

SUPPLEMENTARY AGENDA



Mid Month Meeting of Council

To be held at the

Civic Centre

511 Burwood Highway

Wantirna South

On

Monday 16 September 2024 at 7:00 PM

This meeting will be conducted as a hybrid meeting

Order of Business

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Bruce Dobson
Chief Executive Officer

7 Supplementary Items

7.1 Biannual Report of the Audit and Risk Committee

| | |
|----------------------------------|---|
| Final Report Destination: | Council |
| Paper Type: | For Noting |
| Author: | Governance Officer, Damian Watson |
| Manager: | Manager Governance & Risk, Andrew Dowling |
| Executive: | Director, Customer & Performance, Greg Curcio |

SUMMARY

This report presents to Council the Audit and Risk Committee Biannual Report - August 2024, in accordance with the requirements of the Local Government Act 2020 (LGA 2020) and the Audit and Risk Committee Charter February 2023 (the Charter).

RECOMMENDATION

That Council receive and note the Audit and Risk Committee Biannual Report - August 2024, as set out in Attachment 1 to the report.

1. DISCUSSION

The Audit and Risk Committee (the Committee) is a Committee established in accordance with section 53 of the LGA 2020. Under the LGA 2020 and its Charter, the Committee is required to formally report on its activities twice annually to Council. The Committee's Biannual Report to August 2024 is set out in Attachment 1 and provides Council with a summary of the matters the Committee has addressed in discharging its responsibilities under its Charter.

2. ENGAGEMENT

The Report has been prepared in consultation with, and has been endorsed by the Audit and Risk Committee, following presentation to its August 2024 meeting.

3. SOCIAL IMPLICATIONS

Nil.

4. CLIMATE CHANGE CONSIDERATIONS

Implementation of the recommendation is considered to have no direct implications or has no direct impacts upon Council's Net Zero 2030 target, the Community Net Zero 2040, exposure to climate risks or climate change adaptation.

5. ENVIRONMENTAL IMPLICATIONS

Nil.

6. FINANCIAL AND RESOURCE IMPLICATIONS

Nil.

7. RISKS

The Audit and Risk Committee (ARC) is established to strengthen Council's governance, risk management, financial management; and to drive continuous improvement. Presentation of the ARC's biannual report provides assurance to Council that the Committee is effectively overseeing these areas and ensuring that robust controls and risk management practices are in place.

8. KNOX COMMUNITY AND COUNCIL PLAN 2021-2025

Civic Engagement & Integrity

Strategy 5.3 - Ensure our processes are transparent and decisions are accountable.

9. CONFLICT OF INTEREST

The officers contributing to and responsible for this report have no conflicts of interest requiring disclosure under Chapter 5 of the Governance Rules of Knox City Council.

10. STATEMENT OF COMPATIBILITY

There are no legislative obligations under the Human Rights Charter, Child Safe Standards or the Gender Equity Act that are incompatible with the recommendation in this report.

11. CONFIDENTIALITY

There is no content in this report that meets the definition of confidential information from the Local Government Act 2020.

ATTACHMENTS

1. Attachment 1 Biannual ARC Report August 2024 [7.1.1 - 10 pages]



Knox City Council

Audit and Risk Committee

Biannual Report
August 2024



1. Background and Purpose of this Report

The Audit and Risk Committee (the Committee) is a committee established in accordance with section 53 and 54 of the Local Government Act 2020 (LGA). Under the Charter, the Committee is to formally report on its operations to the Council twice annually.

This report meets the reporting requirements to Council as mandated by section 54(5) OF the Local Government Act 2020 and importantly provides Council with a summary of the matters that the Committee has addressed in the reporting period in discharging its responsibilities under its Charter

The Committee's Charter is set by the Council and was last revised and approved by the Committee on 8 December 2022 before being adopted by Council on 27 February 2023.

2. Period of Reporting

This report covers the Audit and Risk Committee Meetings on 30 May 2024 and 22 August 2024.

3. Committee Membership and Meetings

The composition of the Committee in accordance with its Charter is three independent members and two Council representatives. Councillor members are appointed by Council annually, for a 12-month term, which may be renewed subject to Council resolution. Independent members are appointed by Council for a three-year term following an external selection process.

The Chief Executive Officer and Senior Management representatives attended meetings of the Committee, by invitation, to assist in meeting discussions and procedures. Representatives from the internal and external auditors also attend to present on matters related to internal and external audit activities.

The Mayor, Councillor Jude Dwight, and Councillor Marcia Timmers-Leitch were appointed to the Audit and Risk Committee at the Council Meeting on 14 November 2023.

The Chairperson of the Audit and Risk Committee, Geoff Harry, was re-elected as Chair at the Meeting held on 14 March 2024.

The following table provides details of the Committee members and meeting attendance during the reporting period.

| Attendee | Role | 30/5/2024 Meeting | 22/08/2024 Meeting |
|--------------------------|--|-------------------|--------------------|
| Mr. Geoff Harry | Independent Chair (March 2023-Present) | Yes | Yes |
| Mr. Homi Burjorjee | Independent Member | Yes | Yes |
| Mr. Mick Jaensch | Independent Member | Yes | Yes |
| Cr Jude Dwight (Mayor) | Councillor Member | Yes | Yes |
| Cr Marcia Timmers-Leitch | Councillor Member | Yes | Yes |



4. Committee Responsibilities

The Committee's Charter is used to develop an Annual Work Plan which guides the agenda and activities at each meeting during the year and on Behalf of the Committee.

Relevant obligations under the Charter were addressed during the reporting period.

4.1 Chief Executive Officer Report

The Committee received quarterly updates from the Chief Executive Officer Bruce Dobson on matters including:

- Code of Conduct matters
- Proposed 2024/25 Budget Update
- Development of the next Council Plan and Health and Wellbeing Plan 2025-29
- Community Satisfaction Survey
- Broad Organisational Improvements over the last 12 months which have contributed to overall community satisfaction
- Inquiries into the financial sustainability of Local Government
- 2024-25 State Budget
- 2024-25 Federal Budget
- Plan For Victoria and Draft Housing Capacity Targets
- Oracle CMS Data Breach Update
- CrowdStrike Update
- Local Government Act 2020 Reforms Update
- Election Update
- IBAC Referral
- Local Government Performance Reporting Framework Update



4.2 Internal Audit

The Interim Strategic Internal Audit Plan (SIAP) for 2024 and 2025 was reviewed and endorsed at the 7 December 2023 Committee meeting. Progress against the adopted SIAP is monitored at each meeting. Council’s internal audit service provider (Crowe) continued the practice of preparing and completing internal audit reports which provides recommended actions for the organisation.

The following Internal Audit reports have been presented to the Committee:

| May 2024 | August 2024 |
|--|---|
| <ul style="list-style-type: none"> • Review of Relevance, Veracity and Effectiveness of Outstanding Audit Actions | <ul style="list-style-type: none"> • Occupational Health, Safety and Wellbeing Contractors |

Recommendations contained within all reports were accepted by Management for implementation.

Actions from Completed Internal Audits

Addressing outstanding Internal Audit Actions from previous Internal Audit Reviews remains a prime focus of the Committee, with a revised reporting format providing the Committee with greater oversight on the progress of these actions.

Please note that an internal audit was undertaken to review the relevance, veracity and effectiveness of outstanding audit actions in June 2024. The findings of this Internal Audit resulted in the recommendation to remove some audit actions or to merge some audit actions into existing audit actions. The report also included altering some existing recommendations from past internal audits, with fourteen actions classified as no longer required in current circumstances and merged with existing actions, while four actions have been listed as completed within the audit. These changes have resulted in an alteration to the total number of audit actions and has subsequently affected the data.

The summary below reflects the half year to the August 2024 Audit and Risk Committee Meetings. Following the March 2024 meeting, there were 57 open Internal Audit actions with 13 of those actions classified as overdue. As at the August 2024 meeting, recognising the changes prompted by the internal audit to review the relevance, veracity and effectiveness of outstanding audit actions, there are 62 open Internal Audit actions with 2 of those actions classified as overdue as a result of the new baseline.

**Table One: New Baseline**

| | Priority | | | |
|--|----------|-----------|-----------|-----------|
| | High | Medium | Low | Total |
| Open Actions at 7 March 2024 | 0 | 37 | 20 | 57 |
| Outcomes of the Review of Relevance, Veracity and Effectiveness of Recommendations and Outstanding Audit Actions Internal Audit. | | | | |
| – 4 actions (2 Medium, 2 Low) were closed as it was identified they had been completed. | | (2) | (2) | (4) |
| – 14 actions (9 Medium, 5 Low) were closed, as they were merged variously with 8 other existing actions | | (9) | (5) | (14) |
| – 1 low rated action changed to medium | | 1 | (1) | (0) |
| – 3 medium rated actions changed to low | | (3) | 3 | (0) |
| Add New Agreed Actions from the following Audits: | | | | |
| – Asset Management | | | | |
| – Statutory Building | | | | |
| – Playground Maintenance | | | | |
| – Review of Relevance, Veracity and Effectiveness of Recommendations and Outstanding Audit Actions | 2 | 18 | 11 | 31 |
| Open Actions at 25 July 2024 | 2 | 42 | 26 | 70 |

Table Two: Summary of Movements Since July 2024

| | Priority | | | |
|---|----------|-----------|-----------|-----------|
| | High | Medium | Low | Total |
| Open Actions at 25 July 2024 | 2 | 42 | 26 | 70 |
| Add New Agreed Actions Reported in the Period | 0 | 0 | 0 | 0 |
| Sub Total | 2 | 42 | 26 | 70 |
| Less Actions Closed in the Period | 0 | 4 | 4 | 8 |
| Less Rejected Actions | 0 | 0 | 0 | 0 |
| Open Actions at 15 August 2024 | 2 | 38 | 22 | 62 |



4.3 External Audit

The Victorian Auditor-General's Office (VAGO) appointed RSM Australia as the Audit Service Provider to Knox City Council, replacing BDO Australia.

The interim audit commenced on 15 April 2024, with the Interim Management Letter provided at the 30 May 2024 Audit & Risk Committee meeting.

The final audit commenced on 22 July 2024 and was completed on schedule. The Audit & Risk Committee has recommended that Council approve in-principle the Annual Financial Report and Annual Performance Statement, and the auditors are expected to issue an unmodified audit opinion.

4.4 Risk Management

The Committee received Quarterly Risk Management updates, inclusive of a report summarising significant operational risks (residual rating of high or above), and the Strategic and Operational Risk profile. The committee also received detailed reports into selected Strategic Risks.

4.5 Governance and Compliance Reports

Informing areas of focus by the Committee were various reports including:

- Quarterly Compliance Report detailing ongoing compliance with relevant legislation detailing any compliance breaches and engagement with various oversight bodies including the Office of the Victorian Information Commissions, Ombudsman, Local Government Inspectorate and IBAC
- Councillor Expenses Reports as required by the Local Government Act 2020
- Audit and Risk Committee Self-Assessment Report

The Committee also received reporting which monitors reports released by State based integrity agencies (VAGO, IBAC, Ombudsman Victoria) that may be relevant to Council via Crowe's Curious Eyes Report. Where appropriate management provides comments on the implications of the findings for Council.

4.6 Financial and ICT Reporting

During the period, the Committee received and considered:

- Quarterly Financial Report Statements
- The Annual Financial Report and Annual Performance Statement
- Transformation and Cyber Security Updates.

4.7 Fraud Prevention systems and controls

There were no material matters of fraud and corruption reported to the Committee during the reporting period.

4.8 Reporting to Council

Minutes of Committee meetings are provided to all Councillors as soon as practical after each meeting via Council's online portal and via email.

The Committee reports formally to the Council at least twice per annum. The Committee Chairperson is invited to present to the Council annually.

The Committee's March 2024 Report was presented to the Council Meeting held on 11 June 2024 and this report is scheduled to be presented to the 16 September 2024 Council Meeting.





4.9 Summary of Reports Presented

| Date | Report Title & Description | Outcome |
|--------------------|--|----------|
| May Meeting | | |
| 30/5/2024 | Actions from Previous Audit and Risk Committee Meetings <ul style="list-style-type: none"> Provides comments against the status of all actions arising from previous meeting | Noted |
| 30/5/2024 | Annual Work Plan 2024 <ul style="list-style-type: none"> Tracks delivery of the Committee's Annual Work Plan | Noted |
| 30/5/2024 | Chief Executive Officer Report <ul style="list-style-type: none"> A quarterly presentation of issues of note | Noted |
| 30/5/2024 | Strategic Risk Review – Deep Dive Report IT <ul style="list-style-type: none"> Regular “deep dives” provide an opportunity for in-depth analysis of Council's key strategic risks | Noted |
| 30/5/2024 | Quarterly Risk Management Update <ul style="list-style-type: none"> An overview of Council's risk registers and summary of key risk management activities | Noted |
| 30/5/2024 | Transformation and Cyber Security Update <ul style="list-style-type: none"> Report on the Customer and Performance portfolio's capital and operational projects currently being delivered, and an overview of cyber security issues | Noted |
| 30/5/2024 | Risk Management Framework Report <ul style="list-style-type: none"> Presents the revised Framework to the Committee for review and endorsement prior to finalising the review | Endorsed |
| 30/5/2024 | Strategic Internal Audit Program Update <ul style="list-style-type: none"> Included endorsement of the Revised Strategic Internal Audit Program 2024-27 following new internal auditors being appointed in early 2024 | Endorsed |
| 30/5/2024 | Review of Relevance, Veracity and Effectiveness of Outstanding Audit Actions Internal Audit <ul style="list-style-type: none"> Presentation of the Internal Audit report | Noted |
| 30/5/2024 | Local Government – Recent Reports and Publications <ul style="list-style-type: none"> A summary of recent reports and publications regarding audits throughout the Local Government sector | Noted |
| 30/5/2024 | Review of Interim External Audit Management Letter <ul style="list-style-type: none"> Includes recommendations from VAGO emanating from the 2022/23 Audits – Local Government Report | Noted |



| Date | Report Title & Description | Outcome |
|-----------------------|--|---------|
| 30/5/2024 | Councillor Expenses – Q3 2023/24 <ul style="list-style-type: none"> A quarterly report in line with the Councillor Expenses and Support Policy & Procedure | Noted |
| 30/5/2024 | Quarterly Compliance Report- May 2024 <ul style="list-style-type: none"> A report summarising activities in key compliance area including areas such as privacy and human rights, Freedom of Information, and Ombudsman enquiries | Noted |
| 30/5/2024 | Quarterly Performance Report- May 2024 <ul style="list-style-type: none"> Presentation of the most recent Quarterly Performance Report as presented to Council | Noted |
| 30/5/2024 | Review of Accounting Policies, Audit Adjustments, Assumptions and Disclosures Changes <ul style="list-style-type: none"> An overview of accounting policies, estimates, judgements and assumptions that will be utilised in preparing the annual financial statements | Noted |
| August Meeting | | |
| 22/8/2024 | Actions from Previous Audit and Risk Committee Meetings <ul style="list-style-type: none"> Provides comments against the status of all actions arising from previous meetings | Noted |
| 22/8/2024 | Annual Work Plan Update <ul style="list-style-type: none"> Tracks delivery of the Committee's Annual Work Plan | Noted |
| 22/8/2024 | Chief Executive Officer Report <ul style="list-style-type: none"> A quarterly presentation of issues of note | Noted |
| 22/8/2024 | Risk Management Update – August 2024 <ul style="list-style-type: none"> An overview of Council's risk registers and summary of key risk management activities, including an update on Council's insurance renewal and claims experience over the previous year | Noted |
| 22/8/2024 | Safety and Wellbeing Report <ul style="list-style-type: none"> An overview of Council's Safety and Wellbeing activities and performance indicators in the year to 30 June 2024. | Noted |
| 22/8/2024 | Internal Audit Status Report <ul style="list-style-type: none"> An update from Council's contracted internal auditor on the status of internal audits. | Noted |
| 22/8/2024 | Actions from Internal Audits <ul style="list-style-type: none"> A progress report on outstanding actions from Internal Audits previously presented to the Committee. | Noted |



| Date | Report Title & Description | Outcome |
|-----------|--|----------------|
| 22/8/2024 | Occupational Health, Safety and Wellbeing Contractors Internal Audit <ul style="list-style-type: none"> <li data-bbox="416 510 911 539">• Presentation of the Internal Audit report | Noted |
| 22/8/2024 | Local Government – Recent Reports and Publications <ul style="list-style-type: none"> <li data-bbox="416 577 1027 678">• A summary of recent reports and publications regarding audits throughout the Local Government sector | Noted |
| 22/8/2024 | Councillor Expenses – Q4 2023/24 <ul style="list-style-type: none"> <li data-bbox="416 716 951 779">• A quarterly report in line with the Councillor Expenses and Support Policy & Procedure | Noted |
| 22/8/2024 | Quarterly Compliance Report – August 2024 <ul style="list-style-type: none"> <li data-bbox="416 817 1011 949">• A report summarising activities in key compliance area including areas such as privacy and human rights, Freedom of Information, and Ombudsman enquiries | Noted |
| 22/8/2024 | Biannual Report of the Audit and Risk Committee - August 2024 <ul style="list-style-type: none"> <li data-bbox="416 1021 951 1120">• To consider and endorse the Committee’s biannual audit and risk report in line with its Charter and the Local Government Act 2020 | Endorsed |
| 22/8/2024 | Annual Financial Report and Performance Statement <ul style="list-style-type: none"> <li data-bbox="416 1158 1002 1294">• The 2023-24 Statements are presented to the Audit and Risk Committee for consideration and, subject to that review, to recommend them to Council for in-principle adoption. <li data-bbox="416 1305 1023 1440">• Includes the Governance and Management checklist, Management Representation Letter, and VAGO’s Closing Report and Final Management Letter | Recommendation |

5. Conclusion

The Committee benefits from the combined knowledge of Councillor and independent members during meetings. The Committee acknowledges the contribution of all members who perform their responsibilities with diligence and professionalism. The Committee also acknowledges the contribution of audit representatives from Council's internal and external auditors, and Council staff supporting the Committee.