



Minutes

Audit Committee Meeting

Monday 4 June 2018 at 3:30 pm

Queenscliff Town Hall
50 Learmonth Street, Queenscliff

Distribution

Members

Mr Roland 'Barney' Orchard (Chair)

Mr Richard Bull

Mr Graeme Phipps

Mr Peter Bollen

Cr Susan Salter

Cr Bob Merriman

Officers

Lenny Jenner, Chief Executive Officer

Phillip Carruthers, General Manager Organisational Performance & Community Services

Alli Chaloner, Manager Financial Services

Invitees

Internal Audit Provider: HLB Mann Judd

Mark Holloway, Engagement Partner

External Audit Provider: Crowe Horwath

John Gavens, Partner - Audit and Assurance



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Appendix 2	Agenda Item 5.1 Revised 2017-20 Internal Audit Plan	Under separate cover
Appendix 3	Agenda Item 5.2 Detailed internal audit report – May 2018	Under separate cover
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Appendix 5	Agenda Item 6.1 External Audit strategy for financial year ending 30 June 2018	Issued 9 May 2018
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Appendix 14	Agenda Item 11.2 2017/18 Quarterly Financial Report as at 31 March 2018	Under separate cover
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Appendix 16	Agenda Item 12.3 Changes proposed in the review of the Local Government Act 1989 with respect to Audit Committees	Under separate cover



1. OPENING OF MEETING

Meeting opened at 3.35pm with Mr Richard Bull as acting Chair.

2. PRESENT & APOLOGIES

Present:

Mr Richard Bull (acting Chair)

Mr Graeme Phipps

Mr Peter Bollen

Cr Susan Salter

Cr Bob Merriman

Lenny Jenner, Chief Executive Officer

Phillip Carruthers, General Manager Organisational Performance & Community Services

Allison Chaloner, Manager Financial Services

Mark Holloway, Engagement Partner, HLB Mann Judd (from 3.55pm to 4.49pm)

John Gavens, Engagement Partner, Crowe Horwath (from 3.32pm to 4:12pm)

Apologies:

Mr Roland 'Barney' Orchard

12. AUDIT COMMITTEE MEMBERSHIP

The committee discussed agenda items 12.1 and 12.2 at this point of the meeting.

12.1 Resignation of External Member

Mr David Shaw tendered his resignation from the Borough of Queenscliffe's Audit Committee on 17 April 2018. The Mayor accepted this resignation in a letter to David, dated 24 April 2018, in which acknowledgement of David's contribution and council's appreciation of this was expressed.

Moved: Graeme Phipps / Seconded: Cr Merriman

That the Audit Committee acknowledge the resignation of Mr David Shaw and his work on the Committee.

Carried

12.2 Appointment of External Members

An expression of interest, seeking two external members for the Borough of Queenscliffe's Audit Committee, was advertised in late November and early December 2017 with a closing date of Friday 15 December 2017. A total of four applications were received.



At the Ordinary Council Meeting held on 22 March 2018, Council appointed Mr Richard Bull and Mr Graeme Phipps as external members on Council’s Audit Committee for a further period of three years, expiring 31 December 2020.

Council also resolved to appoint Mr Peter Bollen to the Council’s Audit Committee, if a vacancy subsequently occurred. With the resignation of Mr David Shaw, Mr Peter Bollen was duly appointed.

Moved: Cr Merriman / Seconded: Graeme Phipps

That the Audit Committee note the appointment of Mr Peter Bollen and welcome him to the committee.

Carried

3. PECUNIARY INTEREST & CONFLICT OF INTEREST DISCLOSURES

Independent Members: Nil

Councillors: Nil

Officers: Nil

4. AUDIT COMMITTEE MEETING – 4 DECEMBER 2017

4.1 Confirmation of Minutes from Audit Committee Meeting 4 December 2017 (Appendix 1)

Moved: Graeme Phipps / Seconded: Cr Merriman

That the Minutes of the Audit Committee Meeting held on Monday 4 December 2017 be confirmed.

Carried

4.2 Business Arising from Audit Committee Meeting 4 December 2017

Item	Action	Status
Item 5.3: Draft 2017-20 Internal Audit Plan	Tax compliance to be included in the 2017-20 Internal Audit Plan, and the review of Corporate Credit Cards to be brought forward and undertaken in the next 12 months.	Completed
Item 7.4: VAGO Report November 2017 – Results of 2016-17 Audits: Local Government	Officers to provide a summary of this VAGO report for the Ordinary Council Meeting 14 December 2017, with a copy to be circulated to Audit Committee members thereafter.	Completed



Item	Action	Status
Item 8.1: 2017 LMI Compliance Review Report	The Audit Committee request guidance in relation to benchmarking.	Requested of JLT
Item 9.1: Risk Management Framework	Draft Risk Management Framework to be provided to Barney Orchard and Graeme Phipps for comment.	Completed
Item 12.3: Appointment of Audit Committee Members	Expressions of interest close 15 December, selection and appointment process to follow.	Completed

5. INTERNAL AUDIT

Council's annual budget provides for two internal audit review meetings to be conducted, in April/May and October/November of each 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.

In addition to the agreed topics, during the course of each internal audit review, the internal auditor will review progress and confirm Council's status update with respect to outstanding actions from previous internal audit recommendations and those actions verified as completed.

5.1 Revised 2017-20 Internal Audit Plan

Council's internal auditors, HLB Mann Judd, have revised the 2017-20 Internal Audit Plan, following feedback received from the Audit Committee on 4 December 2017. Refer **Appendix 2**.

This strategic internal audit plan, developed by the internal auditor following consultation with the Executive Management Team and Audit Committee, considers Council's risk register and profile, along with topics previously reviewed by Council's internal auditors.

The internal audit program focuses on areas considered high risk to Queenscliffe, with each review linked to Council's risk register, and categorised by the internal auditor into:

- Governance;
- Financial systems and controls;
- Team support and development;
- Information technology;
- Infrastructure and asset management; and
- Operational/programs.

Moved: Peter Bollen / Seconded: Graeme Phipps

That the revised 2017-20 Internal Audit Plan be confirmed by the Audit Committee.

Carried



5.2 Detailed internal audit report – May 2018

Council's internal auditors, HLB Mann Judd, conducted an internal audit during May 2018. Officers have since received and provided management comment, where appropriate, in response to the internal audit recommendations. Refer **Appendix 3**.

The audit topics reviewed by the internal auditors, in accordance with the list of audit topics previously agreed by the Audit Committee, specifically include:

- Review of Occupational Health and Safety; and
- Review of Records Management.

There are nine areas of risk in which opportunities for improvement in Occupational Health and Safety have been identified by the internal auditor, with seven considered to be medium risk and two of low risk. A total of 21 recommendations were made by the internal auditor, Council officers agree these should be implemented and a timeframe for completion is included in the management response to the internal audit report.

Further, there are five areas of risk in which opportunities for improvement in Records Management have been identified by the internal auditor, with one considered to be high risk (a records management strategy has not been developed and implemented), three are medium risk and one is of low risk. A total of 9 recommendations were made by the internal auditor, Council officers agree these should be implemented and a timeframe for completion is included in the management response to the internal audit report.

During the course of this recent internal audit review, the internal auditor verified that three (25%) of the 12 observations/findings from previous internal audit recommendations are now completed, four (33%) are partially completed, two (17%) are in progress and three (25%) remain outstanding. All those actions not yet completed now have revised target dates.

Progress on outstanding actions, along with the most recent audit recommendations now reported, will be reviewed by the internal auditor during the next internal audit review and reported to the Audit Committee at its meeting scheduled for December 2018.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the Audit Committee:

- a) **Confirm and accept the internal audit report, including management comment;**
- b) **Confirm the following previous audit observations/findings, now verified by the internal auditor as completed, be removed from the set of outstanding recommendations:**
 - **Information Privacy policy review and awareness/refresher training;**
 - **Creditor Management policy and Schedule of Delegations reviewed; and**
 - **Accounts Payable Masterfile changes reported monthly and reviewed.**
- c) **Note the management comments and revised target dates with respect to the nine previous internal audit recommendations that are not yet completed; and**
- d) **Receive a further progress report on outstanding actions at the December 2018 meeting.**

Carried



5.3 Scope for internal audit review – September/October 2018

Council's internal auditors, HLB Mann Judd, have prepared documentation in relation to the scope of the next internal audit review to be conducted in September/October 2018. Refer **Appendix 4**.

Proposed topics to be audited include:

- Review of Fraud Corruption and Control Framework (AS 8001-2008);
- Review of IT Network and Security (including Cyber Security);
- Review of Corporate Credit Cards; and
- Progress review for previous internal audit recommendations.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the Audit Committee confirms:

- a) The above list of topics to be the subject of the next internal audit review; and**
- b) The scope prepared by the internal auditor meets Council's internal audit requirements.**

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 and processes. A key element of the interim audit is the review of Council's 'shell accounts', that is, an interim set of accounts based on forecast year-end outcomes, for the purpose of verifying that the prior year actuals are included consistent with the prior year's audited financial statements 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 Committee at a scheduled meeting in September of each year.

6.1 External Audit strategy for financial year ending 30 June 2018

Council's external auditor, Crowe Horwath, has provided Council with the audit strategy for the 2017/18 year-end audit approach which will be undertaken by the Victorian Auditor General's Office (VAGO) and its agents in auditing local government accounts. Refer **Appendix 5**.

Topics considered by VAGO and its agents in auditing the year-end accounts include:

- Key financial report audit risks (financial report and performance statement);
- Risks from fraud, irregularities or regulatory non-compliance;
- Waste, probity and financial prudence;
- Qualitative aspects of accounting processes (accounting policies, management judgements and representations);



- Internal controls (including information and communications technology controls); and
- Data analytics (a targeted audit approach, sharing key audit insights with council).

New items included in the external audit strategy for 2017/18 are as follows:

- Streamlined financial reporting;
- Pending accounting standards (AASB 16 Leases, AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-profit Entities); and
- Key audit matters (noting this item will not be reported for Queenscliffe in 2017/18).

The external auditor, through its risk assessment procedures, has identified two items as posing a higher risk of material misstatement to the Borough's financial statements for the 2017/18 year, therefore requiring more auditor attention. These are:

- Change in accounting system (Payroll module implemented in Technology One, July 2017); and
- Valuation of property, plant and equipment (land and buildings revaluations in 2017/18).

The results of the 2017/18 Queenscliffe audit will be included in the *Local Government: 2017-18 Audit Snapshot Report*, scheduled for tabling with Parliament in December 2018.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the audit strategy, for financial year ending 30 June 2018, be received.

Carried

6.2 External Audit 2017/18 interim audit management letter

Council's external auditor, Crowe Horwath, will conduct an interim audit for the 2017/18 year-end accounts in the week commencing 28 May 2018. Upon completion of this external audit review, the auditor will issue an interim audit management letter, for management comment. A copy of the interim audit management letter, with management comment, will be circulated to members of the Audit Committee thereafter.

There will be an opportunity to discuss any matters raised in the interim audit management letter, along with subsequent follow up during the final audit review in August 2018, when the external auditor presents the closing report at Council's Audit Committee meeting in September 2018.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the external audit 2017/18 interim audit management letter, when received by Council, be circulated to Audit Committee members.

Carried

7. REPORTS FROM THE VICTORIAN AUDITOR-GENERAL'S OFFICE (VAGO)

7.1 VAGO Report November 2017 – ICT Disaster Recovery Planning



The Victorian Auditor-General's Office (VAGO) tabled this report with Parliament on 29 November 2017.

A full copy of the report is available by accessing the following web link (NB has not been reproduced in these papers due to its size):

<https://www.audit.vic.gov.au/sites/default/files/2017-12/20171129-ICT-Disaster-Recovery.pdf>

Background

Information and communications technology (ICT) systems are critical for the operations of government agencies. Agencies depend on them to deliver public services to the community, efficiently and effectively manage operations and fulfil their statutory obligations. ICT disaster recovery is the process for recovering systems following a major disruption, within a timeframe that reflects the business-critical nature of each system.

ICT disaster recovery planning forms part of an agency's wider business continuity strategy, to ensure systems remain available and continue to operate reliably. While the likelihood of a major disaster is generally low and often remote, the consequences of a system failure that cannot be restored could be significant or even catastrophic.

The audit review

This audit examined disaster recovery at Victoria Police and four departments that provide essential government services. VAGO assessed whether the ICT disaster recovery processes of each agency are likely to be effective in the event of a disruption. Local councils, including the Borough of Queenscliffe, were **not** reviewed as part of this particular VAGO performance audit.

VAGO conclusion drawn from this audit

None of the agencies audited have sufficient assurance that they can recover and restore all of their critical systems to meet business requirements in the event of a disruption. They do not have sufficient and necessary processes to identify, plan and recover their systems following a disruption. Compounding this is the relatively high number of obsolete ICT systems all agencies are still using to deliver some of their critical business functions.

Agencies are only just beginning to fully understand the importance of comprehensively identifying and prioritising their business functions, maintaining the ICT systems that support these functions, and establishing recovery arrangements to maintain continuity of service. They need to significantly improve and develop well-resourced and established processes that fully account for and can efficiently recover their critical business functions following a disruption.

Relevance for the Borough of Queenscliffe

Although this VAGO report did not focus on local councils, the topic of ICT Disaster Recovery Planning is highly relevant to Queenscliffe and is considered within Council's Risk Management Framework. The Disaster Recovery Plan is also one of the 24 items included in Governance and Management Checklist, within the Local Government Performance Reporting Framework (LGPRF).

The following table sets out key processes already in place, and identifies areas for improvement.



BoQ current systems/processes	BoQ improvement opportunities
Current Business Continuity Plan in operation. Date of operation of current plan: 15/06/2016.	Next planned review in August 2018, which will include testing of the plan.
Current Disaster Recovery Plan in operation. Date of operation of current plan: 28/06/2017.	Next planned review in August 2018, which will include testing of the plan.
New corporate finance system implemented, providing opportunities for improved business processes and planning for disaster recovery.	Funds included in draft 2018/19 Budget to develop an IT Strategy. This will provide an opportunity for the further development of business processes and ICT disaster recovery.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the summary provided by Council officers, with respect to this VAGO Report, be noted.

Carried

7.2 VAGO Report March 2018 – Managing Surplus Government Land

The Victorian Auditor-General’s Office (VAGO) tabled this report with Parliament on 8 March 2018.

A full copy of the report is available by accessing the following web link (NB has not been reproduced in these papers due to its size):

<https://www.audit.vic.gov.au/sites/default/files/2018-03/180308-Surplus-Government-Land.pdf>

Background

Governments own land for a variety of public purposes, including for housing, education, police services, and for community activities, sport and recreation. Governments also own land to protect its environmental or heritage value in the form of national and state parks or reserves. Land owned by the Victorian Government can be crown land (held by the Crown in right of the State of Victoria) or freehold land (in which case the landholder has unrestricted ownership).

The need for governments to own land changes in response to demand for public services, population change or new policy priorities. As needs change, government land may become surplus to requirements. The sale of public land generates significant revenue for government and attracts strong community interest. The community places a high value on public land, particularly open space. The government needs to manage its landholdings effectively and efficiently to ensure it is making best use of available resources.

Past reviews have identified a lack of accountability and transparency in developments involving government land. These reviews highlight the need for a long-term, strategic approach to managing surplus land. In 2015 and 2016, the government introduced a new policy framework for managing government land.

The audit review

This audit examined whether government’s implementation of the policy framework is achieving best value from surplus land. Local councils, including the Borough of Queenscliffe, were **not** reviewed as part of this particular VAGO performance audit.



VAGO conclusion drawn from this audit

Existing systems and processes do not support a strategic whole-of-government approach to making the best use of surplus government land. The lack of complete and accurate information on agency landholdings, and differing approaches to assessing land use, limit government’s ability to make informed, strategic choices and achieve best value from surplus land.

Land sales targets do not support agencies in achieving best value from surplus land, as these drive agencies to prioritise the sale of surplus land rather than consider whether another option would achieve best value, such as a commercial lease or retaining a site for community use.

Relevance for the Borough of Queenscliffe

Although this VAGO report did not focus on local councils, the topic of Managing Surplus Government Land is highly relevant to all Victorian councils including the Borough of Queenscliffe.

The following table sets out key processes already in place, and identifies areas for improvement.

BoQ current systems/processes	BoQ improvement opportunities
All land, including crown and freehold land, is included in Council’s fixed asset register.	Matching of the fixed asset register to titles has commenced, to be completed in 2018.
Lease agreements reviewed by two Councillors and the Executive Management Team.	Some lease agreements recently reviewed, with others due for review in the near future.
Identification of surplus land has commenced. Council has not made a decision to date. Sales to comply with the <i>Local Government Act 1989</i> .	N/A

Moved: Peter Bollen / Seconded: Graeme Phipps

That the summary provided by Council officers, with respect to this VAGO Report, be noted.

Carried

7.3 VAGO Report March 2018 – Local Government and Economic Development

The Victorian Auditor-General’s Office (VAGO) tabled this report with Parliament on 8 March 2018.

A full copy of the report is available by accessing the following web link (NB has not been reproduced in these papers due to its size):

<https://www.audit.vic.gov.au/sites/default/files/2018-03/180308-Local-Gov-Eco-Dev.pdf>

Background

Local economic prosperity affects Victorian communities and their wellbeing. The World Bank describes local economic development as building the economic capacity of a locality to improve its economic future and the quality of life of its citizens. In this process, public, business and community sector partners work collectively to create better conditions for economic growth and job creation.



Local government have an important role in facilitating economic development for their communities. The local community elects a council to govern the municipal district. Under the *Local Government Act 1989*, councils must have regard to their district's social, economic and environmental viability and sustainability. A number of Victorian councils, particularly non-metropolitan councils, have experienced a decline in their economic growth over the past 10 years. Every community has unique conditions that affect its development and this should shape the design and implementation of a local economic development strategy.

The audit review

This audit examined whether councils' economic development activities help to improve the economic viability and sustainability of their municipalities. VAGO's focus was on regional and rural councils because they face greater challenges to economic development compared to metropolitan councils. Specifically, VAGO assessed whether councils' actions to improve economic viability and sustainability are strategic and achieve their intended outcomes.

The audit aims to assist councils and, in turn, their communities by identifying areas for improvement and sharing examples of better practice. Five councils were audited: Bass Coast, Corangamite, Loddon, Melton and Southern Grampians. The Borough of Queenscliffe was **not** reviewed as part of this particular VAGO performance audit.

VAGO conclusion drawn from this audit

In response to recent reviews, councils have taken effective steps towards developing well-aligned economic strategies that complement the government's regional priorities. The audited councils effectively identify and pursue their comparative advantages to facilitate economic development. However, they frequently fall short of realising their intended economic development outcomes, often due to the following systemic issues:

- Other agencies, such as those providing utility infrastructure and roads, have competing or conflicting priorities when it comes to land use planning;
- Rural and smaller councils in particular lack the resources and relevant skills to access available grants, which they depend on to fund their economic development activities;
- Four-year council plans are at odds with the longer-term view needed for economic development strategies, resulting in poorly aligned and changing priorities; and
- There is a lack of targets or benchmarks against which to gauge progress, and poor links between project reporting and outcome monitoring.

Relevance for the Borough of Queenscliffe

The topic of Economic Development is highly relevant to Queenscliffe, and is specifically included in the 2017-2021 Council Plan as *Strategic Objective 3: Foster a diverse and vibrant local economy*. Council allocates approximately 23% of its total expenditure to business and economic services.

The following table sets out key processes already in place, and identifies areas for improvement.

BoQ current systems/processes	BoQ improvement opportunities
Economic Development Strategy adopted by Council on 14 December 2017.	N/A



BoQ current systems/processes	BoQ improvement opportunities
Council is a member of the Barwon regional partnership which also includes Colac-Otway, Greater Geelong and Surf Coast councils.	N/A
Community Grants Program and Sponsorship Program funded in Council’s annual budget.	N/A
Ongoing budgets include: Implementation of Economic Development Strategy (\$30k p.a.) and a winter arts festival (\$60k p.a.).	N/A
Draft 2018/19 Budget non-recurrent initiatives include: Economic Development Strategy Implementation: Destination branding and visitor narrative – Pillar 1: Increase sustainable yield in the visitor economy (\$30k) and plan for a sustainable model for arts and cultural development in the Borough (\$10k).	The plan for a sustainable model for arts and cultural development in the Borough may result in additional budget initiatives being identified for future years.
N/A – Queenscliffe currently opts out of the Local Government Performance Reporting Framework (LGPRF) optional indicators for economic development.	LGPRF economic development performance indicators are expected to be mandated from 2019/20. This will provide benchmarking opportunities for Council.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the summary provided by Council officers, with respect to this VAGO Report, be noted.

Carried

7.4 VAGO Report March 2018 – Fraud and Corruption Control

The Victorian Auditor-General’s Office (VAGO) tabled this report with Parliament on 29 March 2018.

A full copy of the report is available by accessing the following web link (NB has not been reproduced in these papers due to its size):

<https://www.audit.vic.gov.au/sites/default/files/2018-03/20180328-Fraud-and-Corruption.pdf>

Background

The community entrusts public sector employees to make decisions that affect the lives and interests of all Victorians. They handle personal information, provide services and support, and manage, spend and account for public funds. The community expects – and the law requires – that they do this with integrity, accountability, impartiality, fairness, equity and consistency, and in the public interest.

The financial value of reported fraud and corruption in the Victorian public sector is minor, relative to overall agency budgets, however it can undermine trust in government and damage the reputation of the public sector. It is difficult to measure total losses due to fraud and corruption. As



well as financial losses, there are also indirect losses, including damage to the community's trust in government and losses to productivity. Any loss due to poor integrity is significant for public sector agencies and the communities they serve.

To minimise the waste of public funds and reassure the Victorian public of the public sector's integrity, it is important that public sector entities appropriately address weaknesses that increase the risk of fraud and corruption, including those weaknesses identified in investigations by the Independent Broad-based Anti-corruption Commission (IBAC). Many of the cases of fraud and corruption exposed by IBAC had gone undetected for some years.

The audit review

This audit examined whether governments have well-designed fraud and corruption controls that operate as intended. Departments included in the audit were selected because their work involves high-risk factors for fraud and corruption, including: high levels of procurement; use of contractors; and partnerships with the private sector. Local councils, including the Borough of Queenscliffe, were **not** reviewed as part of this particular VAGO performance audit.

VAGO conclusion drawn from this audit

While senior executives are endeavouring to build the right culture, more remains to be done to prioritise fraud and corruption control, and to ensure that the fraud and corruption controls in place operate as intended. Unduly protracted delays to finalise and approve fraud and corruption control policies and plans, areas of non-compliance with policies, and inadequate record keeping are undermining management's efforts. They also serve to lessen assurance that major fraud and corruption cannot occur, or that it will be detected.

Relevance for the Borough of Queenscliffe

Although this VAGO report did not focus on local councils, the topic of Fraud and Corruption Control is highly relevant to the Borough of Queenscliffe and is considered within Council's Risk Management Framework. A fraud policy is also one of the 24 items included in Governance and Management Checklist, within the Local Government Performance Reporting Framework (LGPRF).

The following table sets out key processes already in place, and identifies areas for improvement.

BoQ current systems/processes	BoQ improvement opportunities
Current Fraud Policy (CP008) is in operation. Policy recently reviewed by Council 01/03/2018.	N/A
Ongoing (at least biennial) awareness of Council's fraud policy and strategy is promoted to identify issues of fraud prevention, detection and reporting, and to maintain the attention of management and employees.	N/A
Fraud risk is included in Council's risk register.	Compliance Committee to undertake a fraud risk assessment for each of the relevant program/service areas.
Conflict of interest disclosures are included for all Council reports.	N/A



BoQ current systems/processes	BoQ improvement opportunities
Ordinary and Primary Returns are completed by each Councillor and executive management, as required by the <i>Local Government Act 1989</i> .	N/A
Gifts, benefits and hospitality which may be received by staff are required to be disclosed in Council’s Gift Register.	N/A
Employment screening – police checks are a standard requirement in recruitment processes.	N/A

Moved: Graeme Phipps / Seconded: Peter Bollen

That the summary provided by Council officers, with respect to this VAGO Report, be noted.

Carried

7.5 VAGO Report March 2018 – Protecting Victoria’s Coastal Assets

The Victorian Auditor-General’s Office (VAGO) tabled this report with Parliament on 29 March 2018.

A full copy of the report is available by accessing the following web link (NB has not been reproduced in these papers due to its size):

<https://www.audit.vic.gov.au/sites/default/files/2018-03/20180329-Coastal-Assets.pdf>

Background

Many Victorians live, work and play close to the coast. It is home to over one million people – 19% of the State’s population – and 80% of Victorians visit the coast every year to enjoy a wide variety of recreational pursuits. The coast is also the destination for a growing domestic, national and international tourist market, with nature-based tourism one of Victoria’s key growth industries and a major contributor to the economy.

Built and natural coastal assets provide valuable services and add value to the environment, the economy and the community. When natural and built structures are intact, they protect against coastal inundation and erosion hazards. This protection is important for land and water based coastal assets including critical infrastructure such as telecommunications, drainage and sewerage networks. Managing these assets is as important as protecting the water and land based coastal assets they shield. This is becoming even more important, with the predicted effects of climate change and population growth.

The audit review

This audit examined whether natural and built assets on Victoria’s coastline are adequately protected against inundation and erosion. The focus was on how well agencies managed and safeguarded coastal assets, including: coastal protection structures (e.g. seawalls and groynes);



maritime assets (e.g. piers and boat ramps); access assets (e.g. stairs and boardwalks); and natural assets (beaches and cliffs).

Good asset management starts with agencies knowing the number, type and condition of their assets and understanding the hazards and risks facing them. Agencies can use this knowledge to prioritise asset works and make the best use of available funding. Seven agencies were audited, including two councils: Mornington Peninsula Shire Council and East Gippsland Shire Council. The Borough of Queenscliffe was **not** reviewed as part of this particular VAGO performance audit.

VAGO conclusion drawn from this audit

A common theme in many VAGO audits that examine infrastructure is that agencies generally are not managing their assets as well as they need to. This is the case for Victoria's coastal assets – agencies are not managing assets adequately to protect them from current and future hazards. There is a real risk, in the near future, of Victorians losing valued coastal assets and infrastructure. Not all agencies have complete knowledge of all the assets for which they are accountable, of the assets' age and condition. Targeting of scarce funding does not properly consider risks, and significant unfunded maintenance backlogs remain unaddressed. Compounding this, poorly integrated planning and fragmented responsibility for coastal assets across agencies of various sizes and capabilities works against a cohesive and strategic perspective.

Relevance for the Borough of Queenscliffe

The topic of Protecting Coastal Assets is highly relevant to Queenscliffe, and is specifically included in the 2017-2021 Council Plan within *Strategic Objective 2: Play our part in protecting the local, national and globally significant values within our natural environment for future generations*. Council contributes approximately \$500,000 p.a., net of government grants, to environmental sustainability and coastal protection activities.

The following table sets out key processes already in place, and identifies areas for improvement.

BoQ current systems/processes	BoQ improvement opportunities
Council measures, monitors and reduces its carbon emissions, as well as assisting the local community to implement various initiatives designed to reduce greenhouse gases, through the Community Environment Alliance .	N/A
Council works with various Federal, State, regional and local organisations to inform and educate the community about practices that support environmental sustainability.	N/A
Council implements State Government coastal management policy, manages environmental projects and works with State, regional and local services to enhance its management of coastal Crown Land.	N/A



BoQ current systems/processes	BoQ improvement opportunities
The net cost to Council of ongoing operating budgets include: Environmental sustainability (\$147k) and Coastal Protection (\$336k).	Funds included in draft 2018/19 Budget for improvements to coastal infrastructure adjacent to the Queenscliff boat ramp to address sea level rise risks (\$200k).
Council maintains an annual asset renewal program, including renewal of coastal assets, of approximately \$580k p.a.	Funds included in draft 2018/19 Budget for improvements to storm water assets include: Simpson Street (\$140k) and King Street (\$50k).

Moved: Graeme Phipps / Seconded: Peter Bollen

That the summary provided by Council officers, with respect to this VAGO Report, be noted.

Carried

8. INSURANCE AUDITS

Insurance audits are conducted by Council’s insurance broker, Jardine Lloyd Thompson (JLT), with emphasis on the use of better practice guidelines, workshops and other development activities as necessary. Results for the last biennial audit cycle, 2014 – 2016, were included in a report prepared by JLT in November 2016 and provided to Councils in February 2017.

9. REPORTS FROM THE RISK MANAGEMENT COMMITTEE

9.1 Risk Management Framework

The draft Risk Management Framework will be reviewed by the Compliance Committee on 30 May 2018. A verbal update on the results of that meeting will be supplied and it is envisaged that the Risk Management Framework will be adopted and implemented during June 2018.

Moved: Graeme Phipps / Seconded: Peter Bollen

That the progress update on the Risk Management Framework be noted and a draft of the Risk Management Framework be circulated to the Audit Committee members.

Carried

10. REVIEW OF COUNCIL POLICIES

Council policies are reviewed by officers and adopted by Council on a rolling basis, with most policies scheduled for biennial review, noting however 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 Committee prior to being forwarded to Council for adoption, however this is dependent on the timing of scheduled Audit Committee meetings and the allocation of staff resources to undertake the policy review work.



Council has adopted the following policies since the last Audit Committee meeting in December 2017:

Revised Council Policies 1 March 2018

- CP001: Asset Management (refer Agenda item 10.1)
- CP008: Fraud Prevention (refer Agenda item 10.2)
- CP011: Investment of Available Funds (refer Agenda item 10.3)
- CP030: Asset Disposal (refer Agenda item 10.4)
- CP032: Local Government Performance Reporting Framework (refer Agenda item 10.5)
- CP033: Creditor Management (refer Agenda item 10.6)

New Council Policy 1 March 2018

- CP041: Residential Vacant Land Rate (refer Agenda item 10.7)

Revised Council Policy 24 May 2018

- CP013: Procurement (refer Agenda item 10.8)

Moved: Peter Bollen / Seconded: Graeme Phipps

That the Audit Committee note the policies detailed above which were recently adopted by Council.

Carried

10.1 Council Policy CP001: Asset Management – Revised

This policy sets out Council's commitment to manage and care for its assets in a way that assists its Vision and meets the needs of the community, both now and into the future. It is based on Council managing its assets over the assets' life cycle, in a sustainable manner, ensuring the renewal of existing assets is funded before creating new discretionary assets.

Council recently revised this policy on 1 March 2018, with the most significant change being to reflect the Vision and Council Plan 2017-2021. Refer **Appendix 6**.

Council will undertake a review of this policy as a minimum every three years, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP001: Asset Management be noted.

Carried

10.2 Council Policy CP008: Fraud Prevention – Revised

This policy sets out Council's commitment to the prevention, deterrence, detection, investigation and reporting of all forms of fraud. It ensures all Councillors and staff have a clear understanding of their responsibilities in regard to fraud prevention.



Council recently revised this policy on 1 March 2018, with the most significant change being to reference the new internal Compliance Committee, which replaces the now defunct Risk Management Committee. Refer **Appendix 7**.

Council will undertake a review of this policy as a minimum every three years, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP008: Fraud Prevention be noted.

Carried

10.3 Council Policy CP011: Investment of Available Funds – Revised

This policy sets out Council's commitment to effectively utilise its available cash funds, managing cash flow to ensure there is sufficient liquidity to meet operational commitments. While optimising the return on cash, investment decisions must limit unnecessary exposure to risk, with a maximum of 30% of total cash and investments to be lodged at any one bank.

Council recently revised this policy on 1 March 2018, with the most significant change being a strengthening of internal controls due to a change in processes following recent implementation of the new corporate finance system. In addition, the maximum to be held with any one bank has increased from 20% to 30%. Refer **Appendix 8**.

Council will undertake a review of this policy as a minimum every three years, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP011: Investment of Available Funds be noted.

Carried

10.4 Council Policy CP030: Asset Disposal – Revised

This policy sets out Council's commitment to dispose of and rationalise assets when they are no longer required to meet agreed services, or where there is no clear need for Council to retain ownership of an asset. It defines the process for identifying and proceeding with the disposal or sale of assets, and specifies how the proceeds from asset sales are to be applied. It does not deal with the sale of property (land and buildings) which, if applicable, requires Council to comply with the relevant provisions of the *Local Government Act 1989*.

Council recently revised this policy on 1 March 2018, with the most significant change being the inclusion of additional criteria and other factors to be considered in asset disposal decisions. The definition of assets is also expanded to include relevant examples of assets held by the Borough of Queenscliffe. Refer **Appendix 9**.

Council will undertake a review of this policy as a minimum every three years, and as required.



Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP030: Asset Disposal be noted.

Carried

10.5 Council Policy CP032: Local Government Performance Reporting Framework (LGPRF) – Revised

This policy sets out Council's commitment to achieving the LGPRF statutory performance reporting requirements, and to keeping its community continually informed of its performance. It outlines key responsibilities of Council, its Officers and the Audit Committee.

Council recently revised this policy on 1 March 2018, with the most significant change being to reference the Report of Operations and the Governance and Management Checklist, both of which are mandatory reports required by Council in order to comply with LGPRF legislation. Greater detail is now provided within the Context and Purpose sections of the policy, and the role of Finance Manager and Principal Accounting Officer is merged to reflect recent staff changes and related responsibilities. Refer **Appendix 10**.

Council will undertake a review of this policy as a minimum every three years, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP032: Local Government Performance Reporting Framework (LGPRF) be noted.

Carried

10.6 Council Policy CP033: Creditor Management – Revised

This policy sets out Council's commitment to consistency and control over the management of creditors, with respect to goods and services procured on behalf of Council, ensuring that committed funds are available to effect the discharge and payment of its liabilities.

Council recently revised this policy on 1 March 2018, with the most significant change being the inclusion of refunds within the list of examples for which payment may be processed without a purchase order. The definitions section of the policy has also been expanded to include reference to assets, and to provide relevant Queenscliffe examples for several of the definitions included within this policy. Refer **Appendix 11**.

Council will undertake a review of this policy as a minimum every three years, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP033: Creditor Management be noted.



Carried

10.7 Council Policy CP041: Residential Vacant Land Rate – New

The purpose of this new policy is to establish the objectives and principles that outline Council's identification of residential vacant land, and the subsequent application of a residential vacant land rate in accordance with Council's adopted Rating Strategy and its adopted Budget.

This is a new Council policy, as recommended by officers, and adopted by Council at its Ordinary Council Meeting on 1 March 2018. Refer **Appendix 12**.

Rates and charges are Council's major source of recurrent income, which it relies on to deliver services to the community. The *Local Government Act 1989* permits Council to raise any general rates by the application of a differential rate, and Council's Rating Strategy prescribes the manner in which rates are calculated and distributed, to ensure all rateable land makes an equitable financial contribution to the cost of carrying out the functions of Council.

A new differential rate for residential vacant land will be applied, from 1 July 2018, to approximately 80 properties (2.6% of total properties) in the Borough of Queenscliffe.

The policy provides:

- a definition of general and differential rates, residential and vacant land, valuation basis and the relevant building requirements;
- the key policy principles of:
 - residential vacant land rate applied to all properties vacant at start of financial year;
 - pro-rata adjustment for changes in property status during a financial year;
 - building requirements for change in status from vacant to residential property;
 - application of the public waste charge to all properties regardless of status; and
 - vacant land exemption from garbage, recycling and green waste services;
- an example to provide clarity on how the residential vacant land rate is calculated;
- reference to the opportunity for some property owners to apply for their land to be rated as contiguous, where applicable, thereby reducing their liability for general rates and the State Government's Fire Services Property Levy;
- responsibilities of ratepayers, in advising Council of any change in property status, and of Council officers in applying the residential vacant land rate to properties in accordance with Council's adopted Rating Strategy, adopted Budget and this Policy; and
- reference to the confidentiality of ratepayer information and continuous review of this Policy, as well as to key Council documents and legislation as they relate to vacant land.

Council will undertake a review of this policy as a minimum every three years, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That new Council Policy CP041: Residential Vacant Land Rate be noted.



Carried

10.8 Council Policy CP013: Procurement – Revised

This policy sets out Council's commitment to consistency and control over the procurement activities of Council, by providing guidance and direction on best practice principles, processes and procedures which must be applied to all purchases of goods, services and works by the Council.

Council recently revised this policy on 24 May 2018, with the most significant changes being the inclusion of a new Context section and revisions to the Purpose, Continuous Improvement and Other References sections of the policy. Refer **Appendix 13**.

Council will undertake a review of this policy as a minimum every year, in accordance with the *Local Government Act 1989*, and as required.

Moved: Peter Bollen / Seconded: Graeme Phipps

That revised Council Policy CP013: Procurement be noted.

Carried

11. INFORMATION TO NOTE

11.1 Revised Rating Strategy adopted by Council on 1 March 2018

Council revised its Rating Strategy and, after a period of community engagement in late 2017 and early 2018, adopted its Rating Strategy at the Ordinary Council Meeting on 1 March 2018.

An electronic copy of the revised Rating Strategy is available to the public on Council's website and can be accessed via the following link:

http://www.queenscliffe.vic.gov.au/images/Borough_of_Queenscliffe_Rating_Strategy_-_adopted_by_Council_1_March_2018.pdf

Moved: Graeme Phipps / Seconded: Peter Bollen

That the revised Rating Strategy adopted by Council on 1 March 2018 be noted.

Carried

11.2 2017/18 Quarterly Financial Report as at 31 March 2018

The 31 March 2018 quarterly financial report was issued to Council at its Ordinary Council Meeting on 26 April 2018. This information is provided at **Appendix 14**.

Moved: Peter Bollen / Seconded: Graeme Phipps

That the 2017/18 Quarterly Financial Report as at 31 March 2018 be noted.



Carried

11.3 Draft 2018/19 Budget (including Strategic Resource Plan)

The Draft 2018/19 Budget (including Strategic Resource Plan) was endorsed by Council at its Ordinary Council Meeting on 26 April 2018 and is currently out on exhibition for public comment. The public submission period will close on Friday 25 May 2018.

A community engagement process has been conducted, with a budget presentation prepared by officers and presented to Council's Governance and Finance Portfolio Reference Group on Wednesday 2 May 2018. A public information session was advertised for Monday 7 May 2018, to provide an opportunity for officers to present budget information and enable the public to ask questions of their Councillors. Unfortunately, there were no public in attendance. A voice-over of the budget presentation is available on Council's website. A copy of the budget presentation is provided at **Appendix 15**.

Council will hear community submissions on Thursday 31 May 2018, before considering adoption of the draft 2018/19 Budget (including Strategic Resource Plan) at its Ordinary Council Meeting on Thursday 21 June 2018.

An electronic copy of the draft 2018/19 Budget (including Strategic Resource Plan) is available to the public on Council's website and can be accessed via the following link:

http://www.queenscliffe.vic.gov.au/images/For_website_Draft_2018-19_Budget.pdf

Moved: Peter Bollen / Seconded: Graeme Phipps

That the draft 2018/19 Budget (including Strategic Resource Plan) be noted.

Carried

12. AUDIT COMMITTEE MEMBERSHIP

Council's Audit Committee membership comprises two Councillors and up to four independent members. Agenda items 12.1 and 12.2 were discussed earlier in the meeting and are record on page 5 of these minutes.

12.3 Changes proposed in the review of the Local Government Act 1989 with respect to Audit Committees

Local Government Victoria (LGV) has undertaken its first comprehensive review of the Local Government Act 1989 in 25 years, responding to calls from the local government sector and the community for a new, modern legislative framework for local government.

There have been four stages to the engagement process, which has involved extensive consultation with councils, ratepayers, the wider community, experts and other stakeholders. The final stage, being the release of an Exposure Draft Bill, provides the opportunity to review the legislation before



it is introduced to Parliament. The Draft Bill proposes to clearly outline the roles and responsibilities of councils, allowing for greater innovation and collaboration.

The submission process for the Exposure Draft closed on 16 March 2018. Once finalised, the new Local Government Bill is intended to be introduced into Parliament, with a view to the new Local Government Act commencing from mid 2018.

There are a number of changes proposed with respect to Audit Committees. The relevant clauses of both the current Local Government Act 1989 and those proposed in the Exposure Draft Bill are provided at **Appendix 16**.

The indicative implementation schedule provides for an expected transition to the new Local Government Act in three stages, spanning two financial years, as follows:

- Stage 1 – On proclamation (indicative 1 July 2018)
- Stage 2 – effective 1 January 2019
- Stage 3 – effective 1 July 2019

The provisions with respect to the Audit and Risk Committee are listed within Stage 2 of the transition, with Council obligated to meet the Committee Charter requirements by 30 June 2019. LGV Guidance is expected to be released by 1 October 2018.

Council's current Audit Committee Charter is next due for review in June 2018. It is proposed that officers await the new legislation to be implemented, prior to revising the Charter and presenting it to the Audit Committee in December 2018, for subsequent adoption by Council. The current Audit Committee Terms of Reference will also be reviewed by Council over the same timeframe.

Moved: Cr Merriman / Seconded: Graeme Phipps

That the Audit Committee:

- Note the relevant clauses with respect to Audit Committees, in the Local Government Act 1989 as well as the Exposure Draft Bill for proposed changes to the legislation; and**
- Receive a further report from officers at the Audit Committee Meeting scheduled for December 2018, with respect to a revised Committee Terms of Reference and Charter.**

Carried

13. GENERAL BUSINESS

14. DATES OF FUTURE AUDIT COMMITTEE MEETINGS

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

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



The September meeting of Audit 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.

Audit Committee Meeting	Ordinary Council Meeting
Monday 10 September 2018	Thursday 20 September 2018
Monday 3 December 2018	Thursday 13 December 2018

15. CLOSE OF MEETING

Meeting Closed at 5:12pm.