



Ararat Rural City



Ararat Rural City

MINUTES

Audit and Risk Committee

Tuesday 03 September 2024

Location: CEO's Office,
59 Vincent St, Ararat

Commencing at 1:00 pm

Audit and Risk Committee:

Cr Bob Sanders (Mayor)

Cr Jo Armstrong

Ms Jessica Adler

Mr Robert Tommasini

Mr Greg Jakob

In attendance:

Dr Tim Harrison

Mr Bradley Ead

Mr Ryan Schischka

Ms Karissa Hogan

Mrs Chandra Willmott

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SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES

No Apologies

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

No disclosure of Interests

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 04 June 2024 be received.

MOVED Greg Jakob

SECONDED Bob Sanders

That the Minutes of the Internal Audit and Risk Committee Meeting held on 04 June 2024 be received.

CARRIEED

SECTION 2- CEO UPDATE

2.1 CEO UPDATE – CONFIDENTIAL

The CEOs report will be circulated prior to the meeting

RECOMMENDATION

That the CEO's report be received.

RECEIVED

ATTACHMENTS

There are no attachments in relation to this item.

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.3 Review the annual financial report and annual performance statement

Aligns with Audit and Risk Committee Charter 5.6: Review the appropriateness of the format and content of periodic management financial reports and performance statements

BACKGROUND

Part of the Audit and Risk Charter requires that the Audit and Risk Committee review the draft Annual Financial Report and the draft Annual Performance Statement.

DISCUSSION

Council's external auditors have been completing the end of year audit remotely. The draft Financial Statements and draft Performance Statement compiled by Council officers have been sent to the auditors for review. These Statements may change depending on the outcomes of the auditor's review.

Financial Report

The Draft Comprehensive Income Statement shows total income in 2024 of \$27.347 million compared with \$38.445 million in 2023. Rates & Charges income increased by \$0.187 million, Government Grants for operations decreased by \$10.111 million, and Government Grants for capital works decreased by \$2.203 million. The significant decrease in operating grants was predominantly due to the change in the timing of payment of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023. Council has received grant payments of \$2.981 million for non-recurrent operating grants that have not yet been recognised as income due to the grant performance obligations not being met at the end of the financial year.

Council received the following non-recurrent operating grants in 2024:

	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Non-Recurrent Operating Grants			
New Arrivals Settlement Program	-	44	-
Pilot Coordination Grampians Workforce	-	50	-
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	-	954
Free Public WiFi Services	-	-	1,196
LSIF Ararat Bowls Club Lighting	-	5	-
Rural Roads Support Program	-	56	-
Supported Playgroups	63	65	-
Kindergarten Infrastructure and Services Plan (KISP) Support Grant	-	30	-
Council COVID-19 Rapid Antigen Test Program	-	59	-
Power our Future!! Tatyoon Recreation Reserve	-	20	-
Tatyoon Oval Upgrade	-	-	225
Natural Disaster Relief	-	1,255	-
Planning & Data Development	-	103	-
Pedestrian Infrastructure Program	-	-	70

Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	-	36
Tiny Towns Fund - Pomonal Community Hub	-	-	200
Regional Planning Hub - Pomonal Bushfire Recovery Assistance	-	100	-
Wage Subsidies	-	60	-
Other Minor Grants	-	73	-
	63	1,920	2,981

Council received the following non-recurrent capital grants in 2024:

	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Non-Recurrent Capital Grants			
Gordon Street Recreation Reserve Development	-	1,511	-
Wilson Street	-	92	-
Ararat East Development Zone Trunk Infrastructure Project	-	419	-
Ararat Regional Playgrounds All Abilities Redevelopment	-	18	-
Buangor-Ben Nevis Road Widening	-	67	-
Tiny Towns Fund - Buangor Rec Reserve Pavilion Redevelopment	-	-	25
	0	2,107	25

Total expenses in 2024 were \$33.973 million compared with \$33.682 million in 2023, an increase of \$0.291 million. A breakdown of expenses reveals a decrease in materials and services costs of \$1.528 million which can be attributed to the increased expenditure of over \$1.590 million incurred in 2023 for emergency and reinstatement works related to the October 2022 flood event. Employee costs have increased by \$0.923 million. Depreciation has increased by \$0.655 million based on the revaluation of infrastructure as at 30 June 2023.

The deficit for 2024 was therefore \$6.626 million compared with a surplus of \$4.763 million in 2023.

The revaluation of property assets at 30 June 2024 has resulted in an increase in value of \$2.356 million and the revaluation of infrastructure assets at 30 June 2024 has resulted in an increase in value of \$5.984 million.

The Cash Flow Statement shows a net decrease in cash and cash equivalents of \$8.408 million compared with a decrease of \$10.058 million in 2023. The decrease in 2023 includes \$8 million which Council has transferred into a term deposit for a six-month term and these funds are no longer included in the cash and cash equivalents balance. At 2024 year-end Council is holding a \$3 million term deposit with a six-month term, that remains excluded from the cash and cash equivalents balance at the end of the financial year.

The Cash Flow Statement shows net cash provided by operating activities was \$2.048 million in 2024 compared with \$8.919 million in 2023, representing a decrease of \$6.871 million. This is largely due to the change in the timing of payment of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023.

Net cash used in investing activities (e.g. payments for property, infrastructure, plant and equipment) was \$9.283 million in 2024 compared with \$19.598 million in 2023, representing a decrease of \$10.315 million. In 2024 Council has invested \$3 million into a term deposit, compared with an investment of \$8 million in a term deposit and a \$0.500 million contribution to its joint venture, Ararat Housing Enterprise Pty Ltd, in 2023.

Net cash used in financing activities was \$1.173 million in 2024, which included the repayment of two equipment finance loans. In comparison net cash provided by financing activities was \$0.621 million in 2023, which included proceeds from the two equipment finance loans.

The Statement of Capital Works shows \$15.033 million invested in 2024 compared with \$11.586 million in 2023, an increase of \$3.447 million. Total Infrastructure works increased by \$4.504 million with the completion of several projects delayed from the previous year due to unfavourable weather conditions, and an increased budget allocated towards infrastructure for 2024.

Performance Statement

The Victorian Government has introduced a mandatory system of performance reporting which prescribes performance information to be included on Council's annual reports.

Councils must describe the prescribed indicators and measures in the performance statement, so it is clear to the audience what is being measured. In addition, the performance statement must include the results achieved in relation to the prescribed service performance outcome, financial performance and sustainable capacity for the financial year and three preceding years.

For the financial performance indicators and measures, the performance statement must also include the forecast results for four years based on the financial statements included in the strategic resource plan.

Reporting trend information helps the reader understand changes in Council performance over time and acts as a point of reference for results. The regulations require that Councils must also provide an explanation of any material variations in the results between the current year and other years disclosed, to enable the reader to form an understanding of the reason for the variation.

Part of the performance reporting framework includes the State Government setting expected ranges for each indicator. Based on the draft financial statements and performance statement Council is within the expected range for most indicators. The reasons for the material variations are included in the performance statement.

The draft Financial Statements and Performance Statement included in this agenda are still subject to change based on the feedback from either Johnsons MME or by the Auditor General.

RECOMMENDATION

That the Audit and Risk Committee recommends:

1. Council authorise Cr Bob Sanders, Cr Jo Armstrong (Audit and Risk Committee Members) and Dr. Tim Harrison, Chief Executive Officer to certify the Financial Statements in their final form, and
2. Council authorise Cr Bob Sanders, Cr Jo Armstrong and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.

MOVED Jess Adler

SECONED Greg Jakob

That the Audit and Risk Committee recommends:

1. Council authorise Cr Bob Sanders, Cr Jo Armstrong and Dr. Tim Harrison, Chief Executive Officer to certify the Financial Statements in their final form, and
2. Council authorise Cr Bob Sanders, Cr Jo Armstrong and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.

CARRIED

ATTACHMENTS

The Draft Financial Statements and Draft Performance Statements are included as Attachment 3.1

SECTION 4 – INTERNAL CONTROLS

4.1 COUNCIL POLICY REVIEW UPDATE

Aligns with Audit and Risk Committee Charter 5.7: Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment.

BACKGROUND

Council policies are reviewed on an ongoing and procedure review process. This report outlines two Administrative and Council Policies which are currently being reviewed.

DISCUSSION

Council has committed to reviewing policies through review process to ensure that all Council policies meet legislative requirements and established internal processes.

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at the Depot and Municipal Offices and on Council website.

The below table outlines all policies that will be presented Audit and Risk Committees as they come up for review.

Council Policy	Due	Audit and Risk Committee
Asset Management Policy	Jan-15	Sep-24
Audit and Risk Committee Charter	Apr-24	Apr-24
Community Engagement Policy	Feb-25	Mar-25
Complaints Handling Policy	Mar-25	Mar-25
Council Expenses and Support Policy	Jul-22	Jun-24
Councillor Code of Conduct	Dec-24	Dec-24
Councillor Gifts Policy	Feb-25	Mar-25
Election Period 2020 Policy	Apr-24	Apr-24
Fraud and Corruption Policy	Apr-24	Apr-24
International and Interstate Travel Policy	Mar-24	Jun-24
Investment Policy	Feb-25	Mar-25
Prevention of Sexual Harassment Policy	Sep-24	Sep-24
Privacy Policy (<i>prev Privacy & Data Protection & Health Records Policy</i>)	Jan-25	Dec-24
Procurement Policy	Jun-24	Sep-24
Public Transparency Policy	Jul-24	Jun-24
Risk Management Policy	Apr-24	Apr-24
Social Media Policy	Mar-24	Sep-24
Valuation Policy - Major Asset Classes	May-26	Mar-26
Administration Policy		
Conflict of Interest Policy	Aug-24	Sep-24

Corporate Purchase Card Policy	Nov-23	Sep-24
Disposal and Sale of Items at Transfer Station Policy	Mar-26	Mar-26
Disposal and sale of minor assets policy	Sep-25	Sep-25
Equal Employment Opportunity Policy	Mar-26	Mar-26
Equity, Diversity and Inclusion Policy	Dec-24	Dec-24
Essential Safety Measures Policy	Mar-24	Sep-24
Health and Wellbeing Policy	Mar-24	Sep-24
Injury Management Policy	Sep-25	Sep-25
Municipal Emergency Policy	May-25	Mar-25
Occupational Health and Safety Policy	Nov-22	Sep-24
OHS Workplace Emergency Evacuation Policy	Nov-25	Dec-25
Prevention of Sexual Harassment in the Workplace	Aug-24	Sep-24
Public Interest Disclosures Procedure	Jan-24	Jun-24
Risk Management Framework	Apr-24	Apr-24
Staff Code of Conduct	Aug-25	Sep-25
Staff Gift Policy	Sep-25	Sep-25
Staff Grievances Policy	Mar-23	Sep-24
Vehicle Policy	Sep-22	Sep-24
Workplace Anti Discrimination & Harassment Policy	Feb-23	Sep-24

There are two policies being presented for review at this meeting which is the Occupation Health and Safety Policy and the Vehicle Policy. The table below provides a list of the reviewed policies noting the main changes and a copy of the polices with track changes are attached.

Administrative / Council	Policy Title	Last review and adopted	Current Review Date ready for Adoption	Next Review
Administrative	Vehicle Policy	7 December 2022	15 July 2024	15 July 2025
Administrative	Occupational Health and Safety	19 January 2021	October 2024	September 2026

The changes to the vehicle policy were predominately administrative changes as well as changes to some financial amounts to reflect current inflation. The OHS policy has had major changes to make the intent clear to all concerned and to include and acknowledge mental health.

RECOMMENDATION

That the Council Policy Review Update be noted.

NOTED

ATTACHMENTS

Draft Vehicle and Occupational Health and Safety Policy with track changes provided as 4.1(a) and 4.1(b)

ACTION: There were some minor suggestions given from Committee which will be implemented into the current policies.

SECTION 5- RISK MANAGEMENT

5.1 PRESENTATION OF RISK MANAGEMENT SYSTEM

Aligns with Audit and Risk Committee Charter 5.9 Monitor significant changes to system and controls to assess whether those changes significantly impact of Councils risk profile.

ACTION: This is the last of the Risk Management Presentations given to Audit and Risk Committee which showed the relationship between the Risk System and the incident app.

5.2 STRATEGIC RISK REGISTER REVIEW AND RISK REGISTER PROGRAM UPDATE

Aligns with Audit and Risk Committee Charter 5.14: Review Council’s risk profile and the changes occurring in the profile from meeting to meeting

BACKGROUND

Council’s Strategic Risk Register is reviewed by the Chief Executive Officer on a regular basis and is presented to the Audit and Risk Committee.

DISCUSSION

The Chief Executive Officer ensures that strategic risks are identified and assessed, treatment options are prioritized and implemented, actions are assigned, and performance is monitored and reviewed.

A review plan of the Strategic Risk Register was presented to the Audit and Risk Committee on the 2 April 2024. The suggested program has been revised as suggested at the previous ARC to focus on the higher risk areas first. Since then, the following strategic risks have been reviewed and updated: Governance, Legislative compliance and business continuity. The below table outlines the review periods for each of the strategic risks:

February 2024	Fraud and Corruption; Cyber Attack	July 2024	Legislative Compliance
March 2024	Asset Management	August 2024	Business Continuity
April 2024	Business Continuity	September 2024	Procurement; and Emergency Management
May 2024	Financial Sustainability	October 2024	Waste Management; and Occupational Health and Safety
June 2024	IT Infrastructure	November 2024	Strategic Leadership and Advocacy
July 2024	Governance	December 2024	Climate Change; and Records Management

The Risk Program is now operational. The Governance and Risk Lead will work with Service owners to review the operational risks and set ongoing review dates. The below table outlines the timeframe for each of these reviews to take place over the next 6 months and training for key service providers in using the system.

Month	Service Area
June	Local Laws, Municipal Building Services, Planning, Environmental Health, Environmental Management and Sustainability
July	Risk Management, Governance, Emergency Management, Insurance Management
August	Design and Project Management, Information Technology, Asset Management, Records Management, Graphic Information Systems,
September	Maternal & Child Health, Occupational Health and Safety, Library Service, Events, Human Resource, Customer Services
October	Art Gallery / TAMA, Sport and recreation, Tourism, Town Hall, Media and Communications, Economic Development
November	Depot, Waste management, Contracts and Procurement, Finance, Property Rates and Valuation,

RECOMMENDATION

That the Strategic Risk Review and Update Report be noted.

NOTED

ATTACHMENTS

The Strategic Risk Register is provided as Attachment 5.2

**ACTION: To include a table of Risk Register for next meeting as an ongoing inclusion and that reputation risk would go across most if not all risks.
Business Continuity Plan to be presented at the next Audit and Risk Committee meeting.**

5.2 ARARAT RURAL CITY COUNCIL INSURANCE POLICY UPDATE – **CONFIDENTIAL**

Aligns with Audit and Risk Committee Charter 5.16 Review the insurance program annually prior to renewal.

BACKGROUND

This report provides the Audit and Risk Committee with an overview of the insurance policies held by Ararat Rural City Council for the 2024/2025 financial year.

RECOMMENDATION

That the Confidential Ararat Rural City Council Insurance Policy Update report be received.

RECEIVED

SECTION 6- FRAUD PREVENTION

NIL

SECTION 7- INTERNAL AUDIT

7.1 REVIEW AND APPROVED THE STRATEGIC INTERNAL AUDIT PLAN, THE ANNUAL INTERNAL AUDIT PLAN

Aligns with Audit and Risk Committee Charter 5.23 Review progress on delivery of annual internal audit plan and 5.24 Review and approve proposed scopes for each review in the annual internal audit plan

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. This report outlines the audit program that AFS has undertaken over the past three years.

DISCUSSION

AFS & Associates have provided the Internal Audit Program Review document which outlines the forward rolling four-year program for Council.

The purpose of this review is to :

- Current status of topics
- Review the proposed scopes for
 - Risk Assessment and Strategic Internal Audit Program Development

RECOMMENDATION

The Strategic Internal Audit Program Status Update report be noted.

NOTED

ATTACHMENTS

The strategic Internal Audit Program Update report is provided as Attachment 7.1

7.2 INTERNAL AUDIT – HUMAN RESOURCE RISK MANAGEMENT

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Human Resource Risk Management

DISCUSSION

The objectives of the review for the human resource risk management audit were to

- Identify efficiency opportunities and gaps against modern systems in HR Management
- To ensure an adequate framework to manage HR risks exists including recruitment

The audit concluded there were 9 areas of strength with 1 moderate finding and 1 minor finding.

All recommendations suggested to management have been agreed to. An update on the progress of the agreed to action items will be provided at the December 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Human Resource Risk Management Audit report be noted.

NOTED

ATTACHMENTS

The AFS & Associate Audit of the Human Resource Risk Management report is provided as Attachment 7.2

7.3 INTERNAL AUDIT – ASSET MANAGEMENT - INFRASTRUCTURE

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Asset Management – Infrastructure.

DISCUSSION

The objective was to ensure adequate activity and strategy exists over major infrastructure asset classes to enable:

- Community safety
- Cost-effective management
- Long term financial forecasting for maintenance and renewal

The audit concluded there were 9 areas of strength and 4 minor findings. There is also 1 opportunity. All recommendations suggested to management have been agreed to. An update on the progress of the agreed to action items will be provided at the December 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Asset Management - infrastructure Audit report be noted.

NOTED

ATTACHMENTS

The AFS & Associate Audit of the Asset Management - Infrastructure report is provided as Attachment 7.3

7.4 INTERNAL AUDIT – CUSTOMER REQUEST AND COMPLAINT MANGEMENT

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Customer Request and Complaint Management

DISCUSSION

The objective was to confirm a suitable customer request and complaint management framework exists to promote responsiveness, community safety and satisfaction

The audit concluded there were 11 areas of strength with 3 moderate and 2 minor findings. There is also 1 opportunity. All recommendations suggested to management have been agreed to or partially agreed to with one disagreement. An update on the progress of the agreed to action items will be provided at the December 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Customer Request and Complaint Management Audit report be noted.

NOTED

ATTACHMENTS

The AFS & Associate Audit of the Customer Request and Complaint Management report is provided as Attachment 7.4

SECTION 8- EXTERNAL AUDIT

8.1 REVIEW CHANGES TO THE LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK

Aligns with Audit and Risk Committee Charter 5.2 Review changes to the Local Government Performance Reporting Framework.

BACKGROUND

Part of the Audit and Risk Charter requires that the Audit and Risk Committee Review changes to the Local Government Performance Reporting Framework.

DISCUSSION

The Local Government Performance Reporting Framework’s (LGPRF) primary objective is to provide comprehensive performance information that meets the needs of a number of audiences. Local Government Victoria provide Councils with updates to the Local Government Performance Reporting Framework.

There have been no changes to the service performance, financial performance and sustainability capacity indicators that will be measured between 2023-2024 and 2024-2025.

As a result of changes to the guidelines for 2023-2024, Council set targets for all performance indicators in the budget that was adopted for 2024-2025.

The expected ranges for the following cost indicators for Roads and Waste Management have been reviewed and updated as follows:

Service Performance Indicators - Roads		2023-24	2024-25
R3	Cost of sealed local road reconstruction	\$20 to \$200	\$24 to \$240
R4	Cost of sealed local road resealing	\$4 to \$30	\$5 to \$40

Service Performance Indicators - Waste Collection		2023-24	2024-25
W3	Cost of kerbside garbage bin collection service	\$40 to \$150	\$44 to \$164
W4	Cost of kerbside recyclables collection service	\$10 to \$80	\$11 to \$86

RECOMMENDATION

That the Financial and Performance Reporting Framework changes report be received

RECEIVED

ATTACHMENTS

There are no attachments in relation to this item.

8.2 EXTERNAL AUDIT – DRAFT FINAL MANAGEMENT LETTER FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The Victorian Auditor General appoints a service provider to undertake the annual financial audit. Mr Ryan Schischka of Johnsons MME has been appointed by the Victorian Auditor-General's Office to undertake the annual financial audit for the year ending 30 June 2024.

DISCUSSION

Johnsons MME has conducted the year-end financial audit remotely and have issued a draft final management letter. There are two open issues from the current and prior period, with two prior period issues being resolved during the period.

Three of the four recommendations included by VAGO, based of the findings in their report to parliament, *Results of 2022-23 audits - Local Government*, have been resolved. The unresolved recommendation requires the Audit & Risk Committee to review the key assumptions and judgement outcomes detailed in item 8.4.

Mr Ryan Schischka is invited to attend the September 2024 meeting to provide an update on the Audit's progress.

RECOMMENDATION

That:

- 1 The Draft Final Management Letter Report for the financial year ending 30 June 2024 be received; and
- 2 The Final Management Letter be distributed to the Audit & Risk Committee members once it has been finalised.

RECEIVED

ATTACHMENTS

The Draft Final Management Letter is provided as Attachment 8.2.

Action: Final management letter to be distributed to the Audit and Risk Committee members once finalised.

8.3 EXTERNAL AUDIT – DRAFT CLOSING REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The purpose of the Closing Report is to summarise the results of the audit and communicate any significant audit findings to those in charge of governance.

DISCUSSION

Johnsons MME has provided a draft closing report conducted the year-end financial audit remotely and have issued a draft final management letter.

The report notes that there are still a number of outstanding audit matters at the date of the draft report that need to be resolved before audit reports will be issued.

The report includes details of adjusted differences of disclosures in the financial report and performance statement, as well as one unadjusted difference. The unadjusted difference relates to road reconstruction works completed by Moyne Shire Council on Council's 50% share of a boundary road asset, which has been recognised in the financial statements as a monetary contribution.

RECOMMENDATION

That:

- 1 The Draft Closing Report for the financial year ending 30 June 2024 be received; and
- 2 The Closing Report be distributed to the Audit & Risk Committee members once it has been finalised.

NOTED

ATTACHMENTS

The Draft Closing Report is provided as Attachment 8.3.

Action: Closing report to be distributed to the Audit and Risk Committee members once it has been finalised

8.4 RECOMMENDATION 5 IN THE RESULTS OF AUDIT 2022-23: LOCAL GOVERNMENT

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The Victorian Auditor General's Office (VAGO) presented a report to parliament, *Results of 2022-23 audits - Local Government* on 7 March 2024. The report discusses the observations and findings across all 79 councils as a result of their audit of the sector. The report includes a total of six recommendations, however only four of the recommendations are specific to all councils

Recommendation 5 recommends that the audit and risk committees:

- prior to balance date, review the financial team's accounting paper
- after balance date and at the time of reviewing the draft financial report
 - determine whether there have been any changes to circumstances that would indicate that key assumptions behind the financial team's initial advice and key judgements no longer hold true
 - assess the reasonableness of the valuation and fair value assessment outcomes
- update their annual work plan to include the above tasks.

DISCUSSION

Council's accounting policy and fair value assessment plans, and shell financial and performance statements were provided to the Audit and Risk Committee meeting held on 4 June 2024.

A supplementary report was later emailed to committee members on 10 July advising of changes to the valuation timing. After consultation with Council's auditor, Johnsons MME, the revaluation of land and building assets that were scheduled for 30 June 2024 were postponed. In July 2024 Council engaged a valuation and asset management firm to conduct full revaluations on all property and infrastructure asset classes, to ensure that Council valuations are fully compliant with the updates to the Australian Accounting Standard AASB 13 Fair Value Measurement. The valuations will be effective from 1 July 2024.

The table summarising the asset accounting policy and expected valuation methods for 30 June 2024 has been updated to include details of the indexation that has been applied at year-end.

The annual work plan of the Audit & Risk Committee will be updated to review the key assumptions and judgements in June and September each year.

RECOMMENDATION

- 1 **That the Audit & Risk Committee review the draft financial report to determine whether there have been any changes to circumstances that would indicate that key assumptions behind the financial team's initial advice and key judgements no longer hold true**
- 2 **To assess the reasonableness of the valuation and fair value assessment outcomes.**

RECEIVED

ATTACHMENTS

The Accounting Policy and Fair Value Assessment Outcomes table is provided as Attachment 8.4.

SECTION 9- COMPLIANCE

9.1 JLT Public Sector – Public Sector Risk Report

Aligns with Audit and Risk Committee Charter 5.40 Receive reports from management on the findings of any examination by regulatory or integrity agencies.

BACKGROUND

The 2023 JLT Public Sector Risk Survey shed light on the risks that local government face. The survey examined twelve key risks such as Financial Sustainability, the Management of Damage and Aging Assets and Infrastructure, Climate Change / adaptation, Cybersecurity and People and Culture. According to the survey results, councils have become increasingly conscious of the collective impact of these risks and the implications for their communities. As a result, Financial Sustainability retains its position as the top-ranked risk, reflecting the heightened awareness of its potential consequences on other risks.

DISCUSSION

It is widely acknowledged that the primary reason for Financial Sustainability consistently ranking as the top risk year after year is the significant impact of other risks on the financial stability of councils. This, coupled with the delay in receiving funding support following an event, has a direct impact on the financial sustainability of councils.

Cyber Security and the Breach of Data continue to be a major concern for Local Government. The rapid pace of technology advancement and the ever-evolving tactics of hackers make it challenging for most organisations to keep up with. Councils are increasing their knowledge and understanding of this risk to mitigate potential events that could impact them or their community.

This report highlights the understanding of councils regarding the interconnected nature of risks as well as the potential domino effect they can have on each other. While certain risks may shift in their ranking this year, councils know that any single risk can have a substantial impact on others during an event. The remaining risks are still recognised as significant concerns for councils. Although they are ranked, all of these risks are relevant and rankings reflect their importance at the specific moment of time.

RECOMMENDATION

JLT Public Sector –Public Sector Risk Report be noted

NOTED

ATTACHMENTS

The JLT Public Sector Risk Report³ is provided as Attachment 9.1

SECTION 10- GENERAL BUSINESS

10.1 INDUSTRY UPDATE- RECENT REPORTS AND PUBLICATIONS OF INTEREST

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. AFS have provided an Industry Update report to be included in the agenda. The Industry Update report lists recent reports and publications that may be of interest to Ararat Rural City Council.

DISCUSSION

The Industry Update report lists 19 recent articles and reports, covering a range of different topics from sources such as: IBAC, IIA, and VAGO etc.

RECOMMENDATION

That the Industry Update report be noted.

NOTED

ATTACHMENTS

The Industry Update report is provided as Attachment 10.1.

SECTION 11 – FUTURE MEETINGS

11.1 FUTURE MEETING DATES

Future meetings of the Audit and Risk Committee are scheduled as follows:

- Tuesday 3 December 2024 1pm
- Tuesday 4 March 2025 1pm
- Tuesday 3 June 2025 1pm

SECTION 12- NEXT MEETING/CHARTER ITEMS

December 2024	
Ref. from Charter	
5.6	Review the appropriateness of the format and content of periodic management financial reports and performance statements
5.7	Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment*
5.8	Determine whether systems and controls are reviewed regularly and updated where required*
5.9	Annual review of significant changes to key systems and consider impact of changes on Councils risk profile
5.19	Receive reports from management about actual or suspected instances of fraud or corruption (as required)
5.20	Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies (as required)
5.24	Quarterly review and approve proposed scopes in the annual internal audit plan
5.25	Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
5.27	Monitor action by management on internal audit findings and recommendations
5.34	Quarterly review Victorian Auditor General's Office (VAGO) reports to assess the impacts on Council
5.35	Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them
7	Annual performance evaluation