

Strathbogie Shire Council

Audit and Risk Committee

Meeting Minutes

Ordinary Meeting
8 September 2023
At 9.30 am

Euroa Community Conference Room

OFFICAL - SENSITIVE

Minutes of the meeting of the Strathbogie Shire Council Audit and Risk Committee held on Friday 8 September 2023, commencing at 9.30 a.m.

Present

Paul Ayton (Chair)	Community Representative (via TEAMS)
Mark Freudenstein	Community Representative
Alistair Thomson	Community Representative
Mayor Cr Laura Binks	Council Representative
Cr Chris Raeburn	Council Representative

Officers

Amanda Tingay	Acting Director People and Governance
Upul Sathurusinghe	Chief Financial Officer
Michelle Bromley	Coordinator Governance and Record Management (via TEAMS)
Kerry Lynch	Governance Officer (Minutes)

Auditors

Brad Ead	Internal Auditors – AFS & Associates (via TEAMS)
Kathie Teasdale	Internal Auditors - RSD Audit
Paul Harrison	Internal Auditors - RSD Audit
Danielle McKenzie	External Auditors – Crowe Audit

Others

Phillip Curruthers	Specialist Governance Advisor
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1. Welcome

2. Acknowledgement of Traditional Landowners

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. Apologies

Alister Purbrick	Community Representative
Heike Manet	Manager People and Culture
Julie Salomon	Chief Executive Officer

4. Disclosure of Interests

Independent Community Member Mark Freudenstein declared a material conflict of interest item 6.6 (Audit and Risk Committee Independent Member Appointment) given his term on the committee will expire in December 2023.

5. Confirmation of Minutes of the Audit and Risk Committee held on [2 June 2023](#) and [12 July 2023](#).**Motion**

That the Minutes of the Meetings of the Audit and Risk Committee held on 2 June 2023 and 12 July 2023 with adjustment to the set forward date from 1 June 2024 to 7 June 2024.

Moved: Alistair Thomson
Seconded: Mark Freudenstein

Carried

6. BUSINESS**6.1 2022-23 Draft Annual Financial Statement Report**

The Local Government Act 2020 (the Act) states it is essential there is a legislative framework that provides for councils to be accountable to their local communities in the performance of functions and the exercise of powers and the use of resources.

Accordingly, it is a statutory requirement under the Act that councils prepare and report on medium and short term financial plans to discharge their duties of accountability and transparency to their communities.

The Annual Financial Statements for 2022-23 have been prepared and submitted to Crowe Australasia, the appointed auditors for the Victorian Auditor General's Office, for an independent audit opinion.

Use has been made of the Local Government Model Financial Report 2022-23 released by Local Government Victoria to assist councils across the state in providing uniform financial reports that meet the requirements of the Act and accounting standards.

1. Income Statement

For the year ended 30 June 2023, Council reported an operating surplus of \$6,778,957. Operating costs were \$39.5 million.

The result was also impacted by recognition of income in accordance with Accounting Standards as follows:

- The need to reduce operating grant income by \$1,508,649 to reflect grants received but with obligations still attached at 30 June – will adjust in 2023-24 so there is no overall impact
- The need to reduce capital grant income by \$1,094,413 similar to above
- Recognition of expense of \$280,192 for amortisation of 'right of use assets', finance costs for leases (non-cash item)
- Early 100% payment of 2023-24 allocation of Finance Assistance Grant of \$6,689,543 from the Grants Commission. This has been recognised as income.
- There was an income increase of \$1,087,099 due to insurance recoveries to restore flood affected buildings. This is a one-off item due to the impact from October 2022 flood event.

2. Balance Sheet

Council’s Balance Sheet indicates that Council’s overall financial position and its cash and liquidity position is sound and within acceptable financial parameters.

Council’s cash position as at 30 June 2023 was represented by cash on hand and investments of \$25.1 million. This represents an increase in cash holdings of \$1.9 million during the 2022-23 financial year due primarily to receipt of an increase in grants, insurance recoveries due to floods and offset with expenditure on capital works. A number of capital works will also be carried over into the 2023-24 financial year.

The value of Council’s property, infrastructure, plant and equipment non-current assets as at 30 June 2023 is \$359.9 million, an increase of \$35.7 million, due primarily to an external revaluation of infrastructure assets.

Council’s end-of-year working capital ratio is 2.31:1, which is greater than the target ratio of 1.1:1. This ratio is used to assess Council’s ability to meet current commitments and is derived by dividing current assets by current liabilities.

3. Cash Flow Statement

Cash flow reflects expenditure on capital works and there are a number of projects reprioritised and carried forward to 2023-24 due to recovery works from flood damages.

4. Statement of Capital Works

Council completed \$13.5 million worth of projects during 2022-23, representing an increase of 85% over the previous year as unplanned flood recovery works and the completion of a majority of other major capital projects including the Violet Town landfill restoration and Nagambie Boardwalk.

Major increases in infrastructure items like roads, bridges and culverts, parks and open space and building are due to restoration of damages by floods.

Changes in Reported Financial Accounts

The Chief Financial Officer reported the following changes to the financial accounts since the distribution of papers to the Audit and Risk Committee on 1 September 2023:

- Page 32 – Financing arrangements – unused facilities formula error – total should read \$1,226,732
- Page 33 – Commitment note 5.7 – commitments for expenditure duplicated entry of \$147,057 – the totals should read:

Not later than one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five years	Total
\$2,579,900	\$20,807	\$3,475,369	0	\$6,076,076

In response to a written question on pages 13 and 14 of the financial statements relating to the rationale for employee expense treatment as “operating” rather than “capital”, the Chief Financial Officer provided the following clarification:

“When the budget was prepared, \$428,000 was designated as the potential capital expenditure for the project officers. However, the actual salary expenses for the project officers amounted to \$461,000.

According to AASB 116 - Property, Plant and Equipment, (Section: Elements of cost, 16 (b)), the term “*costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management*” is defined as the benchmark for capitalisation.

Our officers investigated to ascertain evidence of direct cost allocation but were unable to find sufficient proof indicating a direct allocation of costs to the capital projects. The evidence only substantiated that indirect or administrative costs were incurred. Consequently, the entire salary cost of the project officers is now categorised as an operating expense rather than a capital cost”.

Motion

That the 2022/23 Annual Financial Report be endorsed by the Audit and Risk Committee for presentation to Council for adoption, noting the changes to the financial statements since the documents were distributed on 1 September 2023.

Moved: Alistair Thomson
Seconded: Mark Freudenstein

Carried

6.2 2022-23 Draft Performance Statement and Governance Management Checklist

The Local Government Performance Reporting Framework (LGPRF) is a mandatory system of performance reporting that must be completed by all Victorian councils.

The LGPRF system is used to produce two documents: a Performance Statement and a Governance and Management Checklist. Both documents have been prepared and submitted to Crowe Australasia the service provider of the Victorian Auditor General’s Office for review. This audit process has now been completed.

The Performance Statement uses a series of service and financial indicators such as library usage, percentage of planning permit applications decided within statutory timeframes, asset management data and financial performance metrics.

Local Government Victoria use a tolerance range of + or – 10% for variations from the previous year’s performance; any variation above or below this figure requires a management comment to be provided to explain why performance is beyond this tolerance level.

The Draft Governance Management Checklist focuses on a range of policies, plans and other documents, with its aim to identify if a sound good governance framework is in place for council.

Strathbogie has performed well against this Checklist, with a ‘Yes’ answer against all of the listed items of the good governance framework.

It was noted that there appears to be a high level of workforce turnover in the performance indicators. Officers explained there are no reasons or obvious trends but more likely to be the result to people moving on to take up other opportunities. It was suggested that a note be made in the performance statement notes clarifying the variance.

The Chief Financial Officer reported the following changes to the performance statement since the distribution of papers to the Audit and Risk Committee on 1 September 2023:

- Page 10 – Unrestricted cash 2023 - should be reported as (-12.43%) the variance due to an error in unspent grant amount from \$2,603,000 to \$1,094,413.
- An downward adjustment in the net profit received from Goulburn Valley Library results in a \$7,950 reduction and has a minor impact in the performance statement.

MOTION

That the Audit and Risk Committee endorse the following reports for presentation to Council for adoption with the inclusion of an explanatory note in the performance statement reflecting the variance in workforce turnover.

1. Draft Performance Statement 2022/23
2. Draft Governance and Management Checklist 2022/23

Moved: Alistair Thomson

Seconded: Mark Freudenstein

Carried

6.3 Draft Final Management Letter

The draft Final Management Letter has been received dated 8 September 2023 and provided to the Committee for information. The external auditors noted the following in relation to recommendations on new findings and open items:

Payroll

The auditor explained that the payroll changeover to a new system was not at the level expected and that it required more rigour around the reconciliation process and documentation of the changeover. An internal audit of payroll is recommended to ensure controls and processes are accurate and that there are no underlying issues.

Policies

The Auditor recommends that Council complete their review and update of policies identified in the 2022 audit. Council is yet to formalise and adopt an ICT Strategy which has been raised in previous audits meaning the risk to the organisation has been raised from low to moderate.

MOTION

That the report, as tabled, be noted.

Moved: Cr Chris Raeburn

Seconded: Alistair Thomson

Carried

6.4 Draft Closing Report to Audit and Risk Committee

The draft Closing Report to the Audit Committee has been received dated 8 September 2023 and provided to the Committee for information.

The external auditor explained that they are still going through the audit review process expecting that there will be nothing additional to add. Any audit adjustments will be noted in the appendix.

The performance statement is still being tested.

MOTION:

That the report, as tabled, be noted pending any amendments from Crowe (Australasia) in the final review and testing stages.

Moved: Cr Chris Raeburn

Seconded: Alistair Thomson

Carried

6.5 Appointment of Internal Auditor and Internal Audit Program

6.5.1 Appointment of Internal Auditor RSD Audit

The current contract for internal audit services expired in June 2023. Council invited tenders for an initial three year contract term (with up to two x one year extensions available) in the week following 23 June 2023. The Request for Tender required tenderers to provide an audit plan for five audits per year, and a reporting and evaluation mechanism.

Three (3) tenders were received by the closing date of 19 July 2023. In the week 24-28 July a panel comprising the Specialist Governance Advisor, Chief Financial Officer, the Director People and Governance and an independent member of the Audit and Risk Committee, assessed the three tenders received from:

- AFS and Associates P/L
- Moore Aust (Vic) P/L
- RSD Audit.

A moderation meeting followed on 1 August 2023 and subsequently RSD Audit was selected as the recommended tenderer. Key aspects in which the RSD Audit bid excelled were price and audit methodology, with both their planning and reporting capacity offering an improved service to Council. Council authorised the Contract for the appointment of RSD Audit at its meeting held on 15 August 2023.

RSD Audit Engagement Partner Kathie Teasdale and Internal Audit Manager Paul Harrison were in attendance at the meeting on 8 September 2023.

MOTION

That the Audit and Risk Committee notes the outcome of the tender assessment process for Contract No. 22-23-73 Provision of Internal Auditor.

Moved: Cr Chris Raeburn

Seconded: Mark Freudenstein

Carried**6.5.2 Internal Audit Program 2023-24**

The Audit and Risk Committee and RSD Audit discussed the Internal Audit Program 2023-24 agreeing that it was imperative to undertake an initial internal risk management audit, and that this would endorse the direction and strategy for Council's future internal audit approach and program.

Other audits relating to building control and records management and information privacy would be put on hold until the risk management audit is completed.

The Internal Audit Update for the period April to August 2023 relating to reports and publications of interest to the local government sector was noted.

MOTION

That the Audit and Risk Committee endorse a risk management review as the initial internal audit for the 2023-24 Internal Audit Program. Subsequent to that review the Audit and Risk Committee will determine the future internal audit program.

Moved: Cr Chris Raeburn

Seconded: Mark Freudenstein

Carried**6.6 Audit and Risk Committee Independent Member Appointments**

Mark Freudenstein declared a conflict of interest in agenda item 6.6 and left the meeting at 10.22 am.

The Audit and Risk Committee Charter requires the appointment of four (4) independent external members to help drive the important work undertaken by the Committee to provide independent oversight over Council's financial management, risk management and good governance framework. The Charter also aims to stagger the end of the terms of independent committee members to avoid loss of continuity.

The term of community representative Mark Freudenstein expires in December 2023 and as such an advertising program will be initiated to appoint a replacement representative by December 2023.

The Committee discussed the following documents in preparation for recruiting a replacement community representative:

- a draft Expression of Interest Audit and Risk Committee Independent Member
- a draft advertisement
- a draft skills matrix

The draft skills matrix was discussed at length. It was agreed that the skills matrix will be forwarded to the Audit and Risk Independent Committee members to complete and self-assess, and that this will help inform the key/core criteria aspects of the recruitment for the upcoming vacancy.

The Committee noted they were eager to embrace greater diversity in skill sets in future appointments. This would provide the organisation with broader expertise in relation to the audit and risk functions and responsibilities around financial and risk management and good governance.

Paul Ayton was nominated as the independent member representative on the recruitment panel.

As a question taken on notice regarding Mr Freudenstein's eligibility to reapply for the position, Section 3.2, Term of Membership of the Audit and Risk Charter states:

"The position for an independent member(s) will be publicly advertised at the end of each term. This does not preclude existing members from being re-appointed through a competitive process".

Mark Freudenstein rejoined the meeting at 10.47 am.

MOTION

In preparation to advertise for expressions of interest to join the Strathbogie Shire Council Audit and Risk Committee that the Audit and Risk Committee endorse:

1. that the independent community members self-assess when they are provided with the updated skill matrix
2. update the expression of interest document and advertisement to reflect the Committee's approach to see greater skills diversity in future recruitments
3. The nomination of Paul Ayton to the recruitment panel to assist in the selection of the incoming independent community member.

Moved: Cr Chris Raeburn

Seconded: Alistair Thomson

Carried

6.7 Update on Nagambie Library

Goulburn Valley Regional Library Corporation (GVRLC) has a long-standing agreement with Strathbogie Shire Council to deliver library services across the Strathbogie municipality. A component of this agreement is that Council will provide a suitable location and asset for the library to operate its service. In addition, Council also pays for operating costs including utilities and waste.

The Nagambie Library has been located at 352 High Street, Nagambie, in a Council owned facility for many years.

In May 2023, library staff reported significant damage to the structure with large cracks appearing in the plaster, external brick work and concern regarding the structural integrity. This damage was reported to Council and Council's Building Assets team completed an inspection. A subsequent structural inspection by Guthrie & McGoldrick Engineers recommended that the eastern wing of the library is not used, and further testing undertaken.

Council considered three options so as to continue library operations in Nagambie. At its meeting on 18 July 2023, Council agreed to the relocation of the Nagambie Library to the property for lease at Shop 5 in Nagambie Central, High Street, Nagambie, at a cost of \$31,200 excluding GST per annum, and the allocation of \$5,000 for one off establishment costs associated with the removal of an internal wall and the installation of appropriate Information and Communications Technology. The lease is for three years (1 + 1 + 1).

Goulburn Valley Regional Library Corporation has also increased its mobile van library services to the end of October 2023 ensuring continued library service to the Nagambie community.

The report was noted.

MOTION

That the Audit and Risk Committee note the report.

Moved: Alistair Thomson
Seconded: Cr Chris Raeburn

Carried

6.8 Project CODI Update

Project CODI is progressing well with Strathbogie, Benalla, Mansfield and Murrindindi Councils fully involved. Following a tender process, the project group have collectively chosen to engage Localis as the preferred supplier.

Contract negotiations are in progress with Logicalis for Record and Information Management and with E-Vis (Greenlight) for Building Planning Regulatory. Maddocks Lawyers have reviewed the contracts and as a result Councils will be utilising the existing State Government eServices contract for the Logicalis contract, whilst negotiations with E-Vis are ongoing.

The finance and rates management system/supplier have not been appointed to date, and a new project manager has been engaged (following the resignations of the previous incumbent) to oversee the completion of the project.

The report was noted.

MOTION

That the Audit and Risk Committee note the report.

Moved: Mark Freudenstein
Seconded: Alistair Thomson

Carried

6.9 Review of Draft Governance Rules

A requirement of the *Local Government Act 2020* (the Act) is the review of Council's Governance Rules one year before scheduled Victorian Council elections. The Governance Rules contain:

- processes for Councillors, committee members and staff to declare conflicts of interest
- Council's Election (Caretaker) Period Policy
- processes for the election of Mayor and (if required) Deputy Mayor and Chairs of Delegated Committees or Community Asset Committees
- procedures for Council meetings, including the Audit and Risk Committee, any Delegated Committees and Community Asset Committees.

Councillors have participated in four internal workshops, with officers assisting, to review the Rules. Key proposed changes (and most likely to affect the Audit and Risk Committee) are:

- revised conflict of interest rules to reflect learnings from state-wide implementations and recommendations from the Independent Broad-based Anti-Corruption Agency (IBAC).
- availability of rules to address serious disruptions of Council Meetings.
- simplification of processes.

The Act requires that a process of community engagement is followed in amending the Governance Rules. This process has commenced and is due to close on 13 September 2023.

The Audit and Risk Committee provided the following feedback relating to the draft Governance Rules:

- Item 2.1 – the commencement date should be blank until fully endorsed by the Council
- Section 41 Notices of Motion – should reflect that notices of motion require a seconder in writing
- Officers will take on notice and further investigate “How does Council operate if all Councillors become unavailable”?, noting that changes should not be included in the Governance rules that may impact on existing legislation

MOTION

That the report, with the Audit and Risk Committee feedback to be taken under consideration, be noted.

Moved: Mark Freudenstein
Seconded: Alistair Thomson

Carried

6.10 Procurement Policy Breach

Strathbogie Shire Council engaged emergency management consultant, Mark Leitinger Consultancy Pty Ltd, since August 2019, for a total value of \$233,000 (including GST) as at 30 June 2023, without conducting a competitive formal tender process.

Strathbogie Shire Council is currently undertaking a review of the services required, with a view to ensure all roles undertaken and compliance requirements are met within Councils policies.

A new system for contract management is close to implementation and this will manage live data in one system.

MOTION

That the report, as tabled, be noted.

Moved: Alistair Thomson
Seconded: Mark Freudenstein

Carried

6.11 Update Operation Sandon

Operation Sandon was an investigation by the Independent Broad-based Anti-Corruption Commission (IBAC) into allegations of corrupt conduct involving councillors and property developers in the City of Casey. It also examined the adequacy of Victoria's current systems and controls for safeguarding the integrity of the state's planning processes.

The report on Operation Sandon was handed down by IBAC on 27 July 2023 and highlighted how decisions at the local and state levels of government could be improperly influenced or at risk of undue influence through manipulation of council governance processes, donations and lobbying.

The Operation Sandon Special Report makes 34 recommendations to address the risk of corruption and other forms of improper influence and the planning policy settings that incentivise corruption in council decisions.

The recommendations are to be driven by State Government, primarily Local Government Victoria (LGV), who have 12 months to address the reforms. The Local Government Inspectorate is currently conducting a review into Governance and Councillors Conduct, due to be completed by December 2023. It is anticipated that LGV will await the Inspectorates review outcomes prior to proposing a reform agenda in response to the recommendations.

It is fair to say that the recommendations provide a clear mandate for change and reform prior to the November 2024 Local Government elections.

The sector, through the main peaks including Municipal Association of Victoria (MAV), Local Government Professionals (LGPro) and Victorian Local Governance Association (VLGA), are strongly advocating that Local Government is genuinely engaged in the reform process.

Until more detail is available Council Officers have prepared a document summarising the report and potential implications for Council. This is a preliminary response and may change as more information becomes available.

It is anticipated that a new set of model governance rules and model code of conduct will evolve from the recommendations.

MOTION

That the report, as tabled, be noted.

Moved: Alistair Thomson

Seconded: Mark Freudenstein

Carried

7 STANDING ITEMS

7.1 Internal Audit Updates

Brad Ead entered the meeting (via TEAMS) at 9.30 am to present his report. A change in the order of the agenda was endorsed and item 7.1 was presented as the first agenda item in the meeting.

During May and June 2023 Internal Auditors AFS and Associates completed the following audits:

- Waste Management
- Environmental Sustainability
- Capital Projects Framework
- Environmental Health

The audits indicated there are still significant opportunities for improvement across all areas whilst acknowledging the challenges faced by staffing and system resources.

The contract with outgoing Internal Auditor AFS and Associates finished on 30 June 2023. The final reports were submitted and presented to the committee by Brad Ead who made the following observations:

Waste Management

- more rigour is required around waste management fee setting and identifying what costs are attributable to the waste section

The scope of the audit was questioned as it was understood that it would include an audit on the application of waste management contracts and how they are being applied.

Action:

Acting Director People and Governance took on notice with a response to be provided in the minutes relating to whether the cost of the Violet Town Landfill Project will be borne by current ratepayers.

Response: It is current best practice that rehabilitation costs are captured as part of the gate fee for landfill users and some Councils charge a "Waste Levy/Charge" to all ratepayers to help offset the costs of rehabilitating their closed landfills. As Violet Town Landfill was closed before capturing the cost as part of the gate fee was standard practice all ratepayers in the Shire are bearing the cost of the rehabilitation as Council had no set aside fund for the works but is required to undertake them by the EPA.

Not that we are likely to open a landfill again in the future, but if we were we would undertake an assessment of the costs to rehabilitate the site (also known as a financial assurance by the EPA) and ensure that these costs are captured as part of the gate fee by the current users of the sites, whether they are shire residents or not.

If we were to close any of existing transfer stations we would decommission these and the minimal costs would be captured in the operational budget.

Environmental Sustainability

- Council has an adequate framework in place around climate change, however more rigour is required around risk management planning for mitigating climate change risks.

Project Delivery Framework

- Council has developed and implemented a Project Management Framework to support project management across the organisation

- A solid framework is in place in terms of reporting and monitoring which is occurring over capital project and provides appropriate oversight of the delivery of capital projects either upcoming or being completed
- Capital Project budgets are being allocated across the total life of projects

Environmental Health

- The audit highlights matters related to lack of resourcing and that successful recruitment will assist in completing outstanding recommendations in the audit
- The audit highlights a number of areas of risk relating to changes in legislation not being implemented, certificates of registration not being issued in a timely manner, inefficiencies in collection of fees and difficulties associated with premises related documentation being stored in multiple systems.

Management acknowledges that recruitment of suitably qualified officers to fill the resourcing gap is proving difficult, and that a number of alternatives are being considered.

MOTION

That the Audit and Risk Committee note the:

1. Final internal audit and recommendations Waste Management
2. Final internal audit and recommendations Environmental Sustainability
3. Final internal audit and recommendations Capital Works Framework
4. Final internal audit and recommendations Environmental Health

Moved: Mark Freudenstein

Seconded: Cr Laura Binks

Carried

7.2 Outstanding Internal Audit Items Update

Management continues to address the outstanding internal audit recommendations from previous audits. Many of the outstanding actions are dependent on the appointment of an OHS Safety Officer and a Risk Officer. The recruitment program is advanced and appointments to these roles are imminent.

The Specialist Governance Advisor is progressing his work around an improved risk management framework and this work will also inform and help close out many of the outstanding actions and especially those relating to business continuity and disaster recovery planning.

The Director People and Governance wanted to check the specifications of the new internal auditor contract therefore took on notice a question relating to whether RSD Audit will oversee the outstanding audit recommendation actions. As per the contract specifications RSD Audit are contracted to:

“conduct five audits annually, with one of those being the follow up of completed recommendations from previous audits”.

MOTION

That the Audit and Risk Committee note the outstanding Internal Audit items update and progress made on implementation of past audit recommendations with the following investigation required:

1. Take on notice that the specifications for Contract No. 22-23-73 Provision of Internal Auditor are being fulfilled
2. Pending this investigation, adjust how outstanding internal audit recommendations are followed up.

Moved: Paul Ayton

Seconded: Alistair Thomson

Carried

7.3 Policy Review Update

A concerted effort has been made in the past twelve months to update outstanding policies, procedures and CEO Directives.

An Audit and Risk Committee meeting is scheduled for 6 October 2023 at which a number of new and existing policies relating to Council's risk, governance and financial management will be presented for review and consideration.

The draft Audit and Risk Charter will also be presented at the October meeting following from a number of recommendations identified by the Committee and the July meeting workshop and subsequent Officer review of the Charter.

MOTION

That the Audit and Risk Committee note the progress being made on updating Council's policy framework and other strategic documents.

Moved: Paul Ayton

Seconded: Alistair Thomson

Carried

7.4 Strategic Risk Management Update

Following on from the Audit and Risk Strategic Workshop held in July, it was agreed that Specialist Governance Advisor Mr Phil Carruthers will review the current reporting format of the strategic risk register and will redraft a document that will increase the robustness of the reporting data whilst simplifying the data for presentation.

A sample Risk Management Report was presented at the meeting. The report contains a set of documents summarising Risk Management activities, including the outline audit program, a log of risk incident reports and the Enterprise Risk Register.

Mr Carruthers informed the meeting that Council has an immature approach to risk management and an internal review is underway to develop a more robust risk culture and risk management framework. This will complement the internal risk management audit to be undertaken by RSD Audit as part of the 2023-24 Internal Audit Program and be timely given the appointment of an experienced Risk Management Officer.

MOTION

That the Audit and Risk Committee note the updated risk register and progress made in implementing risk management measures to embed an improved risk culture into the organisation

Moved: Paul Ayton

Seconded: Mark Freudenstein

Carried

7.5 Audit and Risk Committee Work Plan Update

The Audit and Risk Committee developed an annual workplan at the Committee workshop conducted in July. Updates to the workplan were noted.

MOTION

That the Audit and Risk Committee note the updated Audit Work Plan under Sec 54(3) of the *Local Government Act 2020*.

Moved: Paul Ayton

Seconded: Mark Freudenstein

Carried

7.6 Protective Data Security Plan (PDSP) Update

The Office of the Victorian Information Commissioner (OVIC) requires councils to submit a biannual protective data security plan to outline how the Victorian Protective Data Security Standards are being implemented by the local government sector.

The Plan is comprised of a series of standards and elements which provide evidence that the standards are being implemented and applied.

OVIC recognises that the standards are a significant impost on councils, particularly small rural councils. To this end, councils are asked to identify their current progress, and the actions planned for the next two years, to achieve the relevant standards. Standard 'maturity' ratings are to be used by councils as part of the council self-assessment process.

In June 2023, Council received the Protective Data Security Plan Insights Report. This report provides insights drawn from the 2022 Protective Data Security Plan (PDSP) submissions.

OVIC observed a general increase in implementation status (of the elements) across the Standards at a Whole of Victorian Government (WoVG) level. This is a positive development that reflects a growing awareness of the importance of information security.

The annual PDSP attestation was submitted to OVIC on 23 August 2023.

MOTION

That the Audit and Risk Committee note the updated Protective Data Security Plan Action Report and the Protective Date Security Plan Insights Report.

Moved: Paul Ayton

Seconded: Mark Freudenstein

Carried**7.7 Human Resources – Key Strategic Indicators**

This report notes that following the redundancies of seven School Crossing Supervisors that was foreshadowed in last quarter's report the turnover rate has increased to 8.9%. However, eight positions have been filled, one position is ready to commence, one is at offer stage and a further three positions, including the critical role of Risk Officer, are at reference checking stage.

Whilst recruiting remains difficult in the current market, Council has made significant efforts to improve the job advertisements by highlighting the benefits of working for Council, such as availability of flexible working arrangements including working from home and a nine day fortnight. Further work is underway to establish a wider range of advertising methods such as Facebook ads.

Excess annual leave balances for indoor staff has been further reduced since last quarter. Although still significantly lower than in the past year, the excess annual leave balance for outdoor staff has increased as has the excess time in lieu.

MOTION

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

Moved: Paul Ayton

Seconded: Alistair Thomson

Carried**7.8 Councillor Expenses**

Councillor expenses are required to be reported to the community through Council's Annual Report, and the Councillor Expenses Policy states that quarterly reports will be provided to the Audit and Risk Committee.

The consolidated Councillors annual expenses for the 2022-23 fiscal year was presented to the Committee for information.

It was agreed that officers will document all internal and external training and conference attendances for Councillors and report to the Audit and Risk Committee quarterly so as be fully transparent around these activities.

MOTION

That the Audit and Risk Committee note the Councillor Expenses Report for the financial year 1 July 2022 - 30 June 2023. In future, more detail of internal and external training and conference attendances will be reported to the Audit and Risk Committee.

Moved: Paul Ayton

Seconded: Alistair Thomson

Carried**7.9 CEO Purchasing Card**

Clause 11 of Council’s Purchasing Card Policy requires a quarterly report on transactions for the CEO purchasing card to be provided to the Committee. Currently the CEO does not hold a Council issued credit card, therefore there are no transactions to report.

MOTION

That the Audit and Risk Committee note the CEO Purchase Card report.

Moved: Paul Ayton

Seconded: Mark Freudenstein

Carried

7.10 Fraud and Risk Management

As stated in Clause 11.7 of Council’s Fraud and Corruption Policy and Procedures, the Audit and Risk Committee provides a key role in monitoring Council’s fraud control processes.

Any incident of fraud will be reported to the Committee as part of the regular risk review report at the quarterly meeting of the Audit and Risk Committee. There are no incidents to report in the current period.

MOTION

That the Audit and Risk Committee note the Fraud and Risk Management report.

Moved: Paul Ayton

Seconded: Mark Freudenstein

Carried

7.11 Investment and Borrowings Report for the Period to 31 August 2023.

As part of its financial framework, Council’s Investment and Cash Management Policy requires that investments and borrowings are reported to the Audit and Risk Committee quarterly. The Committee noted the report below.

Investments

As of 31 August 2023, Council holds \$18,450,000 in fixed term deposits and at call deposits. The details are listed in the table below:

Bank	Amount Held (\$)	%
Commonwealth Bank of Australia	6,700,000	36.3%
National Australia Bank	6,450,000	35.0%
Westpac	4,300,000	23.3%
Treasury Corporation of Victoria (at call deposit)	1,000,000	5.4%
Total	18,450,000	100.0%

Borrowings

Council borrowings include loans from National Australia Bank and the Treasury Corporation of Victoria.

Loan Purpose	Lender	Outstanding balance as at 31 August 2023 \$	Maturity Date
Violet Town Landfill - Old Loan	NAB	87,015	28/06/2024
Violet Town Landfill Rehabilitation	Treasury Corporation of Victoria	2,977,571	27/06/2038
Saleyard Truck Wash Loan	Treasury Corporation of Victoria	496,262	27/06/2038
Total		3,560,848	

MOTION

That the Audit and Risk Committee note the Investment and Borrowings report.

Moved: Paul Ayton

Seconded: Mark Freudenstein

Carried

8. ITEMS RAISED BY COMMITTEE MEMBERS

Nil

9. CONFIDENTIAL BRIEFING WITH ACTING DIRECTOR PEOPLE AND GOVERNANCE

The Director People and Governance and the Specialist Governance Advisor met with the Audit and Risk Committee to discuss confidential matters.

10. NEXT MEETING

The next meeting of the Audit and Risk Committee will be held on 6 October 2023.

11. FORWARD AGENDA ITEMS

Meeting Date	Item	Responsibility
6 October 2023	Policies Review <ul style="list-style-type: none"> • Procurement Policy • Fraud and Risk Policy • Gifts, Benefits and Hospitality Policy • CEO Employment and Remuneration Policy • Asset Management Policy • Councillor Expenses Policy • Draft Rate Payment and Collection Policy • Draft Rate Budgeting and Notice Issuing Policy 	Director People and Governance

6 October 2023	Draft ICT Strategy	Manager Digital Innovation and Technology
6 October 2023	Audit and Risk Charter Review	Director People and Governance
1 December 2023	Annual Audit and Risk Performance Report	Director People and Governance
1 December 2023	Mid-Year Budget Review	Chief Financial Officer

Audit and Risk Committee – Follow up actions from meeting 8 September 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 but overdue	<p>The ICT Strategy is being reviewed by the Project Manager of our Regional Council Transformation Project (Project CODI) (the four-council partnership focusing on joint procurement of systems and adopting the same work practices).</p> <p>Workshops are complete and a tender process is underway to appoint a vendor for a new system</p> <p>The expected delivery date is now September 2023.</p>
8 September 2023	7.1 Internal Audits Update Waste Management	Acting Director People and Governance to take on notice and provide a response in the minutes relating to whether the cost of the Violet Town Landfill Project will be borne by current ratepayers	Acting Director People and Governance	Immediate	Complete	