

AUDIT & RISK MANAGEMENT COMMITTEE BI-ANNUAL REPORT TO COUNCIL

Report Author: Executive Officer - Governance Risk & Compliance

Responsible Officer: Director Corporate Services

Ward(s) affected: All Wards

The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.

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 (s.54 (5)) requires that the Committee prepare a biannual report for Council that describes their activities and includes any findings and recommendations.

The following is the biannual report of the Committee for the period ending 30 December 2022.

RECOMMENDATION

That Council notes the Audit and Risk Management Committee Bi-Annual Report for the period 1 July 2022 to 30 December 2022.

BACKGROUND

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, and
- 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:

- Ms Bev Excell - Independent Member and Chair. Reappointed Chair at the Council meeting on 13 April 2021 until the end of her term as an independent member expiring 31 May 2023
- Mr Stephen Schinck – Independent Member. Reappointed at Council meeting held 26 April 2022 for a further three-year term expiring 31 May 2025
- Mr Simon Mahony – Independent Member. Reappointed Independent Member at the Council meeting on 13 April 2021 for a second term expiring 1 May 2024
- Cr Fiona McAllister – Councillor Member. Councillor member from 24 November 2019
- Cr Jim Child – Councillor Member (Mayor). Councillor member from 23 November 2021.

The Committee has met twice in this reporting period on 3 October and 28 November 2022.

BUSINESS OF THE COMMITTEE

Key activities undertaken by the Committee during the reporting period included:

- Reviewed the Quarterly Financial Report dated September 2022
- Annual review and approval of Audit & Risk Management Committee Charter
- Review and approval of Council's updated Strategic Risk Register, Risk Management Framework and Risk Matrix
- The Committee was presented with the outcome of Business Continuity testing which was very comprehensive. The Committee noted work to be completed on linkage between Business Continuity, Emergency Management and Crisis Management
- Reviewed the Annual Financial Report for the year ending 30 June 2022 and Crowe Howarth management letter regarding annual financial statements audit
- Reviewed and made recommendations to improve the draft Performance Statement for the year ending 30 June 2022

- Conducted a “Risk Deep Dive” of Council’s Cyber Security functions and noted many recent improvements and the large improvement plan underway to strengthen Council’s Cyber Security environment
- Discussed and endorsed a proposal to reduce the number of Committee Meetings per annum from 1 July 2023, from five meetings to four meetings
- Reviewed periodic Councillor Expenses
- Reviewed periodic Health & Safety Reports
- Reviewed and updated the Committee’s Annual Work Plan
- Review of activities associated with internal audits conducted by Council’s internal auditors, HLB Mann Judd, which included:
 - Initiation and Prioritisation of Capital Works audit
 - IT Security Report and IT Cost Benefit Analysis
 - Review of Risk Management Framework ISO 31000:2018 (incl. Risk Awareness Survey)
 - Legislative Compliance (Audit scope review) - out-of-cycle
 - Accounts Payable (Audit scope review) - out-of-cycle

ACTIONS ARISING FROM AUDITS UNDERTAKEN

Actions identified through the audit processes are recorded and tracked using Council’s CAMMS reporting system.

During the period, the Committee received multiple requests to extend implementation dates for recommendations. These requests were largely attributed to resource constraints or prioritisation of other key deliverables. Requests were assessed by the Committee on a risk-based approach and endorsed where deemed appropriate.

RECOMMENDATIONS FOR IMPROVEMENT

The Risk Framework, Strategic Risk Register, Risk Matrix, and Risk Appetite Statement all need to be tested across Council, signed off by Executive Management and embedded across the organisation.

Emergency Management, Crisis Management and Business Continuity Framework, policies and tools need increased awareness across Council.

The Committee Work Plan and Actions Register needs to be kept up to date and submitted to each Committee meeting.

COMMITTEE ANNUAL SELF ASSESSMENT 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 the next 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 during August 2022 and reviewed the Committee's performance in the 12 months to 30 June 2022.

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.

FINANCIAL IMPLICATIONS

There are no financial implications identified as result of this report. The costs of managing and operating the Committee are met from Council's approved operating budget.

KEY ISSUES

The Act has introduced adjustments to current Committee activities which have been reflected in the current Charter and this report. The Committee has concerns that the length of meetings has increased in response to the legislative changes. The Committee is looking to better understand these legislative requirements and options available to fulfil these requirements – for example, the Committee is required to monitor the compliance of Council's policies and procedures with the overarching governance principles of the Act.

The Committee noted the challenges experienced by Council in finalising the annual financial statements for 2021-22 in line with the extension granted by the Minister. The Committee has reviewed lessons learned from this year's process and discussed actions to be implemented by management going forward to reduce the likelihood of similar concerns arising.

While the Committee noted Council's actions to produce a Risk Appetite Statement (RAS), further work needs to continue to identify a fit for purpose RAS model that will support and enhance Council's decision making.

Social Implications

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

Environmental Implications

There are no foreseeable environmental impacts arising from this report.

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 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 and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

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. Some of the work of the Committee, particularly on the further development of risk management practices, has been affected by resource constraints and Council's need to address other priorities. The Committee is looking forward to an increased focus in the risk area in the coming period.

I would like to thank the Management Team for their support in running the Committee and thank all my Colleagues, both the Independent Members and the Councillors, for their contribution to a strong Committee.

Bev Excell
Chair, Audit and Risk Management Committee

ATTACHMENTS TO THE REPORT

1. Nil