



Biannual audit and risk report

Period 1 July 2021 to 31 December 2021

Objectives and scope

- (1) The Audit and Risk Committee (the committee) is a committee established by Council under section 53 of the *Local Government Act 2020* (the Act) to undertake the following functions and responsibilities:
 - (a) monitor the compliance of Council policies and procedures with the overarching governance principles and the Act and the regulations and any Ministerial directions;
 - (b) monitor Council financial and performance reporting;
 - (c) monitor and provide advice on risk management and fraud prevention systems and controls;
 - (d) oversee internal and external audit functions.
- (2) The committee was established on 25 August 2020.

Membership

- (3) The committee comprised 4 independent members and 2 councillors.
- (4) The independent members were Ms Gayle Lee, Ms Rowan O'Hagan, Mr Gavan Nolan and Mr Vito Giudice.
- (5) The councillor members were the Mayor, Cr Dean Rees and Deputy Mayor, Cr Harry Bussell.
- (6) The chairperson was Ms Gayle Lee.

Meetings

- (7) The committee met 3 times during the period:
 - (a) 10 August 2021
 - (b) 21 September 2021
 - (c) 8 December 2021

Attendance

(8) The following table shows meeting attendance by members.

Member	10 Aug 2021	21 Sep 2021	8 Dec 2021	Total
Ms Gayle Lee	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
Ms Rowan O'Hagan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
Mr Gavan Nolan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
Mr Vito Giudice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
Mayor Cr Dean Rees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2
Deputy Mayor Cr Harry Bussell	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3

External audit

- (9) An unqualified audit opinion was issued by the Victorian Auditor General's Office (VAGO) on the Wangaratta Rural City Council annual report, financial statements and performance statements for the 2020-21 financial year.
- (10) The final management letter issued by VAGO for 2020-21 noted the following summary of open findings which are presented with their corresponding recommended management actions:

Open item	Findings	Recommended management action
<p>Commissioning of capital works and errors in assets classification</p> <p>Medium risk</p>	<p>The audit of infrastructure, property, plant and equipment assets found delays in commissioning capital works and asset classification errors which can impact depreciation timing and accuracy on assets transferred from WIP.</p>	<p>Implement procedures to ensure completed WIP is capitalised to the appropriate asset account in a timely manner. WIP to be commissioned after financial year end will significantly reduce the WIP balance. WIP balances will be reported in each finance report to ARC and progress evidenced at interim audit.</p>
<p>Write-off of non-capital works included in WIP</p> <p>Medium risk</p>	<p>The audit of infrastructure, property, plant and equipment found a significant amount of works included in WIP that were written off as the underlying assets the works were completed on where not owned or controlled by Council. This is not necessarily a major concern where the works are written off in the year they were performed, however a number of the works written off in 2021 had in fact been carried forward from 2020.</p>	<p>Improve budgetary process to ensure works completed on non-Council owned or controlled assets is expensed in the year it is incurred and not be carried for in WIP year on year as they are not capital works and should be expensed in the year they are incurred.</p> <p>Projects are currently assessed through the budget process to ensure they meet the asset recognition criteria. An assessment of any year-to-date WIP write off and determinations relating to the 2022/23 draft budget will be evidenced at interim audit to demonstrate process improvements.</p>
<p>Lack of sundry debtors aged debtors listing</p> <p>Medium risk</p>	<p>The audit of receivables identified a lack of a sundry aged debtors listing that balanced to the relevant control account at balance date. This matter required significant manual reconciliation in order to balance and for audit to perform meaningful analysis and assessment of sundry debtors.</p>	<p>Ensure an aged debtors listing is generated for sundry debtors monthly, and at year end that reconciles to the sundry debtors control account.</p> <p>A monthly debtors reconciliation is currently undertaken; however, the detailed aged balance report run for the year end process did not reconcile to the summarised trial balance. Officers will improve and document this process to ensure the integrity of end of period closure, reconciliation and reporting.</p>

Open item	Findings	Recommended management action
Reconciliation of assets held for re-sale Medium risk	The audit of land valuation identified parcels of land that had been deducted from the land valuation balance on the basis it was land held for resale. However, these parcels of land were not included in the assets held for sale schedule. This resulted in an unadjusted audit difference being raised.	Perform a reconciliation to assets held for re-sale to ensure all Council owned/controlled assets that are held for re-sale are included. A new asset category for assets held for sale has been created which allows clear identification of assets are held for sale. A reconciliation of these assets will be undertaken ensuring that the balance is accurately reflected on Council's balance sheet. This will be evidenced at interim audit.
Goods Receipting Low risk	Council does not have a formal goods receipting function. Consider developing a formal goods receipting functions to enable a more accurate determination of accruals for goods received not yet invoiced.	Configure and implement a goods receipting function in the new core financial IT system.
Excessive annual leave Low risk	Noted that the number of staff with excessive annual leave in excess of 300 hours had increased from 33 to 38. Many staff did not take leave during the final quarter of the year due to travel restrictions imposed by the Victorian Government as part of the Covid 19 management response.	Continue to monitor leave balances and develop strategies to manage accrued leave balances over an appropriate period, particularly in light of the Covid 19 considerations. If leave liabilities can be kept to a minimum the risks associated with such liabilities can be reduced. Senior Managers continue to monitor excessive annual leave balances in line with our excessive annual leave plans and will work with these employees to ensure appropriate leave is taken in the next six-month period especially over the Christmas and New Year period. Managers continue to receive monthly reports to assist with this process.

- (11) The final management letter issued by VAGO for 2019-20 noted the following resolved items:

- (a) Condition assessments
- (b) Financial statement and performance statement preparation process
- (c) Assessment of grants under new accounting standards
- (d) Asset Reconciliations
- (e) Depreciation of roads

Internal audit

- (12) The following internal audit projects were completed:
- (a) Past Issues Review
- (13) Six closed actions were reviewed by internal audit for satisfactory closure in the past issues review:
- (a) five recommendations were satisfactorily addressed.
 - (b) one recommendation, where management opted to accept the risk, was recommended for committee ratification of closure. The item was closed by committee resolution at the 8 December 2021 meeting.
- (14) One new internal audit action was added to the actions register arising from a recommended opportunity for improvement.

Item	Findings	Recommended management action
Open item governance	A documented process would ensure a consistent approach is maintained while also decreasing the risk of key person dependency.	Formally document the internal process for the maintenance of the Open Audit Items Register including: <ul style="list-style-type: none"> • how extensions to agreed dates are requested and approved • how status updates and commentary are sourced from item owners and reported • how items are agreed/approved as "closed".

- (15) Field work for the Environmental Management & Sustainability review was completed.
- (16) Management implementation of internal audit actions is monitored and reviewed at each committee meeting. Fifteen actions were due for completion during the period of which 8 were closed out and 7 were nearing completion.

Risk management

- (17) Management has provided regular updates on strategic and emerging risks.

- (18) Management business risk presentations provided during the period included:
- (a) Events management
 - (b) Wangaratta Sports and Aquatic Centre
- (19) The committee reviewed councillor expense reimbursements and CEO credit card expenses during the period.

Financial and performance reporting

- (20) The draft 2020-21 financial statements, performance statement and governance and management checklist were prepared and endorsed by the committee. The committee recommended to Council that it passes a resolution giving its approval in principle to the statements and checklist. The resolution was passed by Council.
- (21) The committee reviewed the quarterly budget and performance reports.

Compliance of Council policies

- (22) The committee reviewed the following policies and found that they all complied with the overarching governance principles and the Act and the regulations and any Ministerial directions:
- (a) Procurement Policy
 - (b) Investment Policy
 - (c) Borrowings Policy
 - (d) Financial Hardship Policy
 - (e) Debt Collection Policy
 - (f) Reserve Accounting Policy
 - (g) Budget Variation Policy
 - (h) Australia Day Awards and Event Policy
 - (i) Code of Conduct for Council Staff
 - (j) Council Staff Gift Policy
 - (k) CEO Employment and Remuneration Policy