

Borough of Queenscliffe

Audit and Risk Committee

Biannual Activity Report

July 2025

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1. Period of this Report

This report covers activities of the Audit and Risk Committee (the ARC or the Committee) of the Borough of Queenscliffe from 1 January 2025 to 30 June 2025.

2. Purpose of this Report

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

The ARC's Charter is set by Council and was last reviewed and approved by Council on 28 September 2022.

1. Audit and Risk Committee

The Committee is a formally appointed and independent Advisory Committee of Council. The Committee does not have executive powers or authority to implement actions in any areas over which Council has responsibility. The Audit and Risk Committee does not have any management functions and is therefore independent of management.

The Committee's objective is to provide appropriate independent advice to Council on matters relevant to the Committee's Charter in order to facilitate decision-making by Council in relation to the discharge of Council's accountability requirements.

The key duties and responsibilities included in the Audit and Risk Committee Charter are:

- Monitor compliance;
- Monitor Council financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls;
- Review internal and external audit functions; and
- Monitor and review climate change governance.
- Report to Council on the outcomes of the bi-annual ARC Work Programs
- Provide advice, opinions or recommendations on matters relevant to the ARC's Charter

The Audit and Risk Committee consists of four independent members, appointed for a three-year term, and up to three Councillors. The Chair is elected from among the independent members.

The Committee's Charter is set by Council and was adopted by Council on 27th August 2020 following changes necessitated by the new LGA. The Charter was last reviewed by Council in September 2022.

Council officers (including the Chief Executive Officer, Manager Finance & ICT Services and HR & Governance Coordinator) attend Audit and Risk Committee meetings but are not members of the Committee. Minutes of each meeting are provided to Council, usually in draft form due to the timing of meetings and recommendations from each meeting are reported to and considered by Council. Minutes are confirmed as 'Final' by the Committee at its next meeting.

The current Committee membership comprises six (6) members, of which two (2) are Councillors and four (4) are independent as noted above, all members have full voting rights.

4. Meetings

During the reporting period, the Audit and Risk Committee met two (2) times on the following dates:

- 14 April 2025; and
- 10 June 2025.

Attendance is shown in the table below. A quorum was achieved for each meeting.

Member	Eligible to Attend	Meetings Attended
Mr Richard Davies – (Chair) Independent member	2	2
Mr Richard Bull, Independent member	2	2
Ms Rebecca Brezzi, Independent member	2	2
Mr Michael Tehan, Independent member	2	2
Cr Di Rule	2	2
Cr Isabelle Tolhurst	2	2
Total	12	12

2. The Committee's Annual Work Plan

The Committee has dealt with the matters scheduled for consideration in the ARC Annual Work Plan (AWP) in the reporting period with a few exceptions. An assessment of ARC performance against the AWP for the full twelve months of the 2024–25 financial year is provided in **Appendix A**. Details of the key activities of the ARC during the reporting period (from 1 January 2025 to 30 June 2025) are summarised in section 5 of this report.

5. Key Activities for the Reporting Period

All members have made valuable contributions to the Committee's work program and agendas. The work of the ARC has continued to be guided by the Annual Work Plan (AWP). Key outcomes of the scheduled meetings are summarised below.

5.1 Internal Audit

A key responsibility of the Committee is to monitor Council's internal audit program. The program is outsourced to an appropriately skilled service provider – RSD Audit (RSD).

Representatives from RSD attended all ARC meetings during this period. Additionally, the Committee held in-camera sessions with the internal auditors without management during the reporting period.

Internal Audit Reviews

RSD conducted an internal review on the function of "Procurement" during the reporting period. RSD identified one high risk, three (3) medium risk and eight (8) low risk areas in the audit findings. Furthermore, internal auditors have highlighted one area that was an opportunity for improvement.

The final Internal Audit Review Report on the topic Project Management (including Management of Contracts) was originally scheduled for presentation at the April meeting. However, due to unavoidable delays in completing the fieldwork, the final report will now be presented at the September 2025 Audit & Risk Committee meeting.

Outstanding Internal Audit Recommendations

Management presented progress status updates for open internal audit recommendations at each ARC meeting. During the reporting period sixteen (16) open internal audit recommendations have been completed as summarised below.

Risk Rating	No of Audit Recommendations			
	Outstanding	New during the period	Complete	Outstanding
	1-Jan-25			30-June-25
High	1	-	-	1
Medium	11	-	(7)	4
Low	17	-	(9)	8
Total	29	-	(16)	13

The Committee noted the progress towards completing internal audit recommendations. Particular attention was paid to outstanding recommendations classified as high and medium risk, with a focus on interim controls in place to mitigate these risks until the intended control measures are fully implemented. At the June meeting, officers confirmed that the remaining high-risk audit recommendations relate to the development and implementation of a formalised and comprehensive records management strategy, is expected to be completed shortly.

An analysis of outstanding internal audit recommendations for each review topic is given at **Appendix B**.

5.2 External Audit

Lee Blashki, Manager Financial Audit and Aruna De Silva, Assistant Manager - Financial Audit from the Victorian Auditor General's Office (VAGO), attended the April Audit and Risk Committee meeting in person. During the meeting, Lee Blashki provided an update on the VAGO report to the Parliament regarding the 2023–24 audits of local government, highlighting financial performance information relevant to the Borough of Queenscliffe.

Lee Blashki highlighted that the Borough of Queenscliffe was one of 31 out of 79 councils in Victoria to submit draft financial reports and performance statements for audit within the agreed timelines. In addition, he noted the positive relationship between the Borough management team and VAGO and the excellent support

provided to VAGO by the Finance Department. Aruna De Silva provided an update on the Audit Strategy Memorandum (ASM) for the 2024–25 year-end audit, highlighting the key focus areas identified for the audit.

At the June 2025 ARC meeting, VAGO provided an update on the recently completed interim audit and advised that the interim management letter would be issued shortly. Lee Blashki also noted that Anoja Bandara will be replacing Aruna De Silva as the audit engagement team leader for the Borough of Queenscliffe.

During the reporting period, the Committee also held in-camera sessions with the external auditors, sessions without management present.

5.3 Internal Control Environment

The Committee was not notified of any confirmed instances of unethical behaviour, fraud, corruption, or lack of integrity during the reporting period. The Committee was informed of formal complaints received by Council, and I, as Chair of the Committee, provided appropriate direction, as required to ensure these matters were addressed through the proper processes.

5.4 Risk Management

The Committee received briefings on Council's strategic risk register at each ARC meeting. At its April 2025 meeting, the Committee requested that officers include additional details in future updates regarding the confidence level in meeting the proposed timeframes for planned control measures. Officers incorporated these requested changes into the update provided at the June meeting.

There are eleven risk items identified in the Strategic Risk Register, with six currently exceeding Council's risk appetite. The Committee noted that the planned control measures are expected to reduce the risk levels of most of these items to within Council's acceptable range. The Committee has been closely monitoring delays in the implementation of some control measures, which have been impacted by competing Council priorities and staff resourcing challenges.

During the reporting period, the Committee reviewed the update provided by officers regarding Council's insurance policies for the 2025–26 financial year. Following this update, the Committee raised queries regarding the adequacy of certain coverage limits. While acknowledging that future risks cannot be accurately predicted based on past claim experience, officers advised that, given the size of Council's operations and the input received from Council's insurance broker, the current coverage limits appear reasonable.

5.5 Financial Performance

The ARC has an opportunity to review in detail the financial performance reports at each meeting. The Committee was provided with updates in relation to the quarterly financial report as of 31 December 2024 and the quarterly financial report as of 31 March 2025.

A detailed update on the Draft Financial Budget 2025–26 was presented to the Committee at its April 2025 meeting, allowing an opportunity for the Committee to provide feedback before the budget was approved by Council.

Officers briefed the Committee on the measures Council continues to pursue to ensure the financial sustainability of its operations.

At the June 2025 meeting, the Committee received an update on the officers' proposed process for assessing the estimated fair value movements of property, plant, equipment, and infrastructure assets for the 2024–25 financial year. Officers noted that VAGO had also provided input on the proposed approach.

5.7 CEO Briefing

The CEO briefed the Committee on various matters including the following areas:

- Complaints and comments by local residents, community groups and members of the community;
- Plan for Victoria and the potential impact on the Borough of Queenscliffe;
- Briefing to Council on a potential advisory committee on finance matters; and
- Cove Estate development on Murray Road, formerly Council-owned land, Supreme Court proceedings.

It was agreed the CEO will continue to provide updates to the Committee on these matters due to the significant impact some of these initiatives have on Council's operations and risk profile. Importantly, the CEO noted that the lawyers representing have advised that Council has a legally sound, defensible position to the Statement of Claim made in regard to the Cove Estate matter.

5.8 Other Matters

The Committee raised and discussed the following matters as general business items in its meetings during the reporting period, some of which have been covered elsewhere in this report:

- Insurance coverage with respect to ARC independent members
- Legal risk regarding the Murray Road matter.
- Resource management matters covering key personnel and functions.
- A potential conflict of interest noted by an independent member of the ARC which was satisfactorily dealt with.

6. Matters for Consideration during the Next Reporting Period

The Committee will consider the following important matters during the next reporting period:

- Audit and Risk Committee Charter;
- Project Management (including Management of Contracts); and
- Review of Risk Management framework.

7. Meeting Schedule for 2025 – 26

The Committee's meeting schedule for the 2025–26 financial year is currently as follows:

8 September 2025 8 December 2025

13 April 2026 9 June 2026

8. Conclusion

Based on the information provided and observations made during ARC meetings, the Audit and Risk Committee believes Council continues to have satisfactory systems, processes and controls in place to ensure efficient and effective operations that meet Council's statutory responsibilities under applicable legislation. The

Audit and Risk Committee also holds the view that these systems provide a framework to further the strategic objectives of Council set out the Community Vision and Council Plan.

If Council wishes to be briefed by the Committee on any matters raised in this report, I am able to attend as required.

Richard Davies

Chair

On behalf of the Borough of Queenscliffe

Audit and Risk Committee

31 July 2025

Appendix A – Update against the Annual Work Plan for the twelve months ending 30 June 2025

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Financial & Performance Reporting					
1	Review changes in significant accounting policies and disclosures	47	Annually	✓	Considered under Audit Strategy Memorandum (ASM) for financial year ending 30 June 2025 (April and June meetings), no significant changes impacting BOQ.
2	Review LGPRF changes	47	Annually	✓	Considered under ASM for financial year ending 30 June 2025 (April and June meetings), no significant changes impacting BOQ.
3	Review annual financial report and annual performance statement	49	Annually	✓	2023–24 annual financial report.
4	Review outcomes of the external audit with management and the auditors	48	Biannual	✓	2023–24 final audit in Sep 24 and 2024-25 interim audit in June 25.
5	Recommend adoption of annual financial report and performance report	50 / 51 / 52	Annually	✓	2023–24 report.
6	Review management finance reports and performance statements	42 / 53	Quarterly	✓	Quarterly financial reports.
Internal Control Environment					
7	Review key policies	62	Quarterly	✓	Only policies with a risk management and/or finance & accounting focus are reviewed by the Audit and Risk Committee prior to being forwarded to Council for adoption. Four (4) policies were reviewed during the 2024-25 financial year including Council's procurement policy.
8	Review significant changes to key systems and consider impact of changes on Council's risk profile	63	As Required	✓	ARC was updated about the ongoing projects to make significant improvements to Council's ICT architecture. During the reporting period, the Committee was briefed about the result of the penetration test and Essential Eight Maturity Assessment.
9	Ensure a program is in place to test compliance with systems and controls	59 - 65	Biannual	✓	Council's internal auditors, RSD Audit, conducted an internal review covering the review topic of 'Procurement'.
Risk Management					
10	Review effectiveness of Council's risk management framework	55	Every two years	n/a	BoQ's risk management framework was approved in Apr 23 ARC meeting.
11	Review Council's risk appetite statement	55	As Required	n/a	BoQ's risk management policy was last reviewed and recommended for adoption by Council in Sep 22 ARC meeting. Council adopted the updated policy in Dec 22. The next review is due in Dec 25 or earlier.
12	Review Council's risk profile and significant changes thereto	55	As Required	n/a	BoQ's risk management policy was last reviewed and recommended for adoption by Council in Sep 22 ARC meeting. Council adopted the updated policy in Dec 22. The next review is due in Dec 25 or earlier.
13	Review Council's treatment plans for significant risks	54	Quarterly	✓	An update on the Strategic Risk Register was given at each ARC meeting.

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Risk Management- Contd.					
14	Review Council's insurance programme	56	Annually	✓	2024–25 finalised and 2025-26 proposed insurance arrangements.
15	Review BCP framework and testing regime	57	Annually	✓	Council reviewed its Business Continuity Plan (BCP) against the Australian Standard AS ISO 22301:2020 Security and Resilience—Business Continuity Management Systems—Requirements.
Fraud Prevention Systems & Controls					
16	Review Council's fraud prevention policy and controls (Council Policy CPoo8 is reviewed every three year)	58	As Required	n/a	Reviewed at June 2024 ARC meeting. Council adopted the updated policy in July 2024. The next review is due in July 2027 or earlier.
17	Review Council's fraud control plan and awareness programme	58	As Required	n/a	Covered in Council Policy CPoo8 Fraud Prevention.
18	Review reports on any instances of unethical behaviour, fraud and corruption	58	Quarterly	✓	During the financial year an investigation was conducted in which it was found unethical behaviour with respect to completing timesheets had occurred.
19	Review actions taken to report any incidents of fraudulent or corrupt behaviour	58	As Required	✓	Committee was briefed about the investigation conducted and the actions taken as a result of the investigation in relation to the incident mentioned above.
Internal Audit					
20	Review Internal Audit charter	79	Every three year	✓	The Committee is reviewing the Internal Audit charter and will discuss it as its September 2025 meeting.
21	Review Internal Audit Plan and revise if required	69	Annually	✓	The Committee endorsed the internal audit plan 2026-2028 at its April 2025 meeting.
22	Review status of delivery of annual internal audit plan	70	Biannual	✓	Two internal reviews were conducted during the reporting period and final report of one review is pending.
23	Review scopes of proposed internal audit reviews	72 - 73	Biannual	✓	Reviewed scopes of two internal reviews.
24	Review reports on internal audit reviews	75	Biannual	✓	Report of one internal review was reviewed during the 12 months.
25	Meet with internal auditor in the absence of management	81	Annually	✓	ARC meet with internal auditors in the absence of management during the reporting period.
26	Review progress by management on open audit recommendations	77 - 78	Quarterly	✓	The progress against outstanding internal audit recommendations was reviewed at each ARC meeting.
27	Review effectiveness of the internal audit function	81	Annually	✓	Considered along with the review of internal audit reports and audit scope documents.
28	Committee involvement in appointment of internal audit service provider	80	As Required	n/a	The ARC recommended the appointment of RSD Audit for a three-year contract period as Council's internal audit service providers in its Sep 22 meeting. The ARC is currently providing feedback to officers regarding exercising the option to extend that contract.

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
External Audit					
29	Discuss with the external auditor the scope of the audit and the planning of the audit	66	Annually	✓	ASM was presented by VAGO at April 2025 ARC meeting and an updated version in June 2025 meeting.
30	Discuss any audit issues encountered during the course of the audit	67	Biannual	✓	2023-24 final external audit Sep 24 meeting. 2024-25 interim audit update was presented to June 2025 meeting.
31	Ensure that management responses to any audit findings are appropriate and timely	67	As Required	✓	2023-24 final external audit Sep 24 meeting. 2024-25 interim audit update was presented to June 2025 meeting.
32	Meet with external auditor in absence of management	68	Annually	✓	ARC met with external auditors in the absence of management during the financial year.
Compliance Management					
33	Review systems and processes to monitor compliance with legislation and regulations and management follow up of instances of non-compliance	41	Quarterly	✓	Internal audit reviews and management responses to recommendations.
34	Obtain briefings on any significant compliance matters - Risk and Governance Committee	41	Quarterly	✓	Updates from Risk and Governance Committee meetings given at every ARC meeting.
35	Review Report on Gifts, Benefits and Hospitality	41	Annually	✓	Gift register of the 2023-24 financial year in Apr 25 ARC meeting.
36	Consider reports by regulatory and integrity agencies on investigations and relevance for Council (e.g. VAGO)	83	Biannual	✓	One VAGO report applicable to BoQ considered during the financial period.
Reporting to Council					
37	Provide Minutes to Council	34	Quarterly	✓	Have provided minutes of all ARC meetings.
38	Report on activities to Council	35	Biannual	✓	Two reports provided during the financial year.
Performance Evaluation					
39	Adopt an annual work program	27	Annually	✓	AWP for the FA 2025-26 was adopted in June 2025 ARC meeting.
40	Assessment of Committee performance	37	Annually	✓	Self-assessment for the 2023-24 financial year tabled at Sep 2024 ARC meeting.
Review of Charter					
41	Review of Committee Charter	84	Annually	✓	In progress.
Other Matters					
42	Committee member induction	38	As Required	n/a	A formal induction session was conducted in the previous financial year.
43	Consider other matters referred by Council	4	As Required	n/a	Other than the matters listed in the ARC charter, no specific matters referred to ARC by Council during the reporting period.

No	Charter Requirement	Charter Ref	Frequency	Achieved	Comments
Other Matters- Contd.					
44	Ensure a system exists and is used to recognise climate change governance is integral to the Committee's review of Council activities	82	As Required	n/a	No specific matters referred to ARC by Council during the reporting period.
Meeting Schedule					
45	Set Committee meeting schedule	28	Annually	✓	In place.

Appendix B – Outstanding Internal Audit Recommendations

Review	Period	Outstanding 1 January 2025				New during the period				Complete during the period				Outstanding 30 June 2025			
		Low	Medium	High	Total	Low	Medium	High	Total	Low	Medium	High	Total	Low	Medium	High	Total
Records Management *	May-18	-	2	1	3	-	-	-	-	-	(2)	-	(2)	-	-	1	1
IT Network and Security (including Cyber Security)	Oct-18	-	1	-	1	-	-	-	-	-	(1)	-	(1)	-	-	-	-
Management, Oversight and Monitoring of Outsourced Service Provider	May-21	2	-	-	2	-	-	-	-	-	-	-	-	2	-	-	2
Initial Risk Assessment	May -23	3	-	-	3	-	-	-	-	(1)	-	-	(1)	2	-	-	2
Tourist Park Operations	Aug- 23	-	3	-	3	-	-	-	-	-	(1)	-	(1)	-	2	-	2
Procurement	May- 24	4	1	-	5	-	-	-	-	(4)	(1)	-	(5)	-	-	-	-
Asset Management (including the Management of Tree Assets)	Aug-24	5	3	-	8	-	-	-	-	(2)	(1)	-	(3)	3	2	-	5
Community Engagement	Nov-24	3	1	-	4	-	-	-	-	(2)	(1)	-	(3)	1	-	-	1
Total		17	11	1	29	-	-	-	-	(9)	(7)	-	16	8	4	1	13

*In May 2023, Council successfully launched a new Electronic Data and Records Management (EDRM) system built on Microsoft Teams. This system incorporates data retention and disposal protocols in compliance with the requirements of the Public Records Office Victoria (PROV). By using designated Teams channels or folders, staff ensure that PROV requirements are automatically applied to relevant documents, eliminating the need for additional manual intervention.

An organisational policy, developed in collaboration with the three other Councils involved in the project, has been drafted to formalise Council's new records management process. The policy will be implemented following successful completion of the internal review process and final approval by the management team.