Borough of Queenscliffe

Audit and Risk Committee

Biannual Activity Report

January 2025

Contents

1. Period of this Report

This report covers activities of the Audit and Risk Committee (the ARC or the Committee) of the Borough of Queenscliffe from 1 July 2024 to 31 December 2024. During the reporting period there was a change in the Committee with Cr Di Rule and Cr Isabelle Tolhurst being appointed as the Council representatives following a resolution at the Special Council Meeting on 25 November 2024, replacing ARC members to that time in Councillors Ebbels, Grigau and Grout.

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;
- Monitor and review climate change governance;
- Report to Council on the outcomes of the bi-annual ARC Work Programs; and
- 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.

Given Item 2 of the Charter requires it be reviewed annually, and new Councillor members have recently been appointed, the Committee will recommend to Council that a Charter review be scheduled to occur in 2025.

Council officers (including the Chief Executive Officer, Manager Finance & ICT Services and HR & Governance Coordinator) attend Audit and Risk Committee meetings but are not members of the Committee. Minutes of each meeting are provided to Council – usually in draft form given meeting timings – and recommendations from each committee meeting are reported to and considered by Council. Minutes are confirmed as 'Final' by the Committee at its next meeting.

The current Committee membership comprises six (6) members, of which two (2) are Councillors and four (4) are independent as noted above. An independent member must be appointed Chair under the LGA, and all members have full voting rights.

4. Meetings

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

- 2 September 2024; and
- 9 December 2024.

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	2	2
Mr Richard Bull, Independent member	2	2
Ms Rebecca Brezzi, Independent member	2	2
Mr Michael Tehan, Independent member	2	1
Cr Ross Ebbels (until 25 October 2024)	1	1
Cr Donnie Grigau (until 25 October 2024)	1	1
Cr Michael Grout (until 25 October 2024)	1	0
Cr Di Rule (appointed 25 Nov 2024)	1	1
Cr Isabelle Tolhurst (appointed 25 Nov 2024)	1	1
Total	**13**	**11**

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).

RSD attended all ARC meetings during this period. Additionally, the Committee held two in-camera sessions with the internal auditors without management present.

Internal Audit Reviews
RSD conducted two internal audit reviews during the reporting period.

1. Asset Management (including the Management of Tree Assets)

RSD identified three (3) medium risk and six (6) low risk areas in the audit findings. Furthermore, internal auditors have highlighted one area that was an opportunity for improvement.

2. Community Engagement

Internal auditors have identified one (1) medium risk and three (3) low risk areas in the audit findings including one opportunity for improvement.

Council officers have acknowledged the areas of risk highlighted by the internal auditors and accepted the recommendations. 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 eleven (11) open internal audit recommendations have been completed as summarised below.

Risk Rating	No of Audit Recommendations			
	Outstanding 1-Jul-24	New during the period	Complete	Outstanding 31-Dec-24
High	2	0	(1)	1
Medium	15	4	(8)	11
Low	10	9	(2)	17
Total	**27**	**13**	**(11)**	**29**

The Committee noted the progress towards completing internal audit recommendations. Continued attention was paid to outstanding recommendations classified as high and medium risk, with a focus on putting in place interim controls to mitigate these risks until the intended control measures are fully implemented.

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

6.2. External Audit

The Committee considered the draft financial statements and the performance statement for the financial year 2023–24 during the reporting period and recommended that Council adopt the 2023–24 Annual Financial Report and the 2023–24 Performance Statement in principle.

The Victorian Auditor General's Office (VAGO) brought the external audit of the Borough in-house from the 2023–24 financial year onwards as part of its regular external audit rotation process.

Lee Blashki, VAGO Audit Manager provided an update on the audit Closing Report and the Management Letter to the Committee.

Following the consolidation of findings from all audits conducted across the State's Local Government sector in 2023, VAGO presented a report to Parliament outlining four recommendations for all 79 councils in Victoria. These recommendations were detailed in the management letter issued to the Borough of Queenscliffe after the interim audit.

In the management letter following the Borough's final audit, VAGO confirmed the successful completion of three recommendations, with partial closure of the remaining recommendation related to unresolved internal control weaknesses and financial reporting issues. VAGO emphasised the importance of Council continuing to address these matters promptly to strengthen internal controls and improve financial reporting practices.

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.

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 five (5) of those policies were reviewed by the Committee before Council approval.

1. CP011 Investment of Available Funds (revised);
2. CP008 Fraud Prevention (revised);
3. CP031 Rates Assistance (revised);
4. CP041 Residential Vacant Land Rate (revised);
5. CP044 Sale, Exchange or Transfer of Council Land (revised);
6. CP055 Fair Access (new); and
7. CP049 Social Media (revised).

Further, during the reporting period, the Committee reviewed the following policies below and provided feedback. The Committee conducted an in-depth review of the Procurement Policy to ensure it offers a comprehensive framework for proper governance, transparency and risk management. These policies will be presented at future Council meetings for approval.

1. CP013 Procurement;
2. CP039 Discretionary Reserves;
3. CP030 Asset Disposal; and
4. CP047 User Fees and Charges.

Officers provided a confidential report at each Committee meeting regarding any unethical behaviour, fraud, corruption or lack of integrity reported or suspected during the reporting period. The Committee received satisfactory briefings on any investigation conducted and the actions taken as a result of those investigations.

6.4.   Risk Management

The Committee received briefings on Council's Strategic Risk Register at each ARC meeting, including updates to the register by the internal Risk & Governance Committee. While the ARC is satisfied with the current controls, it has requested management provide further details on issues, action items, and planned controls to mitigate risks identified in the register.

The Committee noted the reduction in the overall risk level for several key items in the Strategic Risk Register, particularly those related to tree management and ICT failure (including cyber risk).

During the reporting period, Cythera Cyber Security, which is an accredited Australian cyber security organisation, presented an update to the Committee on the Essential Eight Maturity Assessment and the results of the penetration test conducted by Cythera. Cythera emphasised key areas where the Council should focus in the short to medium term to further strengthen its cybersecurity controls.

During the reporting period, Council reviewed its Business Continuity Plan (BCP) against the Australian Standard AS ISO 22301:2020 Security and Resilience—Business Continuity Management Systems—Requirements, which aligns with the international standard ISO 22301:2019. The revised BCP was subsequently tested in a tabletop exercise on 12 August 2024, with learnings from the exercise incorporated into the final version.

6.5. Financial Performance

The ARC has an opportunity at each meeting to review in detail the financial performance reports. The Committee was provided with updates in relation to the quarterly financial report as of 30 June 2024 and the quarterly financial report as of 30 September 2024 during the reporting period.

Officers briefed the Committee on the measures Council continues to pursue to ensure the financial sustainability of its operations while maintaining a 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 2024–25 financial year. Based on the update provided, the Committee noted that there was a 6.0% increase in the total insurance premium for the 2024–25 term. Despite Council's highly satisfactory claims history, this increase is primarily driven by the higher premium for Local Government Liability (public liability) coverage. The significant rise is due to the consistent increase in claims costs and frequency, as well as rising reinsurance costs.

6.7. CEO Briefing

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

- Successful completion of the CORE project (implementation of new ICT systems across three councils), marking it as the first Rural Councils Transformation Program funded initiative to reach completion since the program began in 2017–2018;
- Council Election – CEO Role;
- Councillor Induction – post-election;
- Murray Road claim, including ongoing status and the legal/commercial risk profile of this matter
- Integrated Strategic Planning requirements after a Council election;
    - I. Community Vision (31 Oct 25)
    - II. Council Plan (31 Oct 25)
    - III. Financial Plan (31 Oct 25)
    - IV. Asset Plan (31 Oct 25)
    - V. Revenue and Rating Plan (30 June 25)
    - VI. Workforce Plan (31 Dec 25)

- VAGO's reporting on local government performance: follow-up engagement;

- Workload pressure on the ICT group due to a number of finance staff taking leave during the period

- Collaboration and exploration of future opportunities for resource sharing and shared services with Northern Grampians and Southern Grampians Shire Councils.

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:

- Undertake a review of the current internal audit plan, and

- Evaluate the necessity, structure and feasibility of establishing a Finance Subcommittee to support Council operation. Management advised that initial CEO and management considerations shall be reported to the Committee at its next meeting.

8. Meeting Schedule for 2024–25

The Committee's meeting schedule for the remainder of 2024–25 financial year is as follows:

- 14 April 2025

- 10 June 2025

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.

During the reporting period, the Committee observed that Council management had conducted an in-depth review of the Council's cybersecurity practices, supported by an independent assessment from an accredited Australian cybersecurity organisation.

Additionally, the Committee emphasised the critical importance of maintaining sound fiscal responsibility in managing the Council's operations.

On behalf of the Committee's independent members I wish to acknowledge and thank the former Councillor members of the ARC for their contributions during the part-period prior to the 2024 Council elections.

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
20 January 2025

Appendix A – Update against the Annual Work Plan for the six months ending 31 December 2024

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 2nd half of the year if applicable.
2	Review LGPRF changes (if available)	47	Annually	n/a	Will be considered in the 2nd half of the year if applicable.
3	Review annual financial report and annual performance statement	49	Annually	✔	2023–24 annual financial report.
4	Review outcomes of the external audit with management and the auditors	48	Biannual	✔	2023–24 final audit in Sep 24.
5	Recommend adoption of annual financial report and performance report	50 / 51 / 52	Annually	✔	2023–24 reports.
6	Review management finance reports and performance statements	42 / 53	Quarterly	✔	Quarterly financial reports.
7	Assess the reasonableness of the valuation and fair value assessment outcomes of Council's physical assets		Biannual	n/a	Valuation for the 2023-24 financial year.
8	Provide feedback on the draft financial budget for the following year		Annually	n/a	Will be considered in the 2nd half of the year if applicable.
Internal Control Environment					
9	Review key policies	62	Quarterly	✔	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.
10	Review significant changes to key systems and consider impact of changes on Council's risk profile	63	As Required	✔	The ARC has been updated on the ongoing projects aimed at making significant improvements to the Council's ICT architecture.
11	Ensure a program is in place to test compliance with systems and controls	59 - 65	Biannual	✔	Council's internal auditors, RSD Audit, presented two an internal review reports during the reporting period.
Risk Management					
12	Review effectiveness of Council's risk management framework	55	Every two years	n/a	BoQ's risk management framework was approved in Apr 23 ARC meeting.
13	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.

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Risk Management- Contd.					
14	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.
15	Review Council's treatment plans for significant risks	54	Quarterly	✔	An update on the Risk Register was given at each ARC meeting.
16	Review Council's insurance programme	56	Annually	✔	2024–25 insurance arrangements. In addition, insurance arrangements and currency are confirmed to the ARC at each meeting.
17	Review BCP framework and testing regime	57	Annually	✔	Council reviewed its Business Continuity Plan (BCP) against the Australian Standard AS ISO 22301:2020 Security and Resilience—Business Continuity Management Systems—Requirements.
Fraud Prevention Systems & Controls					
18	Review Council's fraud prevention policy and controls (Council Policy CP008 is reviewed every three year)	58	As Required	✔	BoQ's fraud prevention policy was last reviewed and recommended for adoption by Council in June 2024 ARC meeting. Council adopted the updated policy in July 2024. The next review is due in July 2027 or earlier.
19	Review Council's fraud control plan and awareness programme	58	As Required	✔	Covered in the Council Policy CP008
20	Review reports on any instances of unethical behaviour, fraud and corruption	58	Quarterly	✔	During the reporting period an investigation was conducted in which it was found unethical behaviour with respect to completing timesheets had occurred.
21	Review actions taken to report any incidents of fraudulent or corrupt behaviour	58	As Required	✔	Committee was briefed about the investigation conducted and the actions taken as a result of the investigation in relation to the incident mentioned above (item 20).
Internal Audit					
22	Review Internal Audit charter	79	Every three year	n/a	Will be considered in the 2nd half of the year if applicable. Charter was approved by the ARC In December 2020.
23	Review Internal Audit Plan and revise if required	69	Annually	✔	The Committee reviewed the Strategic Internal Audit Plan 2025-2027 & Annual Plan 2024-2025 in Sep 2024 meeting.
24	Review status of delivery of annual internal audit plan	70	Biannual	✔	One internal review conducted during the reporting period.
25	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.
26	Review reports on internal audit reviews	75	Biannual	✔	Reports of two internal reviews were reviewed during the reporting period.
27	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. A routine 'in-camera' session prior to each ARC meeting is in place between independent members and RSD representatives.
28	Review progress by management on open audit recommendations	77 - 78	Quarterly	✔	The progress against outstanding internal audit recommendations was reviewed at each ARC meeting.
29	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.					
30	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 2022 meeting.
External Audit					
31	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.
32	Discuss any audit issues encountered during the course of the audit	67	Biannual	✔	2023-24 final external audit Sep 2024 ARC meetings.
33	Ensure that management responses to any audit findings are appropriate and timely	67	As Required	✔	2023-24 final external audit Sep 2024 ARC meetings.
34	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					
35	Review systems and processes to monitor compliance with legislation and regulations and management follow up of instances of non-compliance	41	Quarterly	✔	Two internal review reports were reviewed during the reporting period. Management report to the Committee any suspected noncompliance with legislation and regulations through a report from the monthly Risk and Governance Committee meeting.
36	Obtain briefings on any significant compliance matters - Risk and Governance Committee	41	Quarterly	✔	Reports from the monthly Risk and Governance Committee meeting.
37	Review Report on Gifts, Benefits and Hospitality	41	**Annually**	×	Gift register of the 2023–24 financial year will be presented at the April 2025 meeting.
38	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 performed a follow-up audit on reporting on local government performance report. Officers provided an update regarding the outstanding recommendations stated in the report.
Reporting to Council					
39	Provide Minutes to Council	34	Quarterly	✔	Have provided minutes of all ARC meetings.
40	Report on activities to Council	35	Biannual	✔	One report provided during the reporting period.
Performance Evaluation					
41	Adopt an annual work program	27	Annually	n/a	Will be considered in the 2nd half of the year.
42	Assessment of Committee performance	37	Annually	n/a	Will be considered in the 2nd half of the year.
Review of Charter					
43	Review of Committee Charter	84	Annually	n/a	Will be considered in the 2nd half of the year.
Other Matters					

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
44	Committee member induction	38	As Required	✔	A formal induction session for newly-appointed Councillor members was conducted during the reporting period.
45	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.
46	Review the expense reports for Councillors and all members of delegated Committees	61	Annually	✔	2023-24 report was presented at Sep 2024 meeting.
47	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					
48	Set Committee meeting schedule	28	Annually	✔	In place.

Appendix B – Outstanding Internal Audit Recommendations

Review	Period	Outstanding 1 July 2024				New during the period				Complete during the period				Outstanding 30 June 2024			
		Low	Medium	High	Total	Low	Medium	High	Total	Low	Medium	High	Total	Low	Medium	High	Total
Records Management *	May-18	-	2	1	3	-	-	-	-	-	(1)	-	(1)	-	2	1	**3**
IT Network and Security (including Cyber Security)	Oct-18	-	1	-	1	-	-	-	-	-	-	-	-	-	1	-	**1**
Capital Works Framework	Nov-19	-	1	-	1	-	-	-	-	-	(3)	(2)	(5)	-	-	-	**-**
Business Continuity Planning and Disaster Recovery	Nov-19	-	2	1	3	-	-	-	-	-	-	-	-	-	-	-	**-**
Strategic Procurement	May-20	-	3	-	3	-	-	-	-	(2)	(3)	-	(5)	-	-	-	**-**
Management, Oversight and Monitoring of Outsourced Service Provider	May-21	2	-	-	2	-	-	-	-	-	-	-	-	2	-	-	**2**
Initial Risk Assessment	May -23	3	-	-	3	-	-	-	-	(1)	(1)	-	(2)	3	-	-	**3**
Tourist Park Operations	Aug- 23	1	5	-	6	-	-	-	-	(3)	(1)	-	(4)	-	3	-	**3**
Procurement	May- 24	4	1	-	5	-	-	-	-	(4)	(2)	(1)	(7)	4	1	-	**5**
Asset Management (including the Management of Tree Assets)		-	-	-	-	-	3	6	9					5	3	-	**8**
Community Engagement		-	-	-	-	-	1	3	4					3	1	-	**4**
Total		**10**	**15**	**2**	**27**	**-**	**4**	**9**	**13**	**(13)**	**(14)**	**(3)**	**(30)**	**17**	**11**	**1**	**29**

*In May 2023, Council successfully launched a new Electronic Data and Records Management (EDRM) system built on Microsoft Teams. This system incorporates data retention and disposal protocols in compliance with the requirements of the Public Records Office Victoria (PROV). By using designated Teams channels or folders, staff ensure that PROV requirements are automatically applied to relevant documents, eliminating the need for additional manual intervention.

Council is currently working with three other participating councils to develop an organisational policy that formalises the updated records management processes. Once these policies and procedures are finalised, Council will be able to close out the associated recommendations.

The actions taken so far have significantly mitigated the risk linked to these recommendations, bringing the overall risk to nearly a low level.