

Knox City Council Audit Committee

Annual Report 2019-2020

Message from the Chairperson

It is with pleasure that I submit the Annual Report as Chairperson for the Knox City Council Audit Committee.

The key objective of this report is to:

- increase awareness of the purpose, role and objectives of the Audit Committee;
- act as a communication link between the Internal and External Auditors and Council;
- outline the key achievements of the Audit Committee; and
- provide the Council with information on the future objectives of the Committee.

Councillor membership of the Audit Committee for the 2019-20 financial year comprised Councillors Jake Keogh (July 2019 - October 2019), Mayor Nicole Seymour (November 2019 - June 2020), Darren Pearce (July 2019 - June 2020) and Tony Holland (July 2019 - June 2020).

External membership of the Committee comprised Dr John Purcell, Homi Burjorjee and myself.

Crowe continued to support the Audit Committee through an intensive Internal Audit Program.

BDO continued as the Victorian Auditor-General's Office external auditors this year. BDO play a key role in providing the Audit Committee with confidence that the annual financial audits fully reflect the financial performance of Council.

I believe the Audit Committee has performed a valuable oversight role for Council during 2019-20, assisting in Council's accountability, internal controls, risk management and statutory obligations.

It is a highly productive and engaged Committee, adding value through the diverse experience and knowledge of its members.

The Audit Committee is of the view that Council's financial, governance and risk control environment and associated systems are largely strong.

The *Local Government Act 2020* requirement to constitute a new Audit and Risk Committee and adopt a new Charter will be a primary focus for Knox Council and the new Audit and Risk Committee in the first quarter of 2020-21.

I wish to thank Council's Chief Executive Officer, Tony Doyle; Director City Development - Interim Finance and Governance, Matt Kelleher; and Manager Governance, Phil McQue for their valued support and assistance.

Finally, I thank all my fellow Audit Committee members for their participation, diligence, professionalism and contribution throughout 2019-20.

I commend this Annual Report to Council.

Ms Lisa Tripodi
Independent Chairperson
Knox City Council Audit Committee



The Audit Committee Terms of Reference

The Terms of Reference set out the purpose of the Audit Committee as follows:

“The Committee’s purpose is to assist the Councillors and Council Management in fulfilling their responsibilities in relation to accounting and reporting practices, management of risk, maintenance of internal controls, operation of good governance practices and facilitation of sound organisational ethics.”

More specifically, the Audit Committee aims to provide independent assurance and assistance to Knox City Council, its Councillors, Chief Executive Officer and Management Team, in fulfilling their responsibilities by undertaking the following:

- To consider matters brought to its attention by Council, Committee members, Management, external auditors, internal auditors and other investigative/regulatory bodies;
- To consider the appropriateness of Council’s accounting policies and procedures, and any changes to them, ensuring they are in accordance with the stated financial reporting framework;
- To review the Council’s draft annual financial and performance statements prior to their approval by the Council;
- To understand the scope of the external audit as outlined to the External Auditor by the Auditor-General and the audit plan including proposed audit strategies as they relate to identified risk areas;
- To receive advice from the external auditors as to whether they have had full and open access to all personnel and information required to complete the audit;
- To discuss matters arising from the external audit with the external auditor and to obtain regular reports from Management and auditors concerning the resolution of the matters raised;
- To be represented on the Committee recommending the appointment of the internal auditor;
- To review the scope (nature, timing and extent) of the internal audit program and the effectiveness of the function;
- To ensure that the Internal Audit Program systematically addresses over time, internal controls over significant areas of risk and over revenue, expenditure, assets and liabilities and major contracts; the efficiency, effectiveness and economy of significant Council programs; and compliance with legislation;
- To review reports of the Internal Auditor and obtain regular advice concerning the resolution of matters raised;
- To monitor the risk exposure of Council by determining if Management have adequate risk management processes over financial and non-financial risks and to monitor the operation of these processes and controls;
- To ensure that the internal audit program contains projects that consider effective governance of Council’s operations, including the primary good governance characteristics of fairness, discipline, independence, accountability, responsibility, transparency and social responsibility;
- To identify and request any specific projects or investigations or advice deemed necessary through the Chief Executive Officer;

- To obtain and review Management and auditor reports and advice concerning the adequacy of management information systems; currency and effectiveness of business continuity and disaster recovery plans; adequacy and timeliness of financial reports received by Council; compliance with statutory requirements for financial and performance reporting and corporate governance practices; the adequacy of the internal control environment, including significant transactions made outside of Council's normal business hours; compliance with statutory obligations relevant to Council's activities and the implementation status of major Council projects;
- To facilitate the enhancement of the credibility and objectivity of internal and external financial and performance reporting; and
- To report to Council all recommendations determined by the Committee, and any other matter or issue considered appropriate and within the Committee's Terms of Reference.

Audit Committee 2019-20 Meetings and Membership

Audit Committee Meetings 2019-20:

- 22 August 2019
- 24 October 2019
- 12 December 2019
- 5 March 2020
- 4 June 2020

The following is a table of attendance for each of the Committee Members:

TERM	22 Aug 2019	24 Oct 2019	12 Dec 2019	5 Mar 2020	4 June 2020	
Councillors						
Cr Tony Holland	✗	✓	✓	✓	✗	3 of 5
Cr Darren Pearce	✓	✓	✗	✓	✓	4 of 5
Cr Jake Keogh	✓	✗	*	*	*	1 of 2
Cr Nicole Seymour	*	*	✓	✓	✓	3 of 3
Independent Members						
Lisa Tripodi (Chair)	✓	✓	✓	✓	✓	5 of 5
John Purcell	✓	✓	✓	✓	✓	5 of 5
Homi Burjorjee	✓	✓	✓	✓	✓	5 of 5

Not a member *

Audit Committee Outcomes 2019-20

The Audit Committee established the following new initiatives in 2019-20 to assist in fulfilling its Charter:

- Quarterly Chief Executive Officer Report
- Quarterly Statutory Compliance Report
- Quarterly Report on Compliance with Applicable Laws and Update Improvements on Privacy Related Breaches, Complaints and Improvements

The following are the key items considered by the Audit Committee during 2019-20:

- Annual Audit Committee Work Plan
- Strategic Internal Audit Plan 2020-2022
- Internal Audit – Project Management Governance
- Internal Audit – OHS Employees and Contractors
- Internal Audit – Management of Food and Health Services
- Internal Audit – Contract Management (Major Contracts)
- Internal Audit – Rates Management
- Internal Audit – Business Continuity and Disaster Recovery Plan
- Internal Audit – Procurement (Below Tendering Threshold and Accounts Payable)
- Fraud and Corruption Control – VAGO Office
- Review of Investment Policy
- Untied Funding Allocation Policy
- Contributory Schemes – Special Rates and Charges Policy
- Procurement Policy
- Corporate Purchasing Card Policy
- Child Safe Implementation Plan
- Quarterly Risk Register Review
- Risk Management Updates
- Procurement Review
- Audit Financial Statements and Performance Statement
- Unaudited Financial Statements and Performance Statement 2018-19
- Annual External Audit Report 2018-19
- Quarterly Financial Performance Reports
- Australian Accounting Standards Update – 30 June 2020
- Accounting Policies, Judgements, Estimated and Assumptions Report
- VAGO Audit Strategy – 30 June 2020
- ICT Program, Roadmap and Portfolio Update
- Monitoring Governance Framework
- Audit Committee Annual Survey
- Audit Committee Annual Report

Outlook for 2020-21

We look forward to Knox Council constituting a new Audit and Risk Committee and adopting a new Charter by September 2020.

Ms Lisa Tripodi
Chairperson