



Minutes

Meeting of the Audit & Risk Committee
Tuesday, 8 September 2015

Held in the
Council Chambers
1 Merrijig Drive, Torquay
Commencing at 9.00am

(Members only pre-meeting commencing at 8.30am)

MINUTES FOR THE AUDIT & RISK COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBERS, 1 MERRIJIG DRIVE, TORQUAY
ON TUESDAY 8 SEPTEMBER 2015 COMMENCING AT 9.00AM

MEMBERS ONLY PRE-MEETING (*Commencing at 8.30am*)

PRESENT:

Committee Members:

Cr. Margot Smith (Mayor)
Brian Keane (Chair) (Term expires 31/01/2016)
Melissa Field (Term expires 31/01/2016)
John Gavens (Term expires 27/01/2018)
Debra Russell (Term expires 27/01/2018)

In Attendance:

Cr. Rose Hodge
Keith Baillie – Chief Executive Officer
Sunil Bhalla – General Manager Governance & Infrastructure
John Brockway – Manager Finance
Brendan Walsh – Manager Business Improvement
Wendy Hope – Manager Governance & Risk
Maureen White – Coordinator Risk Management & Legal Services
Danielle Foster – Coordinator Corporate Planning & Improvement
Candice Holloway – Team Leader Governance
Avinesh Maharaj – Coordinator Governance & Procurement
Gabrielle Spiller – Coordinator Management Accounting
Timothy Dickson – Finance Graduate
Scott Hartley (Grant Thornton)
Trai Moorthy (Grant Thornton)
Tim Loughnan (VAGO)
Ivy Ly (VAGO)

APOLOGIES:

Cr. Clive Goldsworthy

Committee Resolution

MOVED Cr. Margot Smith, Seconded John Gavens
That an apology be received from Cr. Clive Goldsworthy.

CARRIED 5:0

CONFIRMATION OF MINUTES:

Committee Resolution

MOVED Debra Russell, Seconded Cr. Margot Smith
That the minutes of the Audit and Risk Committee held on Tuesday 19 May 2015 be accepted as a true and accurate record of the meeting.

CARRIED 5:0

CONFLICTS OF INTEREST:

Nil.

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1. OUTSTANDING ISSUES & ACTIONS

1.1 Outstanding Issues & Actions Report

Charter Reference: 9.10.4

Author's Title: Team Leader Governance

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/174

Appendix:

1. Audit & Risk Committee Outstanding Issues & Actions Report (D15/29830)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide an update on the progress made on action items identified through previous Audit reports and Audit and Risk Committee meetings.

Items previously notified as completed are shaded in red and will be removed from the report when the whole of that section has been completed.

Recommendation

That the Audit & Risk Committee receives the Outstanding Issues and Actions Report and notes the progress to date.

Action Item

1. Update item 7.3 - Action Target Date in the Outstanding Issues & Actions Report.

Committee Resolution

MOVED Melissa Field, Seconded Debra Russell

That the Audit & Risk Committee receives the Outstanding Issues and Actions Report and notes the progress to date.

CARRIED 5:0

2. PRESENTATIONS

2.1 Chief Executive Officer's Update

Charter Reference: N/A

Author's Title: Chief Executive Officer

CEO: Keith Baillie

Department: Office of the CEO

File No: F15/403

Division: Office of the CEO

Trim No: IC15/250

Appendix:

Nil

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

Keith Baillie, Chief Executive Officer, will provide a update to the Audit and Risk Committee.

Recommendation

That the Audit & Risk Committee receive and note the Chief Executive Officer's Update.

Meeting Discussion

Keith Baillie, Chief Executive Officer discussed the following:

Long Term Financial Plan

- Currently being prepared.
- Extended from 10 years to 15 years.
- To be presented to the Audit & Risk Committee at the meeting on 17th November 2015.

Rate Capping

- Council still unclear on the budget risk facing Council.
- Work is currently being completed to determine figures.
- Rate capping will be factored into the Long Term Financial Plan.

Finance Reporting

- Finance Department is currently preparing new monthly and yearly reporting structure.

Developer Contributor Plan

- Currently under review.

Business Improvement Program

- Brenden Walsh has commenced in the Manager Business Improvement role.
- Program currently underway.
- Update to be provided as part of Agenda Item 4.3 – Business Improvement Audit Plan & Status Update.

Proposed Aquatic & Health Centre

- Scheduled to be heard by Council at the 27th October 2015 Council meeting.

Action Items

1. Long Term Financial Plan to be added as an Agenda item for the 17th November 2015 Audit & Risk Committee Meeting.

Committee Resolution

MOVED Melissa Field, Seconded Cr. Margot Smith

That the Audit & Risk Committee receive and note the Chief Executive Officer's Update.

CARRIED 5:0

2.2 Risk Framework

Charter Reference: 9.5.1

Author's Title: Coordinator Risk Management & Legal Services
General Manager: Sunil Bhalla

Department: Governance & Risk
File No: F15/403

Division: Governance & Infrastructure
Trim No: IC15/189

Appendix:

Nil

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

Yes

No

Reason: Nil

Status:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Reason: Nil

Purpose

Maureen White, Coordinator Risk Management & Legal Services, will provide a presentation to the Audit and Risk Committee on Council's Risk Framework.

Recommendation

That the Audit & Risk Committee receive and note the presentation on Council's Risk Framework.

Action Items

1. Circulate the Risk Framework Presentation (presented at the meeting) to Committee Members.
2. Present the Risk Management Framework to the Council to seek feedback and gauge risk appetite.
3. Provide the Minutes from future Risk Management Committee Meetings to the Audit & Risk Committee as part of the Agenda.

Committee Resolution

MOVED Cr. Margot Smith, Seconded John Gavens

That the Audit & Risk Committee receive and note the presentation on Council's Risk Framework.

CARRIED 5:0

3. RISK MANAGEMENT

3.1 Enterprise Risk Management Report

Charter Reference: 9.5.1, 9.5.2, 9.5.3

Author's Title: Coordinator Risk Management & Legal Services **General Manager:** Sunil Bhalla

Department: Governance & Risk **File No:** F15/403

Division: Governance & Infrastructure **Trim No:** IC15/190

Appendix:

1. Risk Management Report - Audit & Risk Committee September 2015 (D15/74165) (Confidential)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 – Section 80C:

Information classified confidential under Section 77 of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason:

Purpose

To provide an updated Enterprise Risk Management Report for this meeting which includes:

- Risk Matrix, Likelihood and Consequence Rating
- Serious Current Risks
- Heat Map – Current & Residual Rating
- Risk Severity Overall – Current & Residual Rating
- Risk by Category and Severity – Current & Residual Rating
- Risk Assessments – Serious Current & Residual Risks
- Risk Summary Table including Trending
- Risk Management
- Business Continuity
- Insurance
- Litigation
- Occupational Health and Safety.

Recommendation

That the Audit & Risk Committee receive and note the Enterprise Risk Management Report.

Action Items

1. Officers to circulate the new version of the Risk Matrix (presented at the meeting) to Committee Members.

Committee Resolution

MOVED Cr. Margot Smith, Seconded Melissa Field

That the Audit & Risk Committee receive and note the Enterprise Risk Management Report.

CARRIED 5:0

4. AUDIT REPORTS

4.1 Internal Auditors Update (Grant Thornton)

Charter Reference: 9.2.3

Author's Title: Coordinator Governance & Procurement

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/206

Appendix:

1. Consolidated Results - Annual & Project Feedback (D15/74569)
2. Internal Audit Status Report September 2015 (D15/74570)
3. FY16 Internal Audit Plan (Draft) (D15/74572)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 – Section 80C:

Yes

No

Reason: Nil

Status:

Information classified confidential under Section 77 of the Local Government Act:

Yes

No

Reason: Nil

Purpose

Grant Thornton has provided the consolidated results of the annual surveys it carried out in relation to its performance. One survey targeted Audit Committee members and the other the Council management team.

The Internal Audit Status Report is included for the Audit and Risk Committee which summarises the work Grant Thornton has completed to date.

Grant Thornton has also provided a draft Strategic Internal Audit Plan for the three years ending FY 2018. The focus of this document is the Annual Internal Audit Plan for FY2016. This draft Plan aims to articulate a program of internal audit activity for the next three years, with particular focus on the upcoming year. The reviews proposed have been selected strategically by adopting a risk based approach to the identification of key reviews that focus on Council's risk profile.

Grant Thornton has identified the following topics to be part of their annual follow up Audits for late October 2015:

- Emergency Management
- Key Financial Controls
- Rate Revenue and
- Capital Management.

Recommendation

That the Audit & Risk Committee receive and note the Internal Auditors Update (Grant Thornton).

Meeting Discussion

Discussion was held around importance of aligning the FY16 Internal Audit Plan with identified risks.

It was noted by the CEO that a Strategic Risk Workshop with Grant Thornton and the Leadership Group is scheduled for the 15th September 2015.

Discussion held around the value of using the Internal Audit Function to support the Long Term Financial Plan.

Action Items

1. Grant Thornton and Officers to ensure the FY16 Internal Audit Plan is aligned with identified risks.

Committee Resolution

MOVED Cr. Margot Smith, Seconded Melissa Field

That the Audit & Risk Committee receive and note the Internal Auditors Update (Grant Thornton).

CARRIED 5:0

4.2 External Auditors Update (Victorian Auditor General's Office)

Charter Reference: 9.2.3

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F15/403

Division: Office of the CEO

Trim No: IC15/207

Appendix:

1. Management Letter VAGO Year Ending 30 June 2015 (D15/78226)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide the External Auditors Update (Victorian Auditor General's Office) including the Management Letter for the Year Ending 30 June 2015.

Recommendation

That the Audit & Risk Committee receive and note the External Auditors Update (Victorian Auditor General's Office) and Management Letter for the Year Ending 30 June 2015.

Committee Resolution

MOVED John Gavens, Seconded Cr. Margot Smith

That the Audit & Risk Committee receive and note the External Auditors Update (Victorian Auditor General's Office) and Management Letter for the Year Ending 30 June 2015.

CARRIED 5:0

4.3 Business Improvement Audit Plan & Status Update

Charter Reference: 9.2.5

Author's Title: Manager Business Improvement **CEO:** Keith Baillie

Department: Office of the CEO **File No:** F15/403

Division: Office of the CEO **Trim No:** IC15/179

Appendix:

1. Revenue Challenge - Graphs (D15/76209)
2. Business Improvement Thermometer - 2015/16 (D15/75889)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

Status:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide an update to the Audit and Risk Committee regarding Council's Business Improvement Program.

Background

The business improvement program will set and pursue a targeted level of benefits, on which Council will depend its long term financial plan. The program will focus on the delivery of a specific suite of projects to deliver a specific set of benefits. This priority area is critical when considering the financial challenges Council faces due to proposed rate capping and the recent freezing of Federal financial assistance grants. The scale of the Council's future revenue challenges related to these two items is shown at Appendix 1.

A set of guiding principles for Council's business improvement program were adopted by Council on June 23 2015.

To ensure Council is fully involved in the process it was agreed that a list of candidates for service review would be provided to Council for discussion and approval. This was completed in July 2015.

Following this a refined list in the form of a work plan has been developed. This is a realistically deliverable 12 month work plan for the Business Improvement Department.

As per the guiding principles, Council will provide authorisation prior to reviewing any service that is likely to result in community interest.

The work plan for 2015/16 has been developed with a variety of inputs namely:

- Works undertaken in 2014 as part of the iSURF continuous improvement program;
- Discussion with all Department Managers in June 2015; and
- Briefings with Councillors in June and July 2015

The work plan has been designed to be a realistically deliverable 12 month program. Time has been built into the program to enable both internal governance arrangements to be met and also for community engagement activities to be undertaken where required.

The 2015/16 work plan relates to the two major service reviews and the five minor service reviews that form part of the CEOs performance objectives for 15/16. These are listed on the following page:

- Two Major Reviews
 - Family Day Care
 - Visitor Information Centres
- Five Minor Reviews

- Aireys Inlet Social Housing Units
- Winchelsea Independent Living Units
- Large scale mail outs/communication
- Engineering Services fees and charges
- Underutilised community buildings

Other internal (i.e. no impact on ratepayers) reviews have been identified and will be pursued during the course of the year. Results from these reviews will be communicated via the Business Improvement thermometer which will be presented to Council on a monthly basis. Please refer to Appendix 2 for the Business Improvement thermometer as at September 2015.

The program is well underway with good progress being made in the reviews on the Aireys Inlet social housing units and the Winchelsea independent living units. A final recommendation regarding these services is due to Council in December 2015.

Work for the Visitor Information Centre service review project commenced in early August. A Council briefing regarding the scope of the review is due in September 2015. The developed project timeline aims to have a final recommendation to Council regarding this service in January 2016.

Recommendation

That the Audit & Risk Committee notes the progress of the Business Improvement Program.

Committee Resolution

MOVED Cr. Margot Smith, Seconded Melissa Field

That the Audit & Risk Committee notes the progress of the Business Improvement Program.

CARRIED 5:0

4.4 Performance Audit Reports – External Bodies

Charter Reference: 9.9.2

Author's Title: Coordinator Governance & Procurement

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/202

Appendix:

Nil

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 – Section 80C:

Information classified confidential under Section 77 of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide an update to Audit and Risk Committee members on various Performance Audit Reports conducted by external Agencies. Full copies of reports can be located at the relevant websites.

May 2015

VAGO: Tendering of Metropolitan Bus Contracts (2014–15:27)

Background

The audit examined whether the state has effectively secured value for money from the new Melbourne Metropolitan Bus Franchise (MMBF) arrangements. It assessed the planning and conduct of the MMBF tender, and the management of the resulting contract. The audit also examined the state's progress in reforming future metropolitan bus contracts.

The audit examined the planning and conduct of the MMBF tender, as well as Public Transport Victoria's (PTV) management of the resulting contract. I also examined the state's progress towards reforming the remaining metropolitan bus contracts—covering around 70 per cent of services—that will expire in 2018.

The audit found that the state had not yet secured full value for money from the MMBF agreement despite achieving almost \$33 million in cost savings in 2013–14. This is because PTV failed to:

- resolve longstanding data reliability issues impacting the operation of the performance regime by April 2015 when it was due to be fully implemented
- withhold payments for instances of non-performance to encourage timely corrective action
- reach a timely agreement with the operator on the standard for determining incentive payments for improvements in bus patronage.

PTV needs to strengthen its management of the MMBF contract and urgently address longstanding data reliability issues as this situation is compromising its capacity to reliably assess and manage the operator's performance.

Of particular concern is the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and PTV's slow progress towards reforming the balance of metropolitan bus contracts. These contracts have never been exposed to open market competition as historically they have been renewed with the incumbent operators. Their expiry in 2018 therefore means the state is now rapidly approaching a critical juncture.

The 2009 VAGO audit titled Melbourne's New Bus Contracts highlighted that procurement and reform options needed to be presented to government as a matter of urgency, as any change in the delivery arrangements for these services will require extensive planning and lead time to assure the availability of critical assets and infrastructure. However, progress on this initiative has been slow as initial planning to address these issues has only recently commenced.

Consequently, the state risks having its options in 2018 severely curtailed due to a lack of time to substantively progress these reforms, meaning it may be forced to again renegotiate with incumbent operators. This scenario, should it eventuate, would represent the worst possible economic outcome for the state. It would compromise the immediate opportunity to leverage better value for the \$1 billion spent on bus services each year.

Council Comment

Report does not relate directly to local government.

VAGO: Occupational Violence against Healthcare Workers (2014–15:28)

Background

This audit assessed whether agencies are fulfilling their occupational health and safety responsibilities to protect and support healthcare workers in regards to occupational violence.

In this audit an examination how effectively systems are protecting healthcare workers was carried out. There were shortcomings in all audited agencies. Despite an array of related initiatives—and agencies' stated commitment to addressing this problem through policies, procedures and other actions—the current approach to occupational violence against healthcare workers is neither strategic nor coherent. It does not adequately address the 'normalisation' of occupational violence, where healthcare workers are reluctant to report abuse because it is seen to be 'part of the job'. Healthcare workers find the incident reporting system cumbersome to use.

Some do not report incidents because they believe nothing will be done by management. Many are reluctant to report incidents they perceive to be unintentional, such as when a patient with delirium or dementia engages in aggressive behaviour.

Given the seriousness of this risk, neither Worksafe nor the Department of Health & Human Services (DHHS) has given this matter the priority it needs. Worksafe rarely uses its inspection or enforcement mechanisms to address incidents of occupational violence. It focuses instead on education initiatives, but these are sporadic and limited and have not been appropriately evaluated. DHHS' activities to support health services are similarly intermittent rather than strategic. It cannot tell if its various initiatives have been effective because it has not evaluated them.

The audit found that while public health services, Ambulance Victoria, the Department of Health & Human Services and Worksafe have each implemented initiatives and actions to support healthcare workers, these are intermittent rather than strategic, not always understood or followed by staff, and rarely evaluated to determine effectiveness.

Council Comment

Community Care Workers (CCWs) work alone and in people's homes. A pre-check of the home is undertaken and Council has strict policies around client's responsibilities to ensure the health & safety of staff while they are in their home. CCWs are provided with clear work instructions for acting upon any risks /hazards, which include the behaviour of the clients and/or other members of the household.

Staff are provided with training in dealing with difficult behaviours, as are office based staff, who can be subjected to "verbal" abuse from clients. The policies/practices that direct rostering result in a constant reference to where staff are located at any specific time. All incidents involving client behaviour or incidents that occur while the staff member is present in the client home that suggest a threat to the wellbeing/safety of the staff member are recorded and acted upon. Council is not provided with any specific direction/support from the funding bodies (Departments of Health or Social Services) in relation to occupational violence.

The only time incidents are reported directly to the Department is in the event that the actual client was harmed in any way. Audits & reviews undertaken by the Department review standard OHS policies /procedures, risk registers etc, however there is nothing specifically audited in relation to incidents of occupational violence.

VAGO: Early Intervention Services for Vulnerable Children and Families (2014–15:29)

Background

This audit examined whether vulnerable children and families are able to access the early intervention services provided by Child and Family Information, Referral and Support Teams (Child FIRST) and

Integrated Family Services (IFS) and whether the Department of Health & Human Services (the department) can show that outcomes for families have improved as a result of this intervention.

Although there are examples of vulnerable children and families being better supported, the department does not know whether the services provided are effectively meeting the needs of vulnerable families. This is because of significant data limitations and a lack of outcomes monitoring at the system level. It is especially concerning that the department does not analyse data relating to the complexity of cases and funding allocations to Child FIRST and IFS providers, and that initially it was not able to provide accurate data on these matters. It is my view that this kind of analysis—and other analysis identified in my report—needs to be done routinely by the department, and naturally supported by accurate data.

The audit found that community-based service providers are delivering more services than they are funded for by around \$5.3 million but the department has not analysed its data to better understand why this has occurred. Are providers 'over performing' because they are efficient or inefficient? Does the system rely too much on the goodwill of providers to meet the costs of service delivery? Are service provider's accurately recording hours and cases? Is the funding adequate for the growing level of demand? Without 'follow-the-dollar' powers, the audit was not able to examine how effectively IFS providers were managing the funding they receive to understand the answers to these questions. The department's introduction of Child and Youth Area Partnerships in May 2014 is a positive step towards achieving a more coordinated approach. However, generally the department has not acted swiftly enough to address the significant impact that a changing external environment has had on the capacity of Child FIRST and IFS to provide early support for struggling families. The systemic deficiencies identified by this audit suggest that the department needs to undertake a comprehensive and urgent review of its approach to early intervention services, including its whole-of-system funding.

Council Comment

The Early Years Services staff at Council make referrals to Child First for vulnerable families. Once this has occurred there is limited communication between Child First and Council. To achieve optimum outcomes for the family improvements to communication between agencies would lead to better support for parents. Implementation of the 'Patchwork' computer system will support this goal. Through the Enhanced Maternal and Child Health service, nurses provide support to vulnerable families, however there is limited funding for this program and support is prioritised to need.

VAGO: Universities: 2014 Audit Snapshot (2014–15:30)

Background

This audit examined the key outcomes from the financial audits of the eight universities and their 51 controlled entities for the year ending 31 December 2014. Parliament, and the citizens of Victoria, can have confidence in the 2014 financial reports of the universities and their controlled entities, except for the following audit qualifications. Three entities, including the University of Melbourne and Deakin University, were qualified because their recognition of Commonwealth Government grants is a departure from Australian Accounting Standards. The qualifications on the universities have been in place for a number of years and are long-standing issues that remain unresolved.

As public bodies, universities are accountable for all public money they spend and therefore must have the required documentation and support to demonstrate value for money was achieved. This was not the case when we looked at travel and accommodation spending by universities, which totalled \$137.0 million in 2014. While there are frameworks in place to control this expenditure, these were not comprehensive, and our testing showed the policies and procedures were not routinely adhered to. These results are troubling and should concern those who govern universities.

Council Comment

Report does not relate directly to local government.

VAGO: Technical and Further Education Institutes: 2014 Audit Snapshot (2014–15:31)

Background

This audit focuses on the outcomes of the 2014 financial audits of the 12 technical and further education (TAFE) institutes and their controlled entities. The report makes comment on the results, trends and risks. It also comments on performance reporting and risk management at the TAFEs, being two key areas of governance within TAFEs.

The report demonstrates that the financial performance of the TAFE sector is in decline with combined net deficits for the 2014 and 2013 financial years. Our indicators of financial sustainability risks show short-term challenges at six TAFEs, and longer-term risks emerging for nine TAFEs as spending on asset replacement and renewal is decreasing.

Council Comment

Report does not relate directly to local government.

VAGO: Victoria's Consumer Protection Framework for Building Construction (2014–15:32)

Background

This audit assessed the effectiveness of the consumer protection framework for domestic building construction. The audit examined the performance of Victorian Building Authority (VBA), Building Practitioners Board (BPB), Consumer Affairs Victoria (CAV) and Victorian Managed Insurance Authority (VMIA) as they provide functions key to building regulation and to the consumer protection framework in domestic building.

The audit found that the existing consumer protection framework for domestic building does not adequately protect consumers who experience problems and there is a pressing need to improve consumer awareness and understanding of the framework. The registration system does not ensure that the only practitioners who are registered are those who are qualified, competent and of good character. The current disciplinary system is not operating effectively to protect consumers, and the sanctions are ineffective in deterring practitioner misconduct.

Building conciliation and dispute resolution functions provide only limited consumer protection because CAV lacks both the power to compel parties to conciliate or to enforce compliance with outcomes negotiated during conciliation. Domestic building insurance is widely misunderstood. It provides only limited protection for consumers and is significantly more costly for builders and consumers than it needs to be.

Council Comment

Report does not relate directly to local government.

IBAC: A review of Depots in Victorian Local Councils

Background

In 2013, IBAC investigated allegations of corrupt conduct involving employees at a council works depot. Operation Continent identified issues relating to the management of that council's depot including poor record-keeping, lack of accountability for plant and equipment, inappropriate relationships with external contractors, and inadequate controls including a lack of audits, segregation of duties, and management of conflicts of interest. Recognising that other councils may be facing similar risks, IBAC undertook a review of council depots aiming to identify common vulnerabilities in the operation of works depots. The review also aimed to identify opportunities to strengthen processes and other controls to build knowledge, skills and corruption prevention practice across the local government sector. The review focused on four key issues considered as areas of particular vulnerability in Operation Continent, namely:

- procurement
- management of bulk consumables
- management of small plant and equipment
- leadership and culture.

The sample six councils that agreed to participate included two metropolitan, two large rural councils and two small rural councils. The review focused on the four key areas of vulnerability identified during Operation Continent.

IBAC undertook the review in three stages consisting of:

- a preliminary review of policies, procedures and information relevant to the key issues being examined
- site visits to the sample of six councils to inspect systems, review control mechanisms, and to consult with relevant council employees and
- the identification of education and prevention initiatives at two of the six councils, which could be used more broadly by councils to minimise corruption risks in work depots.

Focusing on four key issues, namely procurement, bulk consumables, small plant and equipment, and leadership and culture, this review sought to identify common vulnerabilities in the operation of council works

depots, as well as opportunities to strengthen corruption prevention approaches. The review found that although councils' procurement policies were generally clear, there were opportunities for improvement in procurement practices.

Procurement-related risks did not consistently appear in council risk registers and where such risks did appear, controls tended to lack sufficient detail. Procurement training tended to focus on procedural requirements rather than probity issues and corruption risks. While all of the councils reviewed had policies in place regarding the management of gifts and benefits, processes could be enhanced by recording details of all gifts, benefits and hospitality offered and rejected and equipping staff to confidently decline external offers of gifts, benefits and hospitality. The review found that there were significant deficiencies in the management of small plant and equipment at depots.

While all of the councils reviewed had asset management plans, few had policies to govern the life cycle of all assets including small plant and equipment, not just major assets. Moreover, there was a general lack of audits to help councils account for small plant and equipment. In addition, it was apparent that councils would benefit from a review of their approaches to reporting fraud and by maintaining central registers of all instances of suspected and actual instances of fraud to help monitor trends. The review found that there was significant room for improvement in the management of and accountability for bulk consumables. Few of the councils reviewed had undertaken stocktakes of bulk consumables. However, those that had done so had identified vulnerabilities and opportunities for improvements in storage and recording.

The review found that one of the major challenges in works depots is to ensure visibility of management and communicate key messages effectively to the disparate and sometimes isolated works staff. While IBAC found that councils were generally aware of the different educational needs of depot staff, training content and delivery methods could be better tailored for operational staff to promote a shared understanding of organisational values and increased awareness of fraud and corruption risks.

The six councils involved in this project were generally receptive to the practice insights discussed in this report, with all six noting that they either had or would take action to address various issues raised.

Council Comment

Council will be working on the findings of the Report and undertaking a review of Council's two depots at Torquay and Winchelsea.

June 2015

VAGO: Operational Effectiveness of the myki Ticketing System (2014–15:33)

Background

This audit examined myki's operational effectiveness, and whether the outcomes and benefits expected from its introduction are being achieved. The audit found that that myki experienced significant delays and related cost increases that have compromised achievement of its original business case objectives and benefits.

Poor initial planning resulted in myki's original scope and contract being vaguely specified and overly ambitious. This produced significant delivery risks that were poorly managed because of shortcomings in the state's initial governance and oversight of the project.

Since its creation in 2012, PTV has improved oversight and management of the myki contractor. However, significant risks to the state remain due to weaknesses with the contract's performance regime and the compressed time frames for the myki retender. PTV needs to urgently address these issues to avoid perpetuating past mistakes.

Council Comment

Report does not relate directly to local government.

VAGO: Delivering Services to Citizens and Consumers via Devices of Personal Choice: Phase 1 – Interim Report (2014–15:34)

Background

This audit examined strategies for delivering services online via digital devices. Phase one of this audit specifically reviewed the Victorian Government ICT Governance Framework and the delivery of the Victorian Government Digital Strategy (Digital Strategy).

The audit found that a coordinated and effective whole-of-public-sector approach to digital service delivery has yet to be achieved due to weak strategic leadership and ownership of whole-of-public-sector ICT governance. This issue was further exacerbated by the ineffective coordination and implementation of the Digital Strategy, weak monitoring and accountability mechanisms and ineffective digital engagement to drive digital readiness.

Departments and agencies faced challenges and difficulties in consistently mapping and estimating the types, volumes and costs of service transactions, as part of efforts to transition them online. As a result of the 2014 change of government and January 2015 machinery-of-government changes, the ICT Governance Framework and associated strategies are in a state of change and currently under review.

Without comprehensive and urgent actions to address these governance arrangements and ownership issues, this instability will continue to undermine the establishment of any well-coordinated and integrated approach to delivering public services online effectively and efficiently.

Council Comment

Report does not relate directly to local government.

June 2015

Victorian Ombudsman: Investigation into allegations of improper conduct by officers of VicRoads

Background

This report sets out the investigation into a protected disclosure complaint referred by IBAC to the Ombudsman in October 2014. The discloser alleged that it is "normal practice" for VicRoads Transport Safety Services staff caught speeding in VicRoads vehicles to avoid a fine by claiming unjustifiable exemptions. In effect, the allegation was that some VicRoads staff break the road rules with impunity. Victorian road rules are clear: road users may not exceed the speed limit, unless the special exemptions for drivers of police, emergency, enforcement and escort vehicles apply. The rationale for both the road rules and the exemptions is unarguably about public safety.

The investigation found that the allegation was substantiated. We found that some VicRoads enforcement officers routinely exceeded the speed limit in VicRoads vehicles without displaying lights or sirens, as required by the road rules. There must be serious doubt about whether at least some of these speeding vehicles were engaged in enforcement activity at all.

Not only did some staff routinely break the rules, the process for investigating infringements and approving exemptions was seriously deficient. Exemptions were approved on no or minimal evidence, and with no or minimal rationale. Senior staff responsible for approving exemptions were not even aware that lights or sirens were necessary.

The result was that VicRoads enforcement officers bore no consequences despite committing offences for which any member of the public would get a ticket and points off their licence. The investigation also exposed a culture within a key unit of VicRoads of ignoring the legislation they are responsible for enforcing. One VicRoads enforcement officer told us they "can't do their jobs" if they did not break the law. People with the power to enforce the law and impose penalties on others must be held to the highest possible standards when it comes to their own conduct. It is a worrying state of affairs when those charged with enforcing the rules not only flout them, but have no qualm in doing so.

The investigation was limited to one area of VicRoads Transport Safety Services, examining 18 of the 40 infringements recorded against VicRoads vehicles over a two-year period. Given the problems identified in this region, the lack of internal controls to monitor exemptions and the confused data, I am recommending that VicRoads review all exemptions approved in the past three years and take appropriate action in relation to any staff who either incurred or approved an exemption inappropriately. VicRoads should be leading the way on road safety, and public servants should not forget that they lead by example.

This potentially dangerous and unfair practice came to light as a result of a whistle-blower coming forward. Reporting wrongdoing is the first step to rooting it out.

Council Comment

Report does not relate directly to local government.

Victorian Ombudsman: Reporting and investigation of allegations of abuse in the disability sector: Phase 1 – the effectiveness of statutory oversight

Background

Reporting and investigation of allegations of abuse in the disability sector: Phase 1 – the effectiveness of statutory oversight. Through 2014 it was apparent that people in the community were becoming concerned at the abuse of people with disability within the care arrangements that are supposed to protect them. This concern reached a crescendo with media coverage in November 2014 detailing allegations concerning one of Victoria's best-known providers of disability services, Yooralla.

Data from the Disability Services Commissioner (DSC), the Office of the Public Advocate (OPA) and my own office was also showing continuing issues with the way incidents of abuse were reported and handled. The data raised concerns of delay, lack of awareness and co-ordination, poor investigation and poor communication with clients and families.

As a result of community concerns and the above evidence, Ombudsman Victoria decided to investigate the adequacy of the processes for reporting and investigating allegations of abuse in the disability sector in Victoria. While many of the concerns rose in the media focussed on allegations of abuse in supported accommodation provided by Yooralla and other funded providers, this investigation was not specifically aimed towards Yooralla. It was focussed on the process of abuse reporting and investigation across the disability sector – a wide and complex landscape.

The investigation will be undertaken in two phases so issues could be prioritised to imminent decisions about the shape of the NDIS and the current Victorian Parliamentary Inquiry by the Family and Community Development Committee.

Accordingly this report examines the effectiveness of the statutory oversight mechanisms that are used for reviewing incidents and reporting on deficiencies in how incidents are managed. This includes the work of:

- the Department of Health and Human Services (DHHS or the department)
- the DSC
- the Senior Practitioner
- OPA
- Community Visitors
- Authorised Officers under the Supported Residential Services (Private Proprietors) Act 2010
- the Transport Accident Commission (TAC).

The second Phase 2 of this investigation will examine incident reporting and management in more detail. A report will be tabled later this year.

Council Comment

Report does not relate directly to local government.

August 2015

VAGO: Follow up of Collections Management in Cultural Agencies (2015–16:1)

Background

This audit was a follow-up audit from 2012 where records were examined whether state collections of natural history, scientific, historical and artistic and cultural significance were adequately managed and whether agencies holding key collections had adequate collection management policies, systems and practices in place, plus demonstrate performance against relevant statutory obligations.

The follow up audit examined the progress made in addressing the recommendations from the previous 2012–13 report. It found Creative Victoria, the National Gallery of Victoria, Museum Victoria and the Public Record Office Victoria had demonstrated progress towards addressing the recommendations. However, the size and diversity of the collections meant that addressing the recommendations would most likely take considerable time.

Digitisation of collections is an increasingly important aspect of facilitating public access to collections as we enter the digital age. It was found that agencies were making progress in this area. However, they face unique challenges relating to the size and diversity of their collections, meaning that there are fundamental issues that require time and investment to manage in the long term.

This report also highlights the lack of awareness by audit committees of their requirement to review the impact of actions taken to address issues under the Standing Directions. This finding is consistent across this first lot of follow-up audits. As such, this may serve as a lesson for audit committees more broadly about this requirement so that they can be assured the effort being put into addressing the issues leading to recommendations is effective.

Council Comment

Report does not relate directly to local government.

VAGO: Follow up of Managing Major Projects (2015–16:2)

Background

This audit follows up on recommendations from the 2012 audit of Managing Major Projects. Major Projects Victoria (MPV) has addressed 15 of 21 recommendations. Much of this effort, however, has only brought MPV to a standard that Parliament and community would expect of a public sector entity. There are a number of key recommendations that have not been adequately addressed, including fundamental issues around how MPV engages and uses contractors, and the value they provide. Issues still exist as to whether contractors are in fact employees.

A fraud risk assessment of MPV did not comprehensively assess risk across MPV's business and MPV cannot provide assurance that it has appropriate systems in place to mitigate fraud. In addition, MPV has not developed a long-term strategic plan, exposing itself to a range of risks and challenges relating to future major projects.

Weaknesses also remain around MPV's project management practices, which are a fundamental part of its business operations. MPV has improved its internal and external reporting framework, including an electronic system and associated processes to monitor and report on projects. These continued gaps undermine confidence in MPV's transparency and value obtained by this use of public funds.

Council Comment

Report does not relate directly to local government.

VAGO: Follow up of Management of Staff Occupational Health and Safety in Schools (2015–16:3)

Background

This audit follows-up on recommendations from the 2013 audit, Management of Staff Occupational Health and Safety in Schools. The audit found that both the Department of Education and Training (DET) and Worksafe have acted to address the recommendations and underlying issues identified in the 2013 audit.

For DET, as the largest employer in Victoria, actions implemented should improve its oversight of schools' OHS management and compliance, as well as its processes for returning injured employees to work earlier. As the regulator, management actions should allow Worksafe to demonstrate the impact of its programs to improve workplace safety.

While both agencies are monitoring management's progress in addressing recommendations, they both lack frameworks to support their audit committees to review the impact of actions. Agencies need to act promptly to address this in order to fully comply with their requirements under the Financial Management Act 1994. For DET, this gap has also limited its ability to clearly attribute improvements in claims and return to work performance to addressing the recommendations.

Council Comment

Report does not relate directly to local government.

September 2015

VAGO: Biosecurity: Livestock (2015–16:4)

Background

This audit assessed the effectiveness of Victorian biosecurity practices that relate to livestock disease management and the associated risks to primary production, animal welfare and human health. It focused on exotic livestock diseases, as well as other emergency animal diseases, such as anthrax.

This audit found Victoria's livestock biosecurity system to have been weakened by a decline in financial and staff resourcing. While this is consistent with a wider government initiative to achieve greater resourcing and operational efficiency, in effect it reduced DEDJTR's on-ground capacity to detect an exotic livestock disease

outbreak before it spreads and becomes established. Ultimately these trends place the future of the state's substantial livestock industries and their economic potential at greater risk. Even in the absence of a significant disease outbreak, shortfalls in frontline biosecurity resources can limit the state's ability to demonstrate its livestock health status.

Council Comment

Report does not relate directly to local government.

VAGO: Applying the High Value High Risk Process to Unsolicited Proposals (2015–16:5)

Background

The audit assessed whether the High Value High Risk (HVHR) process has been effectively applied to two unsolicited proposals—the \$1.3 billion City Link Tulla Widening project and the \$2.5 billion Cranbourne Pakenham Rail Corridor project (Cranbourne Pakenham). I found that the Department of Treasury and Finance has been inconsistent in applying the HVHR process to these proposals. For the City Link Tulla Widening project, additional scrutiny had partly or fully assured the project costs, time lines, risks, governance, project management and procurement.

The audit also found weak assurance about the deliverability of the proposal's benefits, inadequate assessment of the alternative funding options and inadequate engagement with stakeholders about the likely impacts. These weaknesses affected the completeness of the advice provided to government. The application of the process to the Cranbourne Pakenham interim offer was much better. However, it remains unclear how the absence of elements essential for defining and realising benefits, such as a cost benefit analysis and benefit management plan, would have been addressed if the proposal had proceeded to a final offer.

Council Comment

Report does not relate directly to local government.

VAGO: Unconventional Gas: Managing Risks and Impacts (2015–16:6)

Background

The audit examined whether Victoria is well placed to effectively respond to the potential environmental and community risks and impacts of onshore unconventional gas activities in the event that these proceed in this state.

Victoria is not as well placed as it could be to respond to the risks and impacts that could arise if the moratorium is lifted, allowing unconventional gas activities to proceed. The Department of Economic Development, Jobs, Transport & Resources (DEDJTR) did not sufficiently assess the risks or effective regulation of these activities prior to 2012, although it has made progress on this since then.

The infancy of the industry and the moratorium provide an ideal opportunity for the government to evaluate the full range of potential risks and impacts of unconventional gas. There is key work that DEDJTR needs to do to inform the government about risks, before the moratorium is reviewed. It will also need to better regulate unconventional gas development, should the government allow it to proceed, supported where necessary by the Department of Environment, Land, Water and Planning. DEDJTR can also improve its earth resources regulation more generally.

Council Comment

Report does not relate directly to local government.

Recommendation

That the Audit & Risk Committee receive and note Council's comments on the performance audit reports from various external agencies.

Meeting Discussion

Discussion held around the intent of this item. The Committee felt that less background and more consideration of the implications to Council is required.

Discussion held around the IBAC Local Government – Review of Council Works Depots May 2015. An internal review of Surf Coast Shire's depots will be carried out and a report provided at the next Audit and Risk Committee meeting.

Action Items

1. Provide less background and more detailed analysis for future reports.
2. Review the IBAC Local Government – Review of Council Works Reports (May 2015) and report findings back to the Committee at the next Audit and Risk Committee meeting.

Committee Resolution

MOVED Debra Russell, Seconded Melissa Field

That the Audit & Risk Committee receive and note Council's comments on the performance audit reports from various external agencies.

CARRIED 5:0

5. FINANCIAL REPORTS

5.1 Summary of the 2014/15 Results

Charter Reference: 9.6.5

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F15/403

Division: Office of the CEO

Trim No: IC15/195

Appendix:

1. Finance End of Year Summary - Presentation (D15/74646)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

John Brockway, Manager Finance, will provide a presentation to the Audit & Risk Committee on the 2014/15 results.

Recommendation

That the Audit & Risk Committee receive and note the presentation on the 2014/15 Results.

Meeting Discussion

Discussion held around the Cash Flow Statement and Preliminary Cash Results. The Committee felt that it could be beneficial to relate these to each other.

CEO discussed that this is a new transitional type of reporting for this Council which sees a move from the old reporting style to a bottom line approach.

CEO mentioned that Council will be considering communicating the Finance End of Year Summary Results to the community. The Committee felt that from a ratepayer perspective this would be very beneficial.

Committee Resolution

MOVED Cr. Margot Smith, Seconded John Gavens

That the Audit & Risk Committee receive and note the presentation on the 2014/15 Results.

CARRIED 5:0

5.2 Annual Financial Statements 2014 - 2015

Charter Reference: 9.6.5

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F15/403

Division: Office of the CEO

Trim No: IC15/196

Appendix:

1. Financial Statements (D15/77009)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

Yes

No

Status:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Reason: Nil

Reason: Nil

Purpose

The annual financial accounts for the year ended 30 June 2015 are being prepared by Council officers for review by the Victorian Auditor-General's appointed auditors, VAGO during the week commencing 17 August 2015. The financial statements are consistent with the model accounts endorsed by the Auditor-General's Office.

Section 132 of the Local Government Act (the Act) requires Council to approve in principle the Financial Statements prior to submission to the Auditor-General for final review. In accordance with the Act and industry best practice, the Committee is required to review the statements prior to making a recommendation to Council to adopt in principle. Council's Manager Finance will provide a brief overview of Council's financial accounts. It is anticipated that VAGO will be in a position to provide the Committee with feedback at the meeting on the statements from the Auditor-General's Office. Council officers propose to forward the signed in principle statements to the Auditor-General for final review and sign off following the Special Council Meeting scheduled on 15 September 2015.

Recommendation

That the Audit & Risk Committee recommend that Council:

1. Adopt 'in principle' the 2014 - 2015 Financial Statements, subject to further adjustments required by Council's auditor, in accordance with Section 132 of the Local Government Act 1989.
2. Authorise two Councillors to sign the 2014 - 2015 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989.
3. Require the 2014 - 2015 Financial Statements to be referred back to the Council if there are significant changes prior to signing.
4. Require that any minor changes to the 2014 - 2015 Financial Statements be reviewed by the two authorised Councillors prior to signing.

Action Items

1. Distribute spreadsheet (from the meeting) containing Committee Member questions with the minutes.
2. Amendments to Annual Financial Report:
 - Insert reference note pg. 23 - note 17
 - Inset sub-heading pg. 34 – note 28
3. Any significant changes to the Financial Statements be drawn to Committee Member attention by email.

Committee Resolution

MOVED John Gavens, Seconded Cr. Margot Smith

That the Audit & Risk Committee recommend that Council:

1. Adopt 'in principle' the 2014 - 2015 Financial Statements, subject to further adjustments required by Council's auditor, in accordance with Section 132 of the Local Government Act 1989.
2. Authorise two Councillors to sign the 2014 - 2015 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989.
3. Require the 2014 - 2015 Financial Statements to be referred back to the Council if there are significant changes prior to signing.
4. Require that any minor changes to the 2014 - 2015 Financial Statements be reviewed by the two authorised Councillors prior to signing.

CARRIED 5:0

6. OTHER REPORTS

6.1 Surf Coast Shire Council Performance Statement 2014 - 2015

Charter Reference: 9.9.3

Author's Title: Coordinator Corporate Planning **General Manager:** Sunil Bhalla

Department: Governance & Risk **File No:** F15/403

Division: Governance & Infrastructure **Trim No:** IC15/172

Appendix:

1. Surf Coast Shire Council - Performance Statement - Local Government Performance Reporting Framework (D15/73482)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 – Section 80C:

Yes

No

Reason: Nil

Status:

Information classified confidential under Section 77 of the Local Government Act:

Yes

No

Reason: Nil

Purpose

To provide the first Surf Coast Shire Council Performance Statement 2014 – 2015 against the Local Government Performance Reporting Framework, prepared in accordance with the Local Government (Planning and Reporting) Regulations 2014, dated 15 April 2014.

Background

The Victorian Government established the LGPRF in 2014 to ensure that all councils are measuring and reporting on their performance in a consistent way. The need for a new performance reporting framework for Victorian councils arose in part out of the Victorian Auditor-General's observation that performance reporting in local government had limited relevance to ratepayers because it lacked information about the quality of council services, the outcomes being achieved and how these related to councils' strategic objectives.

1. The primary objective of the LGPRF is to provide comprehensive performance information that meets the needs of a number of audiences. In meeting this objective:
 - a) councils will have information to support strategic decision-making and continuous improvement
 - b) communities will have information about council performance and productivity
 - c) regulators will have information to monitor compliance with relevant reporting requirements
 - d) state and federal governments will be better informed to make decisions that ensure an effective, efficient and sustainable system of local government.
2. The data generated by the LGPRF can also provide an incentive to improve the performance of local government services by:
 - a) enhancing measurement approaches and techniques
 - b) helping councils identify where there is scope for improvement and
 - c) promoting greater transparency and informed debate about comparative performance.
3. Scope of the LGPRF
To provide a comprehensive picture of council performance the following four indicator sets have been developed:
 - a) service performance,
 - b) financial performance,
 - c) sustainable capacity, and
 - d) governance & management

These indicator sets have been developed across three thematic areas:

- service performance,
- financial performance and sustainability

6.1 Surf Coast Shire Council Performance Statement 2014 - 2015

4. The 2014 - 2015 financial year is the first that all Victorian Councils have been required to prepare their Performance Statement in accordance with the Local Government Performance Reporting Framework.

Recommendation

That the Audit & Risk Committee recommend that Council:

1. Adopt 'in principle' the 2014 - 2015 Performance Statement, subject to further adjustments required by Council's auditor, in accordance with Section 132 of the Local Government Act 1989.
2. Authorise two Councillors to sign the 2014 - 2015 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989.
3. Require the 2014 - 2015 Performance Statement to be referred back to the Council if there are significant changes prior to signing.
4. Require that any minor changes to the 2014 - 2015 Performance Statement be reviewed by the two authorised Councillors prior to signing.

Meeting Discussion

Discussion held around benchmarks and performance. VAGO confirmed Surf Coast has met benchmarks.

Committee felt it would be useful to compare outstanding items as part of future reports.

Committee Resolution

MOVED Melissa Field, Seconded Debra Russell

That the Audit & Risk Committee recommend that Council:

1. Adopt 'in principle' the 2014 - 2015 Performance Statement, subject to further adjustments required by Council's auditor, in accordance with Section 132 of the Local Government Act 1989.
2. Authorise two Councillors to sign the 2014 - 2015 Performance Statement in accordance with Section 132(5) of the Local Government Act 1989.
3. Require the 2014 - 2015 Performance Statement to be referred back to the Council if there are significant changes prior to signing.
4. Require that any minor changes to the 2014 - 2015 Performance Statement be reviewed by the two authorised Councillors prior to signing.

CARRIED 5:0

6.2 Fraud and Corruption Control Plan Report - KPIs

Charter Reference: 9.8

Author's Title: Manager Governance & Risk

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F14/203

Division: Governance & Infrastructure

Trim No: IC15/185

Appendix:

1. Fraud and Corruption Control Checklist (D15/74192)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide a brief update on Council's Fraud and Corruption control measures and their effectiveness.

Report

The Surf Coast Shire Council (SCSC) has a robust ethical culture and prides itself on setting a high benchmark for fraud control and ethical work practices. In March 2012 SCSC published a Fraud Policy Statement which clearly articulates a zero tolerance stance in respect to dishonest or fraudulent behaviour, and underlines the Council's strong commitment to reducing the risk and incidence of fraud across its operations.

SCSC aims to reflect best practice in identifying, assessing and controlling our fraud risks. The Council's fraud policies form a comprehensive prevention, detection, investigation and reporting framework that is consistent with the Commonwealth Fraud Control Guidelines 2011.

The purpose of the Fraud and Corruption Plan is to confirm Council's non tolerance of fraudulent behaviour, provide all Councillors and staff a clear understanding of their responsibilities in regard to fraud control and guidance in relation to establishing a culture of proactive control, prevention, detection and response to fraud and corruption risks at Council.

The Council has a strong rules-based system already in place and has worked hard to foster a culture of greater individual accountability amongst its staff. The Staff Code of Conduct, for example, as a first reference point and guide for all matters involving conduct and ethics and has successfully raised conduct and ethic awareness amongst staff and contractors and enhanced their understanding of their roles and responsibilities in managing inherent risks.

All reports of fraud and misconduct are taken extremely seriously within the Council. Support for full and appropriate disclosure in line with the Council's Protected Disclosure and open disclosure policies are in place and the department is committed to undertaking prompt and fair investigations of all allegations and, where appropriate, prosecuting offenders.

The Council's fraud control policy was last comprehensively reviewed in 2013. The Fraud and Corruption Control Plan builds upon that work utilising the Commonwealth Fraud Control Guidelines 2011, AS/NZS ISO 31000 (2009) Risk Management – Principles and Guidelines, AS8001-2008 Fraud and Corruption Control.

Council's key fraud and corruption control measures are as follows:

- Council's Fraud and Corruption Control Plan. This was approved in August 2014 and identified Council's fraud risk areas using the risk matrix likelihood/consequence ratings.
- Council's Fraud Policy was developed with reference to the Australian Standard on Fraud and Corruption Control (AS 8001 – 2008).

The Fraud Control Policy and Procedure covers:

Application
Definitions
Education and Awareness
Control Planning
Prevention
Detection
Response.

- Risk Register. Fraud risks were transferred by Managers into the risk register with the relevant controls and treatments assigned. The ongoing review and monitoring of these risks rests with the responsible manager who is prompted by the PAN system to review their risks (serious – at least monthly, high risk – at least 3 monthly, medium risk – at least 6 monthly and low risk – annually)

KPIs were also set for each risk area to allow measurement of any resultant fraudulent activity. In order to check the effectiveness of the controls, treatments and monitoring of KPIs, a questionnaire was recently sent out to managers requesting statistics relating to various types of fraud that may have occurred in their areas over the previous 12 months. (see attachment). This has produced a nil return.

- Fraud training and awareness is currently provided to all staff as part of their corporate induction. The Governance team has almost completed the development of a fraud and conflict of interest training module for staff which will be rolled out in the next few months. This is designed to increase awareness of fraud, make staff aware of their responsibilities, the potential penalties involved and reporting mechanisms.
- The Protected Disclosure Policy, which provides a mechanism to report fraudulent activity, has also been reviewed in the last year in light of the VAGO audit, and the updated, more user-friendly version communicated to the organisation via email and the Shire Wire. A copy is also available on the website for the community. There have been no protected disclosures relating to Council in the last 12 month period.

Recommendation

That the Audit & Risk Committee notes the contents of the update on Council's Fraud and Corruption control measures.

Action Items

1. Monitor numbers for training and report to Audit & Risk Committee as part of this item (annually).

Committee Resolution

MOVED Melissa Field, Seconded Cr. Margot Smith

That the Audit & Risk Committee notes the contents of the update on Council's Fraud and Corruption control measures.

CARRIED 5:0

6.3 Draft Investment Policy

Charter Reference: 9.4.3

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F15/403

Division: Office of the CEO

Trim No: IC15/151

Appendix:

1. SCS-016 Draft Investment Policy (D15/73978)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

Yes

No

Reason: Nil

Status:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Reason: Nil

Purpose

Council is currently reviewing its Investment Policy. The draft policy is provided for the Committee's information.

Recommendation

That the Audit & Risk Committee receive and note the Draft Investment Policy.

Meeting Discussion

Council is to consider the Investment Policy at the 22nd September 2015 Council Meeting

Committee Resolution

MOVED Debra Russell, Seconded John Gavens

That the Audit & Risk Committee receive and note the Draft Investment Policy.

CARRIED 5:0

6.4 Winchelsea Aged Care Units Update

Charter Reference: 9.10.1

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F15/403

Division: Office of the CEO

Trim No: IC15/200

Appendix:

1. Winchelsea Aged Care Units Update - Presentation (D15/74251) (**Confidential**)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide an update to the Audit and Risk Committee regarding the Winchelsea Aged Care Units.

Recommendation

That the Audit & Risk Committee notes the update regarding the Winchelsea Aged Care Units.

Committee Resolution

MOVED Melissa Field, Seconded John Gavens

That the Audit & Risk Committee notes the update regarding the Winchelsea Aged Care Units.

CARRIED 5:0

7. ADMINISTRATIVE MATTERS

7.1 Committee Self-Assessment Questionnaire

Charter Reference: 9.10.3

Author's Title: Team Leader Governance

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/171

Appendix:

1. Audit and Risk Committee Self Assessment Questionnaire (D15/58544)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

In accordance with the Charter, the Audit & Risk Committee is required to annually evaluate its performance. The evaluation results are to be included in the Committee's annual report to Council.

A draft questionnaire has been prepared for discussion.

Recommendation

That the Audit & Risk Committee adopts the Committee Self-Assessment Questionnaire and determines a process for completion (including timeline).

Action Items

1. Circulate the Self-Assessment Questionnaire to Committee Members (word version).
2. Collate feedback and provide to Committee Members.

Committee Resolution

MOVED Brian Keane, Seconded Cr. Margot Smith

That the Audit & Risk Committee adopt the Committee Self-Assessment Questionnaire and that this is sent out for completion by members. Results to be collated and reported to the next Audit and Risk Committee meeting.

CARRIED 5:0

7.2 Committee Charter

Charter Reference: 9.10.2

Author's Title: Team Leader Governance

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/142

Appendix:

1. Audit Committee Charter - Review August 2015 - With Tracked Changes (D15/74299)

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1989 –
Section 80C:

Status:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To provide an opportunity for Audit & Risk Committee members to review the Audit & Risk Committee Charter before forwarding to Council for adoption. The Charter was distributed to Committee members via email on the 12 June 2015 and the comments received have been incorporated into Appendix 1.

Recommendation

That the Audit & Risk Committee endorses the revised Audit & Risk Committee Charter and forwards to Council for formal adoption.

Meeting Discussion

The Committee felt that the Charter is not yet ready to be accepted. The Charter needs to align with the Committee Work Plan 2015 – 2016.

Action Items

1. Circulate the Charter to Committee Members.
2. John Gavens and General Manager Governance & Infrastructure to meet to discuss changes to the Audit Committee Charter.
3. Undertake a secondary review to ensure the Committee Charter aligns with the Work Plan for 2015 – 2016.
4. Circulate the reviewed document to Committee Member for comment.
5. Relist the Committee Charter on the Agenda for the 17th November 2015 Audit & Risk Committee meeting.

Recommendation lapsed.

7.3 Audit & Risk Committee Annual Report 2014 - 2015

Charter Reference: 9.9.4, 9.10.3

Author's Title: Team Leader Governance

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/211

Appendix:

1. Audit & Risk Committee Annual Report for 2014 – 2015 (D15/74996)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To review the Audit & Risk Committee Annual Report for 2014 – 2015 prior to submitting to Council.

Recommendation

That the Audit & Risk Committee adopt the Committee Annual Report for 2014 – 2015 and submit to Council.

Action Items

1. List the Audit & Risk Committee Annual Report for 2014 – 2015 on the Agenda for the 22nd September 2015 Council Meeting.

Committee Resolution

MOVED Brian Keane, Seconded Debra Russell

That the Audit & Risk Committee adopt the Committee Annual Report for 2014 – 2015 and submit to Council.

CARRIED 5:0

7.4 Committee Work Plan 2015 - 2016

Charter Reference: 9.10.2

Author's Title: Team Leader Governance

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/178

Appendix:

1. Audit and Risk Committee Work Plan 2015 - 2016 (D15/15717)

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

To adopt the Audit & Risk Committee Work Plan for 2015 - 2016. The Work Plan was previously provided at the 19 May 2015 Audit & Risk Committee Meeting and distributed to Committee members for comment via email on 12 June 2015.

Recommendation

That the Audit & Risk Committee adopts the Committee Work Plan for 2015 - 2016.

Meeting Discussion

The Committee agreed that the adoption of the Work Plan for 2015 - 2016 is to be postponed until the Committee Charter has been finalised.

The Committee again noted the necessity for the Work Plan to align with the Charter.

Action Items

1. Undertake a secondary review to ensure the Work Plan for 2015 – 2016 aligns with the Committee Charter.
2. Relist the Committee Work Plan 2015 - 2016 on the Agenda for the 17th November 2015 Audit & Risk Committee Meeting

Recommendation lapsed.

7.5 Next Meeting & Proposed Agenda Outline

Charter Reference: 9.10.2

Author's Title: Team Leader Governance

General Manager: Sunil Bhalla

Department: Governance & Risk

File No: F15/403

Division: Governance & Infrastructure

Trim No: IC15/168

Appendix:

Nil

Officer Direct or Indirect Conflict of Interest:

Status:

In accordance with Local Government Act 1989 –
Section 80C:

Information classified confidential under Section 77
of the Local Government Act:

Yes

No

Yes

No

Reason: Nil

Reason: Nil

Purpose

The next Audit & Risk Committee Meeting is scheduled to be held on **Tuesday, 17 November 2015 from 9.00 – 11.00am.**

The proposed Agenda outline for this meeting is as follows:

- Chief Executive Officer's Update
- Audit and Risk Committee Outstanding Issues & Actions
- Presentation
- Risk Management
 - Enterprise Risk Management
- Audit Reports
 - Internal Auditors Update (Grant Thornton)
 - External Audit Update (VAGO)
 - Business Improvement Audit Plan & Status Update
 - Performance Audit Reports – External Bodies
- Financial Reports
 - Monthly Finance Report
- Other Reports
 - OHS Accreditation Update
 - Procurement Update
- Administrative Matters
 - Meeting Dates

Recommendation

That the Audit & Risk Committee confirm the next meeting to be held on Tuesday, 17 November 2015 from 9.00 – 11.00am.

Action Items

1. Schedule an Internal Auditors and Members only meeting (Confidential) from 8.30 – 9.00am prior to the next meeting.
2. Allow 2 ½ for future Audit & Risk Committee Meetings.

Committee Resolution

MOVED Cr. Margot Smith, Seconded John Gavens

That the Audit & Risk Committee confirm the next meeting to be held on Tuesday, 17 November 2015 from 9.00 – 11.30am.

CARRIED 5:0

Close: There being no further items of business the meeting closed at 11.23am