



Mansfield Shire

Audit and Risk Committee

Monday 26 February 2024

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 Steve Rabie (Mayor)
Cr Mark Holcombe

Officers

Kirsten Alexander, Chief Executive Officer
Melissa Crane, General Manager Infrastructure & Planning
Julie Williams, General Manager Business & Economic Development
Michael McCormack, Financial Controller
James Alcaniz, Coordinator Financial Planning & Analysis
Jane Carter, Interim Governance and Risk Coordinator
Travis Derricott, Sector Director, Financial Audit - Victorian Auditor-General's Office
Bradley Ead, AFS and Associates – Internal Auditor

Members

Peter Johnston (Chair)
Jane Watson
Moh-Lee Ng

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Agenda

1. Opening of the Meeting

2. 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.

3. Apologies

The Chair will call on the CEO for any apologies.

4. 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."

5. 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.

6. Confirmation of Minutes

Recommendation

THAT the Minutes of the Mansfield Shire Council Audit and Risk Committee Meeting held on 27 November 2023 be confirmed as an accurate record.

7. Administrative Items

7.1. Review of Audit and Risk Committee Charter

File Number	E9616	Responsible Officer	Interim Coordinator Governance & Risk, Jane Carter
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Purpose

To seek endorsement from the Audit and Risk Committee of the reviewed and updated Audit and Risk Charter, for presentation to Council for adoption.

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. The Charter was endorsed by the Audit and Risk Committee in November 2022 and approved by Council in March 2023.

The reviewed Charter was presented to the Audit and Risk Committee in November 2023 and it was requested that Committee members provide feedback to the Interim Coordinator Governance and Risk by 18 December 2023. Feedback was received from one Committee member to update the wording in Clause 11.1 Quorum and Voting.

Subject to Audit and Risk Committee endorsement, the Charter will be presented to Council for approval at the March 2024 Council meeting.

Key Issues

The attached marked up version of the reviewed Charter contains amendments as follows:

1. the constitution of a quorum – to include at least one Councillor in attendance to achieve a quorum (the revised wording includes feedback provided post the November meeting to change ‘and’ to ‘including’ in Clause 11.1); and
2. voting requirement - the inclusion of the Chairperson holding a casting vote on occasions where there is an equal tally of votes on a matter.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE endorse the updated Audit and Risk Committee Charter for consideration at the March 2024 Council Meeting.

Support Attachments

1. Tracked Changes - Audit and Risk Committee Charter 2024 [7.1.1 - 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

7.2. Annual Work Plan 2023-24

File Number	E9616	Responsible Officer	General Manager Business & Economic Development, Julie Williams
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Purpose

This report presents an update on the Annual Work Plan for information to the Committee.

Executive Summary

The Local Government Act 2020 (the Act) and Council's Audit and Risk Committee Charter require the adoption of an annual work plan.

The Work Plan was adopted at the August 2023 Audit and Risk Committee (ARC) meeting and will be presented at each ARC meeting with a comment on progress and/or actions.

Key Issues

The Annual Work Plan is presented for information and any agenda papers relating to items on the work plan are noted. Other information will be provided through a verbal report by the General Manager Business and Economic Development.

Minutes for the Audit and Risk Committee are provided to the next Council Meeting following the ARC meeting; the next Council Meeting is scheduled for Tuesday 19 March 2024.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the Annual Work Plan update.

Support Attachments

1. Annual Work Plan Feb 2024 [7.2.1 - 3 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*.

7.3. Action Item and Open Audit Recommendations Registers

File Number	E9616	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

This report presents the Action Register and the Audit Recommendations Register for consideration by the Committee and to provide information on progress against the actions.

Executive Summary

The Action Register is generated for each Audit and Risk Committee (ARC) meeting and lists the items that require action from previous ARC meetings. There were 9 actions closed post the 27 November 2023 meeting, 9 actions remain open with one item not yet due, and eight items in progress with expected completion dates detailed in the register.

The Audit Recommendations Register is a report on progress against the recommendations from all internal and external audits. 3 items have been completed since the 27 November meeting and 21 items are open and progressing, with 10 items not yet due for completion.

Key Issues

Action Register

This register lists the items raised at Audit and Risk Committee meetings whereupon council staff have undertaken to follow up questions/queries raised by the committee. The Action Register informs the agenda for the ARC meeting and timelines for business unit presentations to ARC.

Audit Recommendations Register

This register lists the audit recommendations related to both internal and external audits and lists the status of Council's actions in response to the recommendations. The register has been updated for the VAGO 2023 audit and the AFS Procurement audit findings. Of the 20 items in progress comments are included in the update column, with expected completion dates. Additional recommendations will be added as audits are completed as part of the internal and external audit schedule or any additional audits that take place.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE notes the Action Register and the Audit Recommendations Register as of 20 February 2024.
Support Attachments
1. Action Register as at 20 February 2024 [7.3.1 - 3 pages]
2. Audit Recommendations Register as at 20 February 2024 [7.3.2 - 9 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 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

7.4. Council Service Area Presentations

File Number	E10900	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

To seek feedback and suggestions for future presentations to the Audit and Risk Committee from Council service areas.

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 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
February 2023	Landfills	General Manager I&P
May 2023	Customer Service	General Manager CCS
November 2023	Capital Works	General Manager I&P
February 2024	Compliance & Local Laws	General Manager I&P
Future		
May 2024	Project CODI	Craig Willingham
August 2024	[For Committee discussion]	
November 2024	[For Committee discussion]	

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the presentations to the Committee to date and provide suggestions for future presentations through the Chair to the General Manager Business & Economic Development

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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

7.5. Compliance & Local Laws Presentation

File Number	E10900	Responsible Officer	General Manager Infrastructure & Planning, Melissa Crane
Purpose			

To provide the Audit and Risk Committee with an overview of the Compliance and Local Law program for the 2023/24 Financial Year.

Executive Summary

This presentation will cover the Compliance and Local Law program for the 2023/24 Financial Year.

Key Issues

Council's Compliance and Local Law program is run through the Community Safety department, under the direction of the Coordinator Compliance.

The following tasks are managed through the unit:

1. Planning Regulation Compliance
2. Building Regulation Compliance
3. Essential Services Regulatory requirements
4. Local Laws (Local Laws Officers and Local Law Permits)
5. School Crossing management and provision of school crossing supervisors.

The unit is staffed by one full-time Coordinator, one full-time administrative support customer service officer, 1.4FTE Local Laws Officers and part-time school crossing supervisors. The coordinator also supervises a part time (currently 1 day per week) contract Municipal Building Surveyor. Council does not issue building permits at this time.

The work undertaken by the unit in relation to compliance includes:

- Ensuring that land use and development within the Shire of Mansfield complies with the *Planning and Environment Act 1987*, Mansfield Planning Scheme, Planning Permits, Section 173 agreements and the *Building Act 1993*.
- Supporting the community by ensuring that adverse amenity impacts are not suffered by third parties due to the actions or inaction of landholders and occupants of land.
- Ensuring that the level of compliance response is directly related to the nature and seriousness of the risk presented and is applied in a consistent manner.

The unit works in a conciliatory manner, working to achieve compliance through negotiation and cooperation rather than working in a punitive manner. The team also work to use the compliance process as an educational tool to minimise future breaches.

Sometimes a person may not be aware that they have breached legislation. However not knowing is not a reason for continuing not to comply and once someone is aware, the non-compliance should cease. Low levels of non-compliance may most effectively be dealt with by informing the person of the breach. Upon being notified of a potential breach, Council officers

make contact with the relevant party and provide advice on what is required to assist with compliance. Once someone is made aware of their obligations, Council officers require the non-compliant action to cease until the matter is resolved. Serious or continued breaches may require a warning which may take the form of a simple letter or an Official Warning. Warnings may be given prior to Council issuing a fine or initiating prosecution. All warnings will always be in writing.

For severe breaches or refusal to comply, issuing fines or requiring remedial actions by way of a Stop Works Notice, an Infringement Notice, applying to VCAT for an Enforcement Order, or undertaking prosecution in the Magistrates Court are undertaken as necessary. Legislation may compel Council to take this action for example, due to the severity of the risk to public safety.

Council officers undertake an assessment of the level of action required depending on the severity and the type of offence. For example, when considering compliance with the *Planning and Environment Act 1987*, Council officers apply the following logic:

		Severity of Offence				
Type of offence		No impact on other parties and or environment	Slight impact on other parties and or small environmental impact	Moderate impact on other parties and or moderate environmental impact	Significant impact on other parties and or significant environmental impact	Catastrophic impact on other parties and or catastrophic or irreversible impact on the environment
	Deliberate or negligent offence or failure to comply with a planning permit or any failure to comply with the requirements of a section 173 agreement	PIN with Expiation. Enforcement order if PIN not complied with.	PIN with Expiation. Enforcement order if PIN not complied with.	PIN with Expiation. Enforcement order if PIN not complied with.	PIN with Expiation. Enforcement order if PIN not complied with.	Magistrates Court & Enforcement order
	Reckless offence or failure to comply with a planning permit or any failure to comply with the requirements of a section 173 agreement	Expiation letter. PIN with Expiation if non compliant	Expiation letter. PIN with Expiation if non compliant	Expiation letter. PIN with Expiation if non compliant	PIN with Expiation. Enforcement order if PIN not complied with.	PIN with Expiation. Enforcement order if PIN not complied with.
	Accidental offence or failure to comply with a planning permit or any failure to comply with the requirements of a section 173 agreement	Warning letter. No further actions required	Expiation letter. PIN with Expiation if non compliant	Expiation letter. PIN with Expiation if non compliant	PIN with Expiation. Enforcement order if PIN not complied with.	PIN with Expiation. Enforcement order if PIN not complied with.
	Inadvertent offence or failure to comply with a planning permit or any failure to comply with the requirements of a section 173 agreement	Warning letter. No further actions required	Warning letter. No further actions required	Expiation letter. PIN with Expiation if non compliant	PIN with Expiation. Enforcement order if PIN not complied with.	PIN with Expiation. Enforcement order if PIN not complied with.

Council officers take any formal action very seriously and work to achieve a compliant outcome as a matter of course. Any formal action through VCAT or the Magistrates Court is only undertaken with Executive Management approval.

For the Local Laws area, Council will be undertaking a review of the Community Local Law this year with the objective of making sure that we are only regulating things that we need to regulate and ensuring that the laws are more accessible for the community. The current local law, which can be found at Attachment 1, provides for regulations across the following areas:

1. Public Places and Roads
2. Council Infrastructure
3. Amenity and Safety
4. Animals, Birds and Livestock

5. Waste Collection Service
6. Building sites

The Local Law details when permits are required and what parameters will be considered in the issuing of those permits. The officers also undertake regular patrols of the municipality, with a reasonable amount of their time used for management of domestic animal management issues and parking management.

The Local Laws Officers also manage the School Crossing Program, with part time school crossing supervisors employed by Council to service the following crossings:

1. Hihett Street, East and West (near the Mansfield Primary School)
2. Hihett Street (near the Rudolf Steiner School)
3. Chenery Street
4. Malcolm Street (near St Mary's Primary School)
5. Apollo Street
6. View Street (unmanned – serviced with the placement and removal of flags each day)

Council officers work hard to make sure the school crossings are as safe as possible, with regular inspections undertaken to identify any areas for improvement. Recently, line marking was upgraded at crossings to better delineate the crossings for road users. In addition, Council officers work with the local schools to promote appropriate behaviour for users of the crossings.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE receive and note the presentation on the Compliance and Local Law Program.
Support Attachments
1. adopted-amentiy-environment-and-community-protection-local-law-no 1-2018 [7.5.1 - 59 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

The compliance unit works withing the existing operational budget of Mansfield Shire Council. Some funding is provided to Council to support the School Crossing Supervisor program. This is supplemented by Council funds to deliver the service; approximately 50% of the cost is met by Council.

Legal and Risk Implications

Compliance actions are only undertaken by Authorised Officers who have been delegated that authority under Section 47(1) of the *Local Government Act 2020*.

Regional, State and National Plans and Policies

The unit generally works within the following legislation:

- *Infringements Act 2006*
- *Building Act 1993*
- *Planning and Environment Act 1987*
- *Planning and Environment Regulations 2015*
- *Subdivision Act 1988*
- *Victorian Civil and Administrative Tribunal Act 1998*
- *Victorian Civil and Administrative Rules 1998*
- *Local Government Act 2020*
- *And associated regulations pertaining to those Acts.*

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.

7.6. Audit and Risk Committee Report to Council

File Number	E10900	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			
This report provides the opportunity for the Audit & Risk Committee to consider and provide input into the Committee's biannual report to Council.			
Executive Summary			
The Audit & Risk Committee Charter and the <i>Local Government Act 2020</i> require the Audit & Risk Committee to present a biannual report on its activities, findings and recommendations for tabling at a Council meeting.			
A proposed report has been prepared and is presented for the Committee's review and comment.			
It is anticipated that the final report will be tabled at the March 2024 Council Meeting.			
Key Issues			
The Audit & Risk Committee Charter and the <i>Local Government Act 2020</i> require a biannual report to Council. In accordance with the Annual Work Plan of the Committee, the report should be prepared and considered at the August (activities for the preceding year ending 30 June) and February (activities for the preceding half year ended 31 December) Committee meetings.			
The Chair of the Audit and Risk Committee offers the attached report as fulfilling the requirements under section 9.4 (d) of the charter to facilitate a biannual audit and risk report that describes the activities of the Committee and includes its findings and recommendations. The attached report is for the six months to 31 December 2023.			
Recommendation			
THAT THE AUDIT AND RISK COMMITTEE provide a report describing the activities, findings and recommendations for the six months ending 31 December 2023 to the Chief Executive Officer for tabling at the 19 March 2024 Council Meeting.			
Support Attachments			
1. Audit & Risk Committee Report to Council _ Dec 2023 [7.6.1 - 8 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 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.

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.

8. 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.

8.1. Quarterly Finance Report

File Number	E39	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

This report provides information on Council's financial performance against the 2023-24 Budget for the period 1 July 2023 to 31 December 2023.

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 2023-24 financial year at its meeting of 28 June 2023. Subsequently Council adopted financial 2022-23 carry forwards at its meeting of 28 November 2023. The Audit and Risk Committee received detail of the carry forwards at its meeting of 27 November 2023.

This report explains material variances between the year-to-date actual financial results and the Budget 2023-24 adjusted for the approved carry forwards. Favourable variances are reported as positive values, while unfavourable variances are shown as negative values in the attached reports.

Key Issues

Operating Finance Report

Operating Income & Expenditure Actual against Budget

The year-to-date operating result is favourable against the 2023-24 Budget by \$640 (3%). Major variances are summarised below.

Favourable Variances:

- Interest income is \$345K favourable to budget due to higher than budget cash investments and higher interest rates.
- Other Income is \$162K higher than budget largely reflecting higher property rental income associated with Council land, reserves, buildings and sporting centres (\$108K), higher sundry income from the resource recovery center (\$50K), and above budget Visitor Information Centre income (\$6K).
- General rates income is \$67K higher than budget due to higher ratepayers than estimated at budget.
- User Charges income is \$83K higher than budget largely due to higher Environmental Health Services registration fees (\$64K), and higher cemetery income (\$31K), with these variances partly offset by lower than budget kerbside recycle collection income.
- Materials and contracts expenditure is \$1,752K lower than budget largely as a result of:

- granted funded projects underspend against budget including the digital transformation project (\$462K), Youth Bushfire Recovery programs (\$246K), and the Social Inclusion Action Group program (\$137K)
- lower kerbside collection expenditure contract payments (\$132K) and waste disposal expenses (\$103K)
- lower expenditure across operations activities of strategic planning (\$256), engineering services (\$171K), and integrated water management (\$90k)
- lower roads expenditure largely associated with rural roads (\$160).

Unfavourable Variances (overspend or decreased income)::

- Non-recurrent operational grant income is \$200K lower than budget largely due to the net of the following variances:
 - lower than budget Youth Bushfire Recovery income (\$316K)
 - lower than budget operations income related to strategic planning (\$249K)
 - lower than budget Emergency Incident Support (\$249K)
 - lower than budget Central Registration and Enrolment Scheme (\$59K)
 - lower than budget Maternal & Child Health Enhanced Income (\$40K).

partly offset by the following

- higher than budget resource recovery centre project income (\$197k)
- higher than budget income recognised for the Goughs Bay Boat Club Redevelopment Project (auspiced funded project) (\$444K),
- the digital transformation project revenue above budget (\$68K).
- Recurrent operational grant income is \$1,080K lower than budget largely due to
 - lower Financial Assistance Victorian Grants Commission income (\$538K) due to 100% of the funding being received in the prior financial year
 - lower Local Roads Operations Victorian Grants Commission income (\$505K) – as per comment above regarding receipt of income in the prior year
 - lower Social Inclusion Action Group income recognised (\$50K).
- Employee costs unfavourable variance of \$594K reflects:
 - higher than budget Workcover expenditure (\$140K) additional resourcing required to support emergency activities, partly offset by savings arising from vacant positions
 - Higher expenditure on annual leave, and long service leave than budgeted (\$206K) (of which a portion will be expensed to the provision at year end)
 - expenditure associated with grant projects that are funded including:
 - Digital Transformation Project (\$121K)
 - Environmental Health Services (\$65K)
 - Emergency Incident Support (\$44K).

Capital Finance Report

Capital Income & Expenditure Actual against Budget

The net year to date capital works variance (net of capital income) is \$4,602K favourable (117%) compared to the 2023-24 year to date Budget. Major variances are summarised below.

Favourable Variances:

- Non-recurrent capital grant income is above budget by \$701K largely due to receipt of \$850k of HVAR (HV6 Greenvale Rd, Mt Battery Rd) income received earlier than budgeted
- Materials and Contracts favourable variance of \$5,046K is the result project timing variances including the following larger projects/programs:
 - IMPACT Route project (\$3,415)
 - Heritage Facility (Station Precinct) project (\$1,315K)
 - Drainage works projects (\$1,132K)

Unfavourable Variances:

- Recurrent capital grant income is unfavourable to budget by \$969K largely due to the Roads to Recovery income not yet received (\$1,183), partly offset by a favourable timing variance in the Local Government Infrastructure fund income (\$264K).

Summary of Financial position compared to Budget

Operating Variance	\$534K
Capital Variance	\$4,602K
Total Variance	\$5,136K

*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 = 4.06 (406%), 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 (included in Receivables \$9,065K – adjusting for this amount the ratio would be 2.38 (238%)). Only two of the four instalments have fallen due as at 31 December 2022.

CEO Statement

Based on the analysis and review of the budget, actual year to date result and other known financial factors as at 31 December 2023, it is considered that a revised budget for the purposes of s95 of the Local Government Act 2020 is not required.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE notes the Budget Report for the period 1 July 2023 – 31 December 2024.
Support Attachments
1. Quarterly Finance Report [8.1.1 - 7 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

The 2023-24 budget engagement process facilitated opportunities for community input to and feedback on Council's budget.

Collaboration

Not Applicable

Financial Impact

Not Applicable

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.

8.2. Investment Schedule

File Number	E5001	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

A report on the status of Council's investments as at 31 January 2024 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 is attached for the Committee's information.

Council is currently compliant with its Investment Policy.

The current average interest rate for investments is 5.18% (excluding cemetery trust investments). The current average interest rate and the volume of investment for 2023-24 are higher than the 2023-24 budget.

The 2023-24 budget for interest income is as follows:

Program	2023-24 Budget
Interest Income	(260,100)
Finance Investments	(200,000)
Rates - Late Payment Interest	(55,000)
Jamieson - Cemetery	(2,000)
Mansfield - Cemetery	(1,500)
Merton - Cemetery	(100)
Bonnie Doon - Cemetery	(1,500)

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receive and note the Investment Portfolio Report as at 31 January 2024.

Support Attachments

1. Investment Report January 2024 [8.2.1 - 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 typically 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.

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.

8.3. Debt Schedule

File Number	E3627	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

A report on the status of Council's loans as at 31 January 2024 is presented to the Audit and Risk Committee (ARC) for noting.

Executive Summary

Borrowing can be an effective way to fund important Council priorities, including capital works investments. When used responsibly, loans help spread the burden of large investments across the generations that will benefit from those investments.

Council loan activities are governed by Councils Borrowing and Debt Management Policy 2021. Regular reporting to the ARC in relation to Council borrowings is considered good governance practice.

Key Issues

The loan portfolio as at 31 January 2024 is presented in the table below.

Loan No.	Lender	Loan Type	Start date	Loan Amount	Loan Balance 31/01/2024	Weighted Average Interest Rate	Maturity Date	Purpose of Loan
15	NAB	Amortising Principal	30/05/2014	\$2,200,000	\$1,032,031	5.780%	30/05/2029	Family and Children's Centre / Superannuation Liability
16	NAB	Amortising Principal	27/03/2015	\$800,000	\$395,358	4.190%	27/03/2030	Capital Works Program incl. Mansfield Recreation Reserve Redevelopment
17	TCV	Amortising Principal	27/06/2022	\$2,632,000	\$2,310,507	4.655%	27/06/2032	Heavy Vehicle Alternative Route
18	TCV	Amortising Principal	3/04/2023	\$600,000	\$563,029	4.120%	3/04/2033	High Street Car Park
Total				\$6,232,000	\$4,300,926	4.817%		

The total outstanding loan balance at 31 January 2024 of \$4,300,926 is below the Treasury Corporation of Victoria (TCV) 2023-24 annual borrowing limit of \$4,968,000. Refer to the Sustainability Implications consideration below for further detail.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receive and note the Loan Portfolio report as at 31 January 2024.

Support Attachments

Nil

Considerations and Implications of Recommendation

Sustainability Implications

Treasury Corporation of Victoria (TCV) 2023-24 annual borrowing limit effective November 2023 is \$4,968,000 (TCV Borrowing Limit).

This limit represents the total amount that can be financed from TCV (including loans approved under the Community Sports Infrastructure Loan and Community Infrastructure Loan Schemes) or other financial institutions.

The TCV Borrowing Limit is based on a credit assessment of the Mansfield Shire Council by the Department of Treasury and Finance. The credit assessment is completed annually based on end of financial year results. The prior year borrowing limit was \$4,910,000.

Community Engagement

Not applicable

Collaboration

Not applicable

Financial Impact

The 2023-24 interest expense budget is \$227,833. Cash interest payments in 2023-24 are \$210,794.

Legal and Risk Implications

Interest rates on the loans are fixed, mitigating Council's financial risk to higher borrowing interest rates.

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

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.

9.1. Policy Register Status Update

File Number	E3627	Responsible Officer	Interim Coordinator Governance & Risk, Jane Carter
Purpose			

To present the updated Policy Register to the Audit and Risk Committee.

Executive Summary

The Coordinator Governance & Risk is responsible for maintaining a register of all policies and their review dates. The policies register is attached.

The Governance team aims to advise managers of upcoming revision dates, approximately four months ahead, to allow time to comply with the review process.

Key Issues

The Interim Coordinator Governance & Risk and Governance Officer have reviewed and updated the current register based on feedback obtained from the relevant managers on progress against the review dates.

The Policy Register incorporates comments to accurately reflect the status of each policy. There are 14 policies that have not been reviewed by the due date, down from 21 at the last Audit and Risk Committee (ARC) meeting. Additional resourcing has been allocated to review outstanding overdue policies with the fixed term appointment of a Governance Officer in December 2023.

The below policies were endorsed at the November 2023 and December 2023 Council meetings:

1. Community Grants Policy
2. Risk Management Policy
3. Street Tree Policy
4. Conflict of Interest Policy

The Emergency Resilience Policy was revoked at the November 2023 Council meeting.

The Financial Hardship/Rate and Debtor Relief Policy and Special Rates and Charges Policy were reviewed at the December 2023 and February 2024 Councillor Briefings and will be presented to Council for endorsement on completion of community consultation. Feedback received on the Risk Management Policy from the Audit and Risk Committee is currently under review and the policy will be re-presented at the next ARC meeting.

The policies below are planned for presentation to Councillors prior to the next Audit and Risk Committee Meeting. Policies identified as being for endorsement by Council may also require community consultation to seek feedback on amendments made to the policy.

	Policy Title	Proposed Action
1.	Property Leasing and Licensing	Endorsement
2.	Customer Service Charter	Endorsement
3.	Community Engagement	Endorsement

4.	Public Spaces Trading	Revocation – proposed to be incorporated into Local Laws review
5.	Public Interest Disclosures	Endorsement
6.	Statutory Planning Applications – Referral to Council	Endorsement
7.	Development Compliance	Endorsement
8.	Waste Management Services	Revocation
9.	Acknowledgement of Traditional Custodians of Land	Endorsement
10.	Media and Communications	Endorsement - proposed to be updated to a Council Policy from Organisational Policy
11.	Special Rates and Charges	Endorsement

The Policy Register has been comprehensively reviewed and updated with several policies previously listed as being under development now removed from the register as the policies were not progressed for endorsement by Council. These policies are no longer considered to be necessary as they are covered by State or Federal government legislation or regulation, as follows:

- Vaccination (Mandatory) Policy
- Family Violence Policy
- Return to Work and Rehabilitation Policy

The following Organisational Policies have also been identified as being no longer necessary and have been removed from the Policy Register:

	Policy Title	Reason
1.	Community Group Loan Guarantee	No longer a function offered by Council
2.	Payroll	Existing policy was a procedure only and will be retained on the Procedures Register
3.	Performance Reporting	Superseded by Local Government Act (LGA 2020) and Local Government Performance Reporting Framework
4.	Protocol for Addressing Mayor/Councillors	Existing policy was a procedure only and will be retained on the Procedures Register
5.	Advisory Committees	Superseded by new LGA 2020 provisions and the adopted Community Engagement Policy (requirement of LGA 2020)
6.	Out of Hours Call Out	To be reviewed and incorporated into Occupational Health and Safety Procedures
7.	Alcohol & Other Drugs	Incorporated into Occupational Health and Safety Procedure and Staff Code of Conduct
8.	Induction and Onboarding	Existing policy was a procedure only and will be retained on the Procedures Register

9.	Receipting and Banking	Existing policy was a procedure only and will be retained on the Procedures Register
10.	Retentions, Deposits, Bonds & Securities	Existing policy was a procedure only and will be retained on the Procedures Register
11.	Salary Packaging (Salary Sacrifice)	Existing policy was a procedure only and will be retained on the Procedures Register

The Procedures Register will be updated to reflect the changes proposed above and will include dates for review of the Organisational Procedures proposed to be retained. This Register will be presented to the Executive Management Team on a quarterly basis to ensure regular review and update of the Organisational Procedures and good governance.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the Policy Register as of 12 February 2024.

Support Attachments

1. Policy Register as at 12 February 2024 [9.1.1 - 2 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

All work to review and update policies has been undertaken internally by Council Officers within existing staff resources.

Legal and Risk Implications

A robust review and policy management process minimises the risk of out-of-date policies and non-compliance with policies.

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 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

9.2. Fraud and Corruption Control Policy

File Number	E698	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

To obtain Audit and Risk Committee endorsement of the updated Fraud and Corruption Control Policy for presentation to Council for review and approval.

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, including those related to fraud and corruption risk management.

Key Issues

The Audit and Risk Committee Charter (Section 4.4) requires the Committee to adopt a workplan that includes a review of Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least every two years. The Committee last reviewed the Fraud and Corruption Control Policy in February 2022.

A review of the Council Fraud and Corruption Control Policy has been completed and a revised and updated Policy has been developed with minor changes made. As no material changes have been made to the content of the existing policy, it is not considered necessary to undertake community engagement. A copy of the tracked changes Policy is attached for reference.

A review of the Organisational Fraud Control Plan is underway to extend the Plan to incorporate corruption for consistency with the policy.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE: note the revised Fraud and Corruption Control Policy for review and approval by Council.

Support Attachments

1. DRAFT Fraud and Corruption Control Policy 2024 [9.2.1 - 8 pages]
2. Tracked Changes - Fraud and Corruption Control Policy 2024 [9.2.2 - 8 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

This Fraud and Corruption Control Policy is an important component of Council's robust governance and risk management environment and intended to foster a strong Council culture of ethical behaviour.

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 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

10. 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.

10.1. Occupational Health and Safety Management Report

File Number	E10666 (2023) E11408 (2024)	Responsible Officer	Occupational Health and Safety Officer, Richard Howie
Purpose			

This report provides an update on Mansfield Shire Council's Occupational Health and Safety Management System.

Executive Summary

Council's Occupational Health and Safety Officer continues to maintain Council's Occupational Health and Safety (OHS) management system including an OHS Incident Register, OHS Risk Register, Workplace Inspections, Hazard Identification, Risk Assessments, and the Investigation of Incidents.

The OHS officer works 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 the Council's Occupational Health and Safety performance for the previous quarter.

Key Issues

On review of all incidents received and recorded during the reporting period, near misses by contractors while performing works for Mansfield Shire Council have caused concern and resulted in 2 mandatory notifications to WorkSafe. Mandatory notifications were made to WorkSafe due to contractors being exposed to a serious risk to their health or safety emanating from an immediate or imminent exposure to electric shock. See incident investigation below.

WorkSafe Victoria

Legislation Update

The proposed Occupational Health and Safety Amendment (Psychological Health) Regulations are still being considered by the Government. There have been no amendments to the Occupational Health and Safety Act 2004 since October 2022.

WorkSafe Visit

2 notifications to WorkSafe have been made by contractors performing works for Mansfield Shire Council. No WorkSafe Inspections have been conducted and no Prohibition or Improvement Notices were issued.

WorkCover

One new Workers Injury Claim Form was received and accepted.

WorkCover Expert – Safescope

Safescope, a workers compensation expert, has been appointed to provide expert advice and assistance in managing Council's current workers compensation program at a flat fee of \$16,000 for 2023-24, due to the workload associated with current open claims.

Council currently has 5 open claims with 3 in the process of being closed. The history of the 5 claims is below:

- 1 claim was received in 2020 and will impact premiums until 2023-24.
- 3 claims were received in 2022 and will impact premiums from 2023-24 until 2026-27.
- 1 claim was received in 2024 and will impact premiums from 2023-24 until 2026-27.

WorkSafe Articles

- 30 articles from WorkSafe Victoria were issued for this period.
- 12 articles for Safe Work Australia were issued for the period.
- Articles of significance to council employees are distributed to work teams for information.

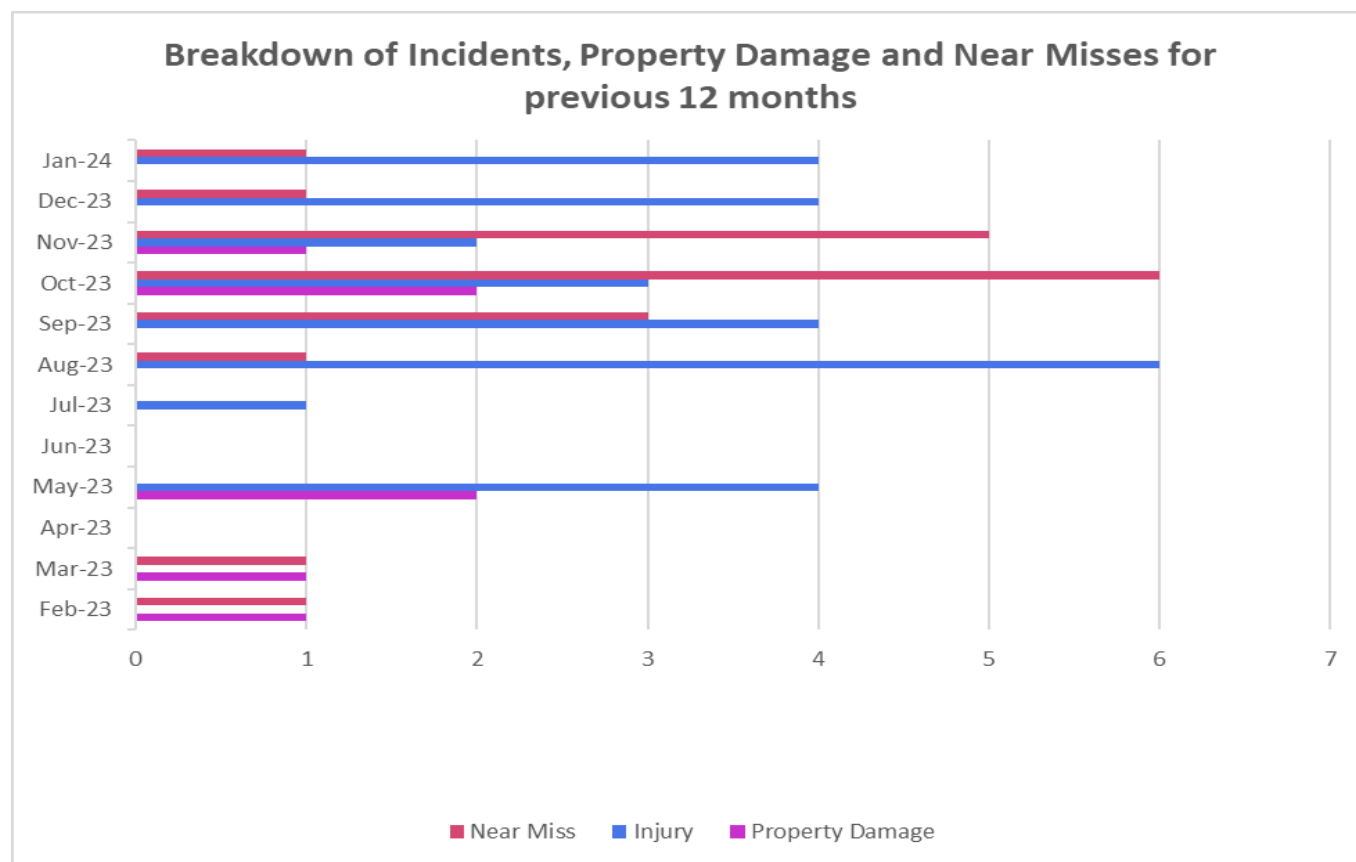
Incidents

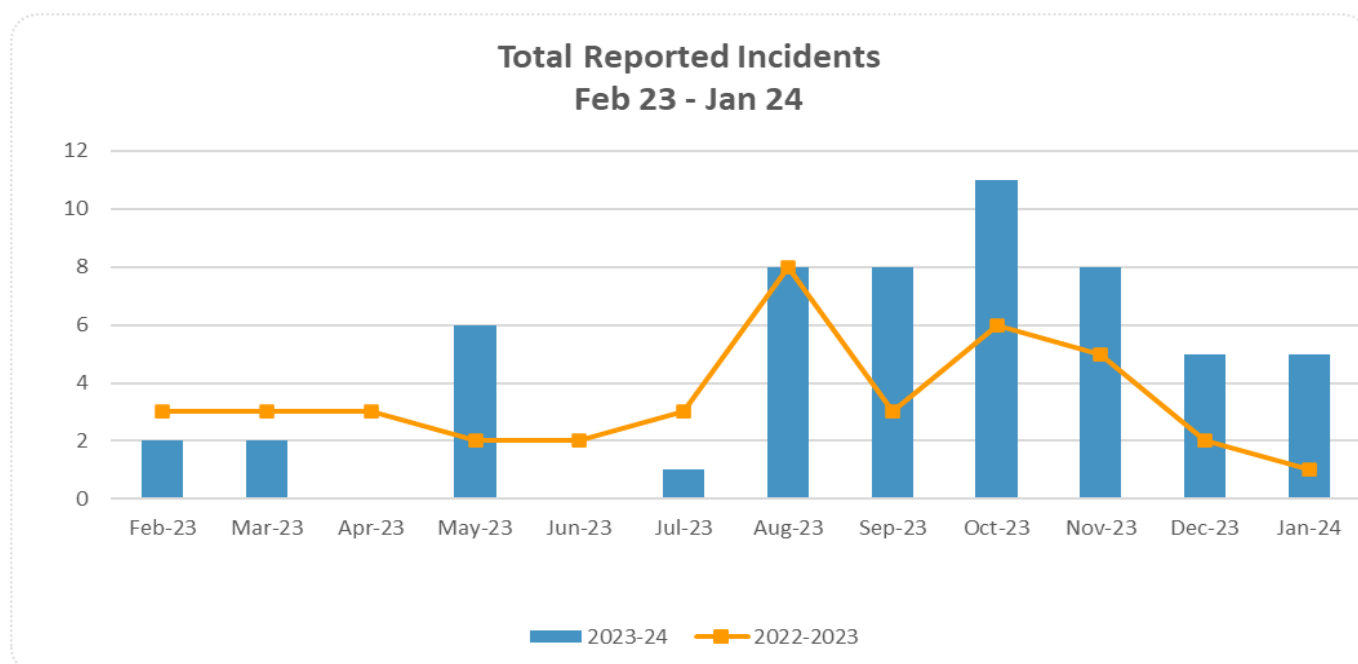
Incident Summary

18 incident reports were received and recorded during November - January. One incident resulted in property damage, ten incidents resulted in injury and seven incidents were near miss incidents.

Annual Incident Overview

The graph below depicts the breakdown of incidents reported including near misses, injuries, and property damage per month over the last 12 months. The second graph illustrates the total number of incidents per month for the previous 12 months.





Incident Investigation

Two incident investigations were undertaken regarding near misses reported by Contractors. Both involved contractors who were conducting work for Mansfield Shire Council encountering power sources.

- Civil Contractors Roller dislodging power feed to a residence on Malcolm Street.
- Civil Contractors Road workers dislodging power feed to a residence in Goughs Bay.

Investigations revealed that workers were not exposed to live power although the risk of injury was high. Each company made a report to WorkSafe.

Workplace Inspections

Eight OHS workplace inspections were undertaken including at the Municipal Cemeteries x 5, Library, Resource Recovery Centre, Maternal and Family Health Centre.

All of Mansfield Shire Council First Aid kits were audited and out of date items replaced and new kits ordered where required.

Risk Assessment

4 Risk Assessments were completed including the risk of snakes in the Visitor Information Centre precinct, 4 day working week for Depot Staff, Remote Travel, and the use of Dash Cameras in L2P Driver Training vehicles.

Hazard and Risks

4 hazards were raised. No hazard remains open.

Training and Induction

OHS Induction

Council's Occupational Health and Safety Inductions continue to be undertaken for all staff commencing in a position at Council. 5 inductions were undertaken during the reporting period.

Training

Training conducted included Forklift Licensing for Depot staff, Conflict Resolution, Sun Smart training, Emergency Relief Centre Training, Duress Alarm training. First aid updates including CPR continued across departments.

Occupational Health and Safety Committee

One Occupational Health and Safety Committee Meeting was held on 1 February 2024. The next Occupational Health and Safety Committee Meeting is scheduled for 30 May 2024 in Council Chambers.

Internal Reports / Documents

Updates were made to the Council's Occupational Health and Safety Management System and OHS policy documents.

- Occupational Health and Safety Committee Meeting Minutes – February 2024.
- OHS officer has reviewed the UV Radiation and Heat Protection Procedure approved by EMT.
- OHS officer has reviewed the Provision of Services during the Bushfire Danger Period.
- OHS Risk Register, Risks across council have been identified and mitigating controls developed for all Mansfield Shire Council high-risk activities.

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
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 2: Vibrant Livability

Strategic Objective 5: Prosperous Industries, businesses, and workforces of the future

Strategy 5.3 Our organisation transparently reports on its performance through a comprehensive reporting and audit framework.

Strategy 5.5 We have a strong framework in place to proactively mitigate risk.

Theme 3: 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

10.2. Risk Management Report

File Number	E3937	Responsible Officer	Interim Coordinator Governance & Risk, Jane Carter
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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.

Mansfield Shire Council's 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 Council.

Key Issues

A quarterly review of the Risk Register has been completed with the Senior Leadership Group, with the updated register as of February 2024 attached to this report.

Since the last Risk Register update to the Committee no additional risks have been identified.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the information contained in the updated Risk Register.

Support Attachments

1. Corporate Risk Register - February 2024 [10.2.1 - 6 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Individual assessments 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 Council Risk Management Policy.

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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

10.3. Related Parties Disclosures

File Number	E9616	Responsible Officer	Governance Officer, Chelsea Young
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Purpose

To update the Audit and Risk Committee on related party disclosures submitted within the last quarter.

Executive Summary

From 1 July 2016, local governments ('Councils') must disclose related party relationships, transactions and outstanding balances, including commitments, in their annual financial statements.

The objective of the Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Council's related parties include the Mayor, Councillors, Chief Executive Officer, senior management, their close family members and any entities that they control or jointly control. Any transactions between Council and these parties, whether monetary or not, may need to be identified and disclosed.

Key Issues

There was one related parties disclosure submitted this quarter from senior management as follows:

Manager Planning & Environment – Maya Balvanova

- Spouse, Robert Zuzaniak, works for Council

As detailed in Agenda Item 7.3 Annual Work Plan 2023-24, reporting on related party disclosures for each quarter will now be presented at each Audit and Risk Committee (item 49).

Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes the related party disclosures report.

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 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

11. 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.

11.1. Internal Audit Status Reports

File Number	CM1819.030	Responsible Officer	General Manager Business & Economic Development, Julie Williams
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.

Relating to 2022-23, AFS have issued a draft Data Analytics – Procurement and Accounts Payable report. For 2023-24, AFS have issued a Final Procurement report (attached) and a draft Information Privacy and Records Management report.

It is proposed that the following reviews also be undertaken in 2023-24:

- Management of Council Buildings – in progress
- Human Resources Management (incl. Gender Equality)
- Occupational Health, Safety & Wellbeing Risk Assessment
- Past Issues Review (to be confirmed).

It is proposed that the Risk Assessment and SIAP Development review be deferred.

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. 2171848 1-2023-06 Procurement FINAL R [11.1.1 - 17 pages]
2. AFS Status Update 26.02.24 [11.1.2 - 4 pages]
3. AF S- Industry Update 26.02.24 [11.1.3 - 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 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.

11.2. Internal Audit Performance Self-Assessment

File Number	E34	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

To provide the Audit and Risk Committee with an annual self-assessment report on the performance of the Audit and Risk Committee.

Executive Summary

In accordance with the *Local Government Act Section 54(4)*, the Audit and Risk Committee must (a) undertake an annual assessment of its performance against the Audit and Risk Committee Charter; and (b) provide a copy of the annual assessment to the CEO for tabling at the next Council meeting.

Section 9.4(c) of the Audit and Risk Committee charter indicates that it is the role of the Committee chairperson to facilitate the annual performance assessment as required under the Local Government Act.

The chairperson has facilitated Mansfield Shire's internal auditors AFS to undertake the 2024 annual assessment report. It is proposed that AFS complete the report by 30 June 2024 (being the end of their current term as Council's internal auditor).

Key Issues

AFS completed the 2023 annual assessment and presented the assessment findings at the 28 August 2023 Committee meeting. The self-assessment report detailed an overall performance score of 4.11 out of a possible score of 5 – this was a decline on the previous year's score of 4.34. Even with the decrease this is still considered a strong result for the committee.

The 2024 assessment process will commence with the distribution of a survey to Committee members and Council management in late March. It is proposed that AFS present the annual assessment report at the May 2024 Committee meeting.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the the proposed timing of the 2024 assessment.

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 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

11.3. Internal Audit Service Provision Tender

Confidential item for discussion

11.4. Internal Audit Completed Report - Procurement

File Number	E19000	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

To present the completed Internal Audit Report on Procurement and discuss the recommendations.

Executive Summary

The Procurement audit identified several strengths in the current processes, and four findings that will strengthen Council's existing procurement processes. All improvement findings were identified as minor.

Council has accepted all AFS improvement recommendations.

Key Issues

AFS identified the following areas of strength:

- Policy and procedure
- Delegations and approvals
- Evaluation process
- Supporting documentation
- Segregation of duties
- Testing
- Public tender process.

AFS identified the following improvement findings – all rated minor:

- Capture of the conflict of interest
- Guidance on probity measures
- Further guidance on escalation for non-compliance and key risk indicators
- Further guidance on the procurement risk assessment process.

All recommendations regarding areas for improvement have been accepted by management and actionable responses detailed in the report.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes the AFS Procurement report and identified action items

Support Attachments

1. AFS Internal Audit Report - Procurement [11.4.1 - 17 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 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

12. 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.

12.1. VAGO Reports

File Number	E10841	Responsible Officer	General Manager Business & Economic Development, Julie Williams
Purpose			

VAGO has provided one report for consideration and noting.

Executive Summary

VAGO have provided the following:

- Status Report for January 2024.
- Notification of their System Assurance Auditor.

Key Issues

VAGO Status Report for January 2024:

The January 2024 VAGO Local Government Update is attached for reference. Detailed in the Status Report, LGV will release the 2023-24 model financial report and performance statement in February 2024. Council anticipates a number of changes to these reports after considering feedback from the sector via a FINPRO working group.

VAGO System Assurance Auditors

On 20 February, VAGO has advised Council that Protiviti has been engaged as their system assurance auditor (i.e., subject matter expert) to support the VAGO in-house audit team with a review of the IT environment at Mansfield Council from a financial reporting perspective. On 21 February the Protiviti assurance auditor has provided Council with system assurance planning requirements, 16 requests in total, to be provided by 6 March. The systems included in the scope of the review are SynergySoft (financial, rates, revenue) and Chris21 (payroll, HR).

Recommendation
THAT THE AUDIT AND RISK COMMITTEE note the VAGO Status Report for January 2024, and the Systems Auditor.
Support Attachments
1. VAGO - LG status report - January 2024 [12.1.1 - 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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

12.2. External Auditor Performance Review

Confidential item for discussion.

13. 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.

13.1. Procurement Exemptions

File Number	E5332	Responsible Officer	Procurement Officer, Kathy Stone
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Purpose

To provide details of any Procedural Exemptions that have occurred between 1 October 2023 - 31 December 2023.

Executive Summary

Council's Procurement Policy provides specific circumstances under which exceptions to the policy are allowable.

There may be, from time to time, exceptional circumstances that arise where the provisions of the Procurement Policy cannot be satisfied. Section 4.2 of the procedures attached to the Policy provides a list of these circumstances where approval from the CEO is required prior to proceeding with the purchase.

Thorough documentation and evidence must accompany any request to utilise this provision to clearly demonstrate a procedural exemption exists.

Key Issues

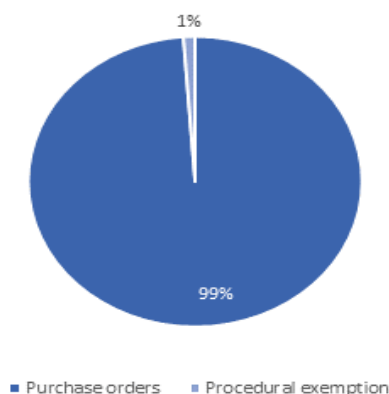
There has been one procedural exemption authorised by the CEO in the second quarter of 2023-24.

Item	Date	Exemption Category	Value	Department
Cleaning Contract	8 November 2023	Emergency – Support from original supplier	\$86,946.73	Engineering Services

The procedural exemption approved by the CEO is attached for the Committee's information. The number of procedural exemptions for the last quarter is one, or 1% of the total purchase order value.

Quarterly STATS	Volume	Value
	Number	\$,
Procedural exemptions	1	\$86,946.73
Total purchase orders raised	165	\$7,622,254.35

Procedural Exemptions Compared to Purchase Orders to 31 December 2023



Recommendation
THAT THE AUDIT AND RISK COMMITTEE notes that one Procedural Exemption was authorised by the Chief Executive Officer between 1 October 2023 to 31 December 2023.
Support Attachments
1. Procurement Procedure Exemption - Cleaning of Public Amenities [13.1.1 - 2 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Exemptions to the general requirements of Council's Procurement Policy may lead to additional costs to Council as they typically revolve around removing the competition requirements of the policy. However, the procedural exemptions process aims to mitigate this risk and minimise the number of purchases exempt from the policy.

Legal and Risk Implications

The procedural exemptions process allows for a controlled variation to standard procurement requirements. Only one Procedural Exemption was required during this quarter.

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"

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.

13.2. Gifts, Benefits and Hospitality Annual Report

File Number	E501	Responsible Officer	Interim Coordinator Governance & Risk, Jane Carter
Purpose			

To provide the Gifts Register to the Audit and Risk Advisory Committee.

Executive Summary

In accordance with Council's *Gifts, Benefits and Hospitality Policy* (attached), an annual report of the Gifts Register must be provided to the Mansfield Shire Audit and Risk Advisory Committee within three months of the end of the calendar year.

Councillors' or staff must not accept a gift, benefit or hospitality if it could be perceived as intended to, or likely to, influence him or her in the fair, impartial, and efficient discharge of their duties as a Councillor or staff member.

The policy is designed to ensure transparency and that the principles of good governance are practiced by Councillors and staff when receiving gifts and hospitality in the course of their duties.

Key Issues

As a guiding principle, Councillors or staff should not accept gifts as a gift can be perceived as intended to, or likely to, influence him or her in the fair, impartial and efficient discharge of their duties as a Councillor or staff member.

All gifts, benefits and hospitality received by Councillors or Council officers, whether considered token or otherwise, must be declared and listed on the Gifts Register.

Gifts, benefits and hospitality greater than \$30 that have been declined by the Councillor, staff member or by CEO's decision are also to be recorded appropriately within the register.

Of the eight declarations made during 2023, two gifts, benefits or hospitality were retained by the officers, two gifts, benefits or hospitality were placed on display one at the customer service desk the other at the library. The remaining four gifts, benefits or hospitality were retained and pooled for staff.

Council's Gift Register is made available for public inspection in accordance with our Policy.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receive and note the Gifts, Benefits and Hospitality Annual Report 2023.

Support Attachments

1. 2023 Annual Gifts, Benefits and Hospitality Register [13.2.1 - 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

Regulatory Risk: The Gifts Register ensures transparent recording and reporting of any gifts, hospitality and benefits received by Councillors or officers and assists in ensuring compliance with the Act.

Regional, State and National Plans and Policies

Is in accordance with the State Policy The *Local Government Act 2020* (the Act) is explicit in its instructions around Councillors and Staff managing conflicts of interest section 128(3)(H) of the Local Government Act 2020 (Indirect interest because of receipt of an applicable gift) outlines the requirements in relation to the acceptance of gifts and hospitality, namely:

- (2) *A person has an indirect interest in a matter if the person has received an applicable gift, directly or indirectly, from—*
 - (a) *a person who has a direct interest in the matter; or*
 - (b) *a director, contractor, consultant, agent or employee of a person, company or body that the person knows has a direct interest in a matter; or*
 - (c) *a person who gives the applicable gift to the person on behalf of a person, company or body that has a direct interest in the matter.*

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

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 do not have a conflict of interest to declare in this matter, in accordance with the Local Government Act 2020.

14. Other Business

15. Next Meeting

The next meeting of the Audit and Risk Advisory Committee will be held Monday 27 May 2024 in the Mansfield Shire Council Chamber (33 Highett Street, Mansfield)

16. Close of meeting