



Minutes

Audit and Risk Committee Meeting

Tuesday 12 September 2023 at 3:30 pm
Wirrng Wirrng (Queenscliffe Hub)

Distribution

Members

Mr Roland 'Barney' Orchard
Mr Richard Bull
Mr Graeme Phipps
Ms Helen Butteriss
Cr Isabelle Tolhurst
Cr Michael Grout
Cr Donnie Grigau

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 / Anna Handberg, Business Systems, ICT Services
Coordinator / Tim Crawford, Manager Planning & Community Safety

Invitees

Internal Audit Provider: RSD Audit

Kathie Teasdale, Engagement Partner
Paul Harrison, Internal Audit Manager

External Audit Provider:

Cassandra Gravenall, Partner – Audit and Assurance
Fahad Ahmed, Manager – External Audit



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Appendices

Appendix 1	Agenda Item 3.1 Minutes of the Audit and Risk Committee Meeting 5 June 2023	Issued 14 June 2023
Appendix 2	Agenda Item 5.1 Draft 2022–23 Annual Financial Report	Under separate cover
Appendix 3	Agenda Item 5.2 Draft 2022–23 Performance Statement	Under separate cover
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Appendix 5	Agenda Item 7.1 Internal Audit review - A comprehensive review of Council's Tourist Park operation	Under separate cover
Appendix 6	Agenda Item 7.2 Scope for the next Internal Audit Review - Review of Council's Procurement Practices	Under separate cover
Appendix 7	Agenda Item 8.1 Reports from the Victorian Auditor General's Office – Regulating Food Safety	Under separate cover
Appendix 8	Agenda Item 8.2 Minutes of Risk and Governance Committee (meetings held between June 2023 to August 2023)	Under separate cover
Appendix 9 (Confidential)	Agenda Item 8.3 A report on gifts, benefits and hospitality for the period 1 July 2022 to 30 June 2023	Under separate cover (confidential)
Appendix 10	Agenda Item 9.2 Cyber Incident Response Plan	Under separate cover
Appendix 11	Agenda Item 9.3 Strategic Risk Register	Under separate cover
Appendix 12 (Confidential)	Agenda Item 9.6 2023–24 Insurance Arrangements	Under separate cover (confidential)
Appendix 13	Agenda Item 10.1 Report to Council by Audit and Risk Committee	Under separate cover
Appendix 14	Agenda Item 10.2 Audit & Risk Committee Self-Assessment Survey template	Under separate cover
Appendix 15	Agenda Item 12 ICT Transformation Project	Under separate cover



1. OPENING OF MEETING

The chair opened the meeting at 3:36pm.

2. PRESENT & APOLOGIES

Committee members:

Mr Roland 'Barney' Orchard – Chair

Mr Graeme Phipps

Ms Helen Butteriss (until 5:33pm)

Mr Richard Bull

Cr Isabelle Tolhurst

Cr Michael Grout

Cr Donnie Grigau

Invitees:

Cassandra Gravenall, Partner – Audit and Assurance (External Audit Provider: Crowe Australasia)

Paul Harrison, Internal Audit Manager (Internal Audit Provider: RSD Audit)

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

Anna Handberg, Business Systems, ICT Services Coordinator

Tim Crawford, Manager Planning & Community Safety (until 5:10pm)

Apologies:

Kathy Teasdale, Internal Audit Manager (Internal Audit Provider: RSD Audit)

Fahad Ahmed, Manager – External Audit

Jodie Hunt, Financial Services Coordinator



3. PECUNIARY INTEREST & CONFLICT OF INTEREST DISCLOSURES

Members: Nil

Officers: Nil

4. AUDIT AND RISK COMMITTEE MEETING – 5 June 2023

4.1 Confirmation of Minutes from Audit and Risk Committee Meeting 5 June 2023

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Minutes of the Audit and Risk Committee Meeting held on Monday 5 June 2023 be confirmed (Appendix 1).

Carried

4.2 Business Arising from previous Audit and Risk Committee Meetings.

Item	Action	Status
April 2023 6.1 Progress by Management on Open Audit Recommendations	The Committee noted how important it is to document the risk mitigating strategies undertaken on outstanding audit items (where they cannot be promptly closed off) and making the review of outstanding items a continual matter for the Committee and noting the progress made towards closing of the outstanding item(s).	Please refer to the update provided under the item 7.3.
April 2023 10.1 ICT Security Update	Scope of the comprehensive ICT audit (including penetration testing) scheduled to be carried out post-implementation of new systems, to be presented to the Audit and Risk Committee before selecting the appropriate service provider.	ICT audit to be conducted in Q2/Q3 2023-24 financial year.
June 2023 8.2 Cyber Incident Response Plan	The Chair of the Audit and Risk Committee to provide additional feedback about the draft Cyber Incident Response	Officers have updated the Plan based on the feedback received. Please refer to the item 9.2



Item	Action	Status
	Plan out of session, directly to officers.	
June 2023 <u>13.1 Conflicts of interest</u>	The Chair has requested a report on conflicts of interest and the definition of what it means for this Committee	To be included in the induction program of the new committee.
June 2023 <u>13.2 Internal Auditors</u>	The Chair and the internal auditors to have a discussion in the absence of management before the next ARC meeting	The Chair met with the engagement partner of RSD Audit in the absence of management subsequent to June 2023 ARC meeting.
June 2023 <u>13.3 Update on the assets register</u>	The Chair has requested an update on the asset register, revaluation and condition assessments.	Have provided an update under the item 5.1

5. COUNCIL FINANCIAL AND PERFORMANCE REPORTING

5.1 Draft 2022–23 Annual Financial Report

The Draft 2022–23 Financial Report is included at **Appendix 2** and has been prepared in line with the “Local Government Better Practice Guide Model financial report 2022–23” and the “Local Government Model Financial Report 2022–23” issued by Local Government Victoria.

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 2022–23 Annual Report.

The Council achieved a surplus of \$1.6 million in the 2022–23 fiscal year. However, the total comprehensive result for the year shows a deficit of \$0.8 million due to the revaluation decrement of the Council's assets. The revaluation decrement primarily represents the change in the condition of the Council's infrastructure assets, such as roads, footpaths, and off-street car parks, compared to their condition at the time of the previous valuation.

As per the LGPRF (Local Government Performance Reporting Framework) definition, the adjusted underlying result of the Council, after excluding non-recurrent capital grants, cash capital contributions, and non-monetary capital contributions, reveals a deficit of \$0.6 million or -4.91% when compared to the adjusted underlying revenue. Notably, capital expenditure totalling \$773,000 incurred over multiple years, which is classified as operating expenses in 2022-23 not meeting capitalization criteria, has significantly impacted the outcome for the 2022-23 financial



year. In the same period, the Council capitalized \$12.8 million of capital expenditure pertaining to the major projects completed during the 2022-23 financial year.

The underlying result based on LGPRF is influenced by various factors, including the timing of recurring operating grants, particularly Financial Assistance Grant (FAG), as well as non-recurring operating grants and non-recurring expenses that occur within a given year. To derive a more meaningful representation of the underlying result, it is advisable to evaluate it by excluding the effects of non-recurring operating income and expenses. Additionally, adjustments should be made for the timing of recurring operating grants, where applicable, as defined in the Borough's Council Plan.

Even if the Council Plan proposes an alternative approach to gauge the underlying result, The methodology outlined in the above paragraph aims to establish a consistent method for estimating the recurring basis of the underlying result. This consistency is crucial for facilitating accurate and meaningful comparisons across financial years given the size (size of the budget) of the organisation, allowing for a more reliable assessment of the Borough's financial performance. A reconciliation between the LGPRF and recurring basis underlying results are provided below.

Underlying Result	Actual 2021-22	Adopted Budget	Yearend Forecast	Actual 2022-23
	\$'000	\$'000	\$'000	\$'000
Based on the LGPRF measure				
Surplus / (deficit) for the year	8,354	132	1,999	1,625
Less: Grants - capital (non-recurrent)	(7,652)	(1,583)	(2,239)	(2,232)
Less: Contributions - monetary - capital	0	(35)	0	0
Adjusted underlying surplus / (deficit)	702	(1,486)	(240)	(607)
Adjusted Underlying Result - %	5.6%	-13.4%	-1.93%	-4.91%
On recurring basis (based on the Council Plan measure)				
Adjusted underlying surplus / (deficit) - LGPRF	702	(1,486)	(240)	(607)
Adjusted for;				
Allocating FAG to the year they relate	(452)	483	499	68
Annualised Road to Recovery grant (R2R)	38	40	40	38
Removal of grant-funded non-recurring operating project related costs net of grants (council contribution)	(98)	(31)	(16)	(15)
Removal of non- recurring operating project related costs funded via Council's own funds (reserve and operational cash)	163	397	347	168
Removal of waste management cost to be recovered in future years	13	136	64	86



Underlying Result	Actual 2021-22	Adopted Budget	Yearend Forecast	Actual 2022-23
Removal of expenditure not meeting capitalisation criteria / threshold	213	0	0	773
Removal of employee cost of temporary staff	0	64	0	0
Removal of the impact of the sale of assets	130	0	(735)	(109)
Adjusted underlying surplus / (deficit)	709	(397)	(40)	402
Adjusted Underlying Result - %	6.30%	-3.80%	-0.37%	3.79%

During the fiscal year 2022-23, Council invested a total of \$4.0 million in capital projects aimed at improving its overall asset portfolio. This investment led to an asset renewal ratio of 194.8%, showcasing a substantial effort in renewing and upgrading assets compared to the depreciation of existing assets during that period.

Council's cash and cash equivalents, along with short-term cash investments (with maturity dates ranging from 3 to 12 months), increased to a total of \$11.1 million in the financial year 2022-23. Out of this amount, \$5.2 million is earmarked for specific allocations, while the remaining \$5.9 million is available as unrestricted cash reserves. Notably, \$3.5 million out of the \$5.2 million allocated is derived from the proceeds of the Murray Road land sale. The Council's unrestricted cash holdings are deemed sufficient to settle all its financial obligations as of June 30, 2023.

In terms of outstanding rates, the Council has a balance of \$64,000, which represents the lowest recorded value over the past decade. This indicates effective management of rates collection and a positive financial trend in this aspect.

At the conclusion of the financial year 2022-23, the Council has a general reserve balance of \$1.1 million, coupled with a debt-free balance sheet. This achievement represents a remarkable turnaround from the Council's financial position at the end of the 2011-12 financial year, where it had a general reserve balance of zero and carried over \$1 million in debt on its balance sheet. This significant transformation underscores the Borough's improved financial situation over the years.

The Victorian Auditor-General's Office (VAGO) issues an annual report to Parliament, typically in November or December, detailing the outcomes of the Local Government Audits for the most recent financial year. Within this report, VAGO evaluates seven financial sustainability risk indicators across different council groupings. These indicators serve as benchmarks to gauge the financial health of local governments.



Financial Sustainability Indicators	Risk Assessment Matrix			Financial Year						
	Low	Medium	High	17/18*	18/19*	19/20*	20/21*	21/22*	22/23**	5 yrs average
Net result	>0%	-10% - 0%	<-10%	10.8%	25.1%	4.4%	-0.9%	41.3%	11.1%	16.2%
Adjusted underlying result - Note 1	>5%	0% - 5%	< 0%	0.7%	-0.2%	-3.7%	-13.7%	5.6%	-4.9%	-3.4%
Liquidity	>1.0	0.75 - 1.0	<0.75	2.9	5.0	5.1	2.9	3.1	4.6	4.2
Internal financing	>100%	75% - 100%	<75%	135.0%	144.2%	151.3%	128.1%	122.9%	138.2%	136.9%
Indebtedness	<=40%	40% - 60%	>60%	1.1%	0.5%	1.2%	1.1%	1.1%	0.9%	0.9%
Capital replacement	>1.5	1.0 - 1.5	<1.0	1.8	2.9	1.4	2.1	5.6	4.4	3.3
Renewal gap	>1.0	0.5 - 1.0	<0.5	1.1	2.2	1.2	1.9	5.4	1.9	2.5

* Based on VAGO reports

**Based on the results, calculated by BoQ (22/23)

Note1: Net result and the adjusted underlying result are impacted by accounting adjustments, one-off transactions and timing of operating grants as mentioned at the beginning of this item.

By applying the financial sustainability indicators established by VAGO, as depicted in the chart above, to the year-end financial outcomes of the Council, a robust framework is established. This framework allows for an impartial assessment of the Borough's financial standing, contributing to a clearer understanding of its fiscal health.

Please note that the financial report will be appropriately formatted when translated into the Council's 2022–23 annual report design.

Moved: Helen Butteriss / Seconded: Graeme Phipps

That the Audit and Risk Committee recommends that Council adopt the 2022–23 Annual Financial Report in principle, as included at Appendix 2.

Carried

5.2 Draft 2022–23 Performance Statement

The Draft 2022–23 Performance Statement is included at **Appendix 3** and has been prepared in line with the “Local Government Better Practice Guide 2022–23 Performance Statement” issued by Local Government Victoria.

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, the Council has performed well against all performance indicators, this is especially evident when the performance is considered in conjunction with the supporting comments.

Moved: Graeme Phipps / Seconded: Richard Bull

That the Audit and Risk Committee recommends that Council adopt the 2022–23 Performance Statement in principle, as presented in Appendix 3.

Carried

5.3 Draft 2022–23 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 qualitative measures included in the governance and management checklist as at 30 June 2023.

The Draft 2022–23 Governance and Management Checklist is included at **Appendix 4** and has been prepared in line with the *Local Government Better Practice Guide 2022–23: Report of Operations* issued by Local Government Victoria.

Moved: Richard Bull / Seconded: Helen Butteriss

That the Audit and Risk Committee recommend that Council include the Governance and management checklist, included at Appendix 4, in the Report of Operations section of the Annual Report 2022–23.

Carried

6. 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.



6.1 2022–23 External Audit Draft Status Update

Council's external auditor, Crowe Australasia, has now finalised the fieldwork of the final audit for the 2022–23 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, Crowe Australasia expects 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 reclassification difference of \$29,332 in the financial statements between the accounting system and the debtor management system as a result of changes in the systems. In addition, a small number of minor presentation and disclosure changes in the financial report and performance statement have also been highlighted by the auditors. Council's management team has subsequently adjusted all these differences. Audit procedures did not identify any unadjusted differences. They expect to issue unmodified audit opinions.

Cassandra made additional comments on the management letter currently being finalised. It is expected that the auditors will confirm the previous management letter point concerning compliance with the Local Government Act 2020 – Asset Plan has been satisfactorily resolved. The management letter point about excessive leave balances has been reclassified as an ongoing business improvement opportunity as it has been substantially resolved by the management..

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: Richard Bull / Seconded: Helen Butteriss

That the Audit and Risk Committee notes the update provided and the draft audit management letter tabled by Crowe Australasia on behalf of the Auditor General. The committee also notes comments made by the external auditors highlighting that the financial statements submitted by the Borough of Queenscliffe are among the best they have viewed.

Carried

7. 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.

7.1 Internal Audit Reviews



Council's internal auditors, RSD Audit, conducted an internal review on the topic 'A comprehensive review of Council's Tourist Park operations.' Subsequently, officers have received and, where appropriate, provided management comments in response to the internal audit recommendations. Please refer to **Appendix 5** for details.

There are six (6) areas with medium-risk audit findings and four (4) areas with low-risk findings. The internal auditors have also identified one (1) area with opportunities for improvement.

Council officers have acknowledged the opportunities for improvement in the areas of risk highlighted by the internal auditors. The management response to the internal audit report includes a timeframe for completing the audit recommendations.

Moved: Richard Bull / Seconded: Graeme Phipps

That the Audit and Risk Committee confirms and accept the internal audit report, including management comments, as provided at Appendix 5.

Carried

7.2 Scope for Internal Audit Review – October / November 2023

In the absence of an internal audit plan, the Committee approved topics for the next two internal audit reviews during its April 2023 meeting, thereby establishing an interim internal audit plan. Accordingly, the proposed topic for the upcoming internal review is the 'Review of Council's Procurement Practices.'

As outlined in **Appendix 6**, RSD Audit has prepared documentation outlining the scope of the next internal audit review scheduled for October/November 2023.

Officers have reviewed the proposed audit scope to ensure its adequacy in addressing the associated risks.

Moved: Richard Bull / Seconded: Helen Butteriss

That the Audit and Risk Committee approves the audit scope as provided at Appendix 6.

Carried

7.3 Progress by Management on Open Audit Recommendations

A summary of the current outstanding internal audit recommendations is given below



Borough of Queenscliffe
Minutes for the Audit and Risk Committee Meeting 12 September 2023

Review	Period	Audit Recommendations					
		No. in the original IA report	June 2023	New	Complete	Removed	Sep 2023
Records Management	May-18	9	4	-	-	-	4
IT Network and Security (including Cyber Security)	Oct-18	9	1	-	-	-	1
Capital Works Framework	Nov-19	20	6	-	-	-	6
Business Continuity Planning and Disaster Recovery	Nov-19	7	3	-	-	-	3
Human Resources Management	Nov-19	11	2	-	-	-	2
Strategic Procurement	May-20	21	8	-	-	-	8
Management of Caravan Parks, Reserves and Foreshore *	May-20	8	3	-	-	(3)	0
Review of the Management, Oversight and Monitoring of Outsourced Service Provider	May-21	3	2	-	-	-	2
Review of Statutory Planning Process	Nov-21	6	1	-	(1)	-	0
Initial Risk Assessment	May-23	7	5	-	(2)	-	3
A comprehensive review of Council's Tourist Park operations*	Aug-23	-	-	10	(1)	-	9
Total			35	10	(4)	(3)	38
Analysis based on the risk rating							
High			4	-	-	-	4
Medium			20	6	(1)	(1)	24
Low			11	4	(3)	(2)	10
Total			35	10	(4)	(3)	38

Since the last Audit and Risk Committee meeting, four (4) outstanding internal audit recommendations have been successfully addressed. Furthermore, three (3) outstanding audit recommendations stemming from the 'Management of Caravan Parks, Reserves, and Foreshore' review (May 2020) were removed to avoid duplication, as similar recommendations have been proposed in the recent internal review of 'A Comprehensive Review of Council's Tourist Park Operations'.

Currently, Council has four (4) high risk and twenty (24) medium risk outstanding internal audit recommendations.



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

No.	Review / Recommendation	Current Mitigation Actions	Planned Actions
1	<p>Records Management: Evaluate and update the records management strategy periodically (e.g. 6-monthly or annually) to ensure it remains relevant to changing scenarios.</p>	<p>The Council went live with its new Electronic Data and Record Management (EDRM) system in May 23. The data retention and disposal protocols embedded in to the new EDRM systems are in line with the requirements specified by the Public Records of Victoria (PROV).</p>	<p>To develop an Organisational Policy collaboratively with other three Councils involved in the project to formalise new record management process of Council (31 December 2023).</p>
2	<p>Capital Works Framework: Communicate and upload the framework, policy, procedures and templates to ensure those documents are easily accessible by all staff.</p>	<p>Project Management Framework (PMF) SOP complete. Templates identified in the SOP are being used.</p>	<p>Development of a Project Management Policy for Council</p>
3	<p>Capital Works Framework: Develop templates for key activities in the capital works and project management framework to assist in ensuring consistency across departments.</p>	<p>An initial set of templates have been developed including: -Project Inception Template -Project Charter template Project Reporting Template -Procurement Plan Template - Various contract management templates.</p>	<p>BoQ is looking for a project management system to be implemented as a part of the ICT transformation project (31 December 2024).</p>
4	<p>Review of Business Continuity Planning and Disaster Recovery: Absence of a hot (secondary) DR site including a redundant secondary internet link.</p>	<p>Council has transitioned to new vendor-hosted systems to manage various processes, including Finance, Rating & Property, Planning & Building, Payroll, and Record Management. The sole exception is the current CRM system, which is hosted on-premise. BoQ's on-premise systems are currently backed up at the Visitor Information Centre</p>	<p>Council is on track to transition to a vendor-hosted CRM system, which will facilitate the successful closure of this outstanding audit recommendation. The target implementation date for this transition is October 31, 2023</p>



Moved: Helen Butteriss / Seconded: Richard Bull

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

Carried

8. COMPLIANCE MANAGEMENT

8.1 Reports from the Victorian Auditor General's Office (VAGO)

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

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

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

- Regulating Food Safety

Link to the report- [Report](#)

Background:

VAGO has looked at whether councils are complying with their legislative responsibilities for food safety to protect public health. The agencies VAGO examined were the Department of Health, City of Casey, City of Greater Geelong, Hepburn Shire Council, City of Kingston and Manningham City Council.

VAGO conclusion drawn from this audit:

Audited councils are not complying with all their legislative responsibilities for food safety to protect public health.

Not all audited councils are:

- assessing or inspecting all food premises
- systematically identifying unregistered food premises
- reinspecting 3 months before registration renewal for all noncompliant food premises or those with complaints
- meeting food sampling targets
- reporting data to the Department of Health.

VAGO Recommendations:

VAGO has made 3 recommendations to all Victorian councils about whether councils are complying with legislative responsibilities for food safety to protect public health.



Relevance to BoQ:

Officers have reviewed those recommendations and summarised the relevance of recommendations to the Borough in **Appendix 7**.

Moved: Graeme Phipps / Seconded: Richard Bull

That the Audit and Risk Committee notes the update provided by officers.

Carried

8.2 Reports from the Risk and Governance Committee

The minutes of June, July and August 2023 Risk and Governance Committee meetings are provided at **Appendix 8**.

Moved: Helen Butteriss / Seconded: Richard Bull

That the Audit and Risk Committee notes the minutes of Risk and Governance Committee meetings held between June 2023 to August 2023 provided at Appendix 8.

Carried

8.3 Report on Gifts, Benefits and Hospitality

A report on gifts, benefits and hospitality for the period 1 July 2022 to 30 June 2023 is provided at **Appendix 9 (Confidential)**.

Moved: Helen Butteriss / Seconded: Richard Bull

That the Audit and Risk Committee notes the report on gifts, benefits and hospitality for the period 1 July 2022 to 30 June 2023 provided at Appendix 9.

Carried

9. CONTROL FRAMEWORK AND RISK MANAGEMENT

9.1 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 presented 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 2023.

Policies considered and reviewed by the Audit and Risk Committee

The Audit and Risk Committee has reviewed and approved changes to the following policies before them being adopted by Council.

- CP038 Waste Management (revised)
- CP036 Fixed Assets Valuation and Revaluation (revised)
- CP033 Creditor Management (revoked)
- CP048 COVID-19 Financial Hardship (revoked)
- CP023 Information Technology (revoked)
- CP034 Business Continuity Management (revoked)

Other policies adopted by Council

CP054 Victoria Park – Revised

[Link to the policy](#)

CP054 Victoria Park was first adopted in July 2022. This policy sets out the principles Council will use to manage Victoria Park to protect the environmental values and enhance the amenity of Victoria Park for all users.

Key changes to the policy required to accommodate the community feedback include the removal of:

- Park Management section f. There will be no public access to Vegetation Reserves, and
- Environmental Management section a. Council will prepare a Revegetation Plan within 3 months from the date of this policy.

Another key change required to accommodate the community feedback is the amendment of the following section in the policy:

- Park Management section c. Low impact camping, being camping with a tent, caravan or recreational vehicle with a maximum open length of 6.5 metres, will be allowed in Restricted Camping areas:
 - i. During the Queenscliff Music Festival
 - ii. For five weeks from 26 December until 31 January

It is recommended that this section of the policy is revised to read as follows:

c. Low impact camping (being camping with a tent, caravan or recreational vehicle with a maximum open length of 6.5 metres) will be permitted in the Restricted Camping areas from 1 December to 31 January, and any additional days to cover the duration of both the Queenscliff Music Festival and the Queenscliff Rod Run.



Moved: Richard Bull / Seconded: Helen Butteriss

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

Carried

9.2 Organisational Policies

Council has a suit of organisational polices (Standard Operating Procedures) serve as a framework to ensure consistency, transparency, compliance, and effective functioning of the organisation.

Key policies with a significant financial and risk management focus be reviewed and approved by the Audit and Risk Committee.

Cyber Incident Response Plan

The Audit and Risk Committee reviewed and approved the new Cyber Incident Response Plan in June 2023.

However, as discussed at the meeting, the Chair of the Audit and Risk Committee has provided the following additional feedback about the Cyber Incident Response Plan out of session.

Subsequently, officers have made further changes to the Cyber Incident Response Plan based on the feedback received.

1. It should be clearly spelt out that threats can come from both internally and externally -just to emphasize vigilance. (Officer's comment: updated the table in section 3.1)
2. 2.1.2 should also include Incident example of threats from corrupted provider networks, i.e. banks, insurers, Gov Depts. - include these as examples as they are likely source of threat. (Officer's comment: included an additional point in section 2.1.2)
3. 4.1, IMT and subsequent role statements really need to very clearly state who has community/contractor/adjacent council/business awareness responsibility. This is the Achilles Heal for the BoQ and critical to damage control but does not have prominence in the policy other than a minor reference in Communication lead's role. So I guess I see this policy as internally focused whereas it needs its balance to the external stakeholders. There are subsequent references to Quick Responses in 5.1, 5.15 where you could ask, who is responsible for this action. (Officer's comment: have updated tables in sections 4.1, 4.2 and 5.1)
4. Another critical source of corruption or leakage of data can be the failure to update provider or third party software leading to overlooking software 'patches' which render software vulnerable, this was the Equifax example we discussed as the lack of the patch in that case meant external access could be gained illegally. (Officer's comment: These requirements are embedded into contracts with software vendors and was a key requirement in evaluating tenders in relation to the CORE project)



5. In Step 4 recovery, think there needs to be an assessment whether recovery of damages, financial or similar, can be taken against perpetrator. The BoQ should recover losses if possible. (Officer's comment: Have added an additional point in under Step 4)

Moved: Graeme Phipps / Seconded: Helen Butteriss

That the Audit and Risk Committee approves the updated Cyber Incident Response Plan provided at Appendix 10.

Carried

9.3 Strategic Risk Register

As a part of the initial risk assessment exercise RSD Audit conducted, a comprehensive review of the Council's Strategic Risk Register was undertaken by the new internal auditors.

The Audit and Risk Committee in its April 2023 meeting reviewed and approved the updated Strategic Risk Register. Subsequently, officers discussed the updated Strategic Risk Register with Councillors in a Council Assembly in August 2023.

The following changes have been made to the Strategic Risk Register, based on the input received from Councillors. Additionally, officers have revisited the timelines for potential control measures to ensure their alignment with other priorities/projects of Council.

Have summarised below key changes to the Strategic Risk Register since the last Audit and Risk Committee meeting.

Risk Item - FI01

- Changed the Risk name to "Financial Sustainability of Council";
- Expanded the risk description to capture key causes of risk; and
- Identified implementation of an asset management system as additional potential control measure

Risk Item – SE05

- Identified regular review/improvement of Community Engagement policy as an additional existing control measure.

Risk Item – LE01

- Moved electronic record management from potential control to existing control with the implementation of EDRM system (This has reduced the likelihood of this particular risk. However, officers are of the view that until Council has implemented a compliance check list, the risk will continue to be at an elevated level).

Risk Item – EN01



- Expanded the risk description to clearly highlight impact of the climate change on the Borough; and
- Identified Council's commitment to work closely with traditional owners to utilise their deep-time knowledge of the land and water in responding to the impact of climate change, as an existing control measure.

All key changes are highlighted in yellow in the updated risk register provide at **Appendix 11**.

Moved: Richard Bull / Seconded: Helen Butteriss

That the Audit and Risk Committee notes the risk register provided at Appendix 11.

Carried

9.4 Business Continuity Plan (BCP) and Testing Regime

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

Subsequent reviews have highlighted that the plan was too prescriptive and that the real life scenario required a more nuanced response. As a result, the plan is currently going through a comprehensive review.

Moved: Richard Bull / Seconded: Graeme Phipps

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

Carried

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

At the June 2023 meeting the Committee was notified of one instance of potential fraud reported (an allegation against a staff member). At the time of that meeting the allegation was still under investigation. The investigation has now concluded, and no fraud was found. A review of relevant procedure followed by officers has been recommended and is underway.

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

Recommendation:

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



Moved: Graeme Phipps/ Seconded Helen Butteriss

That the Audit and Risk Committee notes the update provided by Council officers and that no instances of unethical behaviour, fraud and corruption have been recorded in the reporting period.

Carried

9.6 2023–24 Insurance Arrangements

The Borough has successfully renewed all of its insurance arrangements for the 2023–24 period, maintaining the existing scope of coverage without any changes. JLT Risk Solutions managed the renewal process on behalf of the Council. Throughout the renewal process, Council officers explored various options to adjust the coverage of certain policies based on past claim experiences. However, after carefully considering the balance between additional risk and cost savings, the decision was made to retain the coverage of reviewed policies at their current levels.

There is a noticeable 12.8% increase in the total insurance premium for the 2023–24 term. Despite Council's highly satisfactory claims history, the insurance industry is experiencing 'hard market' conditions, characterized by capacity reduction, rate hikes, and coverage limitations. This has led to substantial premium increases in certain policies, as detailed in **Appendix 12** (confidential).

The premium for Local Government Liability (covering Public and Product Liability as well as Professional Indemnity) has seen a significant rise. The key driver behind the renewal pricing is the notable increase in both the number and cost of claims.

The primary reason for the premium increase in the Asset Protection Plan is the considerable increase in claim costs across the Local Government sector. In the 2022-23 program year, the trust encountered an unprecedented loss event for the JMAPP Discretionary Trust and the excess of loss insurers.

Elevated salaries and wages, combined with high loss ratios (increased claim expenses relative to premiums) in previous policy periods, have contributed to the premium escalation in the Personal Accident & Sickness cover.

Moved: Graeme Phipps / Seconded: Richard Bull

That the Audit and Risk Committee notes the update provided by Council officers, with respect to 2023–24 insurance arrangements.

Carried



10. AUDIT AND RISK COMMITTEE

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

10.1 Reporting to Council

The report from the Audit and Risk Committee to Council, covering the second six (6) months of the 2022–23 financial year is provided at **Appendix 13**. The report will be included in the Chief Executive Officer's Report to Council and tabled at the September 2023 Council meeting.

Moved: Richard Bull / Seconded: Graeme Phipps

That the Audit and Risk Committee approves the report by this committee to Council provided at Appendix 13.

Carried

10.2 Self-assessment

Section 35 of the Audit and Risk Committee charter states the following:

The Committee members must undertake an annual assessment of the Committee's performance against the Audit and Risk Committee Charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

The Committee undertook an assessment for the 2021–22 financial year and the consolidated result/feedback of annual assessment was tabled at the Committee meeting held in June 2023.

The key themes highlighted in the recent self-assessment were:

- need for ongoing refresher training in matters dealt with by the Audit and Risk Committee;
- an ongoing program for training post the election of the new ARC committee

Though the recent self-assessment was for the 2021–22 financial year, the feedback/responses received may have covered Committee's performance of the 2022–23 financial year as well.

However, since this is the last self-assessment of the current committee, a separate self-assessment for the 2022–23 financial year will help the new Committee once it is appointed.

The Audit & Risk Committee Self-Assessment Survey template is given at **Appendix 14**.

The committee agreed that the self-assessment be deferred and be completed at the end of the term of the committee.



10.3 Extension of appointment of current independent members of the Audit and Risk Committee and EOI for independent members

At its Ordinary Meeting on 26 July 2023 Council resolved to extend the appointment of the independent members of its Audit and Risk Committee to 25 October 2023. This extension was to enable the current independent members to assist in the work of signing off the 2022–23 financial statements of Council.

Council also noted at its July 2023 meeting that public advertisement seeking Expressions of Interest for independent members of the Audit and Risk Committee will commence in August 2023. Public advertisement of all four of the independent member positions is important because of the unique change in circumstances as a result of the introduction of the new Local Government Act in 2020. Due to the introduction of the new Act, which required the dissolution of the Audit Committee and the establishment of the Audit and Risk Committee, some independent members have served longer than six years without public advertisement of their position.

The current independent members of the Audit and Risk Committee, along with other suitably qualified members of our community, are encouraged to submit an Expression of Interest. The public advertisement for Expressions of Interest commenced in August 2023 and will close on 22 September 2023.

11. UPDATE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer will provide a further update in relation to the following areas at the meeting.

- Follow-up update on staff resources, the current staff vacancies etc.
- Proposed approach for 2024/25 Budget process,
- Update on the recent vote for no confidence and subsequent complaint by a member of the community;
- Update on community feedback about recent Council initiatives, Active Transport Strategy, information session about upcoming referendum etc.
- Operation Sandon Taskforce, including recommendations regarding planning reform in Victoria
- G21 financial liability update

Moved: Graeme Phipps / Seconded: Richard Bull

That the Audit and Risk Committee notes the Chief Executive Officer's update.

Carried



12. INFORMATION TO NOTE

ICT Transformation Project

Officers to provide an update to the Committee on the progress Council has been making in relation to the ICT transformation project (**Appendix 15**).

Moved: Richard Bull / Seconded: Graeme Phipps

That the Audit and Risk Committee notes the information provided.

Carried

13. GENERAL BUSINESS

Discussion was had regarding the inclusion of Freedom of Information (FOI) requests as a standing agenda item. The Committee’s view was that officers will report as necessary on any FOI request relevant to the role of the committee.

The CEO expressed his thanks to the Audit and Risk Committee for their dedication to their role on the committee and specifically their expertise at assisting Council improve governance and risk management process and reporting.

The Chair of the Committee, Roland ‘Barney’ Orchard, thanked the Committee for their **service, and Council officers for being open and transparent with the sharing of information.**

Richard Bull also thanked the staff for their work with the Audit & Risk Committee.

Graeme Phipps also thanked the committee and staff for their work.

14. 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 4 December 2023	Wednesday 13 December 2023
Monday 15 April 2024	Wednesday 24 April 2024 (TBC)
Monday 3 June 2024	Wednesday 26 June 2024 (TBC)



15. CLOSE OF MEETING

Meeting Closed at 6:21 pm.