



Mansfield Shire

Audit and Risk Committee

Monday 27 November 2023

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

Officers

Kirsten Alexander, Chief Executive Officer
Melissa Crane, General Manager Infrastructure & Planning
Julie Williams, General Manager Business & Economic Development
Jane Carter, Interim Governance and Risk Coordinator
Richard Howie, OH&S Officer
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

Agenda Contents

| | |
|--------------------------------------------------------------------|----|
| 1. Opening of the Meeting..... | 3 |
| 2. Election of Chairperson..... | 3 |
| 3. Present..... | 5 |
| 4. Apologies | 5 |
| 5. Acknowledgement of Country | 5 |
| 6. Disclosure of Conflicts of Interest..... | 5 |
| 7. Confirmation of Minutes | 5 |
| 8. Administrative Items..... | 6 |
| 8.1. Review of Audit and Risk Committee Charter 2023..... | 6 |
| 8.2. Action Item and Open Audit Recommendations Registers | 8 |
| 8.3. Council Service Area Presentations | 10 |
| 8.4. Capital Works Presentation | 12 |
| 8.5. Annual Work Plan 2023-24..... | 17 |
| 9. Financial and Performance Reporting..... | 19 |
| 9.1. Carry Forward Projects..... | 20 |
| 9.2. Finance Report: 1 July 2023 to 30 September 2023 | 24 |
| 9.3. Investment Schedule | 27 |
| 9.4. Debt Schedule | 29 |
| 10. Internal Control Environment | 31 |
| 10.1. Policy Register Status Update | 32 |
| 11. Risk Management | 34 |
| 11.1. Risk Management Report | 35 |
| 11.2. Risk Management Policy | 38 |
| 11.3. Occupational Health and Safety Management Report..... | 40 |
| 12. Internal Audit..... | 44 |
| 12.1. Internal Audit Status Reports..... | 45 |
| 12.2. Cyber Security Strategy and Governance Internal Audit | 47 |
| 13. External Audit..... | 49 |
| 13.1. VAGO Closing Report and Final Management Letter 2022-23..... | 50 |
| 14. Compliance Management | 52 |
| 14.1. Procurement Exemptions | 53 |
| 15. Other Business | 55 |
| 16. Next Meeting..... | 55 |
| 17. Close of meeting | 55 |

Agenda

1. Opening of the Meeting

2. Election of Chairperson

| | | | |
|--------------------|-------|----------------------------|----------------------------------------------------|
| File Number | E3627 | Responsible Officer | Interim Coordinator Governance & Risk, Jane Carter |
| 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 March 2023, 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 includes 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 27 November 2023.

Support Attachments

1. Audit and Risk Committee Charter 2023 [2.1.1 - 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

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_2.1.1_audit-and-risk-committ

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 28 August 2023 and 4 October 2023 be confirmed as an accurate record.

8. Administrative Items

8.1. Review of Audit and Risk Committee Charter 2023

| | | | |
|--------------------|-------|----------------------------|----------------------------------------------------|
| File Number | E9616 | Responsible Officer | Interim Coordinator Governance & Risk, Jane Carter |
| 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. The Charter was last reviewed and endorsed by the Audit and Risk Committee in November 2022, and approved by Council in March 2023.

Key Issues

As part of the current Charter review, Council officers have reviewed a selection of four other Councils' charters to identify any improvements that may be incorporated into the Mansfield Charter. The charters reviewed were from surrounding rural councils including Mitchell, Strathbogie and Wangaratta. The charter from the City of Monash in metropolitan Melbourne was also reviewed.

The attached marked up version of the existing Charter contains some potential amendments as follows:

1. To the constitution of a quorum – to include at least one Councillor in attendance.
2. To voting requirement- to consider the inclusion of a casting vote for the Chair.

These changes were identified through review of the Charters from the above Councils and are included for consideration by the Committee. It is requested that Committee members review the attached draft Charter and provide feedback to the Interim Coordinator Governance and Risk by 18 December 2023.

Committee feedback will be incorporated into an updated Charter and redistributed to the Committee in January 2024 for final review, with the final draft Charter to be presented to the Committee for endorsement at the February 2024 meeting.

Following presentation of the final draft Charter to the Audit and Risk Committee in February 2024 for endorsement, the updated Charter will be presented to Council for approval at the March 2024 Council meeting.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE review the draft Audit and Risk Committee Charter and provide feedback to the Interim Coordinator Governance and Risk by 18 December 2023.

Support Attachments

1. Draft Audit-and Risk Committee charter- Nov 2023 [8.1.1 - 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.

8.2. 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 8 actions closed from the 28 August 2023 meeting, 4 actions remain open and will be progressed prior to the next ARC meeting. 3 action items are open from meetings prior to the August 2023 meeting, these will also be progressed prior to the next ARC meeting.

The Audit Recommendations Register is a report on progress against the recommendations from all internal and external audits. 13 items have been completed and 17 items are open and will be progressed prior to the next ARC meeting.

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.

The Capital Works presentation deferred from the August meeting will be presented at this meeting, and feedback from ARC members on future business unit presentations will be sought through the Chair.

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. Of the 17 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 24 November 2023.

Support Attachments

1. Audit Recommendations Register 27 November 2023 Final [8.2.1]
2. Actions Register 27 November 2023 [8.2.2]

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.

8.3. Council Service Area Presentations

| | | | |
|--------------------|-------|----------------------------|-----------------------------------------------------------------|
| File Number | E9616 | 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 and to provide the Audit and Risk Committee with an overview at this meeting of the Capital Works program for 2023-24.

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 |
| Future | | |
| February 2024 | Compliance & Local Laws | |
| May 2024 | [For Committee discussion] | |
| August 2024 | [For Committee discussion] | |
| November 2024 | [For Committee discussion] | |

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 General Manager Business & Economic Development.
2. Receives and notes the presentation on Council's Capital Works program.

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

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*.

8.4. Capital Works Presentation

| | | | |
|--------------------|-------|----------------------------|------------------------------------------------------------|
| File Number | E9810 | Responsible Officer | General Manager Infrastructure and Planning, Melissa Crane |
|--------------------|-------|----------------------------|------------------------------------------------------------|

Purpose

To provide the Audit and Risk Committee with an overview of the capital works program for the 2023/24 Financial Year.

Executive Summary

This presentation will cover:

- Capital Works program for 2023/24 Financial Year
- Carry forward projects from the 2022/23 Financial Year

Key Issues

Each financial year, as part of council's budget process, major works and projects are determined for the coming 12 months. These infrastructure works and projects are called the "capital works program". The capital works program in the 2023/24 Budget provided for a projected capital works expenditure of \$15.584 million.

In addition to the adopted program, the team are working on completing projects that had commenced and were contracted or awarded grant funding in the previous financial year, referred to as carry forward projects.

In terms of carry forward projects, there are two elements for consideration. The majority of these projects were identified through the budget process, with \$6,028,000 adopted to be carried forward as part of that process. At the end of the Financial Year, there were some projects in progress that were not able to be completed as expected and will be considered for carry forward at the Council meeting on 28 November 2023. These projects have a value of \$377,448 and are also proposed to be delivered in the current financial year.

The total value of the capital works program for delivery in the 2023/24 Financial Year is as follows:

| Area | Budgeted Amount |
|-------------------------------------------------------------|---------------------|
| Capital Works Program | \$9,664,767 |
| IMPACT Route | \$5,919,200 |
| Carry Forwards per adopted Budget | \$6,028,000 |
| Additional Carry Forwards to be considered 28 November 2023 | \$337,448 |
| TOTAL | \$21,949,415 |

A summary of the different elements of the program is as follows:

| CAPITAL WORKS PROGRAM | | | |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Area | Examples of projects | Budgeted Amount | Current Status |
| Land | Purchase of a piece of land in Collopy Street to allow an exit from the new car park in High Street. | \$200,000 | Contract of sale signed. Transfer of land nearly complete. |
| Buildings | <ul style="list-style-type: none"> Lords Reserve and Merton public toilet upgrades Installation of solar panels at the Depot Works at Bonnie Doon Recreation Reserve Council contributions to grant applications for Lords Reserve Pavilion and MESP | \$1,461,581 | 4 projects completed. \$541,581.09 committed. Funds to support grant applications of \$570,000 allocated. Other projects still being scoped and contracted. |
| Roads | <ul style="list-style-type: none"> Resealing Prep and Resealing Program Resheeting Program Mt Buller Service Lane HVAR Dead Horse Lane | \$4,949,335 | Contracted \$3,407,426. Mt Buller Road Service Lane seeking tenders. |
| Bridges and Culverts | <ul style="list-style-type: none"> Baldry Street Bridge Donaldson Bridge Assessments of causeways | \$640,000 | Savings found on some projects. Assessment of causeways contracted. |
| Drainage | <ul style="list-style-type: none"> Kareen Hills Retention Basin works Stormwater works Sawmill Settlement | \$493,000 | Works completed on Jamieson and Kareen Hills. \$148,000 contracted, with final small project being scoped and quoted. |
| Fleet | <ul style="list-style-type: none"> Excavator for RRC Replacement of vehicles Tractor for Field Services | \$605,000 | Vehicles and tractor on order. Excavator options being explored. |
| Open Space | <ul style="list-style-type: none"> LED Street lighting upgrade Lords Reserve Oval drainage Stage 1 Station Precinct pump track | \$668,411 | Grant received for Lords Reserve drainage, with works to commence after cricket season. LED Street Light audit complete, rollout of upgrade to commence next year. Station Precinct proposal being included in grant application. |
| Pathways | <ul style="list-style-type: none"> Rail trail gravel renewal Footpath works | \$336,440 | \$240,940 committed to date. |

| CAPITAL WORKS PROGRAM | | | |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Area | Examples of projects | Budgeted Amount | Current Status |
| | <ul style="list-style-type: none"> • Monkey Gully Road gravel path | | |
| IMPACT | <ul style="list-style-type: none"> • Highton Lane • Rifle Butts Road • Chapel Hill Road | \$5,919,200 | This is a multi-year project; design being undertaken with Highton Lane to commence construction this FY. Works on Chapel Hill Road have already commenced. |
| Other | <ul style="list-style-type: none"> • Fixtures, fittings and furniture • Library Books | \$25,000 | Used as required |
| Computers and Telecommunications | Project CODI – Digital Transformation | \$286,000 | Per grant agreement and being rolled out. Planning, Building and Regulatory Services being implemented, Information Management contract being negotiated, remaining modules currently being evaluated. |
| TOTAL | | \$15,583,967 | |

The team is also working to deliver a range of carry forward projects which were not able to be fully completed last financial year. Some of these projects were multi-year projects as well, which were not intended to be completed in one financial year while others were affected by weather and staff changes early in the program. The carry forwards from 2022/23, and their status is as follows:

| CARRY FORWARDS | | | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Area | Projects | Carry forward amount | Current Status |
| Land | <ul style="list-style-type: none"> • Lakins Road Cultural Heritage Management Plan | \$50,000 | Contractor engaged with application submitted to the Taungurung Land and Waters Council. |
| Buildings | <ul style="list-style-type: none"> • Mansfield Kindergarten • Heritage Display Museum • Depot Wash Bay Roof | \$1,487,850 | Kindergarten construction underway. Contractor appointed and building permit issued for Heritage Museum to commence in January 2024. Wash Bay Roof completed. |
| Roads | <ul style="list-style-type: none"> • HVAR Greenvale Lane and Mt Battery Road • High Street Car Park | \$2,336,000 | HVAR Practical completion 27 November 2023. |

| CARRY FORWARDS | | | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Area | Projects | Carry forward amount | Current Status |
| | | | High Street Car Park construction to commence in March 2024. |
| Bridges and Culverts | <ul style="list-style-type: none"> Gooleys Bridge Mullum Wetlands | \$167,000 | Gooleys Bridge design finalised and construction to commence early 2024. Mullum design finalised. |
| Drainage | <ul style="list-style-type: none"> Apollo Street Stormwater Jamieson | \$900,000 | Apollo Street contract awarded with works to commence January 2024. Jamieson works completed. |
| Fleet | <ul style="list-style-type: none"> Mower and Tipper | \$343,000 | Mower has been delivered; tipper due 27/11/2023 |
| Open Space | <ul style="list-style-type: none"> Woods Point open space and playground Roundabout beautification, Mansfield Bonnie Doon Streetscape Lords Reserve Design Update Howqua Boat Ramp Design | \$206,877 | Woods Point, roundabout and Lords Reserve design completed. Bonnie Doon to re-commence early December 2023. Concept designs for Howqua being developed. |
| Pathways | <ul style="list-style-type: none"> Malcolm Street Path Mary Street, Jamieson Jamieson- Matthews Reserve design | \$259,015 | Works completed. |
| IMPACT | <ul style="list-style-type: none"> Rifle Butts Design, Highton Lane Renewal, Culvert upgrade Rifle Butts | \$555,000 | This is a multi-year project; design being undertaken with Highton Lane to commence construction this FY. Works on Chapel Hill Road have already commenced. |
| Other | <ul style="list-style-type: none"> Water tanks and bore installation Drone equipment purchase | \$100,707 | Work completed |
| TOTAL | | \$6,405,449 | |

The first half of the year has been used to tender and appoint contracts for the larger projects as a priority, with a significant portion of these projects contracted and either commenced or due to commence in the new year. Capital works delivery tends to increase in the second half of the financial year. The team has completed 21% of the program so far and are confident in their ability to deliver the program in a timely manner.

| |
|---------------------------------------------------------------------------------------------------|
| Recommendation |
| THAT THE AUDIT AND RISK COMMITTEE receive and note the presentation on the Capital Works Program. |
| Support Attachments |
| Nil |

Considerations and Implications of Recommendation

Sustainability Implications

Not applicable

Community Engagement

Most capital works projects have some form of community engagement in accordance with Council's Community Engagement Policy. Engagement with the community is an important element of making sure that the projects delivered by the team address the needs of our communities.

Collaboration

Not applicable

Financial Impact

The capital works program is funded through a range of sources including the following:

- Council funds
- Grant funding
- Developer contributions

Legal and Risk Implications

All capital works projects follow and comply with Council's Procurement 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

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*.

8.5. Annual Work Plan 2023-24

| | | | |
|--------------------|-------|----------------------------|-----------------------------------------------------------------|
| File Number | E9616 | Responsible Officer | General Manager Business & Economic Development, Julie Williams |
| 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 papers relating to items on the work plan are listed against the work plan item in the ARC Agenda. 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 the day after the November ARC meeting so will be included in the Council Meeting on 12 December 2023.

Recommendation

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

Support Attachments

1. Annual Work Plan Update November 2023 [8.5.1 - 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*.

9. 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.

9.1. Carry Forward Projects

| | | | |
|--------------------|-------|----------------------------|-----------------------------------------------------------------|
| File Number | E9456 | Responsible Officer | General Manager Business & Economic Development, Julie Williams |
| Purpose | | | |

This report identifies the carry forward requests that will be tabled at the 28 November 2022 Council meeting for approval.

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 they were originally budgeted within; 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 2023-24 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 and 2022-23 has increased the proposed carry forward amounts above what would normally be expected.

It is recommended that Council approve carry forward projects totaling \$4,243,683 in operating and \$377,448 in capital. These carry forward amounts are in addition to the carry forward project expenditures adopted in the 2023-24 Budget.

Key Issues

The following items have been identified as requiring carry forward to 2023-24 in accordance with Council’s Carry Forward Projects Policy 2021.

OPERATING

- Total amount of operating carry forward - \$4,243,683
- The amount of the operating carry forward funded by 2022-23 prepaid grant income (i.e., income will be recognised in 2023-24 against this expenditure) - \$3,315,655
- The amount of the operating carry forward funded by prior year(s) grant income (i.e., grant income recognised in the prior year(s)) - \$834,980
- The amount of the operating carry forward committed / contracted (not grant funded) - \$66,293.

| Project title & description | 2023-24 Carry Forward for Approval (\$) | Rationale |
|---------------------------------------------------------------------|-----------------------------------------|--------------|
| Social Inclusion Action Group | 204,635 | Grant funded |
| Central Registration and Enrolment Scheme | 92,413 | Grant funded |
| Victorian Local Government Partnership Implementation | 16,530 | Grant funded |
| Jump Start | 8,764 | Grant funded |
| Integrated Family Services | 60,240 | Grant funded |
| IFS Flexible Funding | 2,645 | Grant funded |
| Enhanced Maternal and Child Health | 83,799 | Grant funded |
| Supported Playgroup | 44,238 | Grant funded |
| FReeZA | 24,705 | Grant funded |
| Youth Bushfire Recovery | 252,017 | Grant funded |
| Engage! | 28,876 | Grant funded |
| L2P | 28,257 | Grant funded |
| Seniors Festival | 5,263 | Grant funded |
| Youth Week Festival | 2,182 | Grant funded |
| Statutory Planning | 16,055 | Grant funded |
| Strategic Planning General - Mansfield Township Infrastructure Plan | 350,000 | Grant funded |
| Strategic Planning General - Mansfield Flood Study | 115,000 | Committed |
| MERP Grant | 15,000 | Committed |
| Environmental Health - RAT Program | 30,000 | Grant funded |
| Environmental Health - Immunisation | 6,920 | Grant funded |
| Domestic Wastewater | 20,000 | Grant funded |
| Emergency Incident Support (Flood Damage) | 500,000 | Grant funded |
| Goughs Bay Water Sensitive Township Study | 127,520 | Grant funded |
| IWM Program | 171,688 | Grant funded |
| Pet Desexing Program | 23,584 | Grant funded |
| Engineering Services – Drainage Design | 26,293 | Contracted |
| Engineering Services - Regional Transport Strategy | 90,000 | Grant funded |
| LNERCC (Project CODI) Digital Program | 1,139,563 | Grant funded |
| Environmental Projects | 19,321 | Grant funded |
| Goughs Bay Boat Club | 606,300 | Grant funded |
| Lake Eildon Priority Boat Ramps | 94,000 | Grant funded |
| Resilience Benchmarking Project | 6,541 | Grant funded |
| Library Digital Project | 12,912 | Grant funded |
| Council Assistance Fund | 16,822 | Grant funded |
| Exceptional Assistance Grant | 1,600 | Grant funded |
| Totals | 4,243,683 | |

CAPITAL

- Total amount of capital carry forward - \$377,448
- The amount of the capital carry forward resulting from an underspend in 2022-23 - \$213,617
- The amount of the capital carry forward funded by prior year(s) grant income (i.e., grant income recognised in the prior year(s)) - \$163,831

| Project | 2023-24 Carry Forward for Approval (\$) | Rationale |
|-------------------------------------------------|-----------------------------------------|--------------|
| Heritage Museum - Station Precinct | 65,000 | Contracted |
| Building Renewal - Depot Wash Bay Roof | 39,850 | Contracted |
| Playground Improvement - Woods Point | 4,500 | Contracted |
| Roundabout Beautification – Mansfield | 41,748 | Contracted |
| Bonnie Doon Streetscape Upgrades | 45,810 | Contracted |
| Lords Reserve Community Hub - Update Design | 16,709 | Contracted |
| Howqua Inlet Boat Ramp Design (Auspice Project) | 53,110 | Grant Funded |
| Jamieson Matthews Reserve Path Extension Design | 10,015 | Grant Funded |
| Emergency Funding Water Tanks and Bores | 86,605 | Grant Funded |
| Drone Equipment Purchase | 14,101 | Grant Funded |
| Totals | 377,448 | |

Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes carry forward funds from 2022-23 to the 2023-24 budget for the completion of the projects listed in this report, totalling \$4,243,683 operating (\$928,028 net of unrecognised carry forward prepaid grant income) and \$377,448 in capital.

Support Attachments

Nil

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Total expenditure (capital and operating) in the 2023-24 Updated Budget will increase by the total carry forward amount of \$4,621,131. Total income in the 2023-24 Updated Budget will increase by the recognition of the prepaid grant income of \$3,315,655.

Assuming full delivery of the carry forward projects, the impact as compared to the 2023-24 published budget will be an unfavourable variance of \$1,305,476. This reflects 2022-23 project underspend of \$279,910 carried forward into 2023-24, and projects with \$1,025,566 of grant income recognised in prior years – including the Goughs Bay Boat Club, Lake Eildon Priority Boat Ramps, the Regional Transport Strategy, Integrated Water Management, and the Emergency Funding Water Tanks and Bores projects.

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

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

9.2. Finance Report: 1 July 2023 to 30 September 2023

| | | | |
|--------------------|-----|----------------------------|-----------------------------------------------------------------|
| 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 October 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. This report explains material variances between the year-to-date actual financial results and the Budget 2023-24. Favourable variances are reported as positive values, while unfavourable variances are shown as negative values.

Carry forwards are being presented to Council at its 28 November meeting – these carry forwards are not reflected in this report.

Key Issues

Operating Finance Report

Operating Income & Expenditure Actual against Budget

The year-to-date operating result is unfavourable against the 2023-24 Budget by \$67k (-1%). Major variances are summarised below.

Favourable Variances:

- Interest income is \$207K favourable to budget due to higher than expected cash investments and higher interest rates.
- \$606k non-recurrent grant income received for the Goughs Bay Boat Club Redevelopment Project (auspiced project), and \$450k non-recurrent grant income received for Project CODI.
- General rates income is \$106K higher than budget.
- Finance costs are \$15k below budget due to the accrued interest not being processed in the month.

Unfavourable Variances:

- Victorian Grants Commission recurrent grant income of \$305k was budgeted to be received in 2023-24 however was paid in advance in June 2023.
- Employee costs unfavourable variance of \$52K reflects additional resourcing required to support emergency activities, partly offset by savings arising from vacant positions.

- Materials & Contracts expenditure unfavourable variance of \$918K largely reflects expenditure associated with auspiced projects where the assets are not owned by Council – including the Lake Eildon boat ramps & Gough’s Bay Boat Club redevelopment projects. These auspiced projects had \$0 expenditure budgets. These projects are funded – refer to the favourable non-current grant comment above.
- Materials & Contracts expenditure unfavourable variance also includes a timing variance in relation to \$18K that relates GIS software (paid upfront).
- Materials & Contracts expenditure unfavourable variance also includes a \$56K variance to budget in relation to human resources recruitment and legal costs.

Capital Finance Report

Capital Income & Expenditure Actual against Budget

The net year to date capital works variance (net of capital income) is \$1,779K favourable (271%) compared to the 2023-24 year to date Budget. The main driver of the favourable variance is receipt of the non-recurrent grant funding of \$2,960K for the IMPACT Route capital project.

Summary of Financial position compared to Budget

| | |
|--------------------|-------------|
| Operating Variance | (\$66,732) |
| Capital Variance | \$1,778,916 |
| Total Variance | \$1,712,184 |

*Favourable / (Unfavourable)

| |
|------------------------------------------------------------------------------------------------------|
| Recommendation |
| THAT Audit and Risk Committee notes the Budget Report for the period 1 July 2023 to 31 October 2023. |
| Support Attachments |
| 1. Finance Report [9.2.1 - 6 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.

9.3. 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 October 2023 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 Reserve Bank of Australia have increased interest rates by 0.25% this financial year (on 8 November 2023), taking the current official cash rate to 4.35%. This will have a flow on benefit to Councils' new and reinvested term deposits.

The current average interest rate for investments is 4.98% (excluding cemetery trust investment). 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 31 October 2023.

Support Attachments

1. Investment Portfolio Report Oct 2023 [9.3.1 - 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 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.

9.4. 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 October 2023 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 the Borrowing and Debt Management 2021 Council policy. Regular reporting to the ARC in relation to Council borrowings is considered good governance practice.

Key Issues

The loan portfolio as at 31 October 2023 is presented in the table below.

| Loan No. | Lender | Loan Type | Start date | Loan Amount | Loan Balance 31/10/23 | Interest Rate | Maturity Date | Purpose of Loan |
|--------------|--------|----------------------|------------|--------------------|-----------------------|---------------|---------------|------------------------------------------------------------------------|
| 15 | NAB | Amortising Principal | 30/05/2014 | \$2,200,000 | \$1,071,518 | 5.780% | 30/05/2029 | Family and Children's Centre / Superannuation Liability |
| 16 | NAB | Amortising Principal | 27/03/2015 | \$800,000 | \$409,127 | 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 | \$575,479 | 4.120% | 3/04/2033 | High Street Car Park |
| Total | | | | \$6,232,000 | \$4,366,630 | 4.817% | | |

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receive and note the Loan Portfolio report 31 October 2023.

Support Attachments

Nil

Considerations and Implications of Recommendation

Sustainability Implications

Not applicable

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*.

10. 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.

10.1. 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 internal procedure for creating and reviewing policies 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 has 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 21 policies that have not been reviewed by the due date, of which three policies are being presented at the 28 November Council meeting for endorsement.

Listed below is a summary of Policies that have been endorsed by Council or are awaiting endorsement by Council.

The below policy was endorsed at the October 2023 meeting:

1. Election (Caretaker) Period Policy

The below policies are being presented to the November 2023 Council meeting for endorsement or revocation:

| | Policy Title | Action |
|----|--------------------------------------|------------------------------------------------------------------------|
| 1. | Community Grants Policy (New Policy) | Endorse policy |
| 2. | Emergency Resilience Policy | Request revocation as it is a duplicate of Emergency Management Policy |
| 3. | Risk Management Policy | Endorse policy |
| 4. | Street Tree Policy | Endorse policy |

The below policies will be presented to Councillors in December 2023:

| | Policy Title | Action |
|----|--------------------------------------------------|---------------------------------------------------------------------|
| 1. | Financial Hardship/Rate and Debtor Relief Policy | For discussion of key policy positions prior to updating the policy |
| 2. | Special Rates and Charges Policy | Endorse Policy |

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the Policy Register as of 31 October 2023.

Support Attachments

1. Policy Register 20 November 2023 [10.1.1 - 3 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.

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 | Interim Coordinator Governance & Risk, Jane Carter |
|--------------------|-------|----------------------------|----------------------------------------------------|

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 Council.

Key Issues

A quarterly review of the Risk Register has been completed with the Senior Leadership Group, with the updated register as of 30 October 2023 attached to this report.

Since the last Risk Register update to the Committee, two additional risks have been identified, as follows:

1. “Financial Support for Events” – this risk is identified in the attachment as **new**. The risk relates to the “Community dissatisfaction with the allocation of funds to events supported by Council.” The inherent risk is identified as “medium,” however with mitigating actions the residual risk is “low.”
2. “Infrastructure Damage” – this risk is identified in the attachment as **new**. The risk relates to the “Inability of infrastructure to accommodate changing climate and more intense weather events.” The inherent risk is identified as “high,” however with mitigating actions the residual risk is “medium.”

All other risks were reviewed with some additional mitigating controls added to risks such as Strategic Planning, Infrastructure Capacity, Asset Management, and Human Resources, and progress updates included against identified mitigation actions.

Recommendation

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

Support Attachments

1. Audit and Risk Committee Corporate Risk Register October 2023 v 1 [11.1.1 - 7 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

Risk: 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.

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.

11.2. Risk Management Policy

| | | | |
|--------------------|-------|----------------------------|----------------------------------------------------|
| File Number | E1533 | Responsible Officer | Interim Coordinator Governance & Risk, Jane Carter |
|--------------------|-------|----------------------------|----------------------------------------------------|

Purpose

To obtain Audit and Risk Committee endorsement of the updated Risk Management 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 to assure alignment of the Risk management Framework with ISO 31000 (2018).

Key Issues

The Mansfield Shire Risk Management Policy applies to all service and functional areas. Risk management is not a stand-alone function separate from the main activities and processes of Council. It is an integral part of all organisational processes, including strategic planning, project, and change management.

The existing Policy was first implemented in 2019 to address recommendations made by an Internal Audit undertaken in July 2018. The policy provides direction to staff in the management, identification, assessment and reporting of risk.

The existing Policy incorporates a requirement to review the policy in line with the four-year Council Plan review, however although the Council Plan was adopted in 2021, the policy has a review date of 25 June 2023.

A review of the Policy has been completed and a revised and updated Risk Management Policy has been developed with only minor formatting changes made. It is proposed that the next review be aligned with the Council Plan review in 2025 and then four yearly from that date. The existing Procedures are attached for reference, together with a copy of the existing policy. As no material changes have been made to the content of the existing policy, it is not considered necessary to undertake community engagement.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the revised Risk Management Policy for review and approval by Council.

Support Attachments

1. Risk Management Policy 2023 [11.2.1 - 5 pages]
2. Risk Management Procedure 2023 [11.2.2 - 7 pages]
3. Risk Management Policy 2019 [11.2.3 - 13 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

All work to create the policy has been undertaken internally by Council Officers within existing staff resources.

Legal and Risk Implications

The Risk Management Policy sets the overarching parameters for the management of risk to Council and aims to minimise risk organisation wide.

Regional, State and National Plans and Policies

Is in accordance with the National Policy Risk Management Framework with ISO 31000 – 2018.

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.

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. Occupational Health and Safety Management Report

| | | | |
|--------------------|--------|----------------------------|------------------------------------------|
| File Number | E10666 | Responsible Officer | People & Culture Advisor, Janique Snyder |
|--------------------|--------|----------------------------|------------------------------------------|

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 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 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, reports of School Crossing Supervisors near misses on crossings by vehicles not complying with road rules, and minor sprains and strains are the most common workplace notifications received.

The OHS officer also continues to monitor and encourages the reporting of incidents resulting in psychosocial harm of MSC employees including as a result of abusive behaviour by a small number of rate payers and residents impacted by fees and charges, planning and compliance decisions.

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. The proposed Occupational Health and Safety Amendment (Psychological Health) Regulations are still being considered by Government.

WorkSafe Visit

Nil reports regarding serious injury or accident have been reported to Worksafe over the reporting period. No Worksafe Inspections have been conducted and no Prohibition or Improvement Notices were issued.

WorkCover

No new Workers Injury Claim Forms were received.

WorkCover Expert – Insurance House

Insurance House, 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 4 open claims (down from 5), The history of the 4 open 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.

WorkSafe Articles

24 articles from WorkSafe Victoria were issued for this period.

11 articles for Safe Work Australia were issued for the period.

Articles of significance to council are distributed to work teams for information.

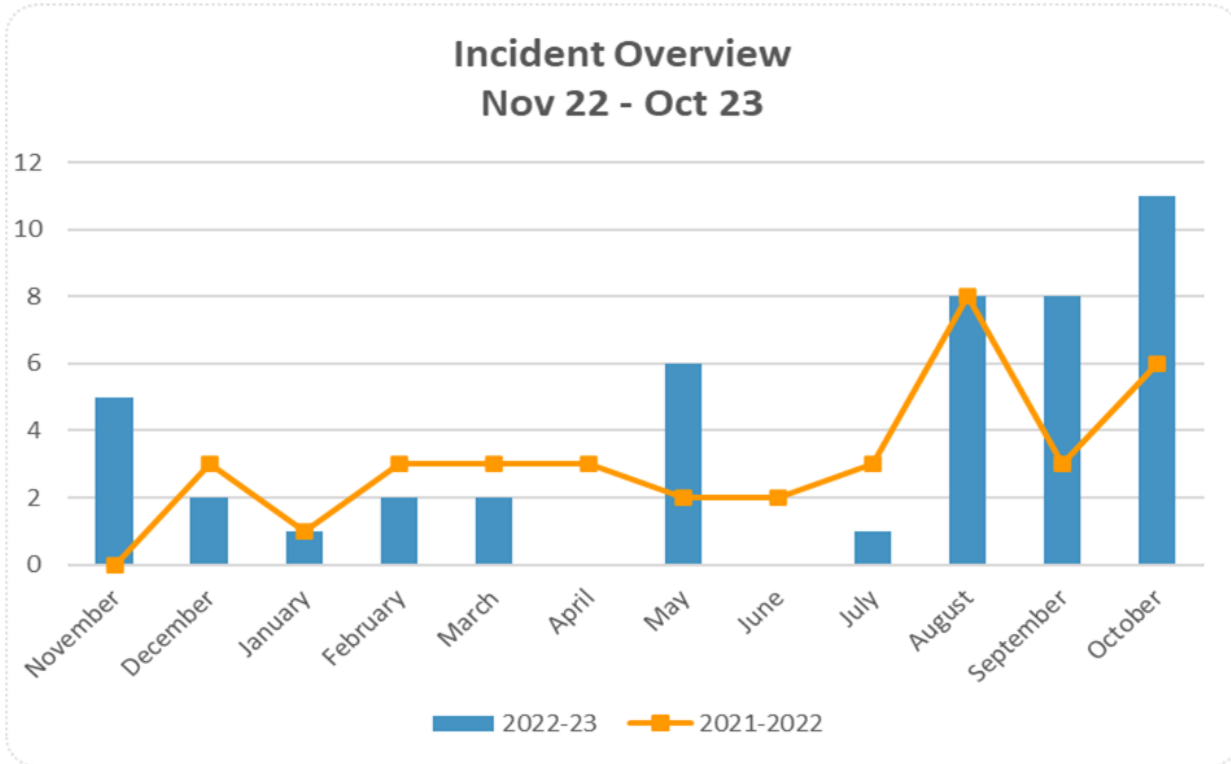
Incidents

Incident Summary

27 incident reports were received and recorded during August – October 2023. Four incidents resulted in property damage, 14 incidents resulted in injury and nine incidents resulted in a near miss.

Annual Incident Overview

The graph below depicts the total number of incidents reported including near misses, injuries, and property damage 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

Two incident investigations were undertaken with recommendations made regarding safety barriers being painted and additional signage installed and for Criminal History checks conducted for new cleaning contractors.

Workplace Inspections

Four OHS workplace inspections were undertaken including at the Council Municipal Pound, Visitor Information Centre, Field Services Depot and Resource Recovery Centre.

Risk Assessment

3 Insurance risk assessments were undertaken including the Library, Youth Centre and Visitor Information Centre.

Hazard and Risks

6 hazards were raised. No hazard remains open.

Training and Induction

OHS Induction

Council's Occupational Health and Safety Induction continues to be undertaken for all new staff commencing in a position at Council.

Training

Three Health and Safety Representatives completed the Health and Safety Representative Initial OHS Training.

School Crossing Supervisors completed the School Crossings Supervisors Training Program.

Depot staff undertook grave digging training, Traffic management, Recreation Reserve inspection training and working safely on roads.

First aid updates including CPR continued across departments.

Occupational Health and Safety Committee

One Occupational Health and Safety Committee Meeting was held in October 2023. The next Occupational Health and Safety Committee Meeting is scheduled for 25 January 2024 in Council Chambers.

Internal Reports / Documents

Updates were made to Council's Occupational Health and Safety management system and OHS policy documents.

- Occupational Health and Safety Committee Meeting Minutes – October 2023.
- OHS Officer has reviewed the UV Radiation and Heat Protection Procedure
- OHS Officer has reviewed the Provision of Services during the Bushfire Danger Period
- OHS Risk Register including mitigating controls developed for all 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.

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 | 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 draft Procurement report and a draft Information Privacy and Records Management report.

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

1. Management of Council Buildings – in progress
2. Human Resources Management (incl. Gender Equality)
3. Risk Assessment and Strategic Internal Audit Program Development
4. Occupational Health, Safety & Wellbeing Risk Assessment
5. Past Issues Review.

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. 2128907 2- Status Update 27.11.23 [12.1.1 - 4 pages]
2. 2128909 1- Industry Update 27.11.23 [12.1.2 - 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 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. Cyber Security Strategy and Governance Internal Audit

| | | | |
|--------------------|------|----------------------------|-----------------------------------------------------------------|
| File Number | E370 | Responsible Officer | General Manager Business & Economic Development, Julie Williams |
|--------------------|------|----------------------------|-----------------------------------------------------------------|

Purpose

To present the completed Internal Audit Report on Cyber Security Strategy and Governance and discuss the recommendations.

Executive Summary

The Cyber Security Strategy and Governance audit identified a number of strengths in the current processes and provided a number of recommendations to strengthen the process. All recommendations were identified as moderate.

Council has accepted all recommendations with a plan to address these included in the management response.

Key Issues

In summary AFS identified a number of strengths including:

- The corporate risk register includes cyber event as a risk.
- A Digital Transformation Strategy (DTS) has been developed in collaboration with other councils with an action plan to track and report on the project.
- Policies have been sought from Kaon.

AFS identified that there are gaps and additional controls required to mitigate the following risks:

- Lack of oversight established over ICT and cyber security to guide decision-making.
- Council does not have an organisation specific Cyber Security Strategy to support strategic objectives and approaches outside the upgrade of core systems under the DTS.
- Action plans are not consistently developed from self-assessments/external reviews.
- Cyber security training has not been rolled out to the whole organisation, specific to MSC processes.
- ICT Policies are not easily accessible and have some gaps.

All risks were identified as moderate and have been accepted, with actions to address these risks already in progress.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the AFS Cyber Security report and identified action items.

Support Attachments

1. Cyber Security Strategy and Governance - AFS Audit [12.2.1 - 16 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 Closing Report and Final Management Letter 2022-23

| | | | |
|--------------------|-------|----------------------------|-----------------------------------------------------------------|
| File Number | E7397 | Responsible Officer | General Manager Business & Economic Development, Julie Williams |
|--------------------|-------|----------------------------|-----------------------------------------------------------------|

Purpose

This report provides the Victorian Auditor-General's Office (VAGO) Closing Report and the Final Management Letter for the year ended 30 June 2023 and presents the process for finalising the 2022-23 Financial Report and Performance Report.

Executive Summary

VAGO's Closing Report 2022-23 and VAGO's Final Management Letter 2022-23 are attached for consideration by the Committee. Also attached are the draft Independent Auditor's reports for the Financial Report and Performance Report.

Key Issues

The Closing Report presented VAGO's outcomes of their final audit procedures and noted:

- satisfactory performance based on their review of the key focus areas of the audit
- that both the financial report and the performance report are presented fairly in all material aspects
- unmodified audit opinions are expected to be issued
- unadjusted audit differences of \$500k regarding recognized unearned income (Flood Recovery) that in VAGO's opinion should be recognised in 2022-23, and a 2021-22 asset adjustment that understated the Bonnie Doon Recreation Reserve building asset that impacted the 2022-23 asset opening balance by \$1.23M.

The Final Management Letter brings to Council's attention VAGO's audit findings including the following recommendations:

- strengthen Council's annual financial and performance reporting planning and quality assurance
- strengthen monthly processes regarding grant funding and accounting
- establish a regular monitoring process to ensure currency of bank account signatories
- continue to progress activities that further develop IT security risk management mitigations.

With the finalisation of the VAGO audit and consideration of the attached VAGO reports, the Committee's endorsement of the Annual Financial Report 2023 and Performance Report 2023 provided to Committee members on 27 October, is recommended.

It is proposed that an additional meeting of Council be held on 5 December to receive the Committee endorsed Annual Financial Report 2023 and Performance Report 2023 for approval.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note VAGO's Closing Report and Final Management Letter for 2022-23 and endorse the Annual Financial Report 2023 and Performance Report 2023 provided to Committee members on 27 October.

Support Attachments

1. Final Management Letter 2022-23 [13.1.1 - 17 pages]
2. Closing Report 2022-23 [13.1.2 - 24 pages]
3. Financial Report - Audit Report 2022-23 [13.1.3 - 3 pages]
4. Performance Statement - Audit Report 2022-23 [13.1.4 - 2 pages]
5. VAGO - LG Status Report - October 2023 [13.1.5 - 14 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.

14.1. Procurement Exemptions

| | | | |
|--------------------|-------|----------------------------|---------------------------------------------|
| File Number | E5332 | Responsible Officer | Interim Procurement Officer, Kathy Stone |
|--------------------|-------|----------------------------|---------------------------------------------|

Purpose

To provide details of any Procedural Exemptions that have occurred between 1 July 2023 to 30 September 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 have been two procedural exemptions authorised by the CEO in the first quarter of 2023-24.

| Item | Date | Exemption Category | Value | Department |
|-----------------------------------|----------------|--------------------|-------------|----------------|
| Alpine Civil | 18 August 2023 | Emergency Works | \$63,908.00 | Field Services |
| MKS (Melbourne Kleaning Supplies) | 31 August 2023 | Emergency Works | \$79,042.49 | Field Services |

The procedural exemptions approved by the CEO are attached for the Committee’s information. The number of procedural exemptions for the last quarter is two, or 2.3% of the total purchase order value.

| Quarterly STATS | Volume | Value |
|------------------------------|--------|----------------|
| | Number | \$ |
| Procedural exemptions | 2 | \$142,950.49 |
| Total purchase orders raised | 150 | \$5,981,017.68 |

Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes that two Procedural Exemptions were authorised by the Chief Executive Officer between 1 July 2023 and 30 September 2023.

Support Attachments

1. Procedural Exemption Form - Emergency Works - Piries- Goughs Bay Road [14.1.1 - 2 pages]
2. Procedural Exemption Form - Public Amenities Cleaning Contract Replacement [14.1.2 - 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 two Procedural Exemptions were 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.

15. Other Business

16. Next Meeting

The next meeting of the Audit and Risk Advisory Committee will be held Monday 26 February at 3:00pm.

17. Close of meeting