



Borough of Queenscliffe

Audit and Risk Committee

Biannual Activity Report

April 2024

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1. Period of this Report

This report covers activities of the Audit and Risk Committee (the ARC or the Committee) from 1 July 2023 to 31 December 2023. During the reporting period, there was a change in the Committee as Council welcomed three new independent members and re-appointed one returning independent member to the Audit and Risk Committee in October 2023.

2. Purpose of this Report

This report meets the Audit and Risk Committee reporting requirements to Council as mandated by the *Local Government Act 2020* (LGA) pursuant to section 54(5) under which the Committee is required to biannually report to council on its activities, findings, recommendations and importantly provides Council with a summary of the matters that the ARC has addressed in the reporting period in discharging its responsibilities under its Charter.

The ARC's Charter is set by Council and was last reviewed and approved by Council on 28 September 2022.

3. Role of the Audit and Risk Committee

The Committee is a formally appointed and independent Advisory Committee of Council. The Committee does not have executive powers or authority to implement actions in any areas over which Council has responsibility. The Audit and Risk Committee does not have any management functions and is therefore independent of management.

The Committee's objective is to provide appropriate independent advice to Council on matters relevant to the Committee's Charter in order to facilitate decision-making by Council in relation to the discharge of Council's accountability requirements.

The key duties and responsibilities included in the Audit and Risk Committee Charter are:

- Monitor compliance;
- Monitor Council financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls;
- Review internal and external audit functions; and
- Monitor and review climate change governance.
- Report to Council on the outcomes of the bi-annual ARC Work Programs
- Provide advice, opinions or recommendations on matters relevant to the ARC's Charter

The Audit and Risk Committee consists of four independent members, appointed for a three-year term, and up to three Councillors. The Chair is elected from among the independent members.

The Committee's Charter is set by Council and was adopted by Council on 27th August 2020 following changes necessitated by the new LGA. The Charter was last reviewed by Council in September 2022.

Council officers (including the Chief Executive Officer and Manager Finance and Corporate Services) attend meetings but are not members of the Committee. Recommendations from each Audit and Risk Committee meeting are reported to and considered by Council.

Council at its Ordinary Council Meeting held on 25 October 2023, resolved to appoint three new independent members and re-appoint one returning independent member to its Audit and Risk Committee for a term of three years, following a formal Expression of Interest (EOI) process.

The current Committee membership comprises seven (7) members, of which three are Councillors and four (4) independent as noted above. An independent members must be appointed Chair under the LGA, and all members have full voting rights.

After a formal induction workshop led by officers, the newly formed Committee convened its inaugural meeting on 4th December 2023.

4. Meetings

During the reporting period, the Audit and Risk Committee met two (2) times on the following dates:

- 12 September 2023; and
- 4 December 2023.

Attendance is shown in the table below. A quorum was achieved for each meeting.

Member	Eligible to Attend	Meetings Attended
Mr Richard Davies – (Chair) Independent member (appointed 25 October 2023)	1	1
Mr Richard Bull, Independent member (re-appointed 25 October 2023)	2	2
Ms Rebecca Brezzi (appointed 25 October 2023)	1	1
Mr Michael Tehan (appointed 25 October 2023)	1	1
Mr Roland 'Barney' Orchard (Chair), Independent member (until 25 October 2023)	1	1
Mr Graeme Phipps, Independent member (until 25 October 2023)	1	1
Ms Helen Butteriss, Independent member (until 25 October 2023)	1	1
Cr Ross Ebbels (appointed 22 Nov 2023)	1	1
Cr Donnie Grigau (reappointed 22 Nov 2023)	2	2
Cr Michael Grout (reappointed 22 Nov 2023)	2	2
Cr Isabelle Tolhurst (until 22nd November 2023)	1	1
Total	14	14

5. The Committee's Annual Work Plan

The Committee has dealt with the matters scheduled for consideration in the ARC Annual Work Plan (AWP) in the reporting period. An assessment of ARC performance against the AWP is provided in **Appendix A**. Details of the key activities of the ARC during the reporting period are summarised in section 6 of this report.

6. Key Activities for the Reporting Period

All members have made valuable contributions to the Committee's work program and agendas. The work of the ARC has continued to be guided by the Annual Work Plan (AWP). Key outcomes of the scheduled meetings are summarised below.

6.1. Internal Audit

A key responsibility of the Committee is to monitor Council's internal audit program. The program is outsourced to an appropriately skilled service provider – RSD Audit (RSD).

Strategic Internal Audit Plan

Council's internal auditors, RSD has developed a draft 3-year internal audit plan based on:

- various discussions RSD had with management;
- risk assessments conducted by RSD onsite at the Borough of Queenscliffe and subsequent Operational Risk Registers prepared by Council staff;
- Strategic Risk Register;
- internal audit projects completed in the prior period; and
- trends and emerging risks in the local government sector.

The risk-based approach that RSD has undertaken in developing the strategic internal audit plan will ensure that potential internal audit projects are based on the key risk areas of the organisation. The key focus areas outlined in the proposed 3-year internal audit plan are:

- Procurement
- Asset Management (including the Management of Tree Assets)
- Community Engagement
- Project Management (including the Management of Contracts)
- Business Continuity Planning
- Service Planning

The Committee endorsed the Strategic Internal Audit Plan 2024–2026 at its December 2023 meeting.

Internal auditors attended all ARC meetings for the period.

Internal Audit Reviews

RSD conducted an internal review on the topic 'A Comprehensive Review of Council's Tourist Park Operations' during the reporting period. There were six (6) areas with medium-risk audit findings and four (4) areas with low-risk findings. The internal auditors have also identified one (1) area with opportunity for improvement.

Council officers have acknowledged the opportunities for improvement in the areas of risk highlighted by the internal auditors. The management response to the internal audit report includes a timeframe for completing the audit recommendations.

Outstanding Internal Audit Recommendations

Management presented updates on the status of progress with regard to open internal audit recommendations at each ARC meeting. During the reporting period eighteen (18) open internal audit recommendations have been completed as summarised below.

Risk Rating	No of Audit Recommendations			
	Outstanding	New during the period	Complete	Outstanding
	1-Jul-23			31-Dec-23
High	4	0	(2)	2
Medium	20	6	(7)	19
Low	11	4	(9)	6
Total	35	10	(18)	27

An analysis of outstanding internal audit recommendations for each review topic is given at **Appendix B**.

The Committee noted that the status of progress toward completion of internal audit recommendations was satisfactory. This progress is an indicator that Council has implemented appropriate controls to ensure that recommendations are closed out on time and that remedial actions are effective.

6.2. External Audit

The Committee considered the draft financial statements and the performance statement for the financial year 2022–23, during the reporting period, and recommended that Council adopt the 2022–23 Annual Financial Report and the 2022–23 Performance Statement in principle.

Council's External Auditor, Crowe, conducted the final audit for the 2022–23 financial year in August 2023 on behalf of the Victorian Auditor General's Office (VAGO). External auditor representative, Cassandra Gravenall, provided an update on the audit Closing Report and about the Management Letter to the Committee. The Committee considered the closing report and the management letter issued by VAGO and the management letter confirmed that the previous management letter point concerning compliance with the Local Government Act 2020 – Asset Plan has been satisfactorily resolved.

The management letter point about excessive leave balances has been reclassified as an ongoing business improvement opportunity as it has been substantially resolved by management.

Based on the closing report, VAGO has concluded that the financial report and the performance statement are presented fairly and has issued unmodified audit opinions.

From the start of the 2023-2024 financial year VAGO has opted to conduct the financial audit of the Borough of Queenscliffe internally, as part of their financial audit rotation plan.

The Committee recognised and appreciated the contributions of Crowe Australasia in previous financial years, acknowledging their valuable input in maintaining the Council's financial statements free from any material misstatements.

Representatives of VAGO attended all ARC meetings for the period.

6.3. Internal Control Environment

The Committee noted policies Council has approved during the reporting period. In total, seven (7) policies, listed below have been reviewed by officers and approved by Council during the reporting period. The first six (6) of those policies were reviewed by the Committee before Council approval.

1. CP038 Waste Management (revised);
2. CP036 Fixed Assets Valuation and Revaluation (revised);
3. CP033 Creditor Management (revoked);
4. CP048 COVID-19 Financial Hardship (revoked);
5. CP023 Information Technology (revoked);

6. CP034 Business Continuity Management (revoked); and
7. CP054 Victoria Park – Revised.

The Audit and Risk Committee reviewed and endorsed the new Cyber Incident Response Plan of Council during the reporting period.

The Committee reviewed the gifts, benefits and hospitality register for the period 1 July 2022 to 30 June 2023 while noting and welcoming the full disclosure in the report.

At the June 2023 meeting the Committee was notified of one instance of potential fraud reported (an allegation against a staff member). At the time of that meeting the allegation was still under investigation. The investigation has been concluded during the reporting period, and no fraud was found.

There has not been any other unethical behaviour, fraud and corruption reported or suspected during the reporting period.

6.4. Risk Management

The Committee received briefings on Council's strategic risk register at each ARC meeting, including all minutes for the period of the internal Risk and Governance Committee and whilst the ARC is satisfied with the current controls in place, it has requested further details from management be provided to ARC meetings on issues and action items and the planned controls to be implemented to mitigate the risks associated with events identified in the risk register.

During the period the ARC was provided with a briefing by management of the review of Council's Business Continuity Plan which noted that the Plan was too prescriptive and that real life scenarios require a more nuanced approach. As a result, the plan is currently going through a comprehensive management review for future reporting to the ARC.

6.5. Financial Performance

The ARC has an opportunity to review in detail the financial performance reports at each meeting. The Committee was provided with updates in relation to the quarterly financial report as of 30 June 2023 and the quarterly financial report as of 30 September 2023 during the reporting period.

The officers briefed the Committee on the measures Council continues to pursue to ensure the financial sustainability of its operations with zero level of debt.

6.6. Insurance Arrangements

During the reporting period, the Committee considered the update officers provided in relation to the insurance coverage of Council for the 2023–24 financial year. Based on the update provided, the Committee noted that there was a 12.8% increase in the total insurance premium for the 2023–24 term. Despite Council's highly satisfactory claims history, the insurance industry has been experiencing 'hard market' conditions, characterised by capacity reduction, rate hikes, and coverage limitations. This has led to substantial premium increases in certain policies.

6.7. CEO Briefing

The CEO briefed the Committee on the following matters during the reporting period:

- Follow-up update on staff resources, current staff vacancies and other HR matters as applicable.
- Proposed approach for 2024–25 Budget process;

- Update on the vote of no confidence (June 2023) and subsequent complaint by a member of the community;
- Update on community feedback about recent matters which included various Council initiatives, Active Transport Strategy and information session about the upcoming referendum;
- Operation Sandon Taskforce, including recommendations regarding planning reform in Victoria;
- G21 financial liability update;
- Various formal complaints received by Council; and
- Recent VCAT Decision and other planning matters that have been referred to VCAT.

It was agreed the CEO will continue to provide updates to the Committee on these matters due to the significant impact some of these initiatives have on Council's operations and risk profile.

7. Matters for Consideration during the Next Reporting Period

In addition to business-as-usual matters included in the Annual Work Plan, the Committee will consider the following important matters during the next reporting period:

- Information and Communications Technology (ICT) Audit, and
- Review of the format of Committee meetings.

8. Meeting Schedule for 2023–24

The Committee's meeting schedule for the remainder of 2023–24 financial is as follows:

- 15 April 2024
- 11 June 2024

9. Conclusion

Based on the information provided, the Audit and Risk Committee believes the Council continues to have satisfactory systems, processes and controls in place to ensure efficient and effective operations that meet Council's statutory responsibilities under applicable legislation. The Audit and Risk Committee also holds the view that these systems provide a framework to further the strategic objectives of Council set out the Community Vision and 2021–2025 Council Plan.

As the newly-appointed Chair of the Committee I wish to express my gratitude and appreciation on behalf of the Committee to the immediate past members for their valued contributions.

If Council wishes to be briefed by the Committee on any matters raised in this report, I would be happy to attend as required.

Richard Davies
Chair

On behalf of the Borough of Queenscliffe
Audit and Risk Committee
15 April 2024

Appendix A – Update against the Annual Work Plan for the six months ending 31 December 2023

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Financial & Performance Reporting					
1	Review changes in significant accounting policies and disclosures	47	Annually	n/a	Will be considered in the 2 nd half of the year if applicable.
2	Review LGPRF changes	47	Annually	n/a	Will be considered in the 2 nd half of the year if applicable.
3	Review annual financial report and annual performance statement	49	Annually	✓	2022–23 annual financial report.
4	Review outcomes of the external audit with management and the auditors	48	Biannual	✓	2022–23 final audit in Sep 23.
5	Recommend adoption of annual financial report and performance report	50 / 51 / 52	Annually	✓	2022–23 report.
6	Review management finance reports and performance statements	42 / 53	Quarterly	✓	Quarterly financial reports.
Internal Control Environment					
7	Review key policies	62	Quarterly	n/a	Only policies with a risk management and/or finance & accounting focus are reviewed by the Audit and Risk Committee prior to being forwarded to Council for formal consideration.
8	Review significant changes to key systems and consider impact of changes on Council's risk profile	63	As Required	✓	ARC was updated about the ongoing projects to make significant improvements to Council's ICT architecture. During the reporting period, the Committee was briefed about the progress the Council has made in implementing new corporate systems and actions taken to uplift ICT security.
9	Ensure a program is in place to test compliance with systems and controls	59 - 65	Biannual	✓	Council's internal auditors, RSD Audit, conducted an internal review covering the review topic of 'A comprehensive review of Council's Tourist Park Operations' during the reporting period.
Risk Management					
10	Review effectiveness of Council's risk management framework	55	Every two year	n/a	BoQ's risk management framework was approved in Apr 22 ARC meeting.
11	Review Council's risk appetite statement	55	As Required	n/a	BoQ's risk management policy was last reviewed and recommended for adoption by Council in Sep 22 ARC meeting. Council adopted the updated policy in Dec 22. The next review is due in Dec 25 or earlier.
12	Review Council's risk profile and significant changes thereto	55	As Required	n/a	BoQ's risk management policy was last reviewed and recommended for adoption by Council in Sep 22 ARC meeting. Council adopted the updated policy in Dec 22. The next review is due in Dec 25 or earlier.
13	Review Council's treatment plans for significant risks	54	Quarterly	✓	An update on the Risk Register was given at each ARC meeting.

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Risk Management- Contd.					
14	Review Council's insurance programme	56	Annually	✓	2023–24 insurance arrangements.
15	Review BCP framework and testing regime	57	Annually	n/a	A mock BCP/DR incident response drills/testing exercise has not been carried out by the BoQ since June 2016. However, on 13 September 2021 the Business Continuity Committee reviewed the effectiveness of the business continuity plan in light of the COVID-19 global pandemic. The Committee considered that the real-life situation presented an opportunity to assess the plan's performance rather than performing a mock exercise, and therefore the review was conducted in lieu of a testing exercise. The BCP is currently being reviewed and expected to be completed by 30 June 2024.
Fraud Prevention Systems & Controls					
16	Review Council's fraud prevention policy and controls (Council Policy CPoo8 is reviewed every three year)	58	As Required	n/a	BoQ's fraud prevention policy was last reviewed and recommended for adoption by Council in Sep 21 ARC meeting. Council adopted the updated policy in Oct 21. The next review is due in Oct 24 or earlier.
17	Review Council's fraud control plan and awareness programme	58	As Required	n/a	Covered in the Council Policy CPoo8.
18	Review reports on any instances of unethical behaviour, fraud and corruption	58	Quarterly	✓	An investigation had been concluded during the reporting period, in relation to a potential fraud reported earlier and no fraud was found.
19	Review actions taken to report any incidents of fraudulent or corrupt behaviour	58	As Required	✓	Committee was briefed about the investigation conducted and the outcome of the investigation in relation to the incident mentioned above (item 18).
Internal Audit					
20	Review Internal Audit charter	79	Every three year	✓	The Committee endorsed the internal audit plan 2024-2026 at its Dec 2023 meeting.
21	Review Internal Audit Plan and revise if required	69	Annually	✓	The Committee endorsed the internal audit plan 2024-2026 at its Dec 2023 meeting.
22	Review status of delivery of annual internal audit plan	70	Biannual	✓	One internal review conducted during the reporting period.
23	Review scopes of proposed internal audit reviews	72 - 73	Biannual	✓	The scope of the internal review to be conducted in the 2nd half of the year was reviewed.
24	Review reports on internal audit reviews	75	Biannual	✓	Report of one internal review was reviewed during the reporting period.
25	Meet with internal auditor in the absence of management	81	Annually	✓	ARC meet with internal auditors in the absence of management during the reporting period.
26	Review progress by management on open audit recommendations	77 - 78	Quarterly	✓	The progress against outstanding internal audit recommendations was reviewed at each ARC meeting.
27	Review effectiveness of the internal audit function	81	Annually	✓	Considered along with the review of internal audit reports and audit scope documents.

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Internal Audit – Contd.					
28	Committee involvement in appointment of internal audit service provider	80	As Required	n/a	The ARC recommended the appointment of RSD Audit for a three-year contract period as Council’s internal audit service providers in its Sep 22 meeting.
External Audit					
29	Discuss with the external auditor the scope of the audit and the planning of the audit	66	Annually	n/a	Will be considered in the 2nd half of the year.
30	Discuss any audit issues encountered during the course of the audit	67	Biannual	✓	2022-23 final external audit Sep 23 and Dec 23 ARC meetings.
31	Ensure that management responses to any audit findings are appropriate and timely	67	As Required	✓	2022-23 final external audit Sep 23 and Dec 23 ARC meetings.
32	Meet with external auditor in absence of management	68	Annually	n/a	ARC did not meet with external auditors in the absence of management during the reporting period.
Compliance Management					
33	Review systems and processes to monitor compliance with legislation and regulations and management follow up of instances of non-compliance	41	Quarterly	✓	One internal review report was reviewed during the reporting period. Management report to the Committee any suspected noncompliance with legislation and regulations through the minutes of the monthly Risk and Governance Committee meeting.
34	Obtain briefings on any significant compliance matters - Risk and Governance Committee	41	Quarterly	✓	Minutes of the monthly Risk and Governance Committee meeting.
35	Review Report on Gifts, Benefits and Hospitality	41	Annually	✓	Gift register of the 2022–23 financial year in Sep 23 ARC meeting.
36	Consider reports by regulatory and integrity agencies on investigations and relevance for Council (e.g. VAGO)	83	Biannual	✓	The Victorian Auditor-General’s Office (VAGO) has tabled a performance audit report relevant to the local government sector (regulating Food Safety) during the reporting period. Officers provided an update regarding the recommendations stated in the report in Sep 23 ARC meeting.
Reporting to Council					
37	Provide Minutes to Council	34	Quarterly	✓	Have provided minutes of all ARC meetings.
38	Report on activities to Council	35	Biannual	✓	One report provided during the reporting period.
Performance Evaluation					
39	Adopt an annual work program	27	Annually	n/a	Will be considered in the 2nd half of the year.
40	Assessment of Committee performance	37	Annually	n/a	Will be considered in the 2nd half of the year.
Review of Charter					
41	Review of Committee Charter	84	Annually	n/a	Will be considered in the 2nd half of the year.

Other Matters					
42	Committee member induction	38	As Required	✓	A formal induction session was conducted during the reporting period.
43	Consider other matters referred by Council	4	As Required	n/a	Other than the matters listed in the ARC charter, no specific matters referred to ARC by Council during the reporting period.
44	Ensure a system exists and is used to recognise climate change governance is integral to the Committee's review of Council activities	82	As Required	n/a	Other than the matters listed in the ARC charter, no specific matters referred to ARC by Council during the reporting period.
Meeting Schedule					
45	Set Committee meeting schedule	28	Annually	✓	In place.

Appendix B – Outstanding Internal Audit Recommendations

Review	Period	Outstanding 1 July 2023				New during the period			Complete during the period				Outstanding 31 December 2023			
		Low	Medium	High	Total	Low	Medium	Total	Low	Medium	High	Total	Low	Medium	High	Total
Records Management	May-18	-	3	1	4	-	-	-	-	-	-	-	-	3	1	4
IT Network and Security (including Cyber Security)	Oct-18	-	1	-	1	-	-	-	-	-	-	-	-	1	-	1
Capital Works Framework	Nov-19	-	4	2	6	-	-	-	-	(1)	(2)	(3)	-	3	-	3
Human Resources Management	Nov-19	-	2	-	2	-	-	-	-	(2)	-	(2)	-	-	-	-
Business Continuity Planning and Disaster Recovery	Nov-19	-	2	1	3	-	-	-	-	-	-	-	-	2	1	3
Management of Caravan Parks, Reserves and Foreshore	May-20	2	1	-	3	-	-	-	(2)	(1)	-	(3)	-	-	-	-
Strategic Procurement	May-20	2	6	-	8	-	-	-	(2)	(1)	-	(3)	-	5	-	5
Management, Oversight and Monitoring of Outsourced Service Provider	May-21	2	-	-	2	-	-	-	-	-	-	-	2	-	-	2
Statutory Planning Process	Nov-21	1	-	-	1	-	-	-	(1)	-	-	(1)	-	-	-	-
Initial Risk Assessment	May -23	4	1	-	5	-	-	-	(1)	(1)	-	(2)	3	-	-	3
Tourist Park Operations (RSD Review outcomes identified during reporting period)	Aug- 23	-	-	-	-	4	6	10	(3)	(1)	-	(4)	1	5	-	-
Total		11	20	4	35	4	6	10	(9)	(7)	(2)	(18)	6	19	2	27