures.			X		Clause 3 Audit and Risk Committee Charter
Fraud and Corruption Control Group Activities Report: section 54(2)(c) <i>Local Government Act 2020</i>		X			Section 54(2)(c) Local Government Act 2020 Clause 3 Audit and Risk Committee Charter
IT System Security Testing Report				X	Clause 3 Audit and Risk Committee Charter
Council Insurance Claims Statistics Report	X				Clause 3 Audit and Risk Committee Charter
Council’s Insurance Coverage Report	X				Clause 3 Audit and Risk Committee Charter
Business Function Risk Assurance Map (BFRAM) Report - utilisation and currency		X			Clause 3 Audit and Risk Committee Charter
Receive Business Enterprise Risk Committee Minutes	X	X	X	X	Clause 3 Audit and Risk Committee Charter
Transforming Boroondara Report	As required following key milestones				Clause 1.1 Audit and Risk Committee Charter Appendix A (1) Audit and Risk Committee Charter
Report an any “extreme operational risk”	As required based on risk arising				
IT Disaster Recovery Plan Testing Report	Annually with variable timing to allow for a “surprise disaster recovery exercise”				

<b>3 - External Audit</b>	<b>Oct 23</b>	<b>15 Nov 23</b>	<b>Mar 24</b>	<b>June 24</b>	<b>Act or Charter reference</b>
Meet with external auditors to review main issues relating to annual financial statements and receive and review the Audit Management Letter and the Management Representation Letter.	X				Section 54(2)(d) Local Government Act 2020 Clause 6 Audit and Risk Committee Charter
Meet with external auditors to review main issues relating to upcoming annual financial statements and review audit plan.				X	Appendix A (5) Audit and Risk Committee Charter
Review external audit reports and management response to matters arising.	X				Appendix A (5) Audit and Risk Committee Charter
Note annual external audit fee advised by Auditor-General				X	Appendix A (5) Audit and Risk Committee Charter
Receive reports to provide assurance that internal and external audit work is co-ordinated for maximum efficiency.	X				Section 54(2)(d) Local Government Act 2020 Clause 6 Audit and Risk Committee Charter

<b>4 Internal Audit</b>	<b>Oct 23</b>	<b>15 Nov 23</b>	<b>Mar 24</b>	<b>June 24</b>	<b>Act or Charter reference</b>
Review progress against the internal audit program	X	X	X	X	Clause 6 Audit and Risk Committee Charter
Review internal audit reports and management comments arising	X	X	X	X	Clause 3 Audit and Risk Committee Charter
Review the adequacy of the internal audit budget		X			Clause 6 Audit and Risk Committee Charter
Review the three year Strategic Internal Audit Plan			X		Clause 6 Audit and Risk Committee Charter

<b>5 End of Financial Year Accounting &amp; Reporting</b>	<b>Oct 23</b>	<b>Nov 23</b>	<b>Mar 24</b>	<b>June 24</b>	<b>Act or Charter reference</b>
Review any major issues pertaining to upcoming annual financial statements				X	Section 54(2)(b) Local Government Act 2020
Receive and review annual financial statements	X				Clause 6 Audit and Risk Committee Charter
Receive update on clearance of prior year management letter points				X	Appendix A (3) Audit and Risk Committee Charter
Review annual report incorporating annual financial statements for the previous year prior to presentation to Council for adoption	X				
Recommend to Council the adoption of annual financial statements	X				
<b>6 Management Accounting, Budgeting and Financial Reporting Practices</b>	<b>Oct 23</b>	<b>Nov 23</b>	<b>Mar 24</b>	<b>June 24</b>	<b>Act or Charter reference</b>
Receive and Review Quarterly Performance Report to ensure relevance and integrity: section 54(2)(d) <i>Local Government Act 2020</i>	X	X	X	X	Section 54(2)(b) Local Government Act 2020  Appendix A (4) Audit and Risk Committee Charter
Review and recommend to the Council all significant accounting policy changes	As required based on any changes arising				Appendix A (3) Audit and Risk Committee Charter
<b>7 Compliance with Laws and Regulations</b>	<b>Oct 23</b>	<b>Nov 23</b>	<b>Mar 24</b>	<b>June 24</b>	<b>Act or Charter reference</b>
Annual Legal and Ethical Compliance Report	X				Clause 5 Audit and Risk Committee Charter Appendix A (2) Audit and Risk Committee Charter

Annual Gifts and Hospitality Register Report	X				Clause 5 Audit and Risk Committee Charter
Report on significant developments and changes in rules, regulations and laws governing Council operations	As required based on any changes arising				Section 54(2)(a) Local Government Act 2020
Report on compliance, or progress toward compliance, with significant changes in rules, regulations and laws governing Council operations	As required based on any changes arising				Section 54(2)(a) Local Government Act 2020

**ATTACHMENT 3****Audit & Risk Committee - Self Assessment of Performance Survey 2023**

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

To meet this requirement, a survey with 30 rated questions and 9 free text questions was distributed seeking Committee members' comments and scores on the following scale:

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

All five Audit and Risk Committee members responded to the survey. The average score for questions is recorded below along with free text responses.

No	Question	Average Score
1	The Committee has monitored and reported on the systems and activities of Council in ensuring reliable financial reporting and management information.	5.5
2	The Committee has monitored and reported on the systems and activities of Council in ensuring high standards of corporate governance	5.5
3	The Committee has monitored and reported on the systems and activities of Council in ensuring appropriate application of accounting policies.	5.83
4	The Committee has monitored and reported on the systems and activities of Council in ensuring compliance with applicable laws and regulations.	5.67
5	The Committee has monitored and reported on the systems and activities of Council in ensuring effective and efficient internal audit functions.	5.67
6	The Committee has monitored and reported on the systems and activities of Council in ensuring effective and efficient external audit functions.	5.67
7	The Committee has monitored and reported on the systems and activities of Council in ensuring measures to provide early warning of any issues affecting the organisation's financial well-being.	5.17
8	The Committee has monitored and reported on the systems and activities of Council in ensuring the level and effectiveness of appropriate Business Continuity and Disaster Recovery Planning.	5
9	The has monitored and reported on the systems and activities of Council in ensuring maintenance and fostering an ethical environment.	5.5
10	Comments on questions 1 to 9. Free text field. Two responses received.  <i>"Whilst I believe the ARC is functioning well, I have scored a number of responses as a 5 rather than a 6 because the effectiveness of the ARC is only as good as the information it receives."</i> <i>"The papers provided are of very good quality and detail to allow sufficient oversight."</i>	n/a
11	The Audit and Risk Committee has received whatever information, presentations, or explanations it considers necessary to fulfil its responsibilities.	5.5
12	Comment on question 11. Free text field. One response received: <i>"In addition to high-quality papers, management are always responsive to any requests for additional information."</i>	n/a

## ATTACHMENT 3

No	Question	Average Score
13	The Committee has worked with management and Internal Audit to develop a framework for monitoring the multi-dimensional elements of corporate governance	5.67
14	Comment on question 13. Free text field. No response received.	n/a
15	The Committee has gained a level of assurance that systems are in place within Council to identify high risks.	5.5
16	The Committee has scheduled audit reviews in accordance with risk assessments.	5.67
17	The Committee has reviewed the accountability of Council's corporate governance arrangements.	5.5
18	The Committee has reviewed the effectiveness of internal control systems in place.	5.33
19	The Committee has made recommendations to address control deficiencies.	5.67
20	Comments on questions 15 to 19. Free text field. No response received.	n/a
21	The Committee has reviewed the effectiveness of management information including financial controls and reporting.	5.67
22	Comment on question 21. Free text field. No response received.	n/a
23	The Committee shall review reports outlining Developments and changes in the various rules, regulations and laws which relate generally to Council's business operations.	5.5
24	The Committee shall review reports outlining measures to ensure Council's compliance with legislation.	5.5
25	Comments on questions 23 and 24. Free text field. No response received.	n/a
26	The Committee will review the performance of internal audit.	5.33
27	The Committee will review the effectiveness of the annual external audit.	5.5
28	The Committee will recommend internal audit appointments to Council.	5
29	The Committee will provide a structured reporting line for internal and external audit.	5.5
30	The Committee will annually approve the Internal Audit Program and rolling three-year plan.	5.83
31	The Committee will Review and approve the Audit and Risk Committee Annual Plan.	5.83
32	Comments on questions 26 and 31. Free text field. Two responses received.  <i>"Re Q 29, The ARC is reliant on Management to report back to the council."</i>  <i>"There was some an amendment to the Charter this calendar year to address a perceived gap in appointment of a new internal auditor."</i>	n/a
33	Meetings have been conducted in accordance with the agenda issued by Governance.	5.83
34	Meeting agendas and supporting papers have been well structured and well written.	5.83
35	Meetings have been conducted to allow for full participation by all members.	5.83
36	Meetings have allowed Committee members to raise any issue they believe relevant.	5.67
37	Meetings have been conducted to allow for open, frank, and robust discussion of all matters raised.	5.83

## ATTACHMENT 3

No	Question	Average Score
38	Comments on questions 33 and 37. Free text field. One response received.  <i>"The meetings are very professionally conducted, allowing all members sufficient time to raise and discuss any matters that are relevant."</i>	n/a
39	Are there any other matters you believe should be raised as part of this assessment of the performance of the Audit and Risk Committee? One response received:  <i>"I appreciate the positive and transparent relationship between the Committee and management. Thanks to the Chair for conducting the meetings in such a professional manner."</i>	n/a