



Appendix 1

6.2 Audit & Risk Committee Meeting Minutes – 5 September 2022

*Audit & Risk Committee Meeting Minutes
from 5 September 2022*

Ordinary Meeting of Council

Wednesday 28 September 2022 at 7:00pm

Queenscliff Town Hall



Minutes

Audit and Risk Committee Meeting

Monday 5 September 2022 at 3:30 pm
Queenscliff Town Hall

Distribution

Members

Mr Roland 'Barney' Orchard
Mr Richard Bull
Mr Graeme Phipps
Ms Helen Butteriss
Cr Ross Ebbels
Cr Fleur Hewitt
Cr Isabelle Tolhurst

Officers

Martin Gill, Chief Executive Officer
Gihan Kohobange, Manager Finance and Corporate Services
Jenni Walker, HR and Governance Coordinator
Jodie Hunt, Financial Services Coordinator

Invitees

External Audit Provider: Crowe Australasia

Cassandra Gravenall, Partner – Audit and Assurance
Felmer Ealdama, Manager – Audit and Assurance



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Appendices

Appendix 1	Agenda Item 3.1 Minutes of the Audit and Risk Committee Meeting 6 June 2022	Issued 15 June 2022
Appendix 2 (Confidential)	Agenda Item 4.2 Tender for Provision of Council's Internal Audit Service Tender Evaluation scores	Under separate cover (confidential)
Appendix 3	Agenda Item 6.2 Minutes of Risk and Governance Committee (meetings held between June 2022 to July 2022	Under separate cover
Appendix 4 (Confidential)	Agenda Item 6.3 A report on gifts, benefits and hospitality for the period 1 July 2021 to 30 June 2022	Under separate cover (confidential)
Appendix 5	Agenda Item 7.2 Strategic Risk Register	Under separate cover
Appendix 6 (Confidential)	Agenda Item 7.6 2022–23 Insurance Arrangements	Under separate cover (confidential)
Appendix 7	Agenda Item 8.1 Draft 2021–22 Annual Financial Report	Under separate cover
Appendix 8	Agenda Item 8.2 Draft 2021–22 Performance Statement	Under separate cover
Appendix 9	Agenda Item 8.3 Draft 2021–22 Governance and management checklist	Under separate cover
Appendix 10	Agenda Item 9.1 Report to Council by Audit and Risk Committee	Under separate cover
Appendix 11	Agenda Item 9.2 Audit and Risk Committee Charter	Under separate cover



1. OPENING OF MEETING

3.34pm

2. PRESENT & APOLOGIES

Present:

Committee members

Mr Richard Bull

Mr Graeme Phipps

Ms Helen Butteriss

Cr Ross Ebbels

Cr Fleur Hewitt*

Cr Isabelle Tolhurst

Invitees

Cassandra Gravenall, Partner – Audit and Assurance

Officers

Martin Gill, Chief Executive Officer

Gihan Kohobange, Manager Finance and Corporate Services

Jenni Walker, HR and Governance Coordinator

Jodie Hunt, Financial Services Coordinator

Abbey Tatterson, Business Operations Coordinator

Apologies:

Roland 'Barney' Orchard (committee member)

Felmer Ealdama, Manager – Audit and Assurance (invitee)

*As Roland 'Barney' Orchard was not in attendance, and to ensure the external committee members had quorum, Cr Fleur Hewitt nominated to abstain from voting.

3. AUDIT AND RISK COMMITTEE MEETING – 6 June 2022

3.1 Confirmation of Minutes from Audit and Risk Committee Meeting 6 June 2022

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Minutes of the Audit and Risk Committee Meeting held on Monday 6 June 2022 be confirmed (Appendix 1).



4. 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 and Risk Committee at scheduled meetings in June and December of each year.

4.1 Progress by Management on Open Audit Recommendations

Council has not been able to complete any of the outstanding internal audit recommendations since the last Audit and Risk Committee meeting due to staff shortages Council has been experiencing.

However, amidst staff vacancies Council has continued its focus on its control framework reviewing several policies since the last Audit and Risk Committee meeting as summarised under item 7 in this agenda. Council is making good progress with its ICT transformation project which will eventually address a number of outstanding internal audit recommendations.

Risk Rating	No of Audit Recommendations				
	Outstanding 1-Jan-22	New during the period	Reclassified as outstanding	Complete	Outstanding 30-June-22
Low	11	1	5	-	17
Medium	28	-	2	(2)	28
High	7	-	-	-	7
Total	46	1	7	(2)	52

Currently, Council has seven (7) high risk and twenty-nine (28) medium risk outstanding internal audit recommendations.

A summary of outstanding internal audit recommendations considered as **high risk** is provided below.

Review	No. of outstanding recommendations	Update
Review of Records Management	3	BoQ is working collaboratively with three other Councils for an EDRMS system. It is a Microsoft Office 365, SharePoint-based solution supported with AvePoint Cloud Governance. The implementation contract has been awarded and the project kick-off meeting was held on 22 August 2022. Target implementation date 31 December 2022.
Review of Capital Works Framework	3	BoQ developed a framework and has introduced a phase-gate process for project approval and initiation. Need to develop and implement a framework for monitoring of projects once started/initiated. BoQ is looking for a project management system



Review	No. of outstanding recommendations	Update
		to be implemented as a part of the new corporate system. Target implementation date 31 December 2023.
Review of Business Continuity Planning and Disaster Recovery	1	Moving all of BOQ's on-premise hosted applications into a vendor-hosted data centre has been identified as an alternative to having a hot (secondary) DR site that BoQ can failover if an incident was to occur. It is a requirement of the BoQ ICT strategy which is being implemented, any new application implemented to be a Software As A Service (SAAS). Target implementation date 31 December 2023. Note: BoQ'S systems are currently being backed up at Visitor Information Centre. The backup schedule operates hourly, performing incremental backups to local network-attached storage. Hourly backups are kept for 15 days, weekly backups for 6 weeks and monthly backups are retained for 12 months However, a server needs to be first configured to failover if an incident was to occur.

Moved: Graeme Phipps / Seconded: Helen Butteriss

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

4.2 Tender for Provision of Council's Internal Audit Service

The tender for provision of Council's internal audit service was advertised on 8 August 2022, with 3 tenders received by the closing date of 26 August 2022. A tender evaluation panel, comprising three officers, assessed the tenders based on the content of tender submissions received.

The evaluation criteria and weighting used for assessment of the tender submissions is as follows:



Evaluation Criteria	Weight
<p>Price</p> <p><u>Value-For-Money</u></p> <p>Value-for-money pricing – based on Lump sum to deliver the Internal Audit Services.</p>	35%
<p>Capacity</p> <p><u>Skills and Specific Industry Experience</u></p> <p>Evidence the Specified Personnel have the skills required to perform the Internal Audit Services and have personally provided value-adding Internal Audit Services for similar organisations.</p>	25%
<p>Capability</p> <p><u>Approach and Methodology</u></p> <p>Details of the methodology to be used for development of the Strategic Internal Audit Plan and Annual Internal Audit Plan and delivery of the ‘full service’ Internal Audit function, including how it conforms to the International Professional Practices Framework.</p> <p><u>Innovation and Value-Add</u></p> <p>Details of how the Strategic Internal Audit Plan and Annual Internal Audit Plan will be developed and implemented using innovative approaches to maximise the amount of internal audit coverage to obtain value-add and strategic gains from the available contract amount.</p>	25%
<p>Social Procurement</p> <p><u>Diversity and Community Accountability</u></p> <p>Details the methodology to be used to measure how the Strategic Internal Audit Plan and Annual Internal Audit Plan will measure environmental impacts, benefits to community, diversity, gender equality, inclusion and minority groups within functions and governance practices of the organisation.</p>	10%
<p>Local Content</p> <p>What economic contribution, if any, the tender will make to the local economy. i.e. use of goods, services or works from local suppliers/ contractors/ consultants within the Borough of Queenscliffe, on the Bellarine Peninsula, or in the Geelong and Surfcoast regions.</p>	5%
TOTAL	100%



Tender evaluation scores and fixed price for a 3-year term for each tenderer is summarised in Appendix 2 (confidential).

If appointed, the new internal auditors will attend December 2022 Audit and Risk Committee meeting to introduce themselves and provide an overview to the Committee on their proposed approach to conducting the internal audit service for Queenscliffe.

The section 80 (section 76 of the draft revised) of the Audit and Risk Committee Charter requires the Committee to provide the Chief Executive Officer with recommendations for appointment of an outsourced Internal Auditor.

Moved: Graeme Phipps / Seconded: Helen Butteriss

That the Audit and Risk Committee recommends the appointment of Council's new internal audit service provider, RSD for a three year contract period commencing 01 October 2022.

5. EXTERNAL AUDIT

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.

5.1 2021–22 External Audit Draft Status Update

Council's external auditor, Crowe Australasia, has now finalised the fieldwork of the final audit for the 2021–22 financial year on behalf of the Auditor-General.

External auditor representative, Cassandra Gravenall provided an update on the draft audit closing report. Based on the audit, they expect to conclude that the financial report is presented fairly. They also expect to conclude that the performance statement is presented fairly. The auditors have identified a difference in the financial statements related to accrual of VAGO audit fee (\$29,100) and small number of minor presentation and disclosure changes in the financial report and performance statement as a result of the audit review, which management has adjusted subsequently. Audit procedures had not identified any unadjusted differences. They expect to issue unmodified audit opinions.

Cassandra made additional comments on the management letter that is being finalised. It is expected that auditors will conclude that two of the previous management letter points (timely update of bank signatories and excessive reserve balances), observed during the 2020-21 audit



process, have been resolved. The management letter point in relation to excessive leave balances will remain open.

Management thanked external auditors for their support during the audit.

Recommendation:

That the Audit and Risk Committee notes the update provided and the audit management letter tabled by Crowe Australasia on behalf of the Auditor General.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee notes the verbal update provided by Cassandra Gravenall on the draft closing report tabled and the draft audit management letter which is being finalised by Crowe Australasia on behalf of the Auditor General.

5.2 Engagement of External Auditor for Non-Audit Service

It is a requirement of most of the grant funding agreements to provide an audited detailed statement of receipts and expenditure relating to the approved project prepared by an independent auditor in compliance with the Australian Auditing Standards. The statement must include a definitive statement as to whether the financial accounts are complete and accurate and a statement of the balance of the funds if any for the approved project.

The Borough was required to provide an audit confirmation by 31 July 2022 that Council had spent minimum \$3.75 million in relation to Queenscliffe Cultural Hub project.

An out-of-session consideration was sought from the Audit and Risk Committee due to the timing of the requirement to engage Crowe Australasia.

Reasons to engage Crowe Australasia

1. The use of the external auditor adds credibility to the verification process.
2. Limited scope of the engagement. The engagement only required an audit confirmation that Council had spent in minimum \$3.75 million in relation to this project.
3. The fee for the service was not significant in the context of the external audit contract.
4. Crowe had already audited cost incurred in relation to this project in the previous financial years as a part of their previous external audit engagements.
5. Auditors are accustomed to operating in a manner which preserves the integrity of the audit process.

Potential for a conflict of interest

1. There was a perceived potential for a conflict of interest by Crowe resulting in compromising their independence as external auditor. However, considering the limited scope of this engagement, it was very unlikely.



View of the Crowe Australasia

It was the view of the auditor that undertaking this work in no way compromises their capacity to conduct the external audit.

View of management

Management recommended the Audit and Risk Committee endorse the appointment of Crowe Australasia for the stated non-audit services based on the reasons listed above.

Further, the management noted that it played no part in VAGO's previous or future selection and engagement of the external auditor.

Moved: Graeme Phipps / Seconded: Helen Butteriss

That the Audit and Risk Committee notes the appointment of Crowe Australasia to perform non-audit services concerning the audit of expenditure incurred for the Queenscliffe Cultural Hub project.

6. COMPLIANCE MANAGEMENT

6.1 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 Victorian Auditor-General's Office (VAGO) has not tabled a performance audit report relevant to the local government sector since the last Audit and Risk committee meeting.

6.2 Reports from the Risk and Governance Committee

The minutes of June 2022 and July 2022 Risk and Governance Committee meetings are provided at **Appendix 3**.

The CEO suggested wording changes to the first item in the minutes of the Risk and Governance Committee meeting held on 26th July 2022. Updated Appendix to be recirculated with the minutes of this meeting.

Recommendation:

That the Audit and Risk Committee notes the minutes of Risk and Governance Committee meetings held between June 2022 to July 2022 provided at Appendix 3.



Moved: Graeme Phipps / Seconded: Helen Butteriss

That the Audit and Risk Committee notes the updated minute of Risk and Governance Committee meetings held between June 2022 to July 2022.

6.3 Report on Gifts, Benefits and Hospitality

A report on gifts, benefits and hospitality for the period 1 July 2021 to 30 June 2022 is provided at **Appendix 4 (Confidential)**.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee notes the report on gifts, benefits and hospitality for the period 1 July 2021 to 30 June 2022 provided at Appendix 4.

7. CONTROL FRAMEWORK AND RISK MANAGEMENT

7.1 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. It is preferred that policies with a financial and 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.

Council Policies adopted by Council

Council has adopted the following policies since the last Audit and Risk Committee meeting in June 2022.

CP007 Equal Employment Opportunity (revised)

CP007 Equal Employment Opportunity was first adopted in June 2010 and last reviewed in March 2019. The purpose of this policy is to affirm the Borough of Queenscliffe's commitment to upholding the principles of Equal Employment Opportunity in all Council activities.

Council officers have now reviewed this policy and recommend the following amendments:

- Update Council officer titles
- Insert reference to obligations under the *General Equality Act 2020*
- Change the language in the policy to non-binary, e.g., his/her to their
- Update reference from *Local Government Act 1989* to 2020
- Update complaints contact details
- Change reference to Compliance Committee to Staff Consultative Committee

CP038 Waste Management – Revised

This policy was first adopted by Council in October 2017 and last updated in June 2021. The



purpose of this policy is to outline the arrangements for waste management services provided to properties in the Borough of Queenscliffe that are entitled to receive such services. To raise revenue in an equitable manner, in accordance with Council's adopted budget and adopted revenue and rating plan, to fully recover the cost of Council's waste services.

Council officers have now reviewed this policy and recommend the following amendments:

- Update Council officer titles
- Update reference from Rating Strategy to Revenue and Rating Plan
- Remove green waste services & update definitions to reflect services offered
- Kerbside waste service is renamed as "Standard Kerbside Waste Service" adding food & green waste as a part of the standard kerbside waste service
- Changes to reflect frequency of waste services and sizes of the waste bins provided

CP045 Child Safety – Revised

This policy was first adopted by Council in May 2018 and last updated in February 2021. The purpose of this policy is to affirm the Borough of Queenscliffe's commitment to child safety in the delivery of Council services and activities.

The Victorian Government has introduced new Child Safe Standards which came into effect on 1 July 2022. The eleven new standards replace the seven standards and principles that were previously adopted. The changes made to the standards were to support greater national consistency and reflect the National Principles for a Child Safe Organisation developed following the Royal Commission into Institutional Responses to Child Sexual Abuse.

Council officers have now reviewed this policy and recommend the following amendments:

- Maintain Council's commitment and replace the seven existing principles with the new eleven principles that are now in place from the Victorian Government

CP048 COVID Financial Hardship – Term extended until 31 December 2022

This policy was first adopted by Council in April 2020 and last adopted in June 2021. The purpose of this policy is to set out the temporary measures the Borough of Queenscliffe will adopt to assist ratepayers experiencing financial hardship due to the COVID-19, and to establish assistance measures that minimise post emergency financial stress for ratepayers.

Council's Rates Assistance Policy (CP031) provides assistance only for residential properties (primary residential property) and does not cover commercial properties. Hence, this temporary policy was introduced in 2020 to cover all properties impacted by the COVID pandemic.

Since adoption of the policy, there has been a very low uptake of the program. So far only two applications have been finalised and payment assistance provided under this policy. However, health professionals are predicting a severe COVID wave during the winter season which may result in financial hardships for some ratepayers.

Considering the uncertainties associated with the COVID pandemic, Council officers have recommended this policy be extended until 31 December 2022.



CP010 Information Privacy – Revised

CP010 Information Privacy was first adopted in October 2011 and last reviewed in March 2019. The purpose of this policy is to outline Council's approach to the management of its information collection, data bases and other records containing personal details so as to protect the privacy of individual details contained in such records. Council has developed this policy to comply with the *Privacy and Data Protection Act 2014*, the *Health Records Act 2001* and the *Freedom of Information Act 1982*.

Council officers have reviewed this policy and recommend the following amendments:

- Update to Officer positions/titles
- Reposition the 'Purpose' to read before 'Context'
- Clarify 'health information' in the definition of 'sensitive information'
- Insert relevant Act dates throughout policy

Revised Governance Rules – Revised

Council adopted its new Governance Rules at its Ordinary Meeting of Council on 27 August 2020, and last amended them on 21 October 2021. Amendments are required to take into account the *Local Government Act 2020* (the Act) concerning 'attendance' and 'remote' meetings which will take effect on 2 September 2022.

Consequently, Council's Governance Rules need to make express provision for requesting and approval of attendance at Council and Delegated Committee meetings by electronic means of communication.

After reviewing the requirements of the *Local Government Act 2020*, the following amendments were focused on:

- whether meetings are to be wholly attendance meetings, wholly virtual meetings or partially attendance and partially virtual meetings (refer new Clause 103)
- how, if a meeting is intended to a wholly attendance meeting, a Councillor can request that they attend by electronic means (refer new Clause 103)
- a decision by Council as to whether it agrees to such a request (refer new Clause 103)
- removing the requirement for people asking questions to be physically in attendance at the meeting, to allow for attendance by electronic means (refer amended Clause 99)
- amend to more gender-neutral language (amended throughout document).

CP054 Victoria Park – New

Link to the policy: [Victoria Park](#)

Council prepared a draft policy to articulate the intent of previous Council decisions and to set out the principles that will structure Council's ongoing management of Victoria Park. The key purpose of the draft policy was to:

- Place an emphasis on restoring and enhancing the environmental attributes of Victoria Park through revegetation, and planned, sensitive vegetation management practices



- Describe the initiatives that would result in a reduction in the overall intensity of camping in Victoria Park

A draft of CP054 Victoria Park was placed on public exhibition for a period of 14 days. Council received 52 submissions. Submissions were received from people who camp in Victoria Park, local residents and ratepayers, and community representative groups.

Councillors reviewed the submissions and worked together to update the draft policy. In making the updates Council has maintained the principle that underpins the policy, that being, Victoria Park will remain as a dual use asset.

Recommendation:

That the Audit and Risk Committee notes the policies recently adopted by Council.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee notes the policies recently updated and the new policy approved by Council.

7.2 Strategic Risk Register

The strategic risk register is reviewed as a standard agenda item at the Risk and Governance Committee meeting held each month. The current risk register is provided at **Appendix 5** and there has not been any material change to the strategic risk register since the last updated version provided to the Audit and Risk Committee in June 2022.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee notes the risk register provided at Appendix 5.

7.3 Business Continuity Plan (BCP) and Testing Regime

Council's business continuity plan and the disaster recovery plan were reviewed and updated in October 2019.

A mock BCP/DR incident response drills/testing exercise has not been carried out by the BoQ since June 2016. (Note that annual mock exercises are conducted of Council's Municipal Emergency Management Plan.) However, on 13 September 2021 the Business Continuity Committee reviewed the effectiveness of the business continuity plan in light of the COVID-19 global pandemic. The Committee considered that the real-life situation presented an opportunity to assess the plan's performance rather than performing a mock exercise, and therefore the review was conducted in lieu of a testing exercise. The review indicated that the plan had performed well mainly in that it designated specific roles of officers who, when faced with the pandemic, performed their roles



quickly, coherently and confidently. However, it was considered that the plan was too prescriptive and that the real-life scenario required a more nuanced response, and the plan will be revised based on this feedback.

Note the Business Continuity Committee met regularly throughout the global COVID-19 pandemic and still meets on an as needed basis.

Moved: Helen Butteriss / 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.

7.4 Reports on any instances of unethical behaviour, fraud and corruption

A formal complaint from a community organisation was received on 13 July 2022, alleging unethical behaviour by Council’s administration in making decisions with respect to the ongoing tree work at Victoria Park. This complaint has been referred to an independent body in line with Council’s Complaint Handling policy.

The Mayor and Deputy Mayor promptly met with Council’s HR & Governance Coordinator regarding the complaint received and the Mayor informed the Chair of the Audit and Risk Committee of the formal complaint.

No other unethical behaviour, fraud and corruption has been reported or suspected since the last Audit and Risk committee meeting.

Moved: Helen Butteriss / Seconded: Graeme Phipps

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

7.5 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 June 2022. Reconciliations have been categorised into three risk categories based on the value of the unreconciled items (excluding timing differences) as a percentage (%) to the ledger balance of the each reconciliation.

Risk Category	No. Reconciliations	Comments
Low risk – zero unreconciled value	39	
Medium risk – less than 5% and \$5,000 unreconciled value	2	\$50 unidentified deposit in one of the bank accounts



		/ \$11 short in VIC cash float
High risk – more than 5% and \$5,000 unreconciled value	0	
Total	41	

Moved: Graeme Phipps / Seconded: Helen Butteriss

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

7.6 2021–22 Insurance Arrangements

The Borough has renewed all its insurance arrangements for 2022–23 without any change to the existing scope of covers. JLT Risk Solutions managed the renewal process on behalf of the Council except for the WorkCover insurance. During the renewal process, Council officers considered various options to revise the coverage of some policies considering the past claim experience. However, weighing the additional risk against the cost savings, it was decided to maintain coverage of reviewed policies at the current levels.

There is a 10.8% increase in total insurance premium in 2022–23. The premium for Council’s asset protection policy has gone up significantly mainly due to the increase in the insurance value of the assets covered under this policy.

For the first time, Council has obtained an independent professional valuation of its assets for insurance purposes providing more certainty about the adequacy of insurance cover for its asset portfolio.

Overall, though Council has a very satisfactory claim history, due to the “hard market” condition in the insurance industry (insurers tend to withdraw capacity, increase rates and limit covers), there are significant premium increases in some policies as provided at **Appendix 6** (confidential).

Moved: Graeme Phipps / Seconded: Helen Butteriss

That the Audit and Risk Committee notes the update provided by Council officers, with respect to 2022–23 insurance arrangements.

8. COUNCIL FINANCIAL AND PERFORMANCE REPORTING

8.1 Draft 2021–22 Annual Financial Report



The Draft 2021–22 Financial Report is included at **Appendix 7** and has been prepared in line with the “Local Government Better Practice Guide Model financial report 2021–22” and the “Local Government Model Financial Report 2021–22” issued by Local Government Victoria.

This report has been prepared in line with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

The Draft Financial Report is currently subject to final review by the Auditor-General, which may result in further changes. The final version of the Financial Report will be recommended to Council for certification and adoption in principle prior to being forwarded to the Auditor-General to issue an audit opinion. The Financial Report will then be included in the Borough’s 2021–22 Annual Report.

Based on the Council Plan definition (which excludes the impact of accounting adjustments, one-off transactions and timing of operating grants), Council has reported an underlying surplus of \$0.6 million (5.5%) for the 2021–22 financial year. Savings due to cancellation of events, staff vacancies and prioritising of grant-funded operating projects over rates-funded projects, have a significant positive impact on the adjusted underlying result for 2021–22. On the same basis, Council reported an underlying deficit of \$0.15 million for the previous financial year.

During the financial year, Council invested \$9.1 million in capital work projects to enhance its total asset base achieving an asset renewal ratio (asset renewal and upgrade compared to depreciation) of 540.6% for the financial year 2021–22. This is the highest amount that Council has invested in upgrading its community assets in nearly 15 years.

Cash and cash equivalents and cash investments (maturity dates between 3–12 months) increased to \$10.3 million in 2021–22. Of the total, \$3.3 million is subject to intended allocations, leaving \$7.0 million as unrestricted cash holdings. Council has enough unrestricted cash to settle all its liabilities as at 30 June 2022.

The Victorian Auditor-General’s Office (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.

The following charts indicate the Borough’s trend over the past five years on the above financial sustainability indicators. The 2021–22 results are those calculated by the Borough for each of these ratios, as the final VAGO figures are not expected to be reported to Parliament and subsequently released to the public until late in the 2022 calendar year. Applying the seven indicators of financial sustainability assessed by VAGO each year, the Borough of Queenscliffe remains in a sound financial position.



Financial Sustainability Indicators	Risk Assessment Matrix			Risk Assessment						
	Low	Medium	High	16/17*	17/18*	18/19*	19/20*	20/21*	5 yrs average	21/22**
Net result	>0%	-10% - 0%	<- 10%	2.5%	10.8%	25.1%	4.4%	-0.9%	8.4%	41.3%
Adjusted underlying result	>5%	0% - 5%	< 0%	2.3%	0.7%	-0.2%	-3.7%	-13.7	-2.9%	5.6%
Liquidity	>1.0	0.75 - 1.0	<0.75	3.1	2.9	5.0	5.1	2.9	3.8	3.1
Internal financing	>100%	75% - 100%	<75%	183.0%	135.0%	144.2%	151.3%	128.1%	148.3%	122.8%
Indebtedness	<=40%	40% - 60%	>60%	1.1%	1.1%	0.5%	1.2%	1.1%	1.0%	1.1%
Capital replacement	>1.5	1.0 - 1.5	<1.0	1.2	1.8	2.9	1.4	2.1	1.9	5.6
Renewal gap	>1.0	0.5 - 1.0	<0.5	0.8	1.1	2.2	1.2	1.9	1.5	5.4

Source: VAGO

* Based on VAGO reports

**Based on the results, calculated by BoQ

Note1: Net result and the adjusted underlying result are impacted by accounting adjustments, one-off transactions and timing of operating grants.

Please note that the financial report will be appropriately formatted when translating into the Council's 2021–22 annual report design.

Recommendation:

That the Audit and Risk Committee recommends that Council adopt the 2021–22 Annual Financial Report in principle, as included at Appendix 7.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee recommends that Council adopt the 2021–22 Annual Financial Report in principle, as included at Appendix 7. Noting that material changes may be required as a result of the VAGO review.

8.2 Draft 2021–22 Performance Statement

The Draft 2020–21 Performance Statement is included at **Appendix 8** and has been prepared in line with the “Local Government Better Practice Guide 2021–22 Performance Statement” issued by Local Government Victoria.



This statement has been prepared in line with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

The Draft Performance Statement is currently subject to final review by the Auditor-General, which may result in further changes. The final version of the Performance Statement will be recommended to Council for certification and adoption in principle prior to being forwarded to the Auditor-General to issue an audit opinion.

In summary, Council has performed well against all performance indicators.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee recommends that Council adopt the 2021–22 Performance Statement in principle, as presented in Appendix 8.

8.3 Draft 2021–22 Report of Operations – Governance and management checklist

The Local Government Performance Reporting Framework (LGPRF) requires the inclusion of the governance and management checklist in the Report of Operations, which must be certified by the Mayor and Chief Executive Officer.

The governance and management checklist measures whether Council has strong governance and management frameworks in place covering community engagement, planning, monitoring, reporting and decision-making.

Council has met all but one of the qualitative measures included in the governance and management checklist as at 30 June 2022.

The *Local Government Act 2020* required an Asset Plan adopted in accordance with section 92 of the Act by 30 June 2022. However, Council is still in the process of reviewing its asset plans in line with section 92 of the Act.

The Draft 2021–22 Governance and Management Checklist is included at **Appendix 9** and has been prepared in line with the *Local Government Better Practice Guide 2021–22: Report of Operations* issued by Local Government Victoria.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee recommend that Council include the Governance and management checklist, included at Appendix 9, in the Report of Operations section of the Annual Report 2021–22.



9. AUDIT AND RISK COMMITTEE

Council's Audit and Risk Committee membership comprises Councillors nominated by Council and up to four independent members.

9.1 Reporting to Council

The report from the Audit and Risk Committee to Council, covering the second six (6) months of the 2021–22 financial year is provided at **Appendix 10**. The report will be included in the Chief Executive Officer's Report to Council and tabled at the September 2022 Council meeting.

Recommendation:

That the Audit and Risk Committee approves the report by this committee to Council provided at Appendix 10.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee approves the report by this committee to Council provided at Appendix 10, noting the attendance record on the report will be updated to include Cr Hewitt absence.

9.2 Audit and Risk Committee Charter

An annual review of the Audit and Risk Committee charter is a requirement stated in the Annual Work Plan of the Audit and Risk Committee.

The Audit and Risk Committee has performed a comprehensive review of its charter and has proposed changes as marked in the draft charter provided at **Appendix 11**.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee approves the revised Audit and Risk Committee charter provided in Appendix 11 and recommends that Council adopt the revised charter.

10. INFORMATION TO NOTE

ICT Transformation Project

Officers to provide an update (verbal) to the Committee on the progress Council has been making concerning the ICT transformation project.



The EDRMS project tender has been awarded and the project kick-off meeting was held in August. The project is in the implementation stages and is expected to be completed in early 2023.

Council is collaborating with another two Councils to procure a new Corporate system; this project is in the tender stage and the tender was advertised on 2 September 2022

Provisional Improvement Notice (PIN) issued by WorkSafe Victoria

The CEO to provide an update about the progress Council has been making toward satisfying the requirements listed in the PIN issued by WorkSafe Victoria.

Council has met the requirements of one of the WorkSafe PINs. WorkSafe has requested further work for the second PIN relating to the monitoring of the remaining trees, until specialised software can be procured and purchased. Council officers will implement the requested changes and expect the PIN will be removed shortly.

Moved: Graeme Phipps / Seconded: Helen Butteriss

That the Audit and Risk Committee notes the information provided.

11. GENERAL BUSINESS

12. 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.

Audit and Risk Committee Meeting	Ordinary Council Meeting
Monday 5 December 2022	Wednesday 14 December 2022
Monday 17 April 2023	Wednesday 27 April 2023
Monday 5 June 2023	Wednesday 28 June 2023

13. CLOSE OF MEETING

Meeting Closed at 4:48pm