

## AUDIT AND RISK MANAGEMENT COMMITTEE BIENNIAL REPORT

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Report Author: Executive Officer Governance, Risk & Compliance for  
Stephen Schinck, Chair

Responsible Officer: Director Corporate Services

Ward(s) affected: (All Wards);

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### SUMMARY

The Audit and Risk Management Committee (the Committee) has been established by Council under Section 53 of the Local Government Act 2020 (the Act). It is the responsibility of the Committee to provide Council with independent, objective advice and assurance on the adequacy of management arrangements as set out in the Audit and Risk Management Committee Charter (the Charter).

The Act requires that the Committee prepare a biannual report for Council that describes their activities and includes any findings and recommendations. This report provides a biannual report of the Committee for the period ending 31 December 2023.

This report also recommends the reappointment of Mr Simon Mahony as an Independent Member of the Committee for a three-month term commencing 1 May 2024 and ending 1 August 2024.

### RECOMMENDATION

***That Council***

- 1. Receives the Audit and Risk Management Committee Bi-Annual Report for the period ending 31 December 2023.***
- 2. Reappoint Mr Simon Mahony as an Independent Member of the Committee for a three month term commencing 1 May 2024, expiring 1 August 2024 with remuneration of \$1,422 per meeting.***

### REPORT TO COUNCIL

Pursuant to section 54(2) of the Act, the Committee assists the Council and management by providing advice and guidance on the adequacy of initiatives for:

- Compliance management.
- Governance structure.
- Risk management and fraud prevention.

- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements, performance, and public accountability reporting.

The Charter requires that the Committee has up to five members, including both Councillor (two members) and external independent representatives (three members), with the majority being independent members.

## **COMMITTEE STRUCTURE AND MEETINGS**

In line with the Charter, membership of the Committee during the reporting period has been as follows:

- Mr Stephen Schinck - Independent Member and Chair. Appointed Chair at the Council meeting on 26 September 2023 for a one-year period.
- Mr Simon Mahony – Independent Member. Reappointed for a second term as an Independent Member of the Committee, at the Council meeting of 13 April 2021.
- Katie Baldwin – Independent Member. Appointed as an Independent Member of the Committee at the Council meeting of 27 June 2023.
- Cr Fiona McAllister – Councillor Member. Councillor McAllister was reappointed as a Councillor representative at the Council meeting of 12 December 2023.
- Cr Jim Child – Councillor Member. Councillor Child was reappointed as a Councillor representative at the Council meeting of 12 December 2023.

The Committee has met twice in this reporting period on 2 October and 27 November 2023.

### ***Reappointment of Independent Member – Simon Mahony***

Independent Member terms of appointment are limited to a maximum of three terms, with each term being a maximum of three years. In February 2024 Independent Member Mr Simon Mahony informed the Committee and Council's CEO that he does not wish to seek a further three-year term as a Committee member following the expiry of his current term on 1 May 2024.

This report recommends that Mr Mahony's term is reappointed for a three month term to allow for recruitment of a new Independent Member. Furthermore, this short-term appointment would allow Mr Mahony to provide advice and guidance to Council throughout the development and finalisation of Council's 2024/25 budget.

Section 8 of the Charter states that the whole Committee may recommend to Council the appointment or reappointment of the Chair or Committee Member. The remaining four Committee members unanimously recommend the reappointment of

Mr Mahony for a three month term as an Independent Committee Member expiring on 1 August 2024.

## **BUSINESS OF THE COMMITTEE**

Key activities and reviews undertaken by the Committee during the reporting period include.

- Quarterly Financial Reports.
- Audit & Risk Management Charter.
- Council's Fraud Risk Register, updates to Fraud Policy and Plan, Council's Strategic Risk Register, and the internal RiskEduTech (RET) Project aimed at increasing Risk maturity management across Council business areas.
- Annual Financial Report and Victorian Auditor General Audit for year ending 30 June 2023.
- Performance Statement for the year ending 30 June 2023.
- Strategic Internal Audit Plan for 2023/24 and activities associated with internal audits conducted by Council's internal auditors, HLB Mann Judd.

Further reviews and oversight included 2023-24 Insurance Update, Council's Procurement Transformation Plan, Councillor Expenses, Annual ARMC Self-Assessment Results, Health & Safety Reports, Committee's Annual Work Plan and 2024 meeting dates.

Of specific note during the reporting period is the program of work undertaken to address Council's Cyber Security functions. Key achievements across this program area included:

- Recruitment for a dedicated Cyber Security Officer.
- Completion of a baseline security assessment and development of a security improvement roadmap.
- Four cyber security awareness e-learning courses were delivered to staff.
- An updated Information Asset Register was developed.
- Server remediation activities continue to be addressed as required.
- Procurement of a new Microsoft licensing contract, enabling Microsoft's full software suite of cyber defence capabilities.

## **RECOMMENDATIONS FOR IMPROVEMENT**

Over the reporting period the Committee have noted key achievements in numerous areas under the Charter. There is still further work to be undertaken in increasing risk management maturity and timely completion of internal audit actions across several Council business areas.

The Committee Work Plan and Actions Register needs to be kept up to date and submitted to each Committee meeting. Improvements have also been identified to further standardise reports being submitted to the Committee.

## **COMMITTEE ANNUAL SELF ASSESSMENT OF RESULTS**

Section 54(4) of the Local Government Act 2020 requires the Committee to conduct an annual self-assessment of its performance and to provide a copy to the CEO for tabling at a Council meeting.

The purpose of the self-assessment is to enable Committee members to critically assess the Committee's operations and performance and identify areas for improvement.

The self-assessment was conducted throughout the reporting period and reviewed the Committee's performance in the 12 months to 30 June 2023.

The Committee noted the need for adequately manage large agendas to ensure timely discussions and constructive value addition in future meetings, called for a detailed examination of Fraud Risk and control areas and observed the absence of any psychological safety metrics in the self-assessment tool. Expressing an interest in utilising a more contemporary assessment tool to aid the committee in its future evaluations.

## **STRATEGIC LINKS**

It is a legal requirement that Council establish an Audit and Risk Management Committee, appoint Independent Committee Members, adopt, and maintain an Audit and Risk Management Committee Charter and provide a bi-annual report to Council.

## **CONSULTATION**

While there has been no community consultation undertaken in respect of this item, the Audit and Risk Management Committee members have reviewed and support the content provided in this report.

## **FINANCIAL IMPLICATIONS**

Any expenditure associated with the Audit and Risk Management Committee is expected to remain within approved budgets.

## **KEY ISSUES**

### ***Environmental Impacts***

There are no foreseeable environmental impacts arising from this report.

### ***Social Impacts***

The oversight mechanism provided by the Audit and Risk Management Committee serves to provide confidence in Council's practices and supports Council's commitment to good governance, public transparency, and accountability to the community.

### ***Economic Impacts***

The Audit and Risk Management Committee assists Council by providing advice and guidance on the adequacy of initiatives including financial statements, performance, and public accountability reporting.

## **RISK ASSESSMENT**

There are no foreseeable risks associated with this report. Council has in place a fully functioning Audit and Risk Management Committee and supporting framework. The establishment of the Audit and Risk Management Committee, the appointment of Independent Committee Members and the adoption of the Charter enables Council to meet its obligations under the Act and provides appropriate controls for Council to manage its Governance risk.

## **CONFLICTS OF INTEREST**

No officers involved in the preparation of this report have declared a conflict of interest in this matter.

## **CONCLUSION**

The Committee's overall assessment is that Council is continuing to manage its responsibilities regarding risk, financial control, and compliance well and that the governance culture of the Council remains robust.

The Committee has seen management's recent demonstration of its commitment to an increased focus in the risk area with considerable progress made in advancing Council's risk maturity program (RET).

As Chair, I would like to thank the management team for their support in running the Committee and thank my colleagues, both the Independent Members and the Councillors, for their contribution to a strong Audit and Risk Management Committee.

***Stephen Schnick***

***Chair, Audit and Risk Management Committee***

## **ATTACHMENTS TO THE REPORT**

Nil