



Mansfield Shire

Audit and Risk Committee

Monday 21 November 2022

Commencing at 2:30pm for Committee | Officers attend from 3:00pm

Our aspiration for our Shire and its community

We live, work and play in an inclusive, dynamic and prosperous place where community spirit is strong and people are empowered to engage in issues that affect their lives.

Councillors

Cr James Tehan (Mayor)

Cr Mark Holcombe (Deputy Mayor)

Officers

Kirsten Alexander, Chief Executive Officer

Melissa Crane, Acting General Manager Infrastructure and Planning

Dena Vlekkert, General Manager Community and Corporate Services

Tony Cooper, Manager Business and Performance

Travis Derricott, Sector Director, Financial Audit - Victorian Auditor-General's Office

Bradley Ead, Partner – AFS

Members

Jane Watson

Peter Johnston

Moh-Lee Ng

Jane Watson

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Agenda

1. Opening of the Meeting

2. Election of Chairperson

File Number	E3627	Responsible Officer	Manage Business & Performance, Tony Cooper
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Purpose

The Audit & Risk Committee members are required to elect a Chairperson for the Committee on an annual basis.

Executive Summary

The Audit and Risk Committee Charter (Charter), adopted by Council in July 2020, requires the Chairperson to be elected from the Independent Audit and Risk Committee members. The Charter further states that a Councillor cannot be elected as the Chairperson.

In the absence of the Chairperson at future meetings (once elected), the Committee may elect one of the independent members to preside as Chairperson at the meeting.

Key Issues

The Charter requires the Chairperson to be elected from the Independent Audit and Risk Committee members, and that a Councillor cannot be elected as the Chairperson.

The role of the Chairperson (as per the Charter) shall be:

- To chair all meetings of the Audit and Risk Committee.
- To act as the liaison person between the Audit and Risk Committee and Council.
- To facilitate an annual assessment of the Audit and Risk Committee's performance against the Charter, to be provided to the CEO for tabling at the next Council meeting.
- To facilitate a biannual audit and risk report that describes the activities of the Committee and include its findings and recommendations, to be provided to the CEO for tabling at the next Council meeting.

In the absence of the Chairperson at future meetings (once elected), the Committee may elect one of the independent members to preside as Chairperson at the meeting.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE elect a Chairperson from the Independent Committee Members for a 12 month period commencing 21 November 2022.

Support Attachments

1. Audit and Risk Committee Charter [2.1.1 - 12 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not applicable.

Community Engagement

Not applicable.

Collaboration

Not applicable.

Financial Impact

Not applicable.

Legal and Risk Implications

Not applicable.

Regional, State and National Plans and Policies

Not applicable.

Innovation and Continuous Improvement

Not applicable.

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

3. Present

The Chair will call on each Committee Member and ask them to confirm verbally that they can see all Members and hear the proceedings.

4. Apologies

The Chair will call on the CEO for any apologies.

5. Acknowledgement of Country

The Chair will recite Council's Acknowledgement of Country:

"Our meeting is being held on the lands of the Taungurung people and we wish to acknowledge them as Traditional Owners. We would also like to pay our respects to their Elders, past and present, and Aboriginal Elders of other communities who may be here today."

6. Disclosure of Conflicts of Interest

The Chair will call on each member in turn and ask them to declare whether they have any conflicts of interest in relation to any agenda items.

7. Confirmation of Minutes

Recommendation

THAT the Minutes of the Mansfield Shire Council Audit and Risk Committee Meeting held on 14 September 2022 be confirmed as an accurate record.

8. Administrative Items

8.1. Council Service Area Presentations

File Number	E9616	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

To seek feedback and suggestions for future presentations to the Audit and Risk Committee from Council service areas and to provide the Audit and Risk Committee with an overview at this meeting of the Economic Development – Events area.

Executive Summary

In 2021, the Audit and Risk Committee agreed that they would like to see presentations from council service areas to enable improved understanding of risk and council operations.

Key Issues

The table below lists the presentations that have occurred and those that are planned.

Feedback is sought from through the Chair to identify future presentations that the committee would like to see added to the program.

Meeting	Topic	Presenter
Completed		
February 2022	Information Technology Unit	Rabi Ranjit
May 2022	Community Health & Wellbeing Unit	Nola Bales
September 2022	Waste Management	Shaun Langlands
November 2022	Events	Gareth MacDonald
Future		
February 2023	Landfills	General Manager I&P
May 2023	Customer Service	General Manager CCS
August 2023	Capital Project Plan	General Manager I&P
November 2023		
February 2024		
May 2024		

Suggestions can be forwarded to the Manager, Business and Performance for inclusion in the plan.

The Economic Development – Events presentation will cover its activities and key risks.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE:

1. Note the presentations to the Committee to date and provide suggestions for future presentations through the Chair to the Manager Business and Performance.

2. Receives and notes the presentation on Council's Economic Development – Events service area.

Support Attachments

1. Events Audit and risk powerpoint [8.1.1 - 10 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Strategy 6.2 Building organisational capacity through its people

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Attachment_8.1.1_Events_Audit_and_risk_

8.2. Review of Audit and Risk Committee Charter 2022

File Number	E9616	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

To review the Charter of the Audit and Risk Committee (Charter).

Executive Summary

The Charter is the primary document that manages the operation of the Committee.

As part of the annual work plan the Charter is expected to be reviewed annually in November. The Charter was last reviewed by the Audit and Risk Committee in July 2020.

Key Issues

The Charter is tabled with some suggested recommendations including items that have been suggested by the Committee.

As part of the Charter review, Officers reviewed a selection of five other Councils' Charters to identify any improvements that may be incorporated into the Mansfield Charter. The charters reviewed were from surrounding rural councils including Alpine, Benalla, Murrindindi and Wangaratta. Knox City from Metropolitan Melbourne was also reviewed.

Any changes in the Charter are suggestions only and are for the Committee to review and comment on.

Feedback will be incorporated into an updated Charter and redistributed to the Committee in January 2023 for final review, with the final draft Charter to be presented to the Committee for endorsement at the February 2023 meeting.

It is requested that Committee members provide feedback to the Manager Business and Performance by 19 December 2022.

Following presentation of the final draft Charter to the Audit and Risk Committee in February 2023 for endorsement, the updated Charter will be presented to council for approval at the March Council meeting.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE review the Audit and Risk Committee Charter and provide feedback to the Manager Business and Performance by 19 December 2022.

Support Attachments

1. DRAFT Audit and Risk Committee Charter Nov 2022 [8.2.1 - 15 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

9. Internal Control Environment

Duties and responsibilities of the Committee:

- a. Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a three to four year period;
- b. Determine whether systems and controls are reviewed regularly and updated where required;
- c. Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;
- d. Ensure that a programme is in place to test compliance with systems and controls;
- e. Assess whether the control environment is consistent with Council's Governance Principles.

No Internal Control Environment reports for November 2022 Audit and Risk Committee Meeting

10. Financial and Performance Reporting

Duties and responsibilities of the Committee:

- a. At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report and the audit thereof;
- b. At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- c. Review the annual financial report and annual performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose Council's financial performance and position;
- d. Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- e. Recommend the adoption of the annual financial report and annual performance statement to Council; and
- f. Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

10.1. Carry Forward Projects

File Number	E9456	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

This report identifies the carry forward requests that were tabled at Council on 18 October 2022 and were endorsed.

Executive Summary

In accordance with Council’s Carry Forward Projects Policy 2021, Council may choose to carry forward unspent funds from the previous year’s budget, into the current year budget, to enable completion of a committed project.

Instances and circumstances that may give rise to a valid carry forward are outlined in the policy as follows:

- Capital and Operating Projects that have commenced prior to the end of the financial year; and/or
- Projects for which Council has received funding and is committed (in writing) to completing; and/or
- Projects where there is a legal or contractual commitment in place which needs managing through to completion.

Approved carry forward project amounts will be included in the Updated 2022-23 Budget and will be reported against as part of the quarterly budget reporting to Council throughout the year.

The significant increase in non-recurrent grant funding received during 2021-22 has increased the proposed carry forward amounts above what would normally be expected.

Council endorsed carry forward projects totaling \$1,443,313 in operating (net of income) and \$4,072,656 in capital (net of income).

Key Issues

The following items have been identified as requiring carry forward to 2022-23 in accordance with Council’s Carry Forward Projects Policy 2021.

OPERATING

- Total operating underspend against updated budget 2021-22 - \$2,821,073
- Total amount of operating carry forward - \$1,443,313
- Percentage unspent funds carried forward - 51%

Project	Carry over amount (\$)	Rationale
Mansfield Emergency Response Program	\$13,638	Grant funded
Primary Prevention of Family Violence	\$35,490	Grant funded
Integrated Family Services	\$23,117	Grant funded
Enhanced Maternal and Child Health	\$18,242	Grant funded
Maternal and Child Health	\$28,303	Grant funded
Supported Playgroups	\$16,506	Grant funded

FReeZA	\$18,280	Grant funded
Engage!	\$22,350	Grant funded
L2P	\$15,057	Grant funded
Seniors Festival	\$6,700	Grant funded
Youth Week	\$2,000	Grant funded
Emergency Water Supply Project	\$120,000	Grant funded
Building Community Resilience through a Benchmarking Approach	\$110,520	Grant funded
Digitisation of Planning Applications Project	\$89,554	Grant funded
Planning Scheme Amendment C51	\$27,475	Grant funded
Kerbside Transition Planning Grant	\$24,060	Grant funded
Roadside Weed Funding	\$9,091	Grant funded
Bonnie Doon Structure Plan	\$22,000	Fixed term contract
Lake Eildon Boat Ramps	\$55,500	Grant funded
Goughs Bay Boat Club Redevelopment	\$303,150	Grant funded
Exceptional Assistance and Immediate Support	\$11,648	Grant funded
Activating Outdoors	207,994	Grant funded
Council Assist Fund	262,637	Grant funded
Total	\$1,443,313	

Note: On 18 October Council approved \$1,433,313 in operating carry forward – the typographical error will be amended at the meeting on 22 November 2022 to reflect the above (correct) amount of \$1,443,313.

CAPITAL

- Total capital underspend against updated budget 2021-22 - \$3,918,485 (Note this figure has been adjusted to remove the \$1.3m unbudgeted land purchase).
- Total amount of capital carry forward - \$4,072,656
- Percentage unspent funds carried forward - 104%

Project	Carry over amount (\$)	Rationale
Purchase of Plant - Lawnmower	\$9,900	Contracted
Purchase of Plant - Mulcher	\$27,750	Contracted
Purchase of Plant - Chipper	\$45,586	Contracted
Bridges – Renewal Malcolm Street culvert	\$63,300	Contracted
Bridges – Structural Assessment (including Gooleys Bridge barrier)	\$75,000	Contracted
Living Libraries Project	\$498,761	Grant funded
Shire Office Refurbishment	\$23,589	Contracted
Toilet Block Refurbishment Program	\$90,336	Contracted
Mansfield Wetlands Drainage Design	\$11,432	Contracted
Water & Stormwater Management Program	\$39,690	Contracted
Gadhaba Edible & Medicinal Garden Project	\$29,314	Grant funded
Goughs Bay Streetscape	\$50,000	Contracted
Reseals	\$628,096	Contracted
Reseal Preparation	\$585,398	Contracted

Resheet Program	\$971,690	Contracted
Heavy Vehicle Alternative Route Construction Stage 1	\$611,596	Contracted
Howqua Boat Ramp	\$83,300	Grant funded
Malcolm Street Footpath	\$27,919	Grant funded
Lakins Road Masterplan	\$200,000	Grant funded
Total	\$4,072,656	

Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes carry forward funds from the 2021-22 budget to the 2022-23 budget for the completion of the projects listed in this report, totaling \$1,443,313 in operating (net of income) and \$4,072,656 in capital (net of income).

Support Attachments

1. MSC Carry Forward Projects Policy 2021 [10.1.1 - 5 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Carry forwards contain the financial resources required to deliver the Council Plan.

Legal and Risk Implications

There are no known legal and risk implications associated with this report.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 7 Financial sustainability and value for money

Strategy 7.1 Increase Council's financial resilience by utilising opportunities to derive own source of funding income and optimising costs of delivering services

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

10.2. Finance Report: 1 July 2022 to 30 September 2022

File Number	E39	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

This report provides information on Council’s financial performance against the 2022-23 Budget for the period 1 July 2022 to 30 September 2022.

Section 97 of the *Local Government Act 2020* requires quarterly reporting as soon as practicable after the end of each financial quarter, and in addition, a statement by the CEO in the second quarterly report of the financial year as to whether a revised budget is or may be required.

This report is for noting only and no decision is required.

Executive Summary

Council adopted the budget for the 2022-23 financial year at its meeting of 28 June 2022. This report explains material variances between the year-to-date actual financial results and the Budget 2022-23. Favourable variances are reported as positive values, while unfavourable variances are shown as negative values.

Council approved carry forwards at its meeting 18 October 2022 – the carry forwards are not reflected in this quarterly report.

Key Issues

Operating Finance Report

Operating Income & Expenditure Actual against Budget

The year-to-date operating result is favourable (underspent) against the 2022-23 Budget by \$125k (1%). Major variances are summarised below.

Favourable Variances:

- \$56k Revenue Services – Fire Services Property Levy has been invoiced in 2022-23 for the 2021-22 year totalling \$52k.
- \$85k Salaries & Wages Clearing – This is a timing issue only due to year end accrual adjustments and timing of public holidays.
- \$68k Aged & Disability Services – Aged care has now been handed over to the Mansfield District Hospital with most program wind-up costs being processed to the 2021-22 year.
- \$121k Youth Services - \$68k Youth Bushfire Recovery Income has been received which was not budgeted. This grant funding is expected to be fully spent this year. The Youth Services area have recently been through a restructure. Staff have now been appointed, but short-term vacancies in this area have resulted in reduced expenditure both in relation to the wages and program costs. It is anticipated that program costs will be fully expended this year.
- \$55k Emergency Management Recovery – Timing only. Full year MERP Income has been received.

- \$64k Field Services - Rental Income has not been budgeted totalling \$37k (for a two-year period). Remaining variances are timing only.
- \$52k Community Assets & Land Management – Timing only. \$21k relates to Fire Services Property Levy not yet paid on Council owned land. \$27k relates to the timing of the Mansfield Pool budget where increased costs will occur over the summer months.
- \$155k Waste Management – Waste income is higher than budget, as anticipated. It is expected that this will be partially offset by increased expenditure later this financial year.

Unfavourable Variances:

- \$202k Financial Services – Victorian Grants Commission income was paid 75% in advance (paid and processed in last financial year).
- \$58k Customer Service & Records - \$29k has been spent on Digitalising Development Applications. Funding for program was received in the 2021-22 year and not fully spent. Timing issues relating to software payments made in advance. Significant periods of staff leave have been taken in this area which has required backfill staff (unbudgeted).
- \$136k Economic Development – Business & Industry – Council have received grants in prior years that have not yet been fully expended. Expenditure on these programs were not budgeted in the 2022-23 year. Programs include Activating Outdoors, Council Assistance Fund and Exceptional Assistance & Immediate Support.
- \$65k Economic Development – Tourism & Events - Tourism North East payments have been made upfront with the budget phased over the full year.
- \$77k Road Network Maintenance - Victorian Grants Commission income was paid 75% in advance (paid and processed in last financial year).
- \$84k Risk Management – Insurance costs higher than budgeted due to increased premiums.
- \$72k Engineering Services - \$18k relates to the timing of the GIS software budget (paid upfront). In addition, capital works staff time will be allocated to the Capital program where applicable (to be completed).
- \$56k Human Resources – Recruitment and Legal costs currently over budget, partially due to additional grant-funded roles.

Capital Finance Report

Capital Income & Expenditure Actual against Budget

The net year to date capital works variance (net of capital income) is \$197k (47%) overspent compared to the 2022-23 year to date Budget. Costs incurred year to date mainly relate to projects carried forward from the 2021-22 year. Carry forward requests were presented separately for Council consideration and endorsed at the October meeting.

Summary of Financial position compared to Budget

Operating Variance	\$124,903
Capital Variance	<u>(\$197,141)</u>
Total Variance	(\$72,238)

*Favourable / (Unfavourable)

Working Capital Ratio YTD

The working capital ratio (WCR) compares current assets to current liabilities and is an indicator of Council's capacity to meet its immediate debts when they fall due. A WCR of more than 1:1 (or 100%) is considered healthy.

Current WCR = 4.94 (494%), as compared with 2.53 (253%) as at the end of 2021-22 financial year.

The high working capital ratio is reflective of the full year rates income being raised in August and reported as a current asset (debtors). The first instalment of rates fell due on 30 September 2022.

Recommendation

THAT AUDIT AND RISK COMMITTEE notes the Quarterly Budget Report for the period 1 July 2022 to 30 September 2022.

Support Attachments

1. Quarterly Finance Report - 30 September 2022 [10.2.1 - 8 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable.

Community Engagement

The 2022-23 budget engagement process facilitated opportunities for community input to and feedback on Council's budget. There has been no community engagement around the actual results against the budget.

Collaboration

Not Applicable

Financial Impact

There is no direct financial impact in relation to this report. The financial reports attached provide the opportunity for regular monitoring of Council's financial position to ensure compliance with budgets.

Legal and Risk Implications

Financial Risk: Regular financial reporting is part of Council's financial strategy to ensure budgets are complied with and the short to medium term financial sustainability of Council is maintained.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

10.3. Mansfield Shire Council Investment Schedule

File Number	E5001	Responsible Officer	Senior Accountant, Belinda Langlands
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Purpose

A report on the status of Council's investments as at 31 October 2022 is presented to the Audit and Risk Committee (ARC) for noting.

Executive Summary

Regular reporting to the ARC in relation to investments is required pursuant to Council's Investment Policy.

Key Issues

The Investment Portfolio report is attached for the Committee's information.

Council is currently compliant with its Investment Policy.

The Reserve Bank Australia (RBA) have increased interest rates by 2% this financial year, taking the current cash rate to 2.85%. This has had a flow on effect and new term deposits are now attracting higher interest rates.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receive and note the Investment Portfolio Report 31 October 2022.

Support Attachments

1. Investment Report October 2022 [**10.3.1** - 2 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Excess cash is invested in order to attract greater interest income than that achievable through our operating bank account.

Legal and Risk Implications

Council's Investment Policy adheres to the requirements contained within the *Local Government Act 2020*.

Financial Risk: Regular oversight mitigates the risk of lost income or lost working capital as a result of poor investment management strategies or non-compliance with Council policy.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 7 Financial sustainability and value for money

Strategy 7.1 Increase Council's financial resilience by utilising opportunities to derive own-source of funding income and optimising costs of delivering services

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 8 A consultative Council that represents and empowers its community

Strategy 8.1 Increase community trust in Council to make informed decisions with "no surprises"

Strategy 8.2 Develop capacity and capability to advocate powerfully for the most important interests of the Mansfield community

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

11. Risk Management

Duties and responsibilities of the Committee:

- a. Review annually the effectiveness of Council's risk management framework;
- b. Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- c. Review Council's risk profile and the changes occurring in the profile from meeting to meeting;
- d. Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- e. Review the insurance programme annually prior to renewal; and
- f. Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

11.1. Risk Management Report

File Number	E3937	Responsible Officer	Risk Management Officer, Tania Graham
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Purpose

The purpose of this report is to provide the Audit and Risk Committee with an update on Council's Risk Register and any other areas of interest.

Executive Summary

The Audit and Risk Committee oversees the risk exposure of Council by advising management on appropriate risk management processes and adequate risk management systems to assure alignment of the Risk Management Framework with ISO 31000. ISO 31000 (2018) are best practice principles and guidelines.

The Mansfield Shire Council Risk Management Strategy states that the Council is committed to the process of identifying, quantifying and managing risk to minimise the effect of risk on the objectives of the Council.

Key Issues

During the September 2022 Audit and Risk Committee Meeting it was suggested that the Cyber Event Risk be reviewed and increased from a medium residual rating to high. In light of current developments in other sectors it has been deemed prudent to increase the risk rating to high.

Additionally, Council have asked that AFS as part of the 2023 internal audit program undertake a Cyber Security and Governance audit, recognising the growing importance of this threat to council data.

No additional risks have been identified since the last committee meeting.

Claim against Council for vehicle damage

Two claims against Council have been made in relation to Council vehicles reversing into residents' vehicles. Both owners have proposed a cash settlement and they will make necessary arrangements for the repairs. A signed document for release from any future claims will be required as part of the settlement. No agreements have yet been reached with the claim values approximately \$3,700 and \$2,200 respectively.

A third claim against Council was made in relation to windscreen damage of \$350 from a stone hitting the vehicle when a Council whipper snipper was used near her vehicle.

Personal Injury

An elderly man has suffered a fall onto a road in Mansfield and sustained injuries that he may not recover from due to his frail health. Field Services inspected the area but have ascertained that the fall was not related to maintenance of Council assets. Some work orders have since been issued for unrelated maintenance in the general area, however, these are not related to the incident. A complete record of events has been retained.

Woods Point Rustic Bridge and Bench Seat – DELWP Responsibility

A Risk Assessment was conducted by Council officers on a rustic footbridge and bench seat in poor condition at Woods Point. The bridge is located on DELWP land and was constructed by the community. Maintenance is the responsibility of DELWP, and they have been contacted and made aware of the risk.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE note the information contained in this briefing.
Support Attachments
1. Corporate Risk Register Oct 2022 [11.1.1 - 4 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Individual assessment's may have cost implications to address each risk.

Legal and Risk Implications

The Risk Management Framework is Council's overarching control that covers:

1. Asset Risk
2. Business Continuity Risk
3. Change Risk
4. Environmental Risk
5. Financial Risk
6. Information Risk
7. People Risk
8. Regulatory Risk
9. Reputation Risk
10. Safety Risk
11. Social Risk
12. Strategic Risk

Regional, State and National Plans and Policies

The Risk Management Framework is in line with National and International standards and legislative requirements.

It is also in line with the Mansfield Shire Risk Management Policy 2019.

Innovation and Continuous Improvement

Quarterly review and reporting to the Audit and Risk Committee incorporates continuous innovation and improvement initiatives in the Risk Management area.

Alignment to Council Plan

Theme 1: Connected and Healthy Community

Strategic Objective 1: The health and wellbeing of families and communities is maximised

Strategy 1.1 Embed health and wellbeing enablers and protections to reduce risks to our communities.

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 8: A consultative Council that represents and empowers its community

Strategy 8.1: Increase community trust in Council to make informed decisions with “no surprises”

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

11.2. Insurance - Cyber Security Liability

File Number	E9616	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

To provide a response to a question raised by the committee at the Audit and Risk Committee meeting of 14 September 2022 in relation to Agenda Item 8.5 - Insurance Program 2022-23 (page 146) regarding Council’s Cyber Liability Policy.

The question sought to understand who has liability if there is a breach in the cloud?

Executive Summary

The information gathered by Council officers in response to this question has not provided a definitive answer and further engagement with Council’s insurance and cloud providers will be undertaken to understand where liability sits in the case of a breach. Council will also engage with other councils to confirm what arrangements they have in place for cyber liability insurance.

Key Issues

Due to the opaqueness of the information received in response to this question, a brief update has been prepared for the Committee with the information obtained to date.

JLT Risk Solutions are the coordinator of council’s Insurance Policies, and we hold a Cyber Liability policy through JLT.

Advice was sought from JLT regarding liability in the event of a breach. The following was provided in response:

If there is a data breach of your chosen cloud provider, which then exposes Council’s data specifically then, cover is available under the policy. However, this may then be impacted by a couple of factors:

- a. The contract in place between Council and the Service Provider in regard to cyber-security and whose responsibility it is to deal with any breach, including insurance requirements*
- b. The ‘Shared Computer System’ Endorsement. Essentially this means that where Council utilises a ‘cloud service’ it is considered a ‘Shared Computer System’ and the excess on the claim will double where a claim arises from that service.*

This advice indicates that subject to the above, Council is covered by its insurance policy for data breaches in the cloud, in accordance with the insurance policy that we hold.

Additional advice was sought by the IT Coordinator from KAON Security (an IT security partner that provides advice and support in the human factors side of information security) as to who is responsible for the breach in the cloud that compromises our data. KAON Security advised the following:

“It’s shared responsibility but ultimately you [Council] are responsible regarding the Data Breach if it just affects your organisation. If multiple organisation’s are impacted then it is potentially the outsource provider, but not necessarily so – it depends on the detail.

In outsourcing you have to be very aware of the Contractual/SLA fine print related to security aspects, but your data is ultimately your responsibility.”

With the information provided it seems Council would be covered by insurance under our policy, however the advice from KAON Security suggests that Council could be responsible depending on the contract we have with the cloud operator.

In the current environment of cyber security breaches, it could be reasonably expected that there will be a tightening of insurance policy exposure for insurance organisations along with a comparative cost increase.

Council will continue to work with our cloud providers to understand what their and our obligations are under the contract, if a breach occurs. Additionally, Council officers will engage with insurance providers to further understand our coverage and liability if there is a breach of the cloud. AFS, Council’s internal auditors, have been requested to undertake a Cyber Security and Governance analysis and provide a report on Council’s exposure.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE note the information contained in this briefing.
Support Attachments
Nil

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

11.3. Occupational Health and Safety Management Report

File Number	E3937	Responsible Officer	OH&S Officer, Michelle Foster
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Purpose

The purpose of this report is to provide an update on Mansfield Shire Council's occupational health and safety management system.

Executive Summary

Council's Occupational Health and Safety Officer continues to establish, implement and maintain Council's occupational health and safety management system, in consultation with Council's Health and Safety Representatives, and in accordance with the Occupational Health and Safety Act 2004 and the Occupational Health and Safety Regulations 2017.

This report has been developed to provide the Audit and Risk Committee with an overview of Council's occupational health and safety performance for the previous quarter.

Key Issues

WorkSafe Victoria

Legislation Update

Council has been added to WorkSafe Victoria distribution list for updates and key communications on the proposed Occupational Health and Safety Amendment (Psychological Health) Regulations.

On 21 October 2022 WorkSafe Victoria advised Council "that the Victorian Government will continue to review stakeholder feedback and progress the proposed regulations early 2023. WorkSafe and the Victorian Government will continue developing the proposed Psychological health compliance code (the code), supporting guidance and practical tools concurrently with the regulations".

WorkSafe Visit

No WorkSafe inspections were undertaken. No Prohibition or Improvement Notices were received.

WorkCover

No new Workers Injury Claim Forms were received.

WorkSafe Articles

One article from WorkSafe Victoria was issued:

- Beware of hidden hazards in flood clean-up

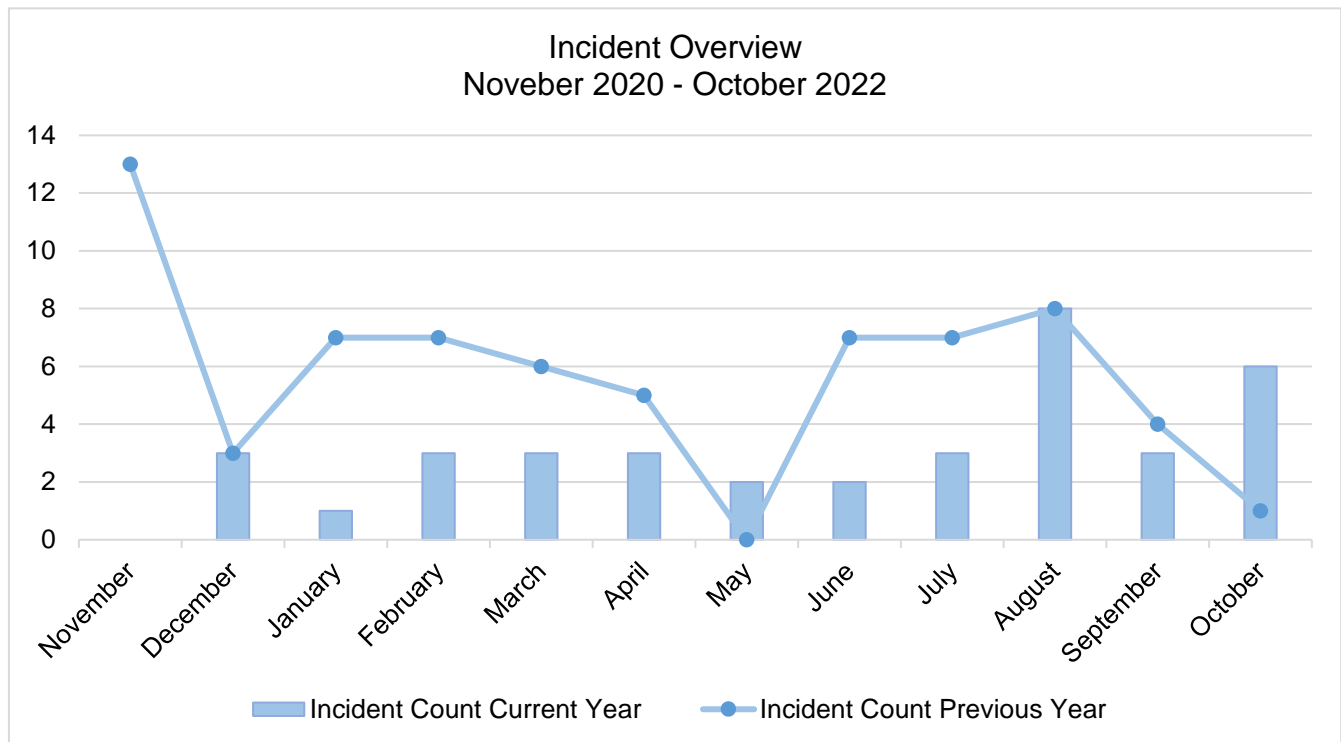
Incidents

Incident Summary

Nine incidents were reported. Three incidents resulted in property damage, three incidents resulted in injuries and three incidents were near misses.

Annual Incident Overview

The graph below depicts the total number of incidents per month over the last 12 months. The graph also illustrates the total number of incidents per month for the previous 12 months.



Incident Investigation

No incident investigations were undertaken.

Workplace Inspections

No workplace inspections were undertaken.

Risk Assessment

One risk assessment was undertaken at the Mansfield Botanic Park. This risk assessment was undertaken to determine safe access and egress for members of the community with mobility issues.

Hazard and Risks

No hazards were raised. One hazard was closed. Two hazards remain outstanding. The Occupational Health and Safety Hazard and Risk Register as of 31 October 2022 is included as an attachment to this report.

Training and Induction

OHS Induction

Council’s Occupational Health and Safety Induction continues to be undertaken.

Training

One employee completed Construction Induction Training. Two employees completed School Crossing Supervisor Training.

Occupational Health and Safety Committee

One OHS Committee Meeting was held. The next OHS Committee Meeting is scheduled for Wednesday 7 December at 12.00pm in Council Chambers.

Internal Reports / Documents

No updates were made to Council's occupational health and safety management system and intranet.

COVID-19

Face masks, hand sanitiser and alcohol wipes continue to be distributed.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE receive this report.
Support Attachments
1. Occupational Health and Safety Hazard Risk Register as at 31 October 2022 [11.3.1 - 1 page]

Considerations and Implications of Recommendation

Sustainability Implications

Not applicable.

Community Engagement

Not applicable.

Collaboration

Not applicable.

Financial Impact

Not applicable.

Legal and Risk Implications

Not applicable.

Regional, State and National Plans and Policies

Not applicable.

Innovation and Continuous Improvement

Not applicable.

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.2 Building organisational capacity through its people

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

12. Internal Audit

Duties and responsibilities of the Committee:

- a. Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- b. Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- c. Review progress on delivery of annual internal audit plan;
- d. Review and approve proposed scopes for each review in the annual internal audit plan;
- e. Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- f. Meet with the leader of the internal audit function at least annually in the absence of management;
- g. Monitor action by management on internal audit findings and recommendations;
- h. Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work;
- i. Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change;
- j. Recommend to Council, if necessary, the termination of the internal audit contractor.

12.1. Internal Audit Status Reports

File Number	CM1819.030	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

This report provides a status update on Council’s Internal Audit program.

Executive Summary

Council's Risk Management Strategy requires the management of risk in accordance with best practice and compliance with Standard AS/NZS 31000 2009. Under the Standard, a risk management process follows a systematic application of policy, procedures, and practices to the tasks of context identification, analysis, evaluation, treatment, monitoring, and communication. The internal audit process is an essential tool in this process.

Key Issues

Refer to the Internal Audit Program Status and Industry update reports provided by AFS & Associates, Council’s Internal Audit providers.

For 2021-22, AFS have provided their report on Contract Management which council is responding to.

It is also proposed that the following reviews be undertaken in 2022-23:

1. Statutory Planning - underway
2. Cyber Security Strategy and Governance
3. Infrastructure Asset Management
4. Information Privacy and Records Management
5. Data Mining – Procurement and Accounts Payable

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receives and notes the Internal Audit Program Status Report and Industry Update – Recent Reports and Publications of Interest.

Support Attachments

1. AF S- Industry Update - 21 Nov 22 [12.1.1 - 12 pages]
2. AF S- Status Update - 21 Nov 22 v 2 [12.1.2 - 4 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

13. External Audit

Duties and responsibilities of the Committee:

- a. Annually review and approve the external audit scope and plan proposed by the external auditor;
- b. Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information;
- c. Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner;
- d. Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- e. Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- f. Meet with the external auditor at least annually in the absence of management.

13.1. VAGO Status Report November 2022

File Number	E10025	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			
VAGO provide monthly activity status report updates – this report is for November 2022.			
Executive Summary			
The Committee note the content of the status report.			
Key Issues			
In May 2022, VAGO issued their report on Fraud control over Local Government Grants – the report contains 9 recommendations for all Victorian Councils about strengthening fraud controls and improving their guidance and training for grant-related fraud. Council officers will review the report and develop responses to each recommendation.			
Recommendation			
THAT THE AUDIT AND RISK COMMITTEE note the VAGO Status Report for November 2022.			
Support Attachments			
1. VAGO status report November 2022 [13.1.1 - 23 pages]			

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

13.2. VAGO Closing Report and Final Management Letter 2021-22

File Number	E7397	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			
VAGO have provided their Closing Report and Final Management Letter for the 2021-22 audit.			
Executive Summary			
The Committee note the VAGO's Closing Report 2021-22 and VAGO's Final Management Letter 2021-22.			
Key Issues			
VAGO have commented in the Closing Report that:			
<ul style="list-style-type: none"> - Based on our audit, we concluded that the financial report is presented fairly. We also concluded that the performance statement is presented fairly. - We issued unmodified audit opinions. - There are no outstanding audit matters. 			
Recommendation			
THAT THE AUDIT AND RISK COMMITTEE note VAGO's Closing Report and Final Management Letter for 2021-22.			
Support Attachments			
<ol style="list-style-type: none"> 1. Mansfield Shire Council - Closing Report 2021-22 [13.2.1 - 22 pages] 2. Mansfield Shire Council - Final Management Letter 2021-22 [13.2.2 - 13 pages] 			

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report does not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

14. Compliance Management

Duties and responsibilities of the Committee:

- a) Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;
- b) Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- c) Obtain briefings on any significant compliance matters; and
- d) Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC, Victoria Government Inspectorate, etc. and monitor Council's responses.

No Compliance Management reports for November 2022 Audit and Risk Committee Meeting

15. Other Business

16. Next Meeting

The next meeting of the Audit and Risk Advisory Committee will be held on Monday 27 February 2023 at 2.30pm.

17. Close of meeting