



## **Appendix 1**

### **6.2 Minutes of the Audit & Risk Committee Meeting held on 7 December 2020**

*Minutes of the Audit & Risk Committee Meeting  
held on 7 December 2020*

# **Ordinary Meeting of Council**

Wednesday 16 December 2020 at 7:00pm

(Via Videoconference)



# Minutes

## Audit and Risk Committee Meeting

Monday 7 December 2020 at 3:30 pm  
Queenscliff Town Hall

### Distribution

### Members

Mr Roland 'Barney' Orchard – Chair

Mr Richard Bull

Mr Graeme Phipps

Ms Helen Butteriss

Cr Ross Ebbels

Cr Susan Salter

### Officers

Martin Gill, Chief Executive Officer

Phillip Carruthers, General Manager Organisational Performance & Community Services

Gihan Kohobange, Manager Financial Services

Alex Tonkin, Business Services Accountant

### Invitees

***Internal Audit Provider: HLB Mann Judd***

Mark Holloway, Engagement Partner

Kundai Mtsambiwa, Manager Audit & Assurance



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## 1. OPENING OF MEETING

The Chair, Mr Roland 'Barney' Orchard, opened the meeting at 3:35pm.

## 2. PRESENT & APOLOGIES

Present:

Mr Roland 'Barney' Orchard

Mr Richard Bull

Mr Graeme Phipps

Ms Helen Butteriss

Cr Ross Ebbels

Cr Susan Salter

Martin Gill, Chief Executive Officer

Phillip Carruthers, General Manager Organisational Performance & Community Services

Gihan Kohobange, Manager Financial Services

Alex Tonkin, Business Services Accountant

Kundai Mtsambiwa, Manager Audit & Assurance, HLB Mann Judd (internal audit provider) (via videoconference until 4:34pm)

Jenni Walker, Executive Assistant & HR and Corporate Governance Coordinator (minutes)

Apologies:

Mark Holloway, Engagement Partner, HLB Mann Judd (internal audit provider)

## 3. PECUNIARY INTEREST & CONFLICT OF INTEREST DISCLOSURES

Independent Members: Nil

Councillors: Nil

Officers: Nil

### Personal Interests Returns

Committee members will be aware that under the *Local Government Act 1989* they were required to lodge regular interest returns in which they disclose particular types of interests, including properties owned in the municipality, offices held and companies in which they own shares.

Under the *Local Government Act 2020*, these returns have been expanded somewhat and are now called Personal Interests Returns. Councillors and nominated officers must complete an initial return and then a biannual return while holding that office. However, under the new Act it is not mandatory for independent members of Audit and Risk Committees to complete an initial and then biannual personal interests return.



As a Committee we may wish to consider whether good governance best practice requires independent members to complete a Personal Interests Return. Note a summary of Personal Interests Returns will be published on Council’s website and be available for public inspection, as per the requirements of the *Local Government Act 2020*.

**Recommendation:**

**That the independent members of the Audit and Risk Committee complete an initial Personal Interests Return within 30 days of this meeting, and a biannual return thereafter in March and September of each year so long as the individual remains a member of the Audit and Risk Committee.**

**Moved: Richard Bull / Seconded: Graeme Phipps**

**That the independent members of the Audit and Risk Committee complete an initial Personal Interests Return within 30 days of this meeting, and a biannual return thereafter in March and September of each year so long as the individual remains a member of the Audit and Risk Committee. The Committee noted the intent of this measure is to ensure there is no conflict or pecuniary interest and to ensure a high standard of good governance, transparency and scrutiny.**

**Carried**

**4. AUDIT AND RISK COMMITTEE MEETING – 7 September 2020**

**4.1 Confirmation of Minutes from Audit and Risk Committee Meeting 7 September 2020 (Appendix 1)**

**Moved: Richard Bull / Seconded: Graeme Phipps**

**That the Minutes of the Audit and Risk Committee Meeting held on Monday 7 September 2020 be confirmed.**

**Carried**

**4.2 Business Arising from Audit and Risk Committee Meeting 7 September 2020.**

<b>Item</b>	<b>Action</b>	<b>Status</b>
<b>December 2019</b>		
9. Review of Council Policies	General Manager Organisational Performance and Community Services, CP023 Information Technology will be further reviewed following Council’s pending IT strategy review	Votar Partners Pty Ltd has issued the final report on IT strategy review. IT policy to be reviewed based on final report.



## 5. INTERNAL AUDIT

Council's annual budget provides for two internal audit reviews to be conducted during the year, with the internal audit service provider reporting through to management and the Audit Committee at scheduled meetings in June and December of each year.

### 5.1 Progress by Management on Open Audit Recommendations

A summary of the current outstanding internal audit recommendations is given below. Four (4) outstanding internal audit recommendations have been completed since the last audit committee meeting. Based on the risk associated and the availability of resources, twenty three (23) audit recommendations out of 85 outstanding audit recommendations, have been prioritised to be completed before the next follow-up review planned for April / May 2021.

Review	Period	Audit Recommendations				
		Outstanding Sep 2020	Complete	Outstanding Dec 2020	To be completed by May 2021	Projected no. of Outstanding recommendations by May 2021
Risk Management Framework	Nov-17	4		4	(4)	-
Occupational Health and Safety	May-18	11		11	(3)	8
Records Management	May-18	9		9		9
IT Network and Security (including Cyber Security)	Oct-18	4		4	(1)	3
Fraud and Corruption Control Framework	Nov-18	12	(1)	11	(7)	4
Capital Works Framework	Nov-19	19	(1)	18		18
Human Resources Management	Nov-19	9		9	(5)	4
Business Continuity Planning and Disaster Recovery	Nov-19	7		7	(1)	6
Management of Caravan Parks, Reserves and Foreshore	May-20	1		1	(1)	-
Strategic Procurement	May-20	13	(2)	11	(1)	10
<b>Total</b>		<b>89</b>	<b>(4)</b>	<b>85</b>	<b>(23)</b>	<b>62</b>

Risk Rating



Review	Period	Audit Recommendations				
		Outstanding Sep 2020	Complete	Outstanding Dec 2020	To be completed by May 2021	Projected no. of Outstanding recommendations by May 2021
High				8	0	8
Medium				65	(17)	48
Low				12	(6)	6
<b>Total</b>				<b>85</b>	<b>(23)</b>	<b>62</b>

The management has decided to categorise outstanding internal audit recommendations into six (6) focus areas to better monitor the progress and to prioritise efforts required. I have provided an update against each focus area below.

No.	Focus Area	Number of Audit Recommendations				Officer	Comment	Timelines for completion
		H	M	L	Total			
1	Capital work management framework	3	15		18	Johann R	Framework developed and consists of 5 stages. Organisational working group consisting of EMT and key Engineering and Finance staff developing templates for Stage 1 - Initiation. Next steps include developing gateway approval process and ensuring the initiation phase dovetails with existing corporate and financial planning processes.	December 2021
2	Contract management policy and procedures		5	1	6	Phillip C/ Bridie O	A new policy is being drafted which will be finalised after the scheduled internal audit review on the management, oversight and monitoring of outsourced service providers in April / May 2021.	June 2021
3	Occupational Health & Safety		8		8	Phillip C/ Jenni W	The Borough is participating in a state wide review of OHS policies and systems (supported by JLT), which will result in BoQ's OHS policies and procedures being reviewed and updated.	June 2021
4	Records management system and procedures	3	4	2	9	Phillip C/ Anna H	Currently on hold until Council take a decision on a new corporate system as recommended in the ICT architecture strategy review. Council will undertake an Expression of Interest (EOI) to better understand what options are available to the BoQ, and investment required, for	TBD





No.	Focus Area	Number of Audit Recommendations				Officer	Comment	Timelines for completion
		H	M	L	Total			
							implementing a new integrated corporate system.	
5	Secondary internet connection and a DR site	2	1		3	Phillip C/ Gihan K	Currently on hold until Council take a decision on a new corporate system as recommended in the ICT architecture strategy review. It is further recommended that Council implement systems that are web-based and are accessible from any device and any location. Council will undertake an Expression of Interest (EOI) to better understand what options are available to the BoQ, and investment required, for implementing a new integrated corporate system.	TBD
6	Structured education/trainings program		10	2	12	Phillip C/ Anna H	A compliance training calendar is being developed which encompasses most of the internal audit recommendations.	June 2021
<b>Sub total</b>		<b>8</b>	<b>43</b>	<b>5</b>	<b>56</b>			
	Other		22	7	29			
<b>Grand Total</b>		<b>8</b>	<b>65</b>	<b>12</b>	<b>85</b>			

**Moved: Graeme Phipps / Seconded: Helen Butteriss**

**That the Audit and Risk Committee notes the progress on outstanding actions from previous audit recommendations.**

**Carried**

## **5.2 Internal Audit Reviews**

Council's internal auditors, HLB Mann Judd, conducted an internal audit during October to November 2020 covering the review topic of insurance (coverage and value-for-money). Officers have since received and provided management comment, where appropriate, in response to the internal audit recommendations. Refer **Appendix 2**.

There are three (3) areas of low risk in which opportunities for improvement have been identified by the internal auditor.

Council officers acknowledged that there are opportunities for improvements in the areas of risk identified by the internal auditor. A timeframe for completion of the audit recommendations is included in the management response to the internal audit report.



**Moved: Richard Bull / Seconded: Helen Butteriss**

**That the Audit and Risk Committee confirms and accept the internal audit report, including management comments, as provided at Appendix 2.**

**Carried**

### **5.3 Scope for Internal Audit Reviews – April / May 2021**

Council's internal auditors, HLB Mann Judd, has prepared documentation in relation to the scope of the next internal audit review to be conducted in April/May 2021 in line with the internal audit review topics for 2021 – 2023 presented at the June 2020 Audit Committee Meeting.

The proposed topic to be audited is:

- Management oversight and monitoring of outsourced service providers including value for money on major ongoing contracts. Refer **Appendix 3**.

Officers have reviewed the proposed audit scope to ensure that it adequately covers the risk associated with the process.

In addition, internal auditors will carry out a follow-up review of three previous internal audit reports.

**Moved: Graeme Phipps / Seconded: Helen Butteriss**

**That the Audit and Risk Committee confirms "Management oversight and monitoring of outsourced service providers including value for money on major ongoing contracts" be the subject of the next internal audit review.**

**Carried**

### **5.4 Internal Audit Charter**

The proposed internal audit charter (**Appendix 4**) is a formal document that defines the internal audit's purpose, authority, responsibility and position within the organisation. The proposed charter largely formalises the way the Borough of Queenscliffe has been managing its internal audit functions in addition to the following changes suggested.

- a. Internal auditor to conduct a detailed review of Borough of Queenscliffe's risk profile and the risk management framework prepared by management at least every three years. The strategic internal audit plan and the annual internal audit plan be developed based on this detailed review of the organisation's risk profile and the risk management framework (section 3.5 of the charter); and
- b. The Audit and Risk Committee to meet with internal auditor in the absence of management to ensure free, frank and open communications (section 3.8 of the charter).



**Moved: Helen Butteriss / Seconded: Richard Bull**

**That the Audit and Risk Committee approves the internal audit charter provided at Appendix 4.**

**Carried**

## **6. EXTERNAL AUDIT**

Council's annual budget provides for two external audit reviews to be conducted each year, to meet all legislative requirements with respect to the annual financial and performance reports.

An interim audit is conducted in April/May each year, which includes a review of policies, processes and to review progress on actions required to be completed as part of the current year's financial report.

A final audit of Council's annual financial statements (including financial report and performance statement) is completed in August of each year, with the external auditor reporting through to management and the Audit and Risk Committee at a scheduled meeting in September of each year.

### **6.1 External Audit 2019–20 Closing Report and Final Management Letter**

Council's external auditor, Crowe, conducted the final audit for the 2019–20 year-end accounts in August 2020. A draft closing report was circulated to the Audit and Risk Committee members on 7 September 2020. A copy of both the final closing report and final management letter are included at **Appendix 5**.

The management letter contains one audit finding regarding excessive annual leave balances which management has acknowledged. Further, it confirms the satisfactory resolution of all previous audit findings.

**Moved: Graeme Phipps / Seconded: Richard Bull**

**That the Audit and Risk Committee recommends that Council accept the 2019–20 External Audit Closing Report and 2019–20 Final Management Letter as provided at Appendix 5.**

**Carried**

## **7. COMPLIANCE MANAGEMENT**

### **7.1 Reports from the Victorian Auditor General's Office (VAGO)**

The Victorian Auditor-General's Office (VAGO) provides in its Annual Plan for a range of performance audits to be conducted each financial year. These performance reports typically include state government departments as well as a sample of local councils selected for audit.

The Borough of Queenscliffe was included in the performance audit conducted in 2018–19 in relation to Reporting on Local Government Performance.



### Other Performance Audits (of which Queenscliffe was not selected for audit)

The Victorian Auditor-General's Office (VAGO) has tabled the following reports with Parliament.

- **Reducing bushfire risk (October 2020)**

<https://www.audit.vic.gov.au/report/reducing-bushfire-risks>

#### **Background**

The objective of this audit was to assess whether responsible agencies are effectively working together to reduce Victoria's bushfire risk.

VAGO examined DELWP, Parks Victoria, CFA, Emergency Management Victoria, and Energy Safe Victoria (ESV). They also looked at three local councils—the City of Whittlesea, and East Gippsland and Murrindindi Shire Councils.

The audit was focused on three specific areas based on the Victorian Royal Commission's recommendations;

- fuel management, including DELWP's performance target for reducing bushfire risk and its risk-reduction strategies
- Victoria's land-use planning system, and
- the Powerline Bushfire Safety Program (or PBSP).

#### **VAGO conclusion drawn from this audit**

"The audited agencies, particularly the Department of Environment, Land, Water and Planning (DELWP) and the Country Fire Authority (CFA), are collaborating to reduce the risks that bushfires pose to life, property and the environment.

However, there is insufficient information available to understand the effectiveness and impacts of agencies' risk-reduction activities.

Current modelling limitations and lack of reporting on non-burn and private land-based risk reduction activities:

- inhibits continuous improvement
- limits community understanding of performance in reducing risk and
- constrains DELWP and government's ability to make better informed investment decisions to further reduce risk."

Though the report has not made any recommendation directly in relation to Councils, the following issues have been highlighted in the report.

#### Fuel management - Risk assessment and treatment on private land needs a stronger focus.

While DELWP is responsible for assessing and reducing bushfire risk on public land, CFA and councils do so for private land, which makes up 60 per cent of Victoria. Private land usually poses a lower bushfire risk because it is often cleared for crops, grazing or building development.

Despite this, it is difficult for the CFA and councils to assess and address bushfire risk on private land due to staff capacity and capability limitations, and their lack of data and access to modelling tools.



In addition, there is a lack of focus on risks present on private land in DELWP and the CFA's operational planning, which creates a gap in understanding risk across the state.

Land-use planning - Limited council reviews of compliance

Not all audited councils routinely check that landowners continue to meet their planning permit conditions. This creates a risk that landowners:

- never meet the Bushfire Management Overlay (BMO) conditions set by their permit
- do not maintain BMO standards for the life of their property, or
- may not be aware of BMO conditions when buying a property.

**VAGO Recommendations and Relevance for the Borough of Queenscliffe**

Land-use planning - Limited council reviews of compliance

The Borough of Queenscliffe does not routinely check that landowners meet their planning permit conditions. This is primarily due to staffing and other resourcing constraints.

Fuel management - Risk assessment and treatment on private land

In the Borough of Queenscliffe, which is a low risk area, a Municipal Fire Prevention Officer (MFPO) and an Assistant MFPO have been appointed with these responsibilities.

An inspection of all land within the Borough is conducted prior to the fire season and if required Fire Prevention Notices are issued to land owners to carry out specific types of work on their properties.

Any complaints received regarding potential fire hazards are investigated and determinations made as to what if anything may be required.

As a very small LGA, the BoQ does not have concerns over the amount and types of fire prevention works or potential fire hazards that may exist as these can be dealt with in a fairly rapid timeframe.

**Recommendation:**

**That the Audit and Risk Committee notes the summary provided by Council officers, with respect to this VAGO Report.**

**Moved: Graeme Phipps / Seconded: Helen Butteriss**

**That the Audit and Risk Committee notes the summary provided by Council officers, with respect to this reducing bushfire risk VAGO Report.**

**Carried**

**7.2 Reports from the Compliance Committee**

The minutes of September 2020 to November 2020 Compliance Committee meetings are provided at **Appendix 6**.



**Moved: Richard Bull / Seconded: Graeme Phipps**

**That the Audit and Risk Committee notes the minutes of Compliance Committee meetings held between September 2020 to November 2020 provided at Appendix 6.**

**Carried**

## **8. CONTROL FRAMEWORK AND RISK MANAGEMENT**

### **8.1 Review of Council Policies**

Council policies are reviewed by officers and adopted by Council on a rolling basis, with most policies scheduled for review every three years, noting that some policies require review every year (e.g. Procurement). It is preferred that policies with a risk management focus be reviewed by the Audit and Risk Committee prior to being forwarded to Council for adoption, however this is dependent on the timing of scheduled Audit and Risk Committee meetings and the allocation of staff resources to undertake the policy review work.

- **Draft Council Policies for review by Audit and Risk Committee**

The following draft Council Policies are provided, at **Appendix 7**, for review by the Audit and Risk Committee, prior to being considered by Council for adoption at its Ordinary Meeting in December 2020:

- **Revised Council Policy CP039: Discretionary Reserves**

Key changes are:

- a. Rename "Asset Replacement reserve (unallocated)" to "Unallocated Cash Reserve" as the reserve is to provide a contingency for responding to any emerging risk and other unbudgeted issues (section 1.1) (Note: Committee Members requested officers consider renaming this "General Reserve".);
- b. Minimum of \$500,000 (approximately 5% of annual cash operating expenses) in the unallocated cash reserve, sufficient to cover one month cash operating expenses of Council (section 1.1). Balance at 01 July 2020 is \$396,981;
- c. Asset replacement reserve (allocated), a minimum allocation for a transfer to reserve of \$45,000 p.a. approximately 5% of annual asset renewal budget (section 1.2). Balance at 01 July 2020 is \$575,661;
- d. Specific guidelines to transfer funds out from reserve accounts (sections 4); and
- e. Changes to wordings to make the policy concise and clear, and to comply with the Local Government Act 2020.

- **Revised Council Policy CP011: Investment of Available Funds**

Key changes are:

- a. Restrict investment only with Approved Deposit taking Institutions (ADI) (section 4);
- b. New exposure limits for an efficient risk rewards trade off (sections 5);
- c. Specific guidelines for reporting and record keeping (section 8); and
- d. Changes to wordings to make the policy concise and clear, and to comply with the Local Government Act 2020.



Officers to check the practicality of restricting exposure to a single ADI to a maximum of \$500,000 in investing available (excess) funds.

- **Revised Council Policy CP040: Borrowings**

Key changes are:

- a. Introduction of borrowing ratios and limits. The limits specified under section 2 of the policy will ensure that the maximum exposure to borrowing will be at \$1 million in a given point in time unless Council decides (after consultation of the Audit and Risk Committee) otherwise based on specific requirements of the capital project/s are being funded.  
This proposed limit will ensure that maximum debt servicing cost will be within the additional rates revenue estimated on an average rate increase of 2%.  
Currently, the Borough has a debt-free balance sheet as Council settled the existing loan in full in September 2020.
- b. Changes to wordings to make the policy concise and clear, and to comply with the Local Government Act 2020.

**Moved: Graeme Phipps / Seconded: Richard Bull**

**That the Audit and Risk Committee endorse the draft revisions to Council Policies included at Appendix 7, and recommend that Council consider adoption of these policies at its Ordinary Meeting in December 2020.**

**Carried**

## **8.2 Risk Register**

Risk management committee meetings are held monthly as a part of the Compliance Committee, which incorporates the Risk Committee. The current risk register is provided at **Appendix 8** and there has not been any material change to the risk register since the last updated version provided to the Audit and Risk Committee in September 2020.

**Moved: Richard Bull / Seconded: Graeme Phipps**

**That the Audit and Risk Committee notes the risk register provided at Appendix 8.**

**Carried**

## **8.3 Business Continuity Plan (BCP) and Testing Regime**

Council's business continuity plan and the disaster recovery plan were reviewed and updated in October 2019. The Business Continuity Committee met at least weekly from March 2020 onwards in response to the global COVID-19 pandemic.

An emergency management meeting of all staff (compulsory) was held on 24 November 2020. The meeting covered matters such as an update on COVID and fire preparedness for summer and what Council staff may be required to do in the event of an emergency.



A mock BCP/DR incident response drills/testing exercise has not been carried out by the BoQ since June 2016. (Note that annual exercises are conducted of Council’s Municipal Emergency Management Plan.)

**Moved: Richard Bull / Seconded: Graeme Phipps**

**That the Audit and Risk Committee notes the summary provided by Council officers, with respect to business continuity planning and testing regime.**

**Carried**

#### **8.4 Reports on any instances of unethical behaviour, fraud and corruption**

There has not been any unethical behaviour, fraud and corruption reported or suspected since the last Audit and Risk committee meeting.

**Moved: Helen Butteriss / Seconded: Graeme Phipps**

**That the Audit and Risk Committee notes update provided by Council officers, with respect to unethical behaviour, fraud and corruption.**

**Carried**

#### **8.5 General Ledger Reconciliations**

Reconciliations are a fundamental control check for fraudulent activity and to prevent financial statement errors. An update on the status of the bank and general ledger reconciliations has been provided at 30 September 2020. Reconciliations have been categorised into three risk categories based on the value of the unreconciled items as a percentage (%) to the ledger balance of the each reconciliation.

<b>Risk Category</b>	<b>No. Reconciliations</b>	<b>Comment</b>
Low risk - zero unreconciled value	62	
Medium risk – less than 5% and \$5,000 unreconciled value	2	<ul style="list-style-type: none"> <li>• Rates debtors has an unreconciled difference of \$202 (balance \$5,594,007)</li> <li>• Sundry debtors has an unreconciled difference of \$4,124 (balance \$69,651)</li> </ul>
High risk – more than 5% and \$5,000 unreconciled value	0	
<b>Total</b>	<b>64</b>	





**Moved: Helen Butteriss / Seconded: Graeme Phipps**

**That the Audit and Risk Committee notes the update provided by Council officers, with respect to general ledger reconciliations.**

**Carried**

## **9. COUNCIL FINANCIAL AND PERFORMANCE REPORTING**

### **9.1 2019–20 Annual Report**

The Borough of Queenscliffe 2019–20 Annual Report was completed by the statutory timeframe of 30 November 2020 and issued to Council at its Ordinary Council Meeting on 22 October 2020.

An electronic copy of the annual report is available to the public on Council’s website and can be accessed via the following link:

[https://www.queenscliffe.vic.gov.au/images/council/publications\\_strategies\\_reports/Annual%20Reports/BOQ\\_AR\\_2020-WEB.pdf](https://www.queenscliffe.vic.gov.au/images/council/publications_strategies_reports/Annual%20Reports/BOQ_AR_2020-WEB.pdf)

**Recommendation:**

**That the Audit and Risk Committee notes the Borough of Queenscliffe 2019–20 Annual Report.**

**Moved: Graeme Phipps / Seconded: Richard Bull**

**That the Audit and Risk Committee notes the Borough of Queenscliffe 2019–20 Annual Report and compliments officers involved on the excellent work in the production of the Annual Report.**

**Carried**

### **9.2 2020–21 Quarterly Financial Report as at 30 September 2020**

The 30 September 2020 quarterly financial report was issued to Council at its Ordinary Meeting on 22 October 2020. This report is provided at **Appendix 9**.

The forecast **cash result is a deficit of \$434,000 for the year**, an increase of \$104,000 on the budgeted cash deficit of \$329,000. This increase is mainly due to the additional budget allocations for:

- Queenscliffe Cultural Hub, \$50,000;
- roundabout upgrade work on Hesse Street, \$38,000;
- public convenience cleaning, additional cleaning requirements due to COVID 19, \$23,000;
- and



- early settlement of the existing loan in full, \$10,000.

Savings in insurance expenses (\$11,000) and a part of 2019–20 additional cash surplus (\$123,000) have been used to fund the above budget allocations. Due to the shift in the timing, \$886,000 capital project work and \$265,000 operating project work have been carried over from 2019–20 via reserve transfers with a nil impact on the cash result. The **forecast accumulated cash surplus for 2020–21 is \$18,000 at June 2021.**

The **underlying result** for the year is a **deficit of \$1,539,000**, an increase of \$263,000 against the budget mainly due to the impact of operating projects carried over from 2019–20.

One of the key objectives in Council's Strategic Resource Plan is the achievement of a breakeven underlying operating result cumulatively. The **forecast accumulated underlying surplus stands at \$700,000** at 30 June 2021.

**Total financial assets** (including cash and cash equivalents) as at **30 September 2020** is **\$7.8 million**, of which \$5.9 million have been allocated for specific future purposes.

**Trade and other receivables** stands at **\$5,389,000** at September 2020 of which **94% is outstanding rates and charges not yet due.**

Council settled in full the existing loan and currently has **zero debt** on its balance sheet after twelve years.

During the last three months, **\$534,000** has been spent in **capital projects** against the **forecast of \$8.4 million for the year.**

**Financial Sustainability Indicators**, VAGO reports to Parliament in November / December each year, on the results of the Local Government Audits for the most recent financial year. In its report, VAGO considers the outcomes for each Council grouping across seven financial sustainability risk indicators.

Queenscliffe's results for the last five years to 2019–20 are summarised in the table below with estimated results for 2020–21.



Financial Sustainability Indicators	Risk Assessment Matrix			Risk Assessment						20/21 forecast**
	Low	Medium	High	15/16	16/17	17/18	18/19	19/20*	5 yrs average	
Net result	>0%	-10% - 0%	<-10%	1.71%	2.45%	10.77%	25.07%	4.47%	8.89%	17.84%
Adjusted underlying result	>5%	0% - 5%	< 0%	-2.00%	2.00%	1.00%	0.00%	-3.27%	-0.45%	-14.33%
Liquidity	>1.0	0.75 - 1.0	<0.75	2.96	3.06	2.88	5.04	5.14	3.82	2.80
Internal financing	>100%	75% - 100%	<75%	56%	183%	135%	144%	151%	134%	51%
Indebtedness	<=40%	40% - 60%	>60%	2.09%	1.08%	1.08%	0.51%	1.19%	1.19%	6.16%
Capital replacement	>1.5	1.0 - 1.5	<1.0	1.96	1.22	1.79	2.88	1.42	1.85	5.81
Renewal gap	>1.0	0.5 - 1.0	<0.5	1.64	0.82	1.14	2.21	1.22	1.41	5.10

Source : VAGO

\* Based on audited actual and calculated by BoQ

\*\*Based on budget and forecast and calculated by BoQ

**Council will continue to be considered ‘low’ risk in all but two financial sustainability indicators for the 2020–21 year.** The forecast accumulated underlying operating surplus stands at \$700,000 at June 2021 even though an underlying deficit is forecasted for the year. The timing between operating grant income and the cost of the projects associated with such grant income has resulted in the Borough reporting underlying deficits in some years.

Most of the capital expenditure included in the 2020–21 forecast is funded through money held in reserve (grant received in advance) and capital grant to be received, having an impact on the internal financing ratio.

The impact of the outbreak of COVID-19 in Victoria especially on the operations of caravan parks has not been considered into the September quarter forecast. Officers will continue to monitor developments about the outbreak with any further changes to be reported to the Audit and Risk Committee as and when required.

**Moved: Helen Butteriss / Seconded: Richard Bull**

**That the Audit and Risk Committee notes the 2020–21 Quarterly Financial Report as at 30 September 2020, included at Appendix 9.**

Carried

## 10. INFORMATION TO NOTE

### 10.1 Review of ICT Architecture Strategy



Council engaged Votar Partners Pty Ltd to conduct a review of ICT Architecture Strategy of the Borough. The review report is provided at **Appendix 10**.

**Moved: Graeme Phipps / Seconded: Helen Butteriss**

**That the Audit and Risk Committee notes the report on ICT Architecture Strategy review.**

**Carried**

## **11. AUDIT AND RISK COMMITTEE**

### **11.1 Councillor Representatives on Council's Audit and Risk Committee**

Council's Audit and Risk Committee Charter provides for membership of one to three Councillors and four external members appointed by Council, all with full voting rights.

At the Special (Statutory) Council Meeting held on 19 November 2020, Council resolved to appoint Cr Ross Ebbels and Cr Susan Salter as its two Councillor representatives on Council's Audit and Risk Committee.

### **11.2 Requirements of the Local Government Act 2020**

The Local Government Act 2020 (the Act) expands the scope of audit and risk committees, including support for the committee to assume a broader risk management role over and above financial auditing. Under the new arrangements, councils must adopt a charter for the Audit and Risk Committee that satisfies a number of requirements listed in the Act. Membership of the committee also varies from previous requirements for Audit Committees.

There are five new requirements that Audit and Risk Committees must meet:

1. **Audit and Risk Committee Charter**  
The council must prepare and approve a committee charter and establish the committee (appoint members) by 1 September 2020 (complete).
2. **Reporting to council**  
The committee must report to council twice yearly; the report must include the committee's findings and recommendations.
3. **Membership**  
A majority of committee members must be independent of council; the chair must not be a councillor and members of council staff must not be committee members. Collectively, the committee must have expertise in financial and risk management and experience in public sector management.
4. **Self-assessment**  
The committee must undertake an annual assessment of its own performance against the charter and report on this to council.



5. Work plan

The committee must adopt an annual work plan.

So far, the Audit and Risk committee has met requirements in relation to the audit and risk committee charter and membership (requirements 1 and 3 above).

The draft annual work plan of the Audit and Risk Committee given at **Appendix 11** is based on the approved Audit and Risk Committee Charter. The proposed work plan largely formalises the way the Audit and Risk Committee (Audit Committee prior to June 2020) has been operating in addition to the following matters.

- 14, Review Council's insurance programme - Annually
- 15, Review BCP framework and testing regime – Annually
- 20, Review Internal Audit charter - Every three year
- 25, Meet with internal auditor in the absence of management – Annually
- 32, Meet with external auditor in absence of management – Annually
- 35, Review Report on Gifts, Benefits and Hospitality – Annually
- 38, Report on activities to Council – Biannual
- 39, Adopt an annual work program – Annually
- 40, Assessment of Committee performance – Annually

As per the Act, the Audit and Risk Committee must undertake an annual assessment of its own performance against the charter and report on this to council. Given at **Appendix 12**, proposed Audit and Risk Committee self-assessment survey template.

**Moved: Richard Bull / Seconded: Graeme Phipps**

**That the Audit and Risk Committee reviews and approves the Annual Work Plan of the Audit and Risk Committee given at Appendix 11 and the Audit & Risk Committee Self-Assessment Survey template given at Appendix 12.**

**Carried**

The Committee considered whether a self-assessment should be performed for the previous twelve months but considered it would be of little benefit given the new requirements of the Local Government Act 2020 effectively rendering it a review of the 'old' local government requirements using the 'new' framework. The Committee considered it more effective to perform a self-assessment under the new Act requirements once 12 months of operation under the new Act had also occurred.

**12. GENERAL BUSINESS**



**13. DATES OF FUTURE AUDIT AND RISK COMMITTEE MEETINGS**

Audit and Risk Committee meetings are scheduled to occur at least one week prior to an Ordinary Council Meeting, in order for the Minutes of the Audit and Risk Committee meeting to be finalised and included in the Agenda for the Ordinary Council Meeting, for acceptance by Council.

All meetings of the Audit and Risk Committee will commence at 3:30pm.

The September meeting of the Audit and Risk Committee each year is for the specific purpose of reviewing the draft financial statements and recommending that Council consider adoption of the financial statements, in principle, at its Ordinary Council Meeting in September.

<b>Audit and Risk Committee Meeting</b>	<b>Ordinary Council Meeting</b>
Monday 7 June 2021	Thursday 17 June 2021
Monday 6 September 2021	Thursday 23 September 2021
Monday 6 December 2021	Thursday 16 Thursday 2021

Given the Audit and Risk Committee’s additional responsibilities under the new *Local Government Act 2020*, as outlined at Item 11, the Committee may wish to consider whether three meetings a year remains adequate and whether four set meetings is to be preferred.

The Committee noted the increased responsibilities required of it under the new *Local Government Act 2020* and expressed a wish for officers to advise them if a fourth meeting is required. Officers to prepare a summary of agenda items if three meetings a year were held and a summary if four meetings a year were held.

**14. CLOSE OF MEETING**

Meeting Closed at 5:47pm.