

5.2 AUDIT & RISK COMMITTEE SIX MONTHLY ACTIVITIES REPORT

(D21-394129)

Report from the Chief Executive Officer, Dr Andi Diamond

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* (LGA 2020) 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 LGA 2020, and the revised Audit & Risk Committee Charter, a briefing paper was tabled at the 7 December 2021 Audit & Risk Committee meeting which outlined the Committee's activities from July to December 2021. This report (attached) was then forwarded to the CEO to table at the January 2022 Council meeting.

CONCLUSION

In conclusion, as per the requirements of LGA 2020, the CEO recommends to Council attached report outlining the Audit & Risk Committee's activities from July to December 2021.

Monash Audit & Risk Committee activities - July to December 2021

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

<i>Charter Responsibility</i>	<i>Activity</i>
<i>Financial & Performance Reporting</i>	
Oversight of the preparation of the Annual Financial Report and Annual Performance Statement	<ul style="list-style-type: none"> The Committee reviewed and endorsed the 2020-21 Financial Statements and the Performance statement following the external audit conducted by VAGO at the Aug 2021 meeting for presentation at the August Council meeting for adoption.
Review of management financial reports	<ul style="list-style-type: none"> Reviewed the quarterly Financial Management, Annual Plan and Capital Works Progress Report for the period ending 31 March 2021 (Aug 2021 meeting) & 30 September 2021 (Dec 2021 meeting).
Review of Council's reporting under the Local Government Performance Reporting Framework	<ul style="list-style-type: none"> The 2020/21 Local Government Performance Reporting Framework report and a briefing paper with the key highlights was provided to the committee at the Aug 2021 meeting.
Consideration and endorsement of changes in reporting standards and policies	<ul style="list-style-type: none"> Updates are provided by the Finance Manager on any changes to accounting standard or policies that have impacted council.
<i>Risk Management</i>	
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"> Strategic Risk Reports Update on the 2020/21 Enterprise Risk & Opportunity Management Framework Key Performance indicators Analysis of four Control Profiles covering key controls for four strategic risks Summary of activities and highlights for 2020/21 Updates & minutes from Risk Management Committee meetings Workplan-activities scheduled for the Risk Management unit over the 2021/22 year Update on Risk seminars provided to staff members
Review of implementation of the new Enterprise Risk & Opportunity Management framework	<ul style="list-style-type: none"> Implementation of the Enterprise Risk & Opportunity Management Framework is ongoing

<i>Charter Responsibility</i>	<i>Activity</i>
Oversight of the monitoring activity of high risk areas by Council	<ul style="list-style-type: none"> • People & Safety Dashboard report comprising information on OHS and wellbeing data was presented to the committee at the December 2021 meeting • Update on work done in the Fraud & Corruption space including: <ul style="list-style-type: none"> ○ Updates to the Fraud & Corruption Control Framework ○ Terms of Reference developed for the Fraud & Corruption Steering Committee ○ Fraud & Corruption E-learning module rolled out to all staff in July 2021 & face-to-face online training provided to targeted departments in August/September ○ Work has been undertaken to document Monash's fraud controls • BT Penetration Testing results reviewed. • Briefings received on updates risks and responses to COVID-19 • Cyber Risk update
Oversight of management responses to business continuity planning and testing activities	<ul style="list-style-type: none"> • A full test will be conducted early 2022.
Oversight of management activity related to compliance management	<ul style="list-style-type: none"> • Received regular updates on Local Government Act 2020 implementation on Council operations • An annual status update on legislative compliance was provided at the Dec 2021 meeting
<i>Internal Control Environment</i>	
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"> • IT Penetration testing results • Asset Accounting Policy • Debtor Management Policy
Monitoring the impact of legislative changes on Council's operations	<ul style="list-style-type: none"> • Regular updates have been provided to the committee on the implementation of Local Government Act 2020 and the Gender Equity Act 2020 to ensure compliance to these legislations • Second round of annual attestations were completed in September 2021 and an overall compliance report was provided to the committee meeting in December 2021

<i>Charter Responsibility</i>	<i>Activity</i>
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)	No self-assessments of integrity body reports were provided to the committee in the past 6 months
<i>Internal & External Audit</i>	
Review and endorsement of the 2020/21 internal audit plan	<ul style="list-style-type: none"> The 2021/22 Internal audit plan was approved at the June 2021 meeting.
Consideration of the outcomes of internal audit reviews	<ul style="list-style-type: none"> Presented at every meeting.
Review and endorsement of the external audit plan	<ul style="list-style-type: none"> VAGO's Audit Strategy Memorandum for the year ended 30 June 2021 was presented and endorsed by the committee at the March 2021 meeting
Consideration of the outcomes of the external audit	<ul style="list-style-type: none"> VAGO's Final Management letter was presented to the committee at the August 2021 meeting
Monitoring the performance of the internal and external audit functions	<ul style="list-style-type: none"> Key performance measures for the Internal Audit Contract have been drafted including annual assessments, post-audit surveys, KPIs and monthly contract meetings. A briefing paper outlining this was taken to the December 2021 meeting.
Monitoring management performance in closing out audit recommendations	<ul style="list-style-type: none"> Summary reports provided to the committee at the August meeting with more detailed reports on outstanding audit actions presented at the December meeting.
<i>Facilitation of Communication between Audit Functions and Management</i>	
Meeting with the audit functions in the absence of management	<ul style="list-style-type: none"> Committee members met with VAGO upon the completion of the August 2021 committee meeting
<i>Other key activities included:</i>	
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"> No further changes were made to the Charter since the amended Charter was endorsed by the Committee at the April 2021 meeting.
Monitoring the impact of legislative change on the Committee's responsibilities	<ul style="list-style-type: none"> The Committee's Charter was amended for changes to the role and governance of the Audit & 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

Charter Responsibility	Activity
Assessment of the Committee’s performance	<ul style="list-style-type: none"> The self-assessment of the Committee’s performance and improvement opportunities for future activities was presented to the December 2021 meeting.
Involvement in the recruitment of new Committee members Chair & Independent member)	<ul style="list-style-type: none"> Not Applicable. The next appointment of an Independent Committee member will occur in 2023.
Internal Audit Coverage	
<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 last 6 months included:</p> <ul style="list-style-type: none"> Local Government Act 2020 Implementation & Legislative Compliance HR Management - – <i>report to be presented at Mar 2022 meeting</i> Contract Management Infrastructure – <i>report to be presented at Mar 2022 meeting</i> Strategic Asset Mgt/ Inspection regime audit - <i>report to be presented at Mar 2022 meeting</i> 	<p>The number of recommendations identified for each review is as follows:</p> <ul style="list-style-type: none"> Local Government Act 2020 Implementation & Legislative Compliance – 3 Medium

Summary of outstanding audit actions by review							
Report	Report Date	Total Items Reported	Open Actions Priority/ Benefit				Overdue
			High	Medium	Low	Total	
Asset Management	Nov 2018	3	0	1	0	1	1 - Service Planner was recruited for this year, Managers have been consulted on a draft Service Planning Framework, and the Framework is on track to be adopted by ELT by end of Dec 2021.
Capital Works Management	Mar 2020	6	0	0	2	2	2- Actions related to the comprehensive review of the project variation process, approval delegations and management of additional funding were extended to Sept 2021- A draft Council Report to establish a Delegation for Project Variations and is currently with Governance for review.
Implementation of a Healthy & Resilient Monash	Oct 2020	5	0	1	0	1	
Business Continuity Planning	Feb 2021	4	0	3	0	3	
Various Financial Controls	Nov 2020	7	0	0	1	1	1: Last action outstanding relates to the review of the Debt Management Policy which has been now been updated. The policy has made provision for debtor deferrals that are consistent with the Financial Hardship Policy. The updated policy will be tabled at the next A&RC scheduled on the 7 December 2021 and then will be finalised with ELT.
Fraud Management & Prevention	Feb 2021	5	1 [#]	0	0	1	
Emergency Management	Apr 2021	8	0	5	1	6	
Occupational Health & Safety	Jun 2021	8	0	4	4	8	
LGA 2020 Implementation & Legislative Compliance	Oct 2021	3	0	3	0	3	
Total Open Items at 7 December 2021			1	17	8	26	

The High risk rated findings related to the development of a dedicated Gifts, Benefits and Hospitality Policies for Staff and Councillors that includes specific guidance over the management of gifts.

Attendance of committee members at meetings

Name	Role	Member since	Jul to Dec 2021 Attendance	
Andrew Dix	Independent member (Chair)	July 2019	2 rostered	2 attended
Katie Baldwin	Independent member	July 2017	2 rostered	2 attended
John Watson	Independent member	July 2020	2 rostered	2 attended
Geoff Lake	Councillor	November 2018	2 rostered	2 attended
Tina Samardzija	Councillor	November 2020	2 rostered	2 attended