

7.2 Biannual Report on the Activities of the Audit and Risk Committee including Recommendations of the Audit and Risk Committee Meeting held on 9 December 2020

Abstract

Section 54(5) of the Local Government Act 2020 requires Council's Audit and Risk Committee to "prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations".

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 first meeting of the newly established Audit and Risk Committee was held on 9 December 2020. This report presents the findings and recommendations from that meeting for consideration by Council. A schedule of reports and Committee recommendations is presented as an attachment to this report.

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 9 December 2020.

Responsible officer: Phillip Storer, Chief Executive Officer

1. Purpose

To present to Council the recommendations of the Audit and Risk Committee meeting held on 9 December 2020. A schedule of reports and committee recommendations is presented as an attachment to this report.

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 first meeting of the newly established Audit and Risk Committee was held on 9 December 2020. This report presents the findings and recommendations from that meeting for consideration by Council.

The report is also intended to identify those matters requiring Council resolution and adoption and those matters that are presented to be “received and noted”.

4. Outline of key issues/options

As recorded in the minutes of the Audit and Risk Committee meeting held on 9 December 2020 the following reports were tabled:.

- A4.1 Standard Questions for Tabling at the Audit and Risk Committee Meetings
- A4.2 Business Arising
- A4.3 COVID-19 (Verbal Report)
- A4.4 Year-end update and Audit Closing Report for the year ended 30 June 2020.
- A4.5 Business Function Risk Assurance Mapping - Internal Audit Report
- A4.6 Tendering - Internal Audit Report
- A4.7 Internal Audit Update March 2020
- A4.8 Biennial Review of the Internal Audit Charter November 2020
- A4.9 Risk Management Update November 2020

A4.10 Reports to Parliament by Victorian Auditor-General's Office and other regulatory bodies

A4.11 Audit and Risk Committee Administrative Matters

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

5. Consultation/communication

Given the nature of this internal report, no external stakeholder consultation with the community has been undertaken in the preparation of the report.

The Executive Leadership Team (ELT) has been consulted in the preparation of the report.

6. Financial and resource implications

There are no direct financial or resource impacts arising from the recommendations of this report.

7. Governance issues

The officers responsible for this report have no general or material conflicts of interest requiring disclosure.

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

No direct social and environmental implications arise from the recommendations contained in this report.

9. Conclusion

As required by Section 54 (5) of the Local Government Act 2020 this report provides a biannual update on the activities and recommendations from Council's Audit and Risk Committee from the date of its establishment to 31 December 2020.

Manager: David Thompson, Manager Governance and Legal

Report officer: Chris Hurley, Integrity Coordinator

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**Summary of reports tabled at Audit and Risk Committee meeting held
9 December 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
A4.1	Standard Questions for Tabling at the Audit and Risk Committee meetings	Audit and Risk Committee Members were given the opportunity to: <ol style="list-style-type: none"> 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 Committee. 3. Request a discussion of any matter with the Auditors in the absence of management and other staff. No such discussion was requested. 	Nil.	Council note the responses of Officers, Auditors and Members, to the standard questions outlined in this report.
A4.2	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. This report included an update on Council's Protective Data Security Plan submitted to the Office of the Victorian Information Commissioner (OVIC) in August 2020. The Committee noted the actions taken in response to matters arising from the minutes of the previous meeting.	<i>Management note that Council's FOGO program be part of the scope for any future waste management audit. The Committee confirmed the item can be removed from the Business Arising table.</i>	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).
A4.3	COVID-19 (Verbal)	The verbal report provided an update on Council's actions and responses associated with the coronavirus (COVID-19) pandemic.	Nil.	Council receive and note the report.

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Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
A4.4	Year-end update and Audit Closing Report for the year ended 30 June 2020.	<p>This report updated the Audit and Risk Committee on the outcomes of the audit of Council's Annual Financial Statements and Performance Statement for the year ended 30 June 2020 conducted by the Victorian Auditor-General's Office (VAGO).</p> <p>The report advised audit clearance in the form of an 'unqualified' audit opinion was issued by VAGO. A final Management Letter was issued which identified no audit findings for financial and performance statement reporting. A number of observations relating to information technology systems were provided by VAGO. None of these observations compromised reliance for financial reporting purposes and none were deemed by VAGO to represent high risk. Management responses were provided for all observations and identified actions have either been concluded or scheduled for completion by June 2021.</p>	<i>Management will provide a status update on actions taken to address matters raised by VAGO to the first Audit and Risk Committee meeting in 2021.</i>	Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
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Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
A4.5	Business Function Risk Assurance Mapping - Internal Audit Report	<p>This report updated the Audit and Risk Committee on the outcomes of the Business Function Risk Assurance Map (BFRAM) exercise conducted by the Internal Auditors. The purpose of the exercise was to identify the extent of assurance activities conducted over controls that have been implemented to address the inherent risk level of each business function. Going forward, the completed BFRAM can be used to inform Council's overall assurance framework and the development of future year's internal audit plans.</p> <p>The final report noted the Internal Auditors were able to identify assurance activities in place to assess controls and that these aligned with the level of risk. No unnecessary duplication of assurance activities was observed.</p>	<ul style="list-style-type: none"> • <i>Management provide further clarification regarding the function of the BFRAM.</i> • <i>Management use the BFRAM as a 'live' document and for it to coexist with the Internal Audit Plan (due March 2021).</i> • <i>For the BFRAM to be presented to the Audit and Risk Committee on an annual basis at the November meeting.</i> 	Council receive and note the report

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A4.6	Tendering - Internal Audit Report	<p>The report updated the Audit and Risk Committee on the outcomes of the Internal Audit review of Council's Tendering procedures and key controls that enable the achievement of the agreed control objectives. The review was conducted in accordance with the Council adopted Strategic Internal Audit Plan.</p> <p>The internal audit identifies a number of key controls are appropriately designed and operating effectively. Five recommendations have been made to improve the design and/or operation of controls relating to role definition, documentation and monitoring and reporting.</p> <p>The internal audit report outlines a number of key strengths in Council's tendering processes and assesses the maturity of the tendering process as 'Established'. Management has agreed with the report's recommendations and provided commentary and implementation dates in the report.</p>	<p><i>Any changes from a risk perspective in the new Procurement Policy to be presented to the Audit and Risk Committee for consideration.</i></p>	Council receive and note the report.

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A4.7	Internal Audit Update November 2020	This report updated the Audit and Risk Committee on the progress of the 2020-21 Internal Audit Plan and provided a status report on the implementation of recommendations from prior Internal Audit reports.	<i>The Audit and Risk Committee agreed future reports need only contain 'High' risk findings and recommendations past their due date of implementation.</i>	Council receive and note the report.
A4.8	Biennial review of the Internal Audit Charter	This report provided the Audit and Risk Committee an opportunity to note the outcomes of a review of the Internal Audit Charter. The Committee endorsed the Internal Audit Charter as presented.	<i>Management to fix the diagram in the report to remove track changes.</i>	Council receive and note the report.
A4.9	Risk Management Update November 2020	<p>This report updated the Audit and Risk Committee on:</p> <ol style="list-style-type: none"> 1. Council's Strategic Risks and the review of Controls and Risk Ratings. 2. Progress of actions contained in the Risk Management Framework Action Plan. 3. Development of the draft Risk Appetite Statement. <p>Following the endorsement of the Risk Management Framework, the Audit and Risk Committee requested that Council consider and adopt an enterprise-wide Risk Appetite Statement.</p>	<ul style="list-style-type: none"> • <i>Management note the typographical error in Attachment 3 (page 217).</i> • <i>Management to report back to the Audit and Risk Committee at a future date on how the Risk Appetite Statements have been used to assist decision making.</i> 	<ol style="list-style-type: none"> (a) Council receive and note the report. (b) Council adopt the Risk Appetite Statement contained in Attachment 2 for appending to the Risk Management Framework and use in Council's Business Planning and Business Continuity Planning processes.

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		<p>Since this time benchmarking has been undertaken with other Council's. Council have also consulted with Pitcher Partners to inform the development of a draft Risk Appetite Statement.</p> <p>A revised Risk Appetite Statement was drafted and was presented for preliminary review and feedback from the Audit and Risk Committee. Once endorsed, the Risk Appetite Statement will be appended to the existing Risk Management Framework and incorporated in Business Planning Process and Risk Management practices.</p> <p>The Audit and Risk Committee endorsed the attached Risk Appetite Statement (Attachment 2) for presentation to Council for formal adoption.</p>		
A4.10	Reports to Parliament by Victorian Auditor-General's Office and other regulatory bodies	<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, no</p>	<i>Nil.</i>	Council receive and note the report.

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		<p>reports of direct relevance to the City of Boroondara have been tabled by VAGO.</p> <p>The Committee was updated on the review undertaken by officers of the document issued by the Independent Broad-based Anti-Corruption Commission (IBAC) entitled "Building integrity during times of crisis or emergency" and the report issued by the Local Government Inspectorate (LGI) entitled 'Councillor expenses and allowances: equitable treatment and enhanced integrity'. That report considered a range of issues associated with councillor expenses and allowances and provided guidance and insight into the development and application of expenses policies. The report recommended "Councils should report councillor expenses and reimbursement claims to council and council's Audit and Risk Committee on a quarterly basis".</p> <p>Boroondara currently reports councillor expenses and reimbursement claims through the publically available Quarterly Performance Report (which is also distributed to Audit and Risk</p>		

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		Committee members). Allowance will be made within future Audit and Risk Committee 'Administrative matters' reports for presentation of the expenses and reimbursement information as recommended by LGI.		
A4.11	Audit and Risk Committee Administrative Matters	<ol style="list-style-type: none"> 1. The Audit and Risk Committee noted the recommendations from the previous Committee meeting of 19 August 2020 had been reviewed and endorsed by Council at the Council meeting held 12 October 2020. The appropriate Council report was provided to the Audit and Risk Committee. 2. The Audit and Risk Committee reviewed progress against the 2020-21 Audit and Risk Committee Annual Plan noting that all required activities to date have been completed. 3. The Audit and Risk Committee was updated on the progress of the September 2020 Quarterly Performance Report (QPR). 4. The Audit and Risk Committee received the minutes of the Business Enterprise Risk Committee (BERC) held 24 August 2020. 	<i>Nil</i>	Council receive and note the report.

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		5. The Audit and Risk Committee was updated on the reporting of Councillor expense and reimbursement claims. 6. The Audit and Risk Committee was advised of the new requirement in the <i>Local Government Act 2020</i> to provide Council a biannual report of its activities and findings.		

Attachment 2**Draft Risk Appetite Statement**

Council has an appetite for risk that leads to the successful delivery council services and the Boroondara Community Plan.

Council's Risk Appetite Statement provides guidance on the risk council is prepared to take to deliver facilities and services without compromising personal safety, financial loss, environmental impact, reputational damage, compliance with legislation and regulations or council's strategic direction.

Risk appetite is the amount of exposure that the council is willing to accept in pursuit of its objectives. Once the risk appetite threshold has been exceeded, risk management controls and actions are required to bring the exposure level back within the accepted range.

Council has defined its Risk Appetite as:

People

We have a high appetite for employing the right people in the right roles.

We have no appetite for services, facilities or workplaces that compromise the health and safety of people.

We have no appetite for employing people without Police Checks or Working with Children Checks where they are a required by law or the nature of their role.

Community

We have a high appetite for risks associated with the implementation of the Boroondara Community Plan and key strategic plans.

We have a high appetite for increasing quality of life and economic activity, including activities that build, engage and develop the community.

We have a high appetite for system and operational improvements.

We have a low appetite for system failures.

We have a low appetite for contractor and third party partner failure.

We have no appetite for fraud, collusion, theft and/or data security breaches.

Environment

We have a high appetite for environmental sustainability as our city and its population grows and develops.

We have a high appetite for developments that promote environmental sustainability.

We have a low appetite for activities which may compromise the health of our local environment.

We have no appetite for activities which degrade our natural environment.

Character and Heritage

We have a high appetite to maintain the neighbourhood character and heritage whilst enabling economic development and prosperity.

Finance

We have a high appetite to invest in the development of our community.

We have a high appetite to maintain sound financial decisions to meet community expectations.

We have no appetite for fraud, corruption or conflict of interest.

We no appetite for decisions that may have a negative impact on Council's long term financial viability.

Governance

We have a high appetite for maintaining a high standard of civil leadership that is free from conflict of interest.

We have no appetite for non-compliance with legal, professional and regulatory requirements.

We have no appetite for activities that will compromise the Council or its reputation.