

## 5.2 AUDIT & RISK COMMITTEE SIX MONTHLY ACTIVITIES REPORT

(D20-325282)

Responsible Officer: Dr Andi Diamond, Chief Executive Officer

### **RECOMMENDATION**

*That Council notes the six monthly briefing report forwarded by Council's Audit & Risk Committee, to the Chief Executive Officer (CEO) outlining the Committee's activities and providing any findings and recommendations in relation to the functions of the Committee.*

### **BACKGROUND**

The *Local Government Act 2020* (the Act) includes changes to the role and governance of the Audit & Risk Committee as well as broader changes to the Committee's interest in Council's governance.

Part 2, Division 8, Clause 54 (5) of the Act requires the Audit & Risk Committee to:

- 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.

### **DISCUSSION**

In accordance with the Act, and the revised Audit & Risk Committee Charter (approved by Council in April 2020), a briefing paper was tabled at the 1 December 2020 Audit & Risk Committee meeting which outlined the Committee's activities from July to December 2020. This report (attached) was then forwarded to the CEO to table at the January 2021 Council meeting.

### **CONCLUSION**

In conclusion, as per the requirements of the Act, the CEO recommends to Council the attached report outlining the Audit & Risk Committee's activities from July to December 2020.

## Monash Audit & Risk Committee activities - July to December 2020



The Committee's activities for the reporting period are summarised below:

Area of focus	Outcome
<b>Financial &amp; Performance Reporting</b>	
Oversight of the preparation of the Annual Financial Report and Annual Performance Statement	<ul style="list-style-type: none"> <li>The committee reviewed and endorsed the 2019-20 Financial Statements and the Performance statement following the external audit conducted by VAGO at the Aug 2020 meeting for presentation at the August Council meeting for adoption.</li> </ul>
Review of management financial reports	<ul style="list-style-type: none"> <li>Reviewed the quarterly Financial Management, Annual Plan and Capital Works Progress Report for the period ending 31 March 2020 &amp; 30 September 2020</li> </ul>
Review of Council's reporting under the Local Government Performance Reporting Framework	<ul style="list-style-type: none"> <li>The 2019/20 Local Government Performance Reporting Framework report and a briefing paper with the key highlights was provided to the committee at the Aug 2020 meeting.</li> <li>A report outlining areas of improvement on LGPRF measure was provided to the Committee at the Dec 2020 meeting.</li> </ul>
Consideration and endorsement of changes in reporting standards and policies	<ul style="list-style-type: none"> <li>Updates are provided by the Finance Manager on any changes to accounting standard or policies that have impacted council.</li> </ul>
<b>Risk Management</b>	
Consideration of regular reports on Council's risk profile and risk management activity, including Council's response to the COVID-19 challenges and the impact of the virus on Council's finances	<p>The following risk reports were provided to the committee in the past 6 months:</p> <ul style="list-style-type: none"> <li>Strategic Risk Report</li> <li>Council's Response to COVID – 19</li> <li>Risk Management annual work plan</li> <li>Out sourced service providers contract risk update</li> <li>Project Risk Management &amp; COVID-19</li> <li>Updates on Risk Management Committee meetings</li> </ul>

Area of focus	Outcome
Review of implementation of the new Enterprise Risk & Opportunity Management framework	<ul style="list-style-type: none"> <li>Risk &amp; Opportunity Management Framework was adopted by council in February 2020 whilst implementation of the framework is ongoing</li> </ul>
Oversight of the monitoring activity of high risk areas by Council	<ul style="list-style-type: none"> <li>People &amp; Culture Dashboard report comprising information on OHS and wellbeing data</li> <li>Engagement of Risk Consultant for major projects</li> <li>Cyber Risk update</li> <li>Legislative Compliance reporting</li> </ul>
Oversight of management responses to business continuity planning and testing activities	<ul style="list-style-type: none"> <li>An update on crisis management exercise recommendations was presented to the Committee at the March 2020 meeting</li> </ul>
Oversight of management activity related to compliance management	<ul style="list-style-type: none"> <li>A standing agenda item was the update on Local Government Act 2020 implementation on Council operations</li> </ul>
<b>Internal Control Environment</b>	
Monitoring outcomes of reviews by Council of key policies	<p>Policies reviewed in the past 6 months by the committee include:</p> <ul style="list-style-type: none"> <li>Fraud Control Framework</li> <li>Public Interest Disclosure policy</li> <li>Guidance to Internal Investigations (draft)</li> <li>Procurement policy</li> <li>Disaster Recovery Plan</li> </ul>
Monitoring the impact of legislative changes on Council's operations	<ul style="list-style-type: none"> <li>Regular updates have been provided to the committee on the implementation of council legislative compliance system RelianSys</li> <li>First round of annual attestations were completed in September and an overall compliance report was provided to the committee meeting in December</li> <li>The committee received briefings on new Pool Regulations and Industrial Manslaughter laws for OHS</li> </ul>

Area of focus	Outcome
Consideration of the impact on Council of the outcomes of integrity body reports (Independent Broad-based Anti-Corruption Commission, Victorian Auditor General's Office, Local Government Inspectorate and Ombudsman Victoria)	Several self-assessments of integrity body reports were provided to the committee in the past 6 months and they include: <ul style="list-style-type: none"> <li>• VAGO Report on Developer Contributions</li> <li>• VAGO Personnel Security Report</li> <li>• Vic Ombudsman report on Ballarat City Council</li> <li>• VAGO – Local Government Insurance Risks update</li> </ul>
<b>Internal &amp; External Audit</b>	
Review and endorsement of the 2020/21 internal audit plan	<ul style="list-style-type: none"> <li>• Draft 2020/21 Internal audit plan was presented to the committee at the June 2020 meeting</li> </ul>
Consideration of the outcomes of internal audit reviews	<ul style="list-style-type: none"> <li>• Presented at every meeting.</li> </ul>
Review and endorsement of the external audit plan	<ul style="list-style-type: none"> <li>• VAGO's Audit Strategy Memorandum for the year ended 30 June 2020 was presented and endorsed by the committee at the March 2020 meeting</li> </ul>
Consideration of the outcomes of the external audit	<ul style="list-style-type: none"> <li>• VAGO's Interim Management letter was presented to the committee at the March 2020 meeting</li> <li>• VAGO's Final Management letter was presented to the committee at the August 2020 meeting</li> </ul>
Monitoring the performance of the internal and external audit functions	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
Development of relationship with new internal audit service provider (Crowe)	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
Monitoring management performance in closing out audit recommendations	<ul style="list-style-type: none"> <li>• Summary reports are provided to the committee at the August and March meetings with more detailed reports on outstanding audit actions presented at the June and December meetings.</li> </ul>
<b>Facilitation of Communication between Audit Functions and Management</b>	
Meeting with the audit functions in the absence of management	<ul style="list-style-type: none"> <li>• Committee members met with VAGO upon the completion of the August 2020 committee meeting</li> </ul>

Area of focus	Outcome
<b>Other key activities included:</b>	
Review of the Committee Charter and reporting to Council on recommended improvements as outlined in the Local Government Act 2020	<ul style="list-style-type: none"> <li>The Committee's Charter was amended for changes to the role and governance of the Audit &amp; Risk Committee as well as broader changes to Council's governance of interest to the Committee following the passing of the new Local Government Act 2020 and endorsed at the April 2020 Council meeting</li> </ul>
Monitoring the impact of legislative change on the Committee's responsibilities	<ul style="list-style-type: none"> <li>The Committee's Charter was amended for changes to the role and governance of the Audit &amp; Risk Committee as well as broader changes to Council's governance of interest to the Committee following the passing of the new Local Government Act 2020</li> </ul>
Assessment of the Committee's performance	<ul style="list-style-type: none"> <li>A self-assessment of the Committee's performance and improvement opportunities for future activities was presented to the December 2020 meeting</li> </ul>
Involvement in the recruitment of new Committee members (Chair & Independent member)	<ul style="list-style-type: none"> <li>Appointment of existing independent Committee member Mr Andrew Dix as an independent Chairperson member of the A&amp;RC for a period of three years ending 30 June 2023; and</li> <li>Appointment of Mr John Watson as a replacement independent member of the A&amp;RC for a period of three years ending 30 June 2023 was adopted by Council at the April 2020 Council meeting.</li> </ul>
<b>Internal Audit Coverage</b>	
<p>The Committee has continued to work towards a closer alignment of the internal audit plan with Council's strategic risk profile. Internal audit reviews completed during the calendar year included:</p> <ul style="list-style-type: none"> <li>Community Grants</li> <li>Capital Works Management</li> <li>Finance Controls – Payroll Review</li> <li>Animal Management</li> </ul>	

Area of focus	Outcome
<ul style="list-style-type: none"><li>Implementation of A Healthy and Resilient Monash: Integrated Plan</li><li>Tree Management – Follow Up</li></ul>	
<b>Upcoming Internal audit focus</b>	
The upcoming audit reviews up to Jun 2021 include: <ul style="list-style-type: none"><li>Business Continuity Planning</li><li>Various Financial Controls – Purchasing Cards, Sundry Debtors and EFT</li><li>Fraud Management &amp; Prevention</li><li>Emergency Management</li><li>Occupational Health &amp; Safety -Staff</li></ul>	The 2020/21 Internal Audit Plan was developed through evaluating where COVID-19 impacts are driving changes to risk as well as current gaps in controls for Council’s Strategic Risks, past internal Audits at Monash, known local government industry risks, and future Victorian Auditor General Office Performance Audits.