

OFFICIAL SENSITIVE

Strathbogie Shire Council

Audit and Risk Committee Meeting Minutes

Friday 1 March 2024
Euroa Civic Centre, Bury Street Euroa

Minutes of the meeting of the Strathbogie Shire Council Audit and Risk Committee held on Friday 1 March 2024 commencing at 9.30 a.m.

Present

Paul Ayton (Chair)	Community Member
Sophie Lukeis	Community Member
Alistair Thomson	Community Member
Alister Purbrick	Community Member
Peter Stephenson	Council Administrator (via teams)

Officers

Julie Salomon	Chief Executive Officer
Amanda Tingay	Acting Director People and Governance
Sagara Gunasekara	Finance Coordinator
Heike Manet	Manager People and Culture
Michelle Bromley	Coordinator Governance and Record Management
Kerry Lynch	Governance Officer (Minutes)
Andrew Houston	Risk Officer
Molly O'Connor	Environment and Waste Coordinator

Auditors

Kathie Teasdale	Internal Auditors - RSD Audit
Danielle McKenzie	External Auditors – Crowe Australasia

A confidential briefing of the Audit and Risk Committee and Internal Auditors RSD Audit was held between 9.30 am and 9.45 am.

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

David Roff	Acting Chief Financial Officer
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4. Disclosure of Interests

Paul Ayton and Alistair Thomson made declarations of interest relating to agenda item 6.2 Exceptional Circumstances – Reappointment of two Independent Community Members. It was noted that the item has already been endorsed by Council, therefore there is no conflict.

5. Confirmation of Minutes of the Audit and Risk Committee held on 27 November 2023 – [ref 897206](#)**Motion**

That the Minutes of the Audit and Risk Committee meeting held 27 November 2023 be confirmed as an accurate record of the meeting.

Moved: Paul Ayton
Seconded: Alister Purbrick

Carried

6. BUSINESS**6.1 Budget****6.1.1 2023/2024 Mid-Year Review for Period Ending 30 June 2024**

The report was noted by the Committee given its' endorsement by Council at the Council meeting held on 20 February 2023.

Discussion occurred regarding Kirwans Bridge and Chinamans Bridge given the high level of interest from the Nagambie community, the Audit and Risk Committee recommended that a communication program be implemented to provide regular updates to the Nagambie Community.

This could be achieved through a number of means including via GoNagambie publications and Council's social media platforms, and the fortnightly Council columns in the Nagambie and Euroa newspapers.

Action:

Implement a communication program to provide regular updates to the Nagambie Community regarding the status of Kirwans Bridge and Chinamans Bridge.

6.1.2 2024/2025 Budget Preparation

Preparation of the 2024/2025 draft budget is almost complete, and the draft will be presented to the Audit and Risk Committee for consideration on 5 April 2024. The draft Budget is scheduled to be placed on public exhibition pending endorsement at the Council meeting to be held on 16 April 2024.

Action:

In the Statement of Capital Works in the section relating to borrowings acknowledge new debt in notes (for clarification)

Motion

- 1. That the Audit and Risk Committee note the 2023/2024 mid-year budget review.**
- 2. That the Audit and Risk Committee note the draft 2024/2025 budget preparation process.**

Moved: Paul Ayton

Seconded: Alistair Thomson

Carried

6.2 Exceptional Circumstances – Reappointment of Two Independent Community Members

At the Council meeting on 20 February 2024, Council resolved to:

1. Determine that under clause (3.2) of the Audit and Risk Committee Charter exceptional circumstances currently exist that require continuity in Committee membership given:
 - i) the Ministerial decision of 5 December 2023 to suspend all Councillors of the Strathbogie Shire Council and appoint an Administrator, effective 6 December 2023 until the 2024 Local Government Council elections,
 - ii) the contract with newly appointed internal auditors, RSD Audit, came into effect in September 2023 and the three-year internal audit program is yet to be fully confirmed, and
 - iii) the Audit and Risk Committee requirements under the *Local Government Act 2020*.
2. Reappoint Alistair Thomson and Paul Ayton for an additional three (3) years (terms ending 1 June 2027).

The report to the Audit and Risk Committee noted the endorsement by Council and was fully supported by the Audit and Risk Committee given the current context under the exceptional circumstances clause.

The revised terms of appointment of the current Audit and Risk Committee are listed below:

Independent Community Member	Term Commence	Term End	Recruitment Process Commences
Alistair Purbrick	1 December 2022	1 December 2025	October 2025
Sophie Lukeis	4 December 2023	4 December 2026	October 2026
Paul Ayton	1 June 2024	1 June 2027	March 2027
Alistair Thomson	1 June 2024	1 June 2027	March 2027

Motion

That the Audit and Risk Committee note the use of the exceptional circumstances exemption clause in the Audit and Risk Committee Charter to reappoint independent community members Paul Ayton and Alistair Thomson until 1 June 2027.

Moved: Paul Ayton
Seconded: Sophie Lukeis

Carried

6.3 Appointment of Administrator

On 5 December 2023, the Minister for Local Government, the Hon Melissa Horne MP (the Minister), announced that the Strathbogie Shire Council has been suspended for the remainder of its term and an administrator appointed in response to Municipal Monitor Peter Stephenson's final report.

The suspension under section 257 of the *Local Government Act 2020* applies to all elected members of Strathbogie Shire Council and took effect from Wednesday 6 December 2023 until the next local council elections in October 2024.

Mr Peter Stephenson was appointed Strathbogie Shire Interim Administrator from 6 December 2023 until 6 March 2024.

The Audit and Risk Committee noted the appointment of Mr Stephenson as the interim Council Administrator and acknowledged that at the time of this meeting, the arrangements for a permanent appointment for Strathbogie Shire Council (until October 2024 elections) were still pending.

Motion

That the Audit and Risk Committee note the appointment of Interim Council Administrator Mr Peter Stephenson and the pending appointment of a permanent Council Administrator.

Moved: Sophie Lukeis
Seconded: Alister Purbrick

Carried

6.4 Project CODI (Collaborative Digital Transformation Project) Update

The Audit and Risk Committee was advised that the additional cost due to an error in the tender process by Logicalis has been factored into the project costings and costs proportioned across the four Council's involved in the project.

The report was noted, as well as the Council Motion of 20 February 2024:

1. Note the requested increased lump sum cost variation amount for the implementation of the Information Management module by Logicalis Pty Ltd of \$157,870 excluding GST (and inclusive of 10% contingency)
2. Note that this change in pricing continues to meet best value in accordance with the procurement guidelines for the four (4) partner Councils
3. Note that the financial impact will be absorbed within the existing Project CODI implementation budget
4. Authorise the Chief Executive Officer to advise Mansfield Council of Strathbogie Shire Council's approval to execute the contract variation and confirm the award of the contract in accordance with the Memorandum of Understanding signed by all four (4) Councils, including payment of all agreed contributions.

It was further noted that Strathbogie Shire's share will be less than 25% of the above mentioned amount.

Despite the advice that Council were awaiting the release of a State Government ICT Strategy, and that work would be undertaken to collectively develop ICT and Cyber Security Strategies as part of Project CODI, the Audit and Risk Committee reiterated its concern around a lack of development of internal ICT Strategies.

The Committee felt that internal strategies were critical to Council's IT operations and would support and enhance the external development of the strategies

Action:

The Manager Digital Innovation and Technology or the CODI Project Manager be invited to the Audit and Risk Committee Meeting to be held on 31 May 2024 to address the risks around the CODI Project

Motion

That the Audit and Risk Committee note the progress on Project CODI.

Moved: Paul Ayton
Seconded: Alistair Thomson

Carried

6.5 Victorian Electoral Commission (VEC) and 2024 Local Government Election Update

The Victorian Local Government elections will be held on Saturday 26 October 2024 and the VEC is responsible for the conduct of all Victorian local government elections, by-elections and countbacks.

In September 2023 the VEC issued guidance notes to all 78 Councils participating in the 2024 Local Government elections. In summary, the guidance notes outlined the following:

- The 2024 Local Government elections will see significant change in the enrolment of eligible ratepayers and completes the staged implementation of new entitlement arrangements which were introduced in 2020
- Owner ratepayers are no longer automatically enrolled for election, instead all eligible ratepayers will need to apply to Council before the close of the roll to be included on the voters roll for the election
- Councils are required to write to all ratepayers whose enrolment is expiring and invite them to apply for enrolment for the upcoming election
- Critical deadlines to be met for Council to achieve valid outcomes for the election process.

Additionally, in December 2023, Strathbogie Shire Council received the Electoral Service Agreement which sets out the terms on which the VEC will provide the electoral services and estimated costs to Strathbogie Shire Council for the conduct of the election.

An internal working group will continue to work with the VEC to monitor the processes needed to ensure a successful election process. This will include communication plans:

- Focussing on informing communities of the changes to the current voting rules and their obligations to enrol to vote
- Working with MAV to attract, inform and educate potential Council candidates.

Electoral Structure Review

Following the completion of an electoral structure review in 2023, the Minister for Local Government accepted the recommendation of the Electoral Representation Advisory Panel for the restructure of Strathbogie Shire Council and announced the change on Thursday 15 February 2024.

Strathbogie Shire Council will move to an unsubdivided electoral structure with seven Councillors, effective October 2024.

Motion

That the Audit and Risk Committee

1. **Note the Victorian Electoral Commission and 2024 Local Government election update and progression of the required milestones**
2. **Note the outcome of the Victorian Electoral Commission structure review**

Moved: Paul Ayton

Seconded: Sophie Lukeis

Carried

6.6 Climate Change Action Plan Update

The departure of Council's Climate Change Officer in September 2023 has meant the completion of actions has been slower than anticipated. Recruitment to fill this position is underway and an appointment will increase our ability to deliver actions from the Plan.

A summary of an extensive discussion around the Climate Change Action Plan action follows:

- Council is waiting sign off from the Environmental Protection Agency (EPA) to complete the rehabilitation of the Violet Town Landfill Project
- Recruitment has commenced for a Climate Change Education Officer
- Longer term actions have already commenced, one of which is a fully hybrid fleet by 2025. Council has installed two Electric Vehicle (EV) charging stations at the Euroa Depot and is preparing the tender for the installation of two additional EV charging stations at the Euroa Civic Centre in Bury Street
- Weather dependent, in late March Council will undertake approximately 200 street tree plantings across the Shire to increase urban canopy and decrease the urban heat island effect
- Council is not required to account for contractor or scope three emissions as part of its corporate carbon accounting. Any emissions generated from the delivery of our waste services should be accounted for by the contractors delivering the service (providing they are required to report)
- As an exercise staff have agreed to undertake a rudimentary calculation to understand the impacts of our waste services compared to our current emissions
- Although there are no specific measurements in the climate change action plan relating to tree planting it is intended to identify measurements each year
- In the climate change action plan, it is identified that Council's operations will be net zero by 2025. Due to the fugitive emissions from the closed Violet Town Landfill, Council will be required to purchase offsets to meet this goal. This will be budgeted in 2025/2026.

- The current Climate Change Action Plan lists 47 actions to be taken and/or implemented. It was suggested and agreed that two new actions be included in the plan:
 - Encourage local businesses to create plans to be accredited Net Zero Emissions by 2035
 - Encourage ratepayers to install solar systems by 2030.

Action:

Alister Purbrick to provide the Environment and Waste Coordinator with a copy of “Tahbilk Winery – Our Carbon Neutral Journey” case study.

Motion

That the Audit and Risk Committee note the progress on the Climate Change Action Plan.

**Moved: Paul Ayton
Seconded: Alister Purbrick**

Carried

6.7 Proposed Audit and Risk Committee Meeting Dates 2024/2025

Following discussion with the Audit and Risk Committee, the meeting schedule was agreed on for 2024/2025.

5 April 2024 (proposed TEAMS)	Review Draft 2024/2025 Budget
31 May 2024	Ordinary Meeting
21 June 2024	Strategic Planning Day
6 September 2024	Ordinary Meeting
4 October 2024	Ordinary Meeting – Policy and Audit and Risk Committee Charter Review
29 November 2024	Ordinary Meeting
28 February 2025	Ordinary Meeting
6 June 2025	Ordinary Meeting

Motion

- 1. That the Audit and Risk Committee endorse the recommended dates for the 2024/2025 Audit and Risk Meeting schedule.**
- 2. That Officers send Outlook invitations to Committee Members and relevant Officers when the dates have been endorsed.**

Moved: Paul Ayton
Seconded: Sophie Lukeis

Carried

7 STANDING ITEMS

7.1 Audit Updates

Following further consultation between Management and RSD Audit, a revised 2024/2026 Strategic Internal Audit Plan was presented. In developing the plan, the following key factors were considered:

- Discussion with Strathbogie Shire Council Management
- A previous risk assessment conducted onsite by RSD Audit and subsequent development of an operational risk register
- Prior period completed internal audit project
- Trends and emerging risks in the local government sector

The Audit and Risk Committee endorsed the 2024/2025 Strategic Internal Audit Plan and the following projects will be audited during 2024:

- Infrastructure (Civil) Asset Management
- Project Management
- Cyber Security
- Occupational Health and Safety

To ensure timely completion of the field work and subsequent report writing, the draft scoping documents for the Infrastructure (Civil) Asset Management and Project Management Audits were also presented for consideration.

It was established that all costings noted in the RSD Audit Reports were within the scope of each project.

The Q2 Local Government Update Report was noted for information. It was agreed that RSD Audit will provide these reports to the Committee earlier for review.

Motion

That the Audit and Risk Committee note the:

- 1. Draft 2024-2026 Strategic Internal Audit Plan**
- 2. Draft audit scope for Infrastructure (Civil) Asset Management**
- 3. Draft audit scope for Project Management**
- 4. Q2 Local Government Update Report.**

Moved: Paul Ayton
Seconded: Sophie Lukeis

Carried

7.1.2 External Audit Updates – Crowe Australasia - Draft Audit Strategy

In recent weeks the Acting Chief Financial Officer and Finance Coordinator met with Crowe Australasia to begin preparations for the audit of Council's Financial Statements for the period ending 30 June 2024.

Preliminary requests for information have been provided to Crowe and a draft audit strategy was presented for information for the remainder of the 2023/2024 annual audit process.

Crowe Australasia presented a comprehensive draft audit strategy and for the period ending 2023/2024 the key risks and areas of audit focus will be:

- Financial statements, with particular attention on reporting around:
 - Revaluation of property, plant and equipment
 - Government grants
 - Violet Town Landfill provision
 - Impact of floods and storms
 - Changes in personnel
 - Reliance on IT systems and third party service providers
 - Performance statement

It was noted that Crowe were confident that performance obligations relating to government grant assessments are reflected appropriately.

Crowe explained that the audit was subject to acceptance of the fee structure which would be provided at the meeting on 31 May 2024.

Motion

That the Audit and Risk Committee note the external audit update and 2023/2024 draft audit strategy.

Moved: Paul Ayton
Seconded: Sophie Lukeis

Carried

7.2 Outstanding Internal Audit Items

The report noting the progress of the outstanding internal audit recommendations was provided for information.

The Audit and Risk Committee reiterated the lack of progress relating to Business Continuity and Disaster Recovery Plan testing. It was agreed that regardless of the maturity of these profiles there is still value in running testing exercises as they help identify issues that may be essential in the Disaster Recovery Plan.

It was observed that there are still many items on the outstanding audit action plan that are overdue or out of date and that future reporting should include a best estimate of the dates for completion.

Actions:

1. **Complete a test of the disaster recovery plan and a report is to be provided to the Audit and Risk Committee meeting on 31 May 2024 on the status of business continuity and disaster recovery plan testing.**
2. **Review the outstanding internal audit list items and provide updated dates indicating estimated dates of completion.**

Motion

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

Moved: Paul Ayton
Seconded: Alistair Thomson

Carried

7.3 Policy Review

Officers continue to monitor and update policies, frameworks, strategies and CEO Directives. The following policies were endorsed by Council at the meeting held on 12 December 2023:

- Related Party Disclosures Policy
- Asset Management Policy

The Audit and Risk Committee expressed that there would be an expectation that there are no outstanding or out of date policies in the future.

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: Sophie Lukeis

Carried

7.4 Risk Management

Management reported on the progress of Council's risk management strategies including:

- Updates to the Risk Management Policy
- Updates to the Risk Management Framework
- Revised report summary including key issues, strategic risk register and performance indicators

Management acknowledged that there is still more to be done to embed a culture of risk management into Council's day to day operations. Good progress has been made at an operational level following on from an internal audit at the end of 2023. Ten new and/or revised strategic risks that better reflect Council's current status and operations have been identified from a workshop conducted with Council's Specialist Governance Officer in February 2024.

Further work will be undertaken to refine the reporting process to the Audit and Risk Committee especially relating to reporting of capital projects. Risk management training will also be introduced as part of the new staff onboarding and induction process.

The Draft Risk Management Policy and Draft Risk Management Framework were presented to the Committee for consideration and were fully supported. These documents will be presented to Council for endorsement in April 2024.

Motion

That the Audit and Risk Committee note the Risk Management Update

Moved: Paul Ayton
Seconded: Alister Purbrick

Carried

7.5 Audit and Risk Committee 2023/2024 Work Plan

The Audit and Risk Committee developed an annual workplan at the Committee workshop conducted in July 2023. The plan is a live document and is updated for information at each future meeting to note the progress of completion on the Audit and Risk Committee annual obligations.

Motion

That the Audit and Risk Committee note the progress of the 2023/2024 Audit Work Plan under Sec 54(3) of the *Local Government Act 2020*.

Moved: Paul Ayton
Seconded: Alistair Thomson

Carried

7.6 Human Resources Update

The report notes that there is an increase in full time equivalent staff resulting predominantly from seasonal casual and fixed term appointments to provide cover during the recruitment of critical roles.

The shut down period between Christmas and new year was used by the Operations Team to provide extended leave to team members. This resulted in a reduction of excess leave for the Operations team compared to last quarter.

However, there was a significant increase in excess time in lieu as a consequence of increases in overtime that was recorded as time in lieu instead of being paid.

Following the extreme weather events over Christmas and at the beginning of the year, the Operations Team attended numerous call outs resulting in overtime for the team. Additionally, the number of hours recorded as time in lieu has further increased due to the change in the Enterprise Agreement. Overtime recorded as time in lieu is now recorded at the same rate as overtime is paid.

In the past months, the People and Culture Team have been working on Council's Workforce Plan. Work continues on the skills gap analysis, with a review of the Community Safety Team complete, and Asset Planning and Project Delivery well underway.

The Audit and Risk Committee observed the following:

- Council reports a turnover rate of ten percent. Management explained that there were no significant issues for the reasons for staff leaving and were related to other employment opportunities and career changes
- There are significant numbers of staff over 65 years of age. The risk of loss of knowledge was acknowledged however is not unreasonable provided there is a continuous transfer of knowledge leading into retirements and resignations, and reasonable notice to help overcome capacity shortfalls.

Motion

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

Moved: Paul Ayton
Seconded: Sophie Lukeis

Carried

7.7 Councillor Expenses

Councillor Reimbursements

Councillor expenses are required to be reported to the community through Council's Annual Report. Section (40) of the *Local Government Act 2020* states that legitimate expenses incurred by Councillors during their duties can be reimbursed in accordance with a council expenses policy. Section (37) of the Councillor Expenses Policy requires quarterly reports on Mayoral and Councillor allowances and expenditure to be forwarded to Council's Audit and Risk Committee, reported to Council through the Committee's minutes and published on Council's website on a quarterly basis after the information is available.

Motion

That the Audit and Risk Committee note the Councillor Expenses Report for the period November 2023 to February 2024.

Moved: Paul Ayton
Seconded: Alistair Thomson

Carried

7.8 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: Alistair Thomson

Carried

7.9 Fraud 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 the 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 Risk Management report.

Moved: Paul Ayton
Seconded: Sophie Lukeis

Carried

7.10 Investment and Borrowings Report for the Period to 29 February 2024

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 Audit and Risk Committee noted the report with the recommendation that an interest rate column be added to the Investment report in future.

Motion

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

Moved: Paul Ayton
Seconded: Peter Stephenson

Carried

8. ITEMS RAISED BY COMMITTEE MEMBERS

Nil

9. CONFIDENTIAL BRIEFING WITH CHIEF EXECUTIVE OFFICER

The Audit and Risk Committee and Chief Executive Officer had a confidential briefing relating to human resources and governance matters.

10. NEXT MEETING

The next meeting of the Audit and Risk Committee will be held on 5 April 2024.

Meeting closed at 12.25 pm.

Audit and Risk Committee Meeting Actions

Audit and Risk Committee – follow up actions from meeting held on 1 March 2024						
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	Deferred	The Strategy will be dependent on the finalisation of the State Digital Transformation Strategy and further work to be undertaken on the Regional Digital Transformation Project (Project CODI). Project CODI is well progressed with the relevant business areas completing consultation processes. Tenders are in place in some areas for the purchase and development of new systems.
27 November 2023	6.4 Mid-Year Budget	Develop a communication program to update the community on the progress of minor and major capital works projects.	Manager Project Delivery	21 March 2024	Complete	A six monthly status of capital works projects report is provided to Council. When the report is endorsed by Council, a comprehensive Project Allocation Report is available on Council's website. The website information can be accessed via the Major Projects tag.
1 March 2024	6.1.1 Mid-Year Budget Review	Implement a communication program to provide regular updates to the Nagambie community regarding the status of Kirwans Bridge and Chinaman's Bridge	Director Sustainable Infrastructure/Communications and Engagement Team	Immediate	Not Started	

1 March 2024	6.1.2 2024/25 Budget Preparation	In the Statement of Capital Works in the section relating to borrowings acknowledge new debt in notes (for clarification)	Acting Chief Financial Officer	Immediate	Not Started	
1 March 2024	6.4 Project CODI	The Manager Digital Innovation and Technology or the CODI Project Manager be invited to the Audit and Risk Committee Meeting on 31 May 2024 to Address the risks around the CODI Project	Manager Digital Innovation and Technology	31 May 2024	Not Started	
1 March 2024	6.6 Climate Change Action Plan	Alister Purbrick to provide the Environment and Waster Coordinator with a copy of "Tahbilk Winery-Our Carbon Neutral Journey" case study	Alister Purbrick	Immediate	Complete	
1 March 2024	7.2 Outstanding Internal Audit Items	<ol style="list-style-type: none"> 1. Complete a test of the disaster recovery plan and a report to be provided to the Audit and Risk Committee on 31 May on the status of business continuity and disaster recovery plan testing 2. Review the outstanding internal audit list items and provide updated dates indicating estimated dates for completions 	Manager Digital Innovation and Technology Director People and Governance	31 May 2024	Not Started	

