



Minutes

Meeting of the Audit & Risk Committee
Tuesday, 16 February 2016

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

MINUTES FOR THE AUDIT & RISK COMMITTEE MEETING OF SURF COAST SHIRE COUNCIL
HELD IN THE COUNCIL CHAMBERS, 1 MERRIJIG DRIVE, TORQUAY
ON TUESDAY 16 FEBRUARY 2016 COMMENCING AT 9.00AM

COMMITTEE MEMBERS MEETING (*Commenced at 8.30am*):

PRESENT:

Committee Members:

Cr Margot Smith
Cr Brian McKiterick
Brian Keane (Chair) Term expires 31/01/2017)
Melissa Field (Term expires 31/01/2017)
John Gavens (Term expires 27/01/2018)
Debra Russell (Term expires 27/01/2018)

In Attendance:

Keith Baillie – Chief Executive Officer
Peter McLean – Acting General Manager Governance & Infrastructure
Wendy Hope – Manager Governance & Risk
John Brockway – Manager Finance
Rowan Mackenzie – Manager Environment & Community Safety
Tracey McCarthy – Coordinator Financial Accounting
Brendan Walsh – Manager Business Improvement
Candice Holloway – Team Leader Governance
Scott Hartley (Grant Thornton)
Trai Moorthy (Grant Thornton)
Tim Loughnan (VAGO)
Ivy Ly (VAGO)

APOLOGIES:

Nil.

CONFIRMATION OF MINUTES:

Committee Resolution

MOVED Mr Brian Keane, Seconded Mr John Gavens

That the Audit & Risk Committee note the minutes of the meeting held on 17 November 2015, as a correct record of that meeting.

CARRIED 6:0

CONFLICTS OF INTEREST:

Nil.

BUSINESS:

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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: F16/145

Division: Governance & Infrastructure

Trim No: IC16/83

Appendix:

1. Audit & Risk Committee Outstanding Issues & Actions - Status Log (D16/1527)

2. Audit & Risk Committee Outstanding Issues & Actions (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 receive an update on the progress made on action items identified through previous Audit reports and Audit & 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 Items

1. Update management response for Item 11 (Page 24 of the Agenda) to provide more clarity.

Committee Resolution

MOVED Cr Brian McKiterick, Seconded Cr Margot Smith

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

CARRIED 6:0

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: F16/145

Division: Office of the CEO

Trim No: IC16/84

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 receive an Organisational update from Keith Baillie, Chief Executive Officer.

Recommendation

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

Meeting Discussion

Keith Baillie, Chief Executive Officer, provided an update to the Audit & Risk Committee on the following items:

Rate Capping

- In December 2015 the annual rate cap for the 2016/17 financial year was declared as 2.5%. Surf Coast Shire has not applied for an exemption for 2016.
- The new Council (to be elected in October 2016) will decide if an exemption is to be applied for in 2017 (Noted that this is unlikely).
- For the Surf Coast Shire Council, this equates to a compounding shortfall of approximately \$1million a year.
- Noted that the current Budget has been modelled as a deficit Budget to support the shortfall.
- Business Improvement Plan has been implemented to also assist with the shortfall. A total of approximately \$330,000 of savings made to date.
- Session scheduled with Councillors next week to discuss other strategies going forward.

Digital Transformation.

- Digital transformation will result in long-term cost saving initiatives.

Vision and Purpose

- Council currently developing a community vision, purpose statement and organisation vision.
- Session scheduled with Councillors next week to further progress these.

Project Management

- The Project Management Framework has been completed and training within the organisation is underway.

Purchasing Issues

- Update to be provided as part of Agenda Item 5.2 - Purchasing Update.

Staffing Update

- Resignation of Sunil Bhalla and temporary 12-month acting appointment made to the position of General Manager Governance and Infrastructure.

2.1 Chief Executive Officer's Update

- The temporary appointment provides an opportunity to support the ongoing progression of Council and the Division and time to affirm the best structure moving forward.
- Within the 12 months Council will advertise externally to fill permanent needs.

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Debra Russell

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

CARRIED 6:0

2.2 2015-16 Fire Danger Season - Update

Charter Reference: 9.5.1, 9.5.2, 9.5.3, 9.5.4

Author's Title: Manager Environment & Community Safety

General Manager: Kate Sullivan

Department: Planning & Environment

File No: F16/145

Division: Environment & Development

Trim No: IC16/127

Appendix:

Nil

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

Rowan MacKenzie, Manager Environment & Community Safety, will provide an update on the 2015-16 Fire Danger Season including context on what Council is doing to mitigate risks.

Recommendation

That the Audit & Risk Committee receive and note the update on the 2015-16 Fire Danger Season.

Meeting Discussion

The Committee acknowledged the additional work of staff during the recent fire incident.

Committee Resolution

MOVED Ms Melissa Field, Seconded Mr John Gavens

That the Audit & Risk Committee receive and note the update on the 2015-16 Fire Danger Season.

CARRIED 6:0

3. RISK MANAGEMENT

3.1 Enterprise Risk Management Report February 2016

Charter Reference: 9.5.1, 9.5.2, 9.5.3

Author's Title: Coordinator Risk Management & Legal Services **General Manager:** Peter McLean (Acting)

Department: Governance & Risk **File No:** F16/145

Division: Governance & Infrastructure **Trim No:** IC16/172

Appendix:

1. Audit & Risk Committee ERM Report February 2016 (Confidential) (D16/8753)

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 Enterprise Risk Management Report has been updated in line with recommendations made by Grant Thornton primarily focussing on Council's strategic risks including:

1. Strategic Risk Development
2. Strategic Risk Profile
3. Strategic Risks – Serious and High
4. Serious Operational Risks
5. Risk Treatment Action Status
6. New and Emerging Risks
7. Risk Management Improvement Activities
8. Strategic Risk Register
9. Risk Matrix

Recommendation

That the Audit & Risk Committee:

1. Agree to the new Report Format as presented.
2. Receive and note the Enterprise Risk Management Report.

Committee Resolution

MOVED Ms Melissa Field, Seconded Cr Margot Smith

That the Audit & Risk Committee:

1. Agree to the new Report Format as presented.
2. Receive and note the Enterprise Risk Management Report.

CARRIED 6:0

3.2 Work Health & Safety & Project Management Office Report

Charter Reference: N/A

Author's Title: Team Leader Governance

General Manager: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/128

Appendix:

1. Work Health & Safety & Project Management Office Report February 2016 (Confidential) (D16/8194)

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 updated Work Health & Safety and Project Management Officer Report for this meeting.

Recommendation

That the Audit & Risk Committee receive and note the presentation on the Project Management Office.

Action Items

1. Distribute age profile (absent from the Agenda) to Committee members.
2. Provide clarity around the incidents and hazards line reporting (difference between blue and red double lines).
3. Complete trending report for presentation to the Committee at the next meeting.
4. Project Management report to continue as a regular report to the Committee (Pie chart values and percentages to be included).

Committee Resolution

MOVED Ms Debra Russell, Seconded Mr John Gavens

That the Audit & Risk Committee receive and note the presentation on the Program Management Office.

CARRIED 6:0

4. AUDIT REPORTS

4.1 Internal Auditors Update (Grant Thornton)

Charter Reference: 9.2.3

Author's Title: Coordinator Governance & Procurement

General Manager: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/176

Appendix:

1. Follow up Review - Draft (D16/12150)
2. Risk Management Report and List of Strategic Risks for Council - Final (D16/11730)
3. Internal Audit Status Report February 2016 (D16/12148)

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

Grant Thornton has provided the following:

1. Follow up Review – Draft
2. Risk Management Report and List of Strategic Risks for Council - Final
3. Internal Audit Status Report February 2016 (Incl. List of Council Policies & Feedback on Management Comments - Outstanding Issues & Actions Report)

Recommendation

That the Audit & Risk Committee receive and notes the Internal Auditors update (Grant Thornton).

Action Items

1. Clarity if Item 2.3 - Internal Audit Status Report (Page 92 of Agenda) and whether it appears on Outstanding Issues and Actions Report.
2. Provide last review and next review dates for identified policies to the Committee at the next Meeting.

Committee Resolution

MOVED Cr Brian McKiterick, Seconded Cr Margot Smith

That the Audit & Risk Committee receive and notes the Internal Auditors update (Grant Thornton).

CARRIED 6:0

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

Charter Reference: 9.2.3

Author's Title: Team Leader Governance

CEO: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/133

Appendix:

1. Audit Strategy (D16/12146)

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 receive an update from the External Auditors (Victorian Auditor General's Office).

Recommendation

That the Audit & Risk Committee receive and note the External Auditors Update (Victorian Auditor General's Office) update.

Committee Resolution

MOVED Ms Debra Russell, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the External Auditors Update (Victorian Auditor General's Office) update.

CARRIED 6:0

4.3 Business Improvement Program - Status Update

Charter Reference: 9.2.5

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

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

Division: Office of the CEO **Trim No:** IC16/167

Appendix:

1. Business Improvement Program - Update for February 2016 Audit and Risk Committee Meeting (Confidential) (D16/10629)

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

To receive an update on the 2015/16 Business Improvement Program.

Discussion

A briefing was provided to the Audit and Risk Committee on the Business Improvement Program at the September 2015 meeting.

This report provides an update on progress of the 2015/16 work plan. For clarity the work plan includes:

- 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

Recommendation

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

Action Items

1. Business Improvement Program Report to continue as a regular report to the Committee.

Committee Resolution

MOVED Cr Margot Smith, Seconded Cr Brian McKiterick

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

CARRIED 6:0

4.4 Performance Audit Reports - External Agencies

Charter Reference: 9.9.2

Author's Title: Coordinator Governance & Procurement

General Manager: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/122

Appendix:

1. Performance Audit Reports – External Agencies (December 2015 – February 2016) (D16/8471)

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 receive an update on the various external agency performance audit reports and their implications for Council. Full copies of the reports can be located at the relevant websites.

Recommendation

That the Audit & Risk Committee receives and notes the various external agency performance audit reports and implications for Council.

Action Items

1. Further develop the format of the Performance Audit Report using examples from other Councils (to be provided by Committee members).

Committee Resolution

MOVED Cr Margot Smith, Seconded Cr Brian McKiterick

That the Audit & Risk Committee receives and notes the various external agency performance audit reports and implications for Council.

CARRIED 6:0

5. FINANCIAL REPORTS

5.1 Monthly Finance Report December 2015

Charter Reference: 9.1.1, 9.1.2, 9.1.3, 9.1.4, 9.4.2

Author's Title: Manager Finance

General Manager: Keith Baillie

Department: Finance

File No: F16/145

Division: Office of the CEO

Trim No: IC16/124

Appendix:

1. Monthly Finance Report December 2015 (D16/5829)

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

An executive summary, financial analysis, capital works and new initiatives performance summary, financial position analysis and consolidated financial statements are included for the six months ending 31 December 2015. The report also contains an analysis of the significant year-to-date variations that are favourable or unfavourable to Council's 2015/16 budget.

The key financial results are as follows:

| Year to date measure | Value (\$m) | Commentary |
|--|-------------|--------------------------------|
| Operating Result | 27.27 | \$0.87m favourable to Budget |
| Capital Works expenditure | 5.83 | \$0.16m unfavourable to Budget |
| New Initiatives expenditure | 0.83 | \$0.44m favourable to Budget |
| Net Assets & Total Equity | 405.83 | \$0.87m favourable to Budget |
| Cash & Cash Equivalents (including financial assets) | 33.10 | \$0.75m unfavourable to Budget |
| Working Capital Ratio | 484% | 30% favourable to Budget |

Recommendation

That the Audit & Risk Committee receive and note the December 2015 Monthly Financial Report.

Committee Resolution

MOVED Ms Debra Russell, Seconded Cr Margot Smith

That the Audit & Risk Committee receive and note the December 2015 Monthly Financial Report.

CARRIED 6:0

5.2 Purchasing Update

Charter Reference: 9.4.1

Author's Title: Manager Finance

General Manager: Keith Baillie

Department: Finance

File No: F16/145

Division: Office of the CEO

Trim No: IC16/138

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 receive an update on Council's purchasing system.

Recommendation

That the Audit & Risk Committee receive and note the update on Council's purchasing system.

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the update on Council's purchasing system.

CARRIED 6:0

5.3 Local Government Performance Reporting Framework Financial Performance Indicators

Charter Reference: 9.1.3

Author's Title: Coordinator Corporate Planning **General Manager:** Peter McLean (Acting)

Department: Governance & Risk **File No:** F16/145

Division: Governance & Infrastructure **Trim No:** IC16/134

Appendix:

1. Know Your Council website - Surf Coast Shire - Financial Performance 2014 - 2015 (D16/8938)

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 an update on Surf Coast Shire Council's financial performance for 2014 – 2015.

Discussion

In previous years VAGO's Annual Report on Local Government Audits has included an appendix showing a comparison of performance against financial sustainability indicators for all councils by grouping i.e. Large Rural Shires etc. This was not included in the VAGO Local Government 2014 – 15 Audit Snapshot.

In their 2014 – 2015 report VAGO acknowledged that this was the first year that local Councils were required to prepare performance statements in accordance with the Local Government Performance Reporting Framework (LGPRF) as set out by the *Local Government (Planning and Reporting) Regulations 2014*.

Results of financial performance reporting against the LGPRF are publically available at <https://knowyourcouncil.vic.gov.au/> website.

A copy of these results showing Surf Coast Shire's performance compared to similar Councils and all Councils for 2014 – 2015 is included at Appendix 1.

Recommendation

That the Audit & Risk Committee receive and note the report on the Local Government Performance Reporting Framework Financial Indicators.

Action Items

1. Present Depreciation Schedule to the Committee at the next Meeting.

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

That the Audit & Risk Committee receive and note the report on the Local Government Performance Reporting Framework Financial Indicators.

CARRIED 6:0

6. OTHER REPORTS

6.1 Employee Engagement Action Planning

Charter Reference: N/A

Author's Title: Manager People & Culture

General Manager: Chris Pike

Department: People & Culture

File No: F16/145

Division: Culture & Community

Trim No: IC16/34

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 the Audit & Risk Committee on actions being undertaken as a result of the 2015 Aon Hewitt employee engagement report.

Details

Actions completed to date

AON Hewitt employee engagement survey was conducted in July/August 2015 and results were received in September 2015.

- Overall engagement was 58% which was slightly higher than the overall average, and 4 points above the average for government bodies.
- Some commonality in the responses suggested an organisation-wide response and plan, whereas the differences across some departments required a more specific departmental focus.
- Debrief session with AON Hewitt to understand the data collection process and the way in which data is reported as well as the benchmarks.
- Management team debrief of overall results (both data and verbatim comments) and identification of next steps.
- The CEO communicated the high level results to the organisation and Councillors.
- Department & division reporting was made available to Managers.
- Department manager met with teams to analyse their results and establish departmental specific action plans with the objective of improving engagement.
- 4 Focus groups were conducted around the key areas identified for improvement and areas of strength to better understand the results, and to identify what we need to preserve and sustain and what we can do to improve in these areas:
 - What makes SCSC special & Our career development
 - Balancing work/home/life & Senior Leadership
 - Communication & How we recognise people
 - The work we do & What we stand for
- As a result of the departmental reviews and focus groups, 2 organisational focus areas were agreed by Leadership as being:
 - Communication
 - Leadership

Next steps

- Finalisation of departmental action plans
- Leadership developed action plans relating to Communication & Leadership
- Collation of above plans for EMT endorsement
- Engagement added as a standing agenda item on monthly leadership meetings
 - Monitoring and reporting of engagement actions

6.1 Employee Engagement Action Planning

Recommendation

That the Audit & Risk Committee receive and note the report of actions taken to date and planned for future to improve employee engagement.

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Brian McKiterick

That the Audit & Risk Committee receive and note the report of actions taken to date and planned for future to improve employee engagement.

CARRIED 6:0

6.2 Monitoring Compliance

Charter Reference: 9.7.1

Author's Title: Manager Governance & Risk

General Manager: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/177

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

As per the Audit Committee 2015-16 Work Plan, the purpose of this report is to provide an update on Council's compliance with legislation and other obligations including management's response to any instances of non-compliance.

Report

Summary

Council is required to comply with numerous Acts and other legislative requirements and does so through a process of:

- ensuring only qualified staff with the relevant knowledge, skills and experience are employed,
- providing education and training,
- providing resources and information,
- maintaining membership of professional bodies and contact with other government agencies,
- obtaining legal or other professional advice where needed,
- having in place internal processes, policies and procedures,
- formal allocation and delegation of duties/ responsibilities
- monitoring and auditing,
- non-compliance, and
- continuous improvement.

Qualified Staff

Mandatory qualifications and skills are defined in the position description for each role and applicants must meet these to be shortlisted for the position.

Original copies of certificates or memberships are sighted during the recruitment process and police and/or working with children checks carried out on all staff. Adherence to this process is audited by our police check provider.

Council has a dedicated role for Privacy and Freedom of Information Officer, through which all requests are channelled, to ensure consistency and compliance.

Education and Training

Training is provided in relation to legal obligations eg Crown Land Act, Freedom of Information Act, Information Privacy, Local Government Act etc. Council provides in-house training where multiple staff members require training eg Land Management and Heritage training was recently conducted.

Education and communication of policies, including any changes, are also important elements eg conflict of interest, induction, fraud awareness, recruitment and selection training sessions are being provided on an ongoing basis. Key policies are communicated through the i-Learn learning and development system where completion can be recorded eg Equal Opportunity and Workplace Behaviours; Occupational Health and

6.2 Monitoring Compliance

Safety. All policies are located on the Intranet, communicated with changes via email, added to hardcopy folders for staff not on email and discussed at toolbox meetings.

Procurement training is currently being developed which will be delivered to all staff involved in the procurement process. This will include a procurement manual, checklists, matrix of responsibility, a helpdesk, standard templates and a specific site on the Intranet.

Resources and Information

Subscriptions to ANSTAT, the Government Gazette and SAI Global Australian Standards ensure legislative requirements, Standards and Codes are available to all staff.

Professional Bodies and other Networks

Staff who are required to maintain a level of professional development for accreditation purposes are supported to do this. Membership of various peak and professional bodies is paid for by Council eg LGPro, state government, MAV, Engineers Australia, Meerkin and Apel (HR/IR) etc for regular compliance updates and training.

Procedures are in place via the Recruitment Policy to ensure only appropriately qualified staff are employed and that they maintain membership of the correct professional organisations eg Maternal and Child Health Nurses, Environmental Health Officers, Planners, Accountants and Engineers.

Legal or other Professional Advice

A legal advice budget is available to establish a legal position when required and a legal documents register is now in place to ensure contracts and other legal agreements are now easily accessible.

Council has been developing a register of legal providers and is currently in the process of tendering for legal services in collaboration with nearby Councils.

Government and other agencies provide regular advice and updates.

Internal Processes, Policies and Procedures

Numerous Council and management policies are in place that set out legal obligations eg Equal Opportunity and Workplace Behaviours; Gifts, Benefits and Hospitality; Procurement; Chart of Authorities; Privacy and Data Protection; FOI. These policies are reviewed regularly to ensure currency.

Procedures are also included in the policies eg reporting of fraud and corruption via the Protected Disclosure and Fraud Policies; the Induction Policy includes checklists for staff to follow; the Recruitment Policy includes a checklist, copies of all relevant documents and a matrix of responsibility; the Gifts and Hospitality Policy contains full instructions of how to handle gifts and a copy of the relevant form; the Procurement Policy sets out the process for procuring on behalf of Council; the Privacy and Data Protection Policy provides information on compliance with the Privacy Principles and provides working examples to assist staff.

Other internally produced documents which set out legal obligations and requirements include Council's Enterprise Agreement and the Planning Scheme.

Formal Allocation of Duties

Formal delegations are in place for key responsibilities and duties including the Chart of Authorities, authorisations and other delegations by CEO to staff and Council to staff. A full review of these delegations is currently underway (see continuous improvement section below).

All position descriptions were updated last year to include items for which the role has responsibility and the measurable outcomes that apply. These outcomes include compliance with various legislative obligations, duties and functions. An extract from the Governance Team Leader's PD is below:

| Key Responsibilities – Team Leader Governance | Measurable Outcomes |
|--|---|
| <p>Governance</p> <ul style="list-style-type: none"> Responsible for the maintenance and regular update of all Registers required under Section 11 of the <i>Local Government (General) Regulations 2004</i> | <ul style="list-style-type: none"> Supervise timely update of all Governance Registers as required under the <i>Local Government (General) Regulations 2004</i>. |

6.2 Monitoring Compliance

| | |
|--|---|
| <ul style="list-style-type: none"> Responsible for the preparation and renewal of Register of Interest Forms as per requirements of the <i>Local Government Act 1989</i>. Assist and contribute to the development and review of Governance practices, processes and procedures of the Governance and Risk Unit. | <ul style="list-style-type: none"> Ensure all Register of Interest Returns Forms are completed within the specified times set under the <i>Local Government Act 1989</i>. Assist and contribute to the development and review of Governance practices, processes and procedures within specified time frames. |
|--|---|

Monitoring and Auditing

Audits to establish compliance with HR policies are carried out when the policies are reviewed eg Increment Review Policy and Procedure audit.

A strategic risk for legislative compliance has been identified and developed in Council's risk register. This will now be monitored by EMT and the Audit and Risk Committee, once the final strategic risks and new reporting format have been agreed.

In relation to the requirements of the Local Government Act; Public Registers are maintained as per the Regulations and monitored twice yearly by Governance; Register of Interest returns are sent out and their completion and return is monitored by Governance. A compliance calendar has been developed and is available on the Intranet.

Actions from Council meetings are sent out via the Infocouncil system and progress is recorded and monitored by EMT. Timelines are allocated to completion of items in the electronic document management system (TRIM) and the Customer Request System and reminders are sent if not achieved. Progress is monitored by management of the area and EMT. All entries are auditable.

Internal and external audits are carried out on key processes. Internal auditing of the procurement process will be undertaken once training has been provided to all purchasers.

Audits by external bodies occur to maintain accreditation eg HACCC, WHS, JMAPP insurance.

Non-Compliance

The discovery of a design flaw in the purchasing system that could potentially lead to non-compliance with the Procurement Policy has resulted in an audit being requested and measures being put in place to mitigate the risk eg access removed for most people, introduction of a specific role to process goods receipting and separation of duties for placing and approving orders.

Continuous Improvement

Council is currently developing a compliance policy which will be presented to the Audit and Risk Committee for comment prior to adoption.

A Panel of legal service providers is being developed, along with a tender for legal services and library of previous legal advice.

Procurement training is currently being developed and a staff manual, checklists, matrix of responsibility, templates and flowcharts have been prepared. Once the training has been rolled out, Governance will commence audits of the process to ensure adherence.

A system that has been developed to track compliance with legislative obligations ('Advent') was researched and costed, but due to financial constraints and resource implications this is not a realistic option at this time. To strengthen our ability to track compliance we have recently subscribed to Maddocks Lawyers delegation service and are currently reviewing our delegations and obligations, for sign off by Council and the CEO, as appropriate. This will provide a comprehensive listing of all relevant sections of the Acts that apply to Council and the delegates responsible for compliance with each section. This work is approximately 55% completed and is scheduled to be finalised by the end of April. (The format is as per the extract from the Food Act in the table below). A list of delegations and obligations assigned to each position will then be provided to the position owner and their supervisor.

| FOOD ACT 1984 | | | |
|---------------|----------|----------|----------|
| Column 1 | Column 2 | Column 3 | Column 4 |

6.2 Monitoring Compliance

| PROVISION | THING DELEGATED | DELEGATE | CONDITIONS & LIMITATIONS |
|--------------|--|---------------|--|
| s.19(2)(a) | power to direct by written order that the food premises be put into a clean and sanitary condition | CEH, EHO | If section 19(1) applies |
| s.19(2)(b) | power to direct by written order that specified steps be taken to ensure that food prepared, sold or handled is safe and suitable | CEH, EHO | If section 19(1) applies |
| s.19(6)(b) | duty to give written notice of revocation under section 19(6)(a) if satisfied that an order has been complied with | CEO, CEH, EHO | If section 19(1) applies |
| s.19AA(2) | power to direct, by written order, that a person must take any of the actions described in (a)-(c). | CEH, EHO | where council is the registration authority |
| s.19AA(4)(c) | power to direct, in an order made under s.19AA(2) or a subsequent written order, that a person must ensure that any food or class of food is not removed from the premises | CEH, EHO | Note: the power to direct the matters under s.19AA(4)(a) and (b) not capable of delegation and so such directions must be made by a Council resolution |
| s.19AA(7) | duty to revoke order issued under s.19AA and give written notice of revocation, if satisfied that that order has been complied with | CEH, EHO | where council is the registration authority |
| s.19CB(4)(b) | power to request copy of records | CEH, EHO | where council is the registration authority |

Recommendation

That the Audit & Risk Committee notes the contents of the compliance report.

Action Items

1. Re-present Monitoring Compliance Report to the Committee to at the next meeting following collaboration with other Councils.

Committee Resolution

MOVED Ms Debra Russell, Seconded Mr John Gavens

That the Audit & Risk Committee notes the contents of the compliance report.

CARRIED 6:0

6.3 Fraud Prevention Strategies and Programs

Charter Reference: 9.8.1, 9.8.2

Author's Title: Manager Governance & Risk

General Manager: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/53

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 in relation to fraud prevention strategies and programs, including training and development, and to update progress against the Fraud and Corruption Control Plan measures.

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. SCSC has 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.

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, is a first reference point and guide for all matters involving conduct and ethics and is intended to raise awareness amongst staff and contractors to enhance their understanding of their roles and responsibilities. The Code of Conduct was reviewed by the Executive in January 2016.

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 policy are in place and the Governance & Risk department is committed to undertaking prompt and fair investigations of all allegations and, where appropriate, referring matters to the Police or other relevant agency.

Council's fraud control policy was 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:

- 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.
- Fraud Control Policy and Procedure. This was developed with reference to the Australian Standard on Fraud and Corruption Control (AS 8001 – 2008).

6.3 Fraud Prevention Strategies and Programs

The Fraud Control Policy and Procedure covers:

Application
Definitions
Education and Awareness
Control Planning
Prevention
Detection
Response.

- Risk Register. Fraud risks were transferred from the Fraud Plan by Managers into the risk register with the relevant treatment plans assigned. Managers continue to review those risks and the effectiveness of treatment plans and are prompted by the PAN system to do so (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 sent out to managers at the end of the financial year requesting statistics relating to various types of fraud that may have occurred in their areas over the previous 12 months. This produced a nil return for FY14-15 and will be sent out again in July for the FY15-16 results.

- Fraud awareness training is currently provided to all new staff as part of their corporate induction. The Governance team attended fraud awareness training with the MAV in December 2015 and has now developed a fraud awareness training package which includes a conflict of interest training module. This will be rolled out to staff over this year and four sessions have been held to date. This package 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 previous 12 month period.

Recommendation

That the Audit & Risk Committee notes Council's Fraud Prevention Strategies and Programs.

Committee Resolution

MOVED Ms Debra Russell, Seconded Mr John Gavens

That the Audit & Risk Committee notes Council's Fraud Prevention Strategies and Programs.

CARRIED 6:0

7. ADMINISTRATIVE MATTERS

7.1 Next Meeting & Proposed Agenda Outline

Charter Reference: 9.10.2

Author's Title: Team Leader Governance

General Manager: Peter McLean (Acting)

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/85

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 meeting is scheduled to be held on **Tuesday, 17 May 2016 from 9.00 – 11.30am.**

The proposed Agenda outline for this meeting is as follows:

- Chief Executive Officer's Update
- Outstanding Issues & Actions
- Presentation
- Risk Management
 - Enterprise Risk Management
 - Review of Risk Policies
- Audit Reports
 - Internal Auditors Update (Grant Thornton)
 - External Audit Update (VAGO)
 - Performance Audit Reports – External Bodies
- Financial Reports
 - Monthly Finance Report
 - Review of Investment Policy
- Other Reports
 - Gifts & Hospitality, Councillor Allowances, Education and Other Expenses
- Administrative Matters
 - Committee Work plan 2015/16
 - Next Meeting Date & Proposed Agenda

Recommendation

That the Audit & Risk Committee confirm the next meeting to be held on Tuesday, 17 May 2016 from 9.00 – 11.30am.

Action Items

1. Add additional Agenda topics requested at this meeting to the Agenda outline for the next meeting.
2. Present the associated policies as part of the report for Gifts & Hospitality, Councillor Allowances, Education and Other Expenses.

Committee Resolution

MOVED Cr Margot Smith, Seconded Cr Brian McKiterick

That the Audit & Risk Committee confirm the next meeting to be held on Tuesday, 17 May 2016 from 9.00 – 11.30am.

CARRIED 6:0

Close: There being no further items of business the meeting closed at 11:04am