



GOLDEN PLAINS SHIRE

ATTACHMENTS

**Under Separate Cover
Ordinary Council Meeting**

6.00pm Tuesday 24 September 2019

Table of Contents

| | | |
|------|--|---|
| 7.16 | Audit & Risk Committee Report - 10 September 2019 | |
| | Attachment 1 Audit and Risk Committee Minutes 10.09.19 | 4 |



MINUTES

Audit and Risk Committee Meeting

9.30am Tuesday 10 September 2019

VENUE:
Bannockburn Shire Hall
Council Chambers
12 High Street, Bannockburn

NEXT AUDIT AND RISK COMMITTEE MEETING
9.30am Tuesday 12 November 2019

Copies of Golden Plains Shire Council's Agendas & Minutes
Can be obtained online at www.goldenplains.vic.gov.au

Order Of Business

| | | |
|----------|---|-----------|
| 1 | Apologies and Leave of Absence | 3 |
| 2 | Confirmation of Minutes..... | 3 |
| 3 | Declaration of Conflict of Interest..... | 3 |
| 4 | COMMITTEE Reports..... | 4 |
| 4.1 | Election of Chair - Audit & Risk Committee | 4 |
| 4.2 | Audit Committee Action Items | 4 |
| 4.3 | Publications of Interest..... | 4 |
| 4.4 | Outstanding Internal and External Audit Actions..... | 5 |
| 4.5 | Update on Inspectorate Audit..... | 6 |
| 4.6 | Statutory Obligations and Compliance Schedule..... | 7 |
| 4.7 | Annual Schedule for 2019/20 - Audit and Risk Committee | 8 |
| 4.8 | Policy and Procedure Framework..... | 9 |
| 4.9 | Draft Gifts, Benefits and Hospitality Policy..... | 10 |
| 4.10 | Policies - Asset Disposal and Reserve/Provision Funding..... | 11 |
| 4.11 | Major Projects - Progress Update..... | 12 |
| 4.12 | Quarterly Risk Report..... | 13 |
| 4.13 | Progress update - Business Continuity Plan..... | 14 |
| 4.14 | JLT Public Sector - Risk Report | 15 |
| 4.15 | Proposed Strategic Risks | 16 |
| 4.16 | Internal Audit - Outcomes from Risk Management Review..... | 17 |
| 4.17 | Internal Audit 3 Year Strategic Internal Audit Plan | 18 |
| 4.18 | Internal Audits held during the Quarter - Tree Management Update..... | 18 |
| 4.19 | Quarterly Finance Report..... | 19 |
| 4.20 | In-Principle Performance Statement and In-Principle Financial Statements for the year ended 30 June 2019..... | 20 |
| 4.21 | VAGO Performance Audit - Supporting Communities through Development and Infrastructure Contributions | 20 |
| 4.22 | VAGO Local Government Fraud and Corruption Report..... | 21 |
| 4.23 | Procurement Policy Review..... | 22 |
| 4.24 | Review of Instrument of Delegation - Council to CEO | 23 |
| 4.25 | Self-Assessment - Audit and Risk Committee | 24 |
| 5 | Other Business | 24 |
| 5.1 | Acknowledgement..... | 24 |
| 5.2 | Compliments | 24 |
| 5.3 | Pre Meeting..... | 24 |
| 5.4 | Late Apology | 24 |
| 6 | Date of next meeting..... | 24 |
| 7 | Close of meeting..... | 24 |

Audit and Risk Committee Meeting Minutes

10 September 2019

**MINUTES OF GOLDEN PLAINS SHIRE COUNCIL
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE BANNOCKBURN SHIRE HALL, COUNCIL CHAMBERS, 12 HIGH STREET,
BANNOCKBURN
ON TUESDAY, 10 SEPTEMBER 2019 AT 9.30AM**

PRESENT: Independent Members Mr Joe Adamski, Mr Andrew Pearce and Mr Phil Delahunty

Councillors Cr Owen Sharkey (Mayor), Cr David Evans

IN ATTENDANCE: Eric Braslis (CEO), Philippa O'Sullivan (Director Corporate Services), Lisa Letic (Director Community Services) Claire Tehan (People & Culture Manager), Fiona Rae (Finance Manager), Vanessa Polkinghorne (Acting Team Leader Safety and Risk), David Greaves (Works Manager), Candice Robinson (Corporate Governance Coordinator), Emily Chapman (Administration Officer), Thivya Mahendran (Crowe Horwath), Gabrielle Castree (Crowe Horwath), Chris Kol (McLaren Hunt)

1 APOLOGIES AND LEAVE OF ABSENCE

Nil

2 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Mr Andrew Pearce

Seconded: Mr Joe Adamski

That the minutes of the Audit and Risk Committee Meeting held on 14 May 2019 be confirmed.

CARRIED

3 DECLARATION OF CONFLICT OF INTEREST

Committee members must disclose a conflict of interest in accordance with Section 79 of the *Local Government Act 1989*.

Nil

4 COMMITTEE REPORTS

4.1 ELECTION OF CHAIR - AUDIT & RISK COMMITTEE

EXECUTIVE SUMMARY

The purpose of this report is to facilitate the process of appointing a Chair of the Committee according to the adopted Charter.

COMMITTEE RESOLUTION

Moved: Cr Owen Sharkey
Seconded: Cr David Evans

The Audit and Risk Committee appoint Independent Member Mr Andrew Pearce as the Chair of the Audit and Risk Committee. In accordance with the Audit and Risk Charter this appointment to be reaffirmed by the 10 September 2020.

CARRIED

4.2 AUDIT COMMITTEE ACTION ITEMS

COMMITTEE RESOLUTION

Moved: Cr Owen Sharkey
Seconded: Mr Joe Adamski

That the Audit & Risk Committee note the progress on actions from previous meeting held on 14th May 2019.

CARRIED

4.3 PUBLICATIONS OF INTEREST

EXECUTIVE SUMMARY

The Reports and Publications of interest provides a summary of key industry reports that have been released over the last three months which identifies outcomes from audits or reviews which may impact on Golden Plains Shire.

The report is provided for the Audit and Risk Committee's noting.

COMMITTEE RESOLUTION

Moved: Mr Joe Adamski
Seconded: Cr Owen Sharkey

That the Audit and Risk Committee note the Publications of Interest (April 2019 to June 2019) as prepared by Internal Auditors, Crowe Horwath.

CARRIED

4.4 OUTSTANDING INTERNAL AND EXTERNAL AUDIT ACTIONS**EXECUTIVE SUMMARY**

The purpose of this report is to update the Committee on the progress of all internal and external audit recommendations within the Strategic Internal Audit Plan (SIAP), Internal Risk Management Audit, VAGO Interim Management Letter 2018-19 and Local Government Inspectorate Report.

COMMITTEE RESOLUTION

Moved: Cr Owen Sharkey

Seconded: Mr Joe Adamski

That the Audit and Risk Committee notes the updates and closed actions on the Outstanding Internal and External Audit Actions report.

CARRIED

UNCONFIRMED

4.5 UPDATE ON INSPECTORATE AUDIT

EXECUTIVE SUMMARY

In November 2018 Golden Plains Shire Council participated in an examination by the Local Government Inspectorate (LGI) to ensure Council's processes and practices, specifically, in relation to governance and procurement, met the requirements of the Local Government Act 1989 (the Act).

The LGI lodged a report on 28 February 2019 detailing the results on the examination. A number of recommended actions were made by the LGI to improve current process and practices. Council were supportive of all the recommendations contained within the LGI report and a number of activities undertaken to implement the recommendations made.

Council lodged its initial response to the LGI on the matters raised in the report on the 2 April 2019. The examination report along with Council's initial response were received by the Audit and Risk Committee at its 14 May 2019 Meeting, by Council at its 28 May 2019 Ordinary Council Meeting and made publically available on Council's website.

It was agreed with the LGI that an update be provided by the 2 August 2019 and as such, Council lodged its Progress Report on the 1 August 2019. A copy of that report is provided for the Audit and Risk Committees information (Attachment 2) along with the supplementary Procurement Report (Attachment 3). The Progress Report will be presented to the Council Meeting 24 September 2019 for noting and also be made publically available on Council's website.

A response from the LGI was received on the 20 August 2019 advising that the LGI is satisfied with the progress identified in the Progress Report. The LGI requested that a further update be provided on the matters that are still in progress by 1 November 2019. That update will also be provided to the Audit and Risk Committee at its 12 November 2019 Meeting.

COMMITTEE RESOLUTION

Moved: Cr David Evans

Seconded: Cr Phil Delahunty

That the Audit and Risk Committee:

1. Receive and note the update on the Local Government Inspectorate Golden Plains Shire Council Examination including the Progress Report lodged with the Local Government Inspectorate on 1 August 2019 (Attachment 2).
2. Note the outstanding actions identified in the Progress Report will remain on the Outstanding Internal and External Audit Actions Report to allow progress to be reported at future Audit and Risk Committee meetings.
3. Note the Progress Report will be presented to the 24 September 2019 Council Meeting for noting and become publically available on Councils website. **CARRIED**

4.6 STATUTORY OBLIGATIONS AND COMPLIANCE SCHEDULE

EXECUTIVE SUMMARY

To assist the Golden Plains Shire Council in understanding and meeting its statutory obligations and key deadlines, a Statutory Obligations and Compliance Schedule (the Schedule) has been developed and implemented (Attachment 1).

The Local Government Inspectorate (LGI) Examination Report - February 2019 highlighted the importance of a governance schedule. The development of a schedule was an agreed action with the LGI.

The Schedule predominantly covers legislative requirements and obligations under the *Local Government Act 1989* (the Act). The management and oversight of responsibilities and requirements under other legislation remains with the relevant departments within Council, though support is provided through the Instrument of Delegation documents.

The Schedule provides the details of Council's various obligations under the Act including, but not limited to, the Council Plan, annual reporting, budgeting, delegations, lodgement of interest returns, elections and policy reviews. It provides visibility, accountability and timeframes for completion of requirements. The Schedule additionally increases mechanisms for compliance reporting.

The Schedule has been developed in accordance with best practice examples tailored to meet the specific requirements of Golden Plains Shire Council. Provisions within the Schedule have been informed by The Council Companion, The Macquarie Lawyers easy guide to the governance requirements of the Local Government Act 1989.

The Schedule was reviewed by the Full Management Team (FMT) and a copy provided to the LGI in August 2019 as evidence of completing the agreed action arising from the Examination Report - February 2019.

The Schedule will be regularly maintained and monitored by the Governance Unit. To ensure compliance, status reports will be presented each quarter to the FMT, Audit and Risk Committee and to the subsequent Council meeting. Any non-compliance will be included in a Non-Compliance Register and also included in the report to the Audit and Risk Committee annually in July following the end of each financial year.

The Schedule is presented for Audit and Risk Committee information and comment.

COMMITTEE RESOLUTION

Moved: Mr Joe Adamski
Seconded: Cr Owen Sharkey

That the Audit and Risk Committee:

1. Receive and note the Statutory Obligations and Compliance Schedule (Attachment 1).
2. Note that any non-compliance will be included in a Non-Compliance Register and reported to the Audit and Risk Committee annually in July following the end of each financial year.

CARRIED

4.7 ANNUAL SCHEDULE FOR 2019/20 - AUDIT AND RISK COMMITTEE**EXECUTIVE SUMMARY**

The purpose of this report is to table the proposed Annual Schedule for the meetings scheduled during 2019/20.

ACTION

1. Management to update Annual Schedule to move Finance Reporting item (a.) from September 2020 to February 2020.

COMMITTEE RESOLUTION

Moved: Cr Phil Delahunty

Seconded: Cr David Evans

That the Audit and Risk Committee adopt the attached Annual Schedule of work for 2019/20 subject to this change.

CARRIED

UNCONFIRMED

4.8 POLICY AND PROCEDURE FRAMEWORK

EXECUTIVE SUMMARY

A Policy and Procedure Framework (the Framework) (Attachment 1) for Golden Plains Shire Council has been developed. The Framework suggests a new approach to Council's policy and procedure methodology and includes a new Policy Template (Attachment 2) and Procedure Template (Attachment 3). Supplementary to the Framework, a new Policy and Procedure Register has been developed.

The Draft Framework and templates were endorsed by the Full Management Team (FMT) at its 7 August 2019 meeting. FMT resolved to forward the Framework to the Audit & Risk Committee for endorsement before presenting the final version to Council for consideration and adoption at its 24 September 2019 Ordinary meeting.

Under the new Framework a role is provided for Audit and Risk Committee, being to provide commentary for consideration on policies that relate to financial/risk/governance matters before finalisation and approval by SMT/Council. Whilst the SMT will determine which policies should go to the committee for comment, the committee may also request to see a specific policy.

COMMITTEE RESOLUTION

Moved: Cr David Evans

Seconded: Cr Owen Sharkey

That the Audit and Risk Committee:

1. Endorse the proposed Draft Policy and Procedure Framework (Attachment 1) specifically noting the Audit & Risk Committees role provided for in section 3.5, being:
'to provide commentary for consideration on policies that relate to financial/risk/governance matters before finalisation and approval by SMT/Council. The SMT will determine which policies should go to the committee for comment. The committee may also request to see a specific policy.'
2. Recommend that Council consider and endorse the Policy and Procedure Framework at its 24 September 2019 Ordinary Council Meeting.
3. Note that any policies that relate to financial/risk/governance matters will be provided for Audit and Risk Committee comment before finalisation and approval by SMT/Council.

CARRIED

4.9 DRAFT GIFTS, BENEFITS AND HOSPITALITY POLICY

EXECUTIVE SUMMARY

Each public sector organisation is required to develop and implement a gifts, benefits and hospitality framework and policy.

A review of the Golden Plains Shire Council gifts, benefits and hospitality framework and policy has recently been undertaken.

The review encouraged the current Policy to be re-modelled in accordance with the Victorian Public Sector Commission's (VPSC) Gifts, Benefits and Hospitality – Policy Guide and the Department of Environment, Land, Water and Planning (DELWP) Gifts, Benefits and Hospitality – Model Policy.

Whilst it is not mandated for councils to adopt the DELWP model policy, Council has an opportunity to adopt a policy that is in line with contemporary public sector best practice guidelines and community expectations of public officials.

Currently Council's framework encompasses an Organisational Policy applicable only to staff and separate provisions for the Mayor and Councillors in the Councillor Code of Conduct. It is now recommended that Council adopt a clear position in relation to the acceptance and provision of gifts benefits and hospitality and a Council Policy document that is applicable to both Councillors and staff.

Proposed changes of significance include, but are not limited to:

- clearly defining the types of gifts, benefits and hospitality;
- increasing declaration requirements;
- changes to the provision of catering and alcohol, specifically, no alcohol to be purchased with Council funds at internal events and prescribed limits for external events; and
- publish a public version of the gifts, benefits and hospitality register on Council's website.

The draft Gifts, Benefits and Hospitality Policy is provided for Audit and Risk Committees information (Attachment 1). The committee is invited to provide commentary on the draft Policy for consideration, prior to finalisation of the Policy and presentation to Council for adoption.

COMMITTEE RESOLUTION

Moved: Mr Joe Adamski

Seconded: Cr Phil Delahunty

That the Audit and Risk Committee:

1. Receive and note the draft Gifts, Benefits and Hospitality Policy.
2. Provide any commentary to management for consideration, prior to finalisation of the Policy; and
3. Recommend that Council note and adopt the Gifts, Benefits and Hospitality Policy at its 22 October 2019 Council meeting.

CARRIED

4.10 POLICIES - ASSET DISPOSAL AND RESERVE/PROVISION FUNDING**EXECUTIVE SUMMARY**

Two new accounting policies have been developed to strengthen internal controls and create clear policies and procedures.

- Asset Disposal Policy
- Reserve and Provision Funding

ACTION

1. Management to consider updating the Reserve and Provision Funding Policy to remove/consolidate sections 4.5 and 4.6

COMMITTEE RESOLUTION

Moved: Cr David Evans
Seconded: Cr Owen Sharkey

That the Audit and Risk Committee:

1. Note the two new accounting policies (subject to this change) developed for Asset Disposal and Reserve/Provision Funding.
2. Recommend that Council note and adopt the two policies (subject to this change) at the September 2019 Council meeting.

CARRIED

4.11 MAJOR PROJECTS - PROGRESS UPDATE

EXECUTIVE SUMMARY

This Report is the second progress update for the period between 14 May 2019 and 21 August 2019 in relation to:

1. the construction of the Golden Plains Community & Civic Centre Project ('the **GPCCC Project**'); and
2. the construction of the Bannockburn Heart Precinct ('the **Heart Project**').

At its meeting on 14 May 2019 Audit and Risk Committee considered the first progress update report about the GPCCC and Heart Projects ('**Projects**') since their commencement in March and April 2019 respectively.

Both Projects have shown significant progress and positive achievements since the first progress update to the Audit and Risk Committee and Council. The progress of both Projects was monitored by the Project Steering Group ('**PSG**') under the chairmanship and leadership of the Chief Executive Officer to ensure compliance with the relevant legislative and policy requirements, adherence to Council's decisions, and to ensure the Projects achieve the agreed outcomes in the best interest of the community.

This Report provides updates on the following key areas of both Projects:

- a. Project status which outlines what work has been completed and what work is planned next;
- b. Progress against the agreed timeframe;
- c. Project budget which provides actual expenditure against the approved budget;
- d. Management of existing and emerging risks;
- e. Governance and compliance aspects of the Projects.

The Project Teams under the stewardship of David Greaves, Project Manager for the GPCCC Project and David Miocic, Project Manager for the Heart Project, are achieving good results in the completion of the Projects.

COMMITTEE RESOLUTION

Moved: Cr Phil Delahunty

Seconded: Mr Joe Adamski

That Audit and Risk Committee:

1. Receive and note the progress update on the Golden Plains Community and Civic Centre and Heart Projects for the period of 14 May 2019 to 21 August 2019.
2. Recommend the report is presented to the September Council meeting for noting.

CARRIED

4.12 QUARTERLY RISK REPORT

EXECUTIVE SUMMARY

The Occupational Health and Safety (OHS) performance and risk management data presented in this report is from 1 April 2019 to 30 June 2019 and highlights a number of achievements during the quarter and also highlights a number of emerging issues.

Highlights included the implementation of the Council's Safety brand, PlainSafe, continued and the overall program is still on target. The recently introduced procedures included immunisation, personal protective equipment and OHS health monitoring.

Highlights also includes that number of incidents exceeds the average reported over the last 5 years this reflects that staff have a greater awareness to report, and volume of activity could be contributing factors for this increase. As a result of the increase in incidents has been the implementation of corrective actions put in place aim to prevent occurrence of similar incidents.

Also a positive trend is that 17 hazards were reported during quarter 4 with this figure exceeding the number reported in the previous quarter (where only 6 were reported). There has been a focus to report hazards and address issues to prevent an incident occurring.

Emerging issues has been the addressing of graffiti, theft of a PA System and 3 relating to motor vehicle damage. The cost to Council for motor vehicles was \$2,280. Planning is underway to introduce information about situational awareness and driver care to reduce the number of minor incidents involving motor vehicles.

ACTION

1. Management to update future Quarterly Risks report to incorporate an update on emerging/dynamic risks, including the controls.

COMMITTEE RESOLUTION

Moved: Cr David Evans
Seconded: Mr Joe Adamski

That the Audit and Risk Committee:

1. Note the Quarterly Risk Management report for the quarter ended 30 June 2019.

CARRIED

4.13 PROGRESS UPDATE - BUSINESS CONTINUITY PLAN**EXECUTIVE SUMMARY**

A comprehensive review of the Business Continuity Plan (BCP) processes commenced in May 2019 and draft documentation is in the process of being finalised for review.

A whole of organisation approach has been taken to identify critical business functions and the minimum resources for continuing the functions in the event of a disaster or disruption.

The objective of the review was to develop information that is readily accessible and provides concise instruction.

It is important to note that on commencement of the review it was recognised that the previous plan had not been reviewed periodically and therefore this review resulted in a significant amount of work to increase its usability and relevance. Although this has been a comprehensive review, it is acknowledged that there is still further opportunity to enhance the plan to improve even further in the future.

The documents that make up the Business Continuity now include:

- Business Continuity Plan
- Critical Function Sub-plans
- IT Disaster Recovery Plan.

COMMITTEE RESOLUTION

Moved: Cr Phil Delahunty

Seconded: Cr Owen Sharkey

That the Audit and Risk Committee:

1. Note the Business Continuity Plan progress report which has incorporated a significant amount of work to update the plan to ensure it is reflective of the Council's critical functions.

CARRIED

4.14 JLT PUBLIC SECTOR - RISK REPORT**EXECUTIVE SUMMARY**

JLT Public Sector has released its 2019 JLT Risk Report which provides insights from CEO's and General Managers about the risks faced by Councils across Australia.

This year's findings once again highlight the complex risk profile that Local Government manages due to the multi-faceted business and community focus of each and every Council.

- The top three rankings provide an insight into what matters most to Councils, with financial sustainability retaining the number one risk this year.
- The increase of cyber incidents in today's technology led world has seen this risk move up into the number 2 position.
- Councils Reputation remains in the number 3 position with the importance of community standing linked to a range of other risks.

COMMITTEE RESOLUTION

Moved: Cr David Evans

Seconded: Cr Owen Sharkey

That the Audit and Risk Committee note the JLT Public Sector risk report for information purposes.

CARRIED

UNCONFIRMED

4.15 PROPOSED STRATEGIC RISKS

EXECUTIVE SUMMARY

The management of risk is integral to the efficient and effective management of any organisation. Effective risk management provides the basis for good corporate governance, improved accountability and reduced risk exposure. It also facilitates the achievement of corporate objectives.

Internal Auditor's, Crowe Horwath, commenced its risk management audit for Golden Plains Shire Council in March 2019 and completed this in June 2019. The main aim of the audit was to review the adequacy of Council's strategic risk register, risk assessment process and make recommendations in relation to the ongoing development and improvement of Council's risk management initiatives.

The audit also incorporated the opportunity to work with the organisation to assist in identifying Council's strategic risks and organisational risks to form the basis of the risk management framework.

As part of a leadership team facilitated risk workshop on 6 May 2019, proposed strategic risks were identified which were subsequently endorsed by the Full Management Team in August 2019. The proposed strategic risks include; Financial Sustainability, Safe Communities, Fraud and Corruption, Built Infrastructure, Natural Assets, Community Services Planning, Climate Change (adaptation and mitigation) and Stakeholder Management.

To enable the delivery of the organisation's strategic objectives, organisational risks were also identified which include: Legislative Compliance, Workforce Management, Disruption Management (including technology), Information Management and Staff Safety.

These strategic risks and organisational risks will now underpin Council's risk management framework to support the ongoing development and improvement of risk management initiatives.

COMMITTEE RESOLUTION

Moved: Mr Joe Adamski

Seconded: Cr David Evans

That the Audit and Risk Committee:

1. Receive and note the draft strategic risks and organisational risks as presented in attachment one.
2. Endorse the proposed strategic risks to be incorporated into the Council's Risk Management Framework.

CARRIED

4.16 INTERNAL AUDIT - OUTCOMES FROM RISK MANAGEMENT REVIEW

EXECUTIVE SUMMARY

The management of risk is integral to the efficient and effective management of any organisation. Effective risk management provides the basis for good corporate governance, improved accountability and reduced risk exposure. It also facilitates the achievement of corporate objectives.

Internal Audit commenced its Risk Management review in May 2019 with the main aim being to review the adequacy of Council's risk management framework and make recommendations in relation to the ongoing development and improvement of Council's risk management initiatives.

Overall, the internal audit found that the current controls in place over the relevant Risk Management Framework maintained by Council are inadequate. The review identified a range of controls that should be implemented or improved to reduce the identified weaknesses and exposures.

The report is provided in attachment 1 and does not note any High-risk issues, however the table below highlights the areas of risk.

| Finding No. | Rpt. section | Report section/title | Risk Rating* | | |
|--------------|--------------|-----------------------------|--------------|----------|----------|
| | | | High | Moderate | Low |
| 1 | 3.1 | Risk Culture | | x | |
| 2 | 3.2 | Risk Governance | | x | |
| 3 | 3.3 | Risk Resourcing | | x | |
| 4 | 3.4 | Risk Process | | x | |
| 5 | 3.5 | Risk Assurance | | x | |
| 6 | 3.6 | Interagency Risk Management | | | x |
| Total | | | - | 5 | 1 |

* - Refer Appendix 3 - Key to significance of risk rating

COMMITTEE RESOLUTION

Moved: Cr David Evans
 Seconded: Mr Joe Adamski

That the Audit and Risk Committee:

1. Note and receive the findings from the Risk Management internal audit; and
2. Note and support Management's comments to action the findings identified which includes a dedicated resource to deliver the outcomes from the risk management audit.

CARRIED

4.17 INTERNAL AUDIT 3 YEAR STRATEGIC INTERNAL AUDIT PLAN**EXECUTIVE SUMMARY**

Crowe Horwath are Golden Plains Shire Council appointed internal audit providers. In accordance with the Council's internal audit contract specification the three year strategic internal audit plan (SIAP) presents both:

- An Annual Internal Audit Plan for 2019/20.
- Indicative Strategic Internal Audit Plan (SIAP) for 2019-22

ACTION

1. Management and Crowe Horwath to revisit the time frame of audits against emerging risks.

COMMITTEE RESOLUTION

Moved: Cr David Evans
Seconded: Mr Joe Adamski

That the Audit and Risk Committee adopt the revised three year strategic internal audit plan as presented by Internal Auditors, Crowe Horwath subject to a review of strategic risks.

CARRIED**4.18 INTERNAL AUDITS HELD DURING THE QUARTER - TREE MANAGEMENT UPDATE****EXECUTIVE SUMMARY**

As part of the internal audit plan for the 2019/20 year, the tree management audit was included due to the potential risk this activity poses on Council. The internal audit will provide an opportunity to identify any gaps within Council's current controls that can be tightened to reduce this risk.

COMMITTEE RESOLUTION

Moved: Mr Joe Adamski
Seconded: Cr David Evans

That the Audit and Risk Committee note the progress undertaken on the Tree Management Internal Audit.

CARRIED

4.19 QUARTERLY FINANCE REPORT**EXECUTIVE SUMMARY**

The purpose of this report is to:

1. Present the quarterly budget report for the Committee's review and consideration prior to it being presented to Council in accordance with the *Local Government Act 1989*; and
2. Update the Committee on any current or emerging issues that may have an impact on Council's financial position or sustainability.

The Income Statement reports total operating revenue of \$44.6m and total operating expenditure of \$38.3m, which results in a year to date surplus of \$6.3m. This is \$3.0m favourable compared to the June Year to Date (YTD) adopted budget.

The Capital Works Statement indicates total capital works expenditure of \$10.5m, which is \$4.5m below the June YTD adopted budget, and \$9.3m below the forecast, with \$9.3m carried over to 2019-20.

COMMITTEE RESOLUTION

Moved: Cr David Evans
Seconded: Mr Joe Adamski

That the Audit and Risk Committee:

1. Note and support the content within the Finance Report,
2. Recommend that the Budget Report for the 12 months ended 30 June 2019 be presented to Council for noting at the September Council meeting.

CARRIED

4.20 IN-PRINCIPLE PERFORMANCE STATEMENT AND IN-PRINCIPLE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**EXECUTIVE SUMMARY**

The purpose of this report is for the Audit and Risk Committee to approve in principle the Performance Statement and Financial Statements as attached, and for two Councillors to certify these statements in accordance with Section 132 of the Local Government Act (1989).

COMMITTEE RESOLUTION

Moved: Cr Phil Delahunty

Seconded: Mr Joe Adamski

1. That the Audit and Risk Committee, having delegated power to act, and in accordance with Section 132 of the Local Government Act (1989), approve in principle the Performance Statement and Financial Statements, and submit the statements to the auditor for reporting on the audit.
2. That, as authorised by Council, the Mayor (or his deputy) and Cr Evans (or his delegate), as Council representatives of the Audit and Risk Committee, certify the Performance Statement and Financial Statements in accordance with the regulations.
3. The Audit and Risk Committee recommend that Council note the 2018/19 financial and performance statement at the September 2019 Council meeting; and
4. That the Audit and Risk Committee note the findings identified by external audit as provided in attachment 3 with the 2 key findings being the unfunded liability for the landfill provision and the outstanding aged debtors.

LOST/CARRIED

4.21 VAGO PERFORMANCE AUDIT - SUPPORTING COMMUNITIES THROUGH DEVELOPMENT AND INFRASTRUCTURE CONTRIBUTIONS**EXECUTIVE SUMMARY**

The Victorian Auditor-General's Office (VAGO) selected four councils to be included in a performance audit to review Council's approach to obtaining and using development contributions.

VAGO have completed their review of Golden Plains Shire Council policies and processes and will provide their findings in a draft report on completion of the performance audit at all selected entities. The audit is scheduled for tabling in Parliament in March 2020.

COMMITTEE RESOLUTION

Moved: Cr Owen Sharkey

Seconded: Cr Phil Delahunty

That the Audit and Risk Committee note the performance audit completed by the Victorian Auditor-General's Office (VAGO) of development and infrastructure contributions.

CARRIED

4.22 VAGO LOCAL GOVERNMENT FRAUD AND CORRUPTION REPORT**EXECUTIVE SUMMARY**

The prevention and detection of fraud is paramount to sound financial management and requires strong internal controls to be in place, together with mechanisms to mitigate the risk of fraud.

The VAGO report on 'Fraud and Corruption Control – Local Government' did not detect any instances of fraud, however did identify a number of weaknesses in internal controls and processes.

Golden Plains Shire Council (GPSC) has implemented strong internal controls to mitigate any risk of fraud and corruption.

COMMITTEE RESOLUTION

Moved: Cr David Evans

Seconded: Cr Phil Delahunty

That the Audit and Risk Committee note the:

- Findings from the Victorian Auditor-General's Office report on 'Fraud and Corruption Control – Local Government';
- Risk mitigation processes Council has in place; and
- Letter received from the Minister and the proposed response.

CARRIED

4.23 PROCUREMENT POLICY REVIEW

EXECUTIVE SUMMARY

Council is committed to ensuring continuous improvement and that strong compliance processes are in place for its procurement activities in order to achieve value for money and generate benefits for Council and its community.

The *Local Government Act 1989* (Vic) requires that Council prepare and approve a procurement policy and review the procurement policy at least once in each financial year and amend it as necessary.

On 25 June 2019 Council resolved to adopt a revised Procurement Policy in compliance with section 186A(7) of the *Local Government Act 1989* (Vic) as provided in attachment 1.

The former Procurement Policy of May 2018 has had a major review to encompass:

1. the legislative requirements that Council must comply with in undertaking its procurement activities;
2. the recommendations from the Local Government Inspectorate's Report dated 28 February 2019 about Council's procurement procedures, processes and practices; and
3. feedback from Council employees as a result of the consultation process during the review.

The revised Procurement Policy ('Policy') as provided in Attachment One provides numerous proactive and positive provisions in order to be compliant, strong governance and continuous improvement in place.

However, before adoption of the revised Policy, Council made 2 changes to it, namely clauses 5 and 6 which deal with the procurement threshold application, and clause 23.3 which is about 'contract variations'. During the implementation and application of the requirements of the Policy it has been identified that these 2 changes are creating administrative burden by re-directing staffs time and productivity to focus on low risk activities, delays and confusion for Council employees to deliver activities efficiently. Accordingly, this Report recommends Council's re-consideration of clauses 5, 6 and 23.3 and, if accepted, amendment of them as provided in attachment 2.

COMMITTEE RESOLUTION

Moved: Cr Owen Sharkey
Seconded: Mr Joe Adamski

That Audit and Risk Committee:

1. Note the new Procurement Policy adopted on 25 June 2019 in line with the requirements of section 186A(7) of the *Local Government Act 1989* (Vic);
2. Note the recommendation to make amendments to clauses 5, 6 and 23.3 of the Procurement Policy which will enable staff to re-direct time back higher risk activities; and
3. Recommend that the Procurement Policy is amended for clauses 5, 6 and 23.3 of the Procurement Policy is presented to Council for adoption at the September 2019 Council meeting.

CARRIED

4.24 REVIEW OF INSTRUMENT OF DELEGATION - COUNCIL TO CEO

EXECUTIVE SUMMARY

The Local Government Act 1989 (the Act) enables Council to delegate functions, duties and powers, other than exemptions under sections 86(4) and 98(1) of the Act, to the CEO, Council staff and special committees.

The Instrument of Delegation to the CEO was last reviewed and adopted by Council in March 2017. A review of that instrument has now been completed.

The review included consideration of a number of key aspects, including:

- ensuring that the activities as responsible by the CEO can be delivered as effectively and efficiently as possible;
- consideration of the CEO's current financial limit of \$200,000 compared to the delegation levels of other similar councils;
- a review and consideration of the number of awarded tenders, tender prices and total and average expenditure undertaken by Council over the last 3 years; and
- consideration of the actions and additional controls now in place following the Local Government Inspectorate Examination Report – February 2019 which has strengthened Council's procurement and contract management processes (refer to Agenda Item 4.5). This includes the revised procurement policy adopted at the 25 June 2019 Ordinary Council meeting.

Based on the above considerations, it is recommended that the CEO's financial delegation be increased from to \$400,000. The justification is included in the body of this report.

It is recommended that the Audit & Risk Committee support the increase to the CEO's financial delegation and recommend that Council consider and endorse the revised the Instrument of Delegation from Council to the Chief Executive Officer at its 24 September 2019 Ordinary Council Meeting.

COMMITTEE RESOLUTION

Moved: Cr David Evans
Seconded: Mr Joe Adamski

That the Audit & Risk Committee:

1. Note that a review of the Instrument of Delegation from Council to the Chief Executive Officer (or person holding the position, acting in or performing the duties of Chief Executive Officer) has been undertaken, as shown at Attachment 1.
2. Support the proposed increase to the CEO's financial delegation from \$200,000 to \$400,000.
3. Recommend that Council consider and endorse the revised the Instrument of Delegation from Council to the Chief Executive Officer at its 24 September 2019 Ordinary Council Meeting.

CARRIED

4.25 SELF-ASSESSMENT - AUDIT AND RISK COMMITTEE

EXECUTIVE SUMMARY

The outcome from the self-assessment indicates that the committee members are generally satisfied with the performance of the Committee throughout 2018-19.

Although the average result for all nine areas was rated as 'adequate' or 'more than adequate', there were responses within Risk Management, Internal Audit, External Audit and Reporting that were rated as 'less than adequate'.

Management has ensured a dedicated focus on increasing reports to the Audit and Risk Committee over the last 6 months with a number areas of concern included as reports in this agenda. Management will continue to work with the Committee to ensure any ongoing concerns are addressed in future.

COMMITTEE RESOLUTION

Moved: Cr David Evans
 Seconded: Mr Joe Adamski

That the Audit and Risk Committee:

1. Notes the self-assessment report for the 2018-19 year.
2. Notes that a number of areas highlighted for improvement have been included in this meeting's agenda and Management will continue to ensure focus areas are reported on.

CARRIED

5 OTHER BUSINESS

5.1 ACKNOWLEDGEMENT

Joe Adamski acknowledged and thanked former independent member and Chair Mr Peter Bollen for his contribution to the Audit & Risk Committee.

5.2 COMPLIMENTS

Joe Adamski offered compliments to Council Officers on work undertaken and completed to date on goernance and risk activities.

5.3 PRE MEETING

Andrew Pearce noted that the Pre-Meeting held from 9am to 9.30am with Committee Members and Internal / External auditors was a good, enjoyable meeting.

5.4 LATE APOLOGY

Andrew Pearce noted that John Gavens (Crowe Horwath) attended the Pre-Meeting but was an apology for the Committee Meeting.

6 DATE OF NEXT MEETING

12 November 2019

7 CLOSE OF MEETING

The Meeting closed at 12.28pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee Meeting held on 12 November 2019.

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CHAIRPERSON