

OFFICIAL - SENSITIVE

Strathbogie Shire Council

Audit and Risk Committee Meeting Minutes

3 March 2023
at 9.30 am (Closed Meeting)

11.00 am (All Participants)

Euroa Community Conference Room

Minutes of the meeting of the Strathbogie Shire Council Audit and Risk Committee held on Friday 3 March 2023, commencing at 9.30 a.m.

Present

Paul Ayton	Community Representative (Online)
Mark Freudenstein (Chair)	Community Representative
Alister Purbrick	Community Representative
Alistair Thomson	Community Representative
Mayor Laura Binks	Council Representative (Observer)
Deputy Mayor Paul Murray	Council Representative
Cr Chris Raeburn	Council Representative

Officers

Dawn Bray	Director People and Governance
Amanda Tingay	Director Community and Planning
Heike Manet	Manager People and Culture
Upul Sathurusinghe	Chief Financial Officer (Online)
Michelle Bromley	Coordinator Governance and Record Management
Kerry Lynch	Governance Officer (Minutes)

Auditors

Brad Eade	Internal Auditors – AFS & Associates
Danielle McKenzie	External Auditors – Crowe Audit – (Online)

1. Welcome

Mark Freudenstein chaired the meeting as Paul Ayton was attending the meeting remotely. It was agreed the meeting would be more effectively managed with an in situ Chair.

2. Acknowledgement of Traditional Land Owners

We acknowledge the Traditional Custodians of the places we live, work and play.

We recognise and respect the enduring relationship they have with their lands and waters, and we pay respects to the Elders past, present and emerging.

Today we are meeting on the lands of the Taungurung peoples of the Eastern Kulin nation, whose sovereignty here has never been ceded.

3. Confidential Closed Briefing

A confidential closed meeting was held with the Director People and Governance and the Independent Community Members of the Audit and Risk Committee.

There were no actions to record from the meeting.

4. Apologies

Julie Salomon	Chief Executive Officer
---------------	-------------------------

5. Disclosure of Interests

Nil to report.

6. Confirmation of [Minutes](#) of Audit and Risk Committee held on 2 December 2022.

Moved: Alister Purbrick
Seconded: Alistair Thomson

That the Minutes of the Meetings of the Audit and Risk Committee held on 2 December 2022 be confirmed.

Carried

Moved: Alistair Thomson
Seconded: Paul Ayton

That the revised Audit and Risk Committee Charter, highlighting the changes made in response to the Committee's decision in yellow be endorsed with the following changes:

- 1. Clause 13 relating to induction is a repetition of clause 3.3 therefore the information in clause 13 should be included in clause 3.3 only.**

Carried

- 7. Business**
- 8. Standing Items**
- 9. Items raised by Committee Members**
- 10. Next Meeting**

7. BUSINESS

7.1 Overall Staff Satisfaction Survey Results

The Staff Satisfaction Survey Results report was held over to the next meeting.

7.2 Dates for 2023-24 Draft Budget Strategic Financial Indicators Review

Director Bray reported that Officers were working through the preliminary parameters for the 2023-24 Budget. A timetable for budget preparation and workshops for Councillors to consider the budget was still to be determined.

It was noted that Council may have to apply to the Minister for an extension of time to present the final budget given that there had been uncertainty around the endorsement of the mid-year budget review by Council.

Director Bray will confirm a date (out of session) for an extraordinary Audit and Risk meeting for the Committee to consider the draft 2023-23 Budget.

Two community representatives indicated they will be absent and unavailable to attend meetings during the following periods:

Alister Purbrick	7 May 2023 to 27 May 2023
Alistair Thomson	21 April 2023 to 17 May 2023

Action:

Director Bray will confirm a date (out of session) for an extraordinary Audit and Risk meeting for the Committee to consider the draft 2023-23 Budget.

**Moved: Paul Ayton
Seconded: Alistair Thomson**

That the Audit and Risk Committee notes the discussion around timing of the review of key strategic financial indicators arising out of the 2023-24 Draft Budget and 2023-24 – 2032-33 Long Term Financial Plan.

Carried

7.3 Municipal Monitor's Final Report

Director Bray reported the Municipal Monitor's Final Report had been tabled at the Council meeting held on 21 February 2023.

The report is tabled for information.

**Moved: Paul Ayton
Carried: Paul Murray**

That the Audit and Risk Committee notes the Municipal Monitor's final report.

Carried

7.4 Appointment of Internal Auditor Update

The report was noted. The current contract for internal audit services expires on 1 July 2023 therefore a tender process will be required for ongoing internal audit services.

The report sets out timeframes around the process and timing of a special Audit and Risk Committee meeting to consider tenders and evaluation outcomes. A date is to be determined for a panel to assess the tenders.

Alistair Thomson had previously been nominated as a representative to assess the tenders and noted his unavailability from 21 April 2023 to 17 May 2023.

The tender will be advertised in April 2023.

**Moved: Cr Paul Murray
Seconded: Paul Ayton**

That the Audit and Risk Committee:

- 1. Notes the suggested timeframes around the tender process for Internal Audit Services.**

- 2. Agrees to hold an Extra Ordinary Audit and Risk Committee meeting to consider the tenders received on a date to be determined.**

Carried

7.5 Cumulative Spend – Procurement Policy Threshold Breach – Arborist

Director Bray reported that the cumulative spend for arborist services had exceeded the procurement policy threshold by approximately \$165,000 over the past 18 months and was in breach of Council's Procurement Policy.

The breach is required to be reported in the 2022-23 Annual Report.

Council commenced a public tender process for the specialist arborist service in January 2023.

Additionally, the Contract Management System will be implemented in March 2023. The system links purchases to open contracts to track cumulative spends and should prevent this type of error occurring in the future.

Director Bray explained that the excess spend was mostly due to regular work being undertaken on a monthly basis without robust monitoring of the expense.

The Committee noted the breach and acknowledged that remedies were in place.

Moved: Cr Chris Raeburn
Seconded: Alistair Thomson

That the Audit and Risk Committee note:

- 1. The breach of Council's Procurement Policy in relation to cumulative spend Thresholds for an Arborist Supplier, which will be reported in the 2022-23 Annual Report.**
- 2. The mitigation measures put into place upon this matter being raised with the Executive Management Team.**

Carried

7.6 Electoral Structure Review Update

The report was provided for information and summarised the previous concerns raised by the Audit and Risk Committee and Council regarding the electoral restructure review, process and funding.

Despite Council's resolution to write to the Minister for Local Government expressing strong concerns around the timing and expense involved in the conduct of the review, and a face to face meeting with the Minister, the review is underway.

It was reported that given the restrictive timeframes and complexity involved in considering a restructure, Council could not reach a consensus on a future structure, therefore no submission was made by Strathbogie Shire Council. Council does not have a position on the review results.

Four submissions were made by Councillors in their capacity as individual residents in the Shire, as well as two other external submissions.

Although Council has not made a submission, it was suggested that Council may agree on a number of principles reflected in the review e.g. the number of Councillors, the number of wards, Councillor election mechanism e.g. by ward or across the entire Shire. Defaulting to agreed principles is a good way to ensure a suitable model for the Shire is finally implemented.

Mayor Binks indicated that she would be happy for Councillors to consider submitting a set of principles in the May round of the review.

As a follow up to the non-response from the VEC, Strathbogie Shire Council continues to advocate for an urgent review of the process, especially regarding the flat \$65,000 fee applied to all councils across the state. Council has submitted a motion to the Municipal Association of Victoria (MAV) State Council to be held in May 2023.

Moved: Alister Purbrick

Seconded Paul Ayton

That the Audit and Risk Committee note the Electoral Structure Review Update.

Carried

7.7 Goulburn Valley Library Update – New CEO Recruitment Update

The report was noted and a new CEO has been appointed after a protracted interview process.

Felicity Macchion took up the role in late February and is highly credentialled and recognised for her significant contributions to local, state and international forums.

Moved: Alistair Thomson

Seconded: Cr Paul Murray

That the Audit and Risk Committee note the Goulburn Valley Library CEO Recruitment update.

Carried

7.8 Disaster Recovery Plan and Emergency Recovery Update

Director Tingay provided an overview of the emergency management provisions in Victoria, how they impact the Strathbogie Shire, what obligations are placed on the Strathbogie Shire Council and what strategies Council has in place to meet its obligations.

There are three main tiers on emergency management in Victoria being the state, regional and municipal levels. Each level has a requirement to produce an emergency management plan.

Emergency Management Victoria has taken the lead in emergency management reforms in Victoria which culminated in the legislative changes that came into effect in December 2020 and established new arrangements for municipal emergency management.

The reforms established new Municipal Emergency Management Planning Committees (MEMPC) which report directly to the relevant Regional Emergency Management Planning Committee (REMP). For Strathbogie Shire, the MEMPC reports to the Hume REMPC.

The MEMPC is no longer a committee of the municipal council, although the MEMPCs are chaired by the municipal CEO or a person delegated by the CEO.

The MEMPC is responsible for the preparation of the Municipal Emergency Management Plan (MEMPC) and any other sub-plans it considers necessary. All MEMPCs including Sub-plans are required to be reviewed (self-assurance process required) and submitted to the REMPC for approval every three (3) years.

The Strathbogie MEMPC has endorsed a number of emergency management plans which are available on the Council's website and include:

1. Emergency Management Plan
2. Fire Management Plan (sub-plan)
3. Flood Emergency Plan (sub-plan)
4. Pandemic Plan (complimentary plan)
5. Heatwave Plan (complimentary plan)
6. Emergency Animal Welfare Plan (complimentary plan)

Under legislation the REMPC must approve these plans, and as an operator of the Euroa Saleyards, Council has also prepared a Livestock Standstill Plan.

The positions of Municipal Emergency Management Officer (MEMO) and Municipal Recovery Manager (MRM) are important legislated roles for the Council and are assigned to staff members with other substantive roles in Council. Their respective emergency roles and responsibilities are also detailed in the MEMPC. In times of emergency these positions are well supported by the executive team of Council.

Council provides executive support to the MEMPC through its Emergency Management Officer role in addition to the Chairing of the committee. The part time (3 days/week) EMO role, which is funded under the State Government's Municipal Emergency Resourcing Program (MERP), takes a lead role in the review and preparation of draft plans, with input from agencies and other members of the MEMPC, and arranging training and readiness of Council to respond and recovery from emergencies within the shire.

The Committee noted two areas of concern which Director Tingay clarified:

1. The recent lack of a chair and meetings for the Hume Regional Emergency Management Planning Committee (REMP).

It was explained that this situation had been rectified since the time of writing of the report. Although this has created a potential backlog of the review of emergency plans, Strathbogie Shire has continued to meet its statutory obligations and completed any due diligence associated with its obligations.

Any actions identified are already underway in the workplan and this is not delaying any internal remedial works resulting from flood damage.

2. The positions of Municipal Emergency Management Officer (MEMO) and Municipal Recovery Manager (MRM) assigned to staff members with other substantive roles in Council.

It was acknowledged that this may place additional burden on officers who are already under duress and that it also diverts resources away from their “business as usual” commitments.

Efforts to recruit suitable applicants into these emergency recovery roles is proving problematic as many Councils across the state are similarly placed and competition for resources is high. These issues have been raised and advocated through Rural Council Victoria.

Moved: Cr Chris Raeburn

Seconded: Cr Paul Murray

That the Audit and Risk Committee note the Disaster Recovery Plan and Emergency Recovery Update.

Carried

8. STANDING REPORTS

8.1 Strategic Risk Register Update

Director Bray noted that since the time of reporting some ratings have reverted back to their previous ratings as remedial actions have been put in place.

1. Accommodation

Council has secured a lease property in Binney Street, Euroa which will help alleviate the accommodation problem related to staff who were previously accommodated upstairs in the Civic Centre building in Euroa. It is envisaged that the Finance and Communication and Engagement teams will relocate to this building when the fit out is complete.

It was acknowledged that this is only a short term solution and that Council would need to consider longer term strategic priorities in the budget to overcome the existing accommodation risks.

2. Financial Implication Resulting from Council to Adopt Mid-Year Review and Annual Budgets

Recission motions passed at the Extraordinary Council Meeting held on Tuesday 28 February 2023 resulted in the Mid-Year Review Financial Statements and subsequent dependant variations to contracts being endorsed by Council

Although there are some remedial actions underway, the Committee continues to have concerns around outstanding audit actions relating to the Business Continuity and Disaster Recovery Plans. It is felt that these risks are not sufficiently documented or tested and they should be escalated to areas of significant high risk.

Officers were advised that as high risk, these items should be prioritised in showing progression to completion of appropriate policies and strategies.

Director Bray reported that the Regional Digital Transformation Project is underway and this will inform the ICT Strategy. The strategy will try to align and provide consistency across the

four Councils involved in the project and to provide broader, long term efficiencies to those involved in the project.

Director Tingay advised that flood damage and recovery impacts were still being assessed and that a quantum of the total value of costs and insurance assessments has not been finalised. It was acknowledged that the biggest challenge relates to unknown betterment especially around roads and bridges.

The Committee expressed their concern around any financial shortfalls that will result for remedial works when the assessments are finalised and how this will impact on the budget and financial sustainability going forward.

Actions:

- 1. Prioritise the completion of the Business Continuity and Disaster Recovery Plans ensuring that they are properly documented and tested.**
- 2. Include as an agenda item at the next meeting any financial shortfalls around remedial flood damage works and update any risks in the strategic risk register associated with the same.**
- 3. When the financial flood assessments are complete, the Audit and Risk Committee are to be advised out of session if the risks are significant.**

Moved: Alistair Thomson
Seconded: Alister Purbrick

That the Audit and Risk Committee note the updated risk register and progress made in implementing risk management measures to address high residual risks with the following additions:

- 1. to update the Strategic Risk Register to maintain Business Continuity Plan risk at extreme and to complete commentary and ICT testing**
- 2. to update the Strategic Risk Register to include the financial outcomes and liability related to any shortfalls in flood remedial works**

Carried

Councillor Paul Murray left the meeting at 12.07 pm.

8.2 Outstanding Internal Audit Items Update

Director Bray acknowledged that Officers were falling behind in response to the actions reported in the internal audits and the following areas would need to be prioritised:

- Asset Management
- Business continuity and ICT

Some progress has been made in the Operations and OHS areas to close out outstanding audit actions.

Moved: Alistair Thomson
Seconded: Cr Chris Raeburn

That the Audit and Risk Committee note the outstanding Internal Audit items update and progress made on implementation of past audit recommendations.

Carried

8.3 Internal Audit Program Reports

8.3.1 Internal Audit Program Status Update

8.3.2 Industry Updates (for information)

The Internal Auditor noted the progress of the internal audit program:

- The Rates And Revenue audit is complete and the final report will be provided to the next Audit and Risk Committee meeting
- Waste Management Audit is underway
- Environmental Sustainability and Climate Change audit is underway

In relation to Industry Updates, the Internal Auditor noted the following:

- More reporting will be undertaken regarding pool registrations and Councils failings in this area
- A modest rate cap increase to 3.5% has been announced however this still provides financial challenges when set against an underlying inflation rate of 7% across the economy

It was noted that additional pressure points will impact future budget creations in the form of rate increases and enterprise agreement considerations, both of which will be affected by high inflation levels.

Moved: Alister Purbrick
Seconded: Alistair Thomson

That the Audit and Risk Committee note the:

- 1. Internal Audit Program Status Update**
- 2. Industry Updates.**

Carried

8.4 Human Resources Key Strategic Indicators

The report was noted and Director Bray explained that there were currently issues obtaining reporting data from the new payroll system.

Positively, Managers have been working closely with their staff to significantly reduce excess leave balances. This not only has good financial outcomes, but also reflects good OHS outcomes.

The Committee expressed concern at the number of staff over sixty years of age and the implications of those staff transitioning to retirement in a difficult recruitment environment.

Director Bray acknowledged this and advised that the OHS consultant has been retained in a limited capacity in the short term. She will assist with Enterprise Bargaining negotiations and develop the workforce plan with the aging workforce and succession planning as a high priority, especially in high risk areas such as operations staff.

Moved: Cr Chris Raeburn
Seconded: Alister Purbrick

That the Audit and Risk Committee note the Human Resources Key Strategic Indicators report.

Carried

8.5 Draft Strategy Memorandum for Financial Year Ending 30 June 2023

The External Auditor outlined the Audit Strategy and Scope in relation to the financial year ending 30 June 2023. The audit will focus on the following key risk areas:

- Revaluation of property, infrastructure assets, plant and equipment with emphasis on fair value for each material asset class
- Accounting for government grants
- Developer contributions – review Council's process to capture monetary and non-monetary contributions
- Landfill rehabilitation provision
- Impact of the 2022 flood and remedial works
- Changes in personnel and understanding of the effects on the business units most impacted by staff turnover
- Management override of controls
- Reliance on IT systems and third party service providers

The interim audit commences on 26 April 2023 and the final audit commences on 21 August 2023 in preparation for final reporting in October 2023.

Moved: Cr Chris Raeburn
Seconded: Paul Ayton

That the Audit and Risk Committee note the Draft Strategy Memorandum for Financial Year Ending 30 June 2023

Carried

9. ITEMS RAISED BY COMMITTEE MEMBERS

Nil

10. CONFIDENTIAL BRIEFING WITH THE Acting CEO

A confidential briefing was held with Acting CEO Dawn Bray and the Audit and Risk Committee.

11. NEXT MEETING

The next meeting will be confirmed pending the outcome of the budget review and timetable set by Council and noting the earlier absences of key Audit and Risk Committee representatives.

The meeting closed at 12.30 pm

Audit and Risk Committee – Follow up actions from 3 December 2023						
Meeting Date	Item Number	Action	Responsible	Due Date	Status	Comment
2 December 2022	7.2 Outstanding Internal Audit Items Update	Director People and Governance to present a draft ICT Strategy to the Audit and Risk Committee in March 2023.	Director People and Governance	March 2023	Underway	<p>The ICT Strategy is being reviewed by the Project Manager of our Regional Council Transformation Project (the four council partnership focusing on joint procurement of systems and adopting the same work practices).</p> <p>Unfortunately this project is behind given difficulties in recruiting a project manager.</p> <p>The expected delivery date is now June 2023 given workloads of the Director People and Governance.</p>
3 March 2023	7.2 Dates for 2023-24 Draft Budget Strategic Financial Indicators Review	Director Bray will confirm a date (out of session) for an extraordinary Audit and Risk meeting for the Committee to consider the draft 2023-23 Budget.	Director People and Governance	TBC	Not started	
3 March 2023	8.1 Strategic Risk Register Update	Prioritise the completion of the Business Continuity and Disaster Recovery Plans ensuring that they are properly documented and tested.	Director People and Governance	TBC	Not started	

3 March 2023	8.1 Strategic Risk Register Update	Include as an agenda item at the next meeting any financial shortfalls around remedial flood damage works and update any risks in the strategic risk register associated with the same.	Director People and Governance	TBC	Not started	
3 March 2023	8.1 Strategic Risk Register Update	When the financial flood assessments are complete, the Audit and Risk Committee are to be advised out of session if the risks are significant.	Director People and Governance	TBC	Not started	