



Minutes

Meeting of the Audit & Risk Committee
Tuesday, 17 May 2016

Held at
Council Chambers
1 Merrijig Drive, Torquay
Commencing at 9:00am

MINUTES FOR THE AUDIT AND RISK COMMITTEE OF SURF COAST SHIRE COUNCIL
HELD AT COUNCIL CHAMBERS, 1 MERRIJIG DRIVE, TORQUAY
ON TUESDAY 17 MAY 2016 COMMENCING AT 9:00AM

PRESENT:

COMMITTEE MEMBERS

Cr Margot Smith
Cr Brian McKitterick
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
Anne Howard – General Manager Governance & Infrastructure
John Brockway – Manager Finance
Wendy Hope – Manager Governance & Risk
John Bertoldi - Manager Assets & Capital Works
Brendan Walsh – Manager Business Improvement
Maureen White – Coordinator Risk Management and Legal Services
Avinesh Maharaj – Coordinator Governance & Procurement
Gabby Spiller – Coordinator Management Accounting
Danni Vasiloski – Team Leader Governance
Scott Hartley (Grant Thornton)
Trai Moorthy (Grant Thornton)

APOLOGIES:

Cr Brian McKitterick
Tim Loughnan (VAGO)
Ivy Ly (VAGO)

CONFIRMATION OF MINUTES:

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

Note that the minutes of the meeting held on 16 February 2016 were not circulated at the time and will be forwarded to members for review.

CARRIED 6:0

CONFLICTS OF INTEREST:

John Gavens declared a conflict of interest for item 6.1 Gifts & Hospitality Register and Councillor Entitlements, Education and Other Expenses Report as he was a coordinator of an event where Council received a benefit.

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1. OUTSTANDING ISSUES & ACTIONS

1.1 Outstanding Issues & Actions Report

Charter Reference: 9.2.3

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/380

Appendix:

1. Audit & Risk Committee Outstanding Issues & Actions - Status Log (D16/1527)
2. Audit & Risk Committee Combined Outstanding Issues & Actions - April 2015 Onwards (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.

Discussion

- Committee asked whether Civica is meeting Council needs now and into the future.
- CEO advised of recent meeting with Civica where Council indicated that it was reviewing this matter. If Civica cannot meet Council's needs the system issues will need to be addressed due to the criticality of the core system to the organisation.
- Committee asked how we are using LG performance indicators and to reference other Councils e.g. Bayside Council. CEO spoke about Business Improvement program and collaboration.
- Committee suggested outstanding Issues and Actions (page 36 of Agenda) Item 23 5 -1 Define the risk appetite and develop risk appetite statement.
- Change order of approvals to EMT then ARC and then Council.

Committee Resolution

MOVED Cr Margot Smith, Seconded Mr John Gavens

That the Audit & Risk Committee receives the Outstanding Issues and Actions Report and notes that good 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: IC16/379

Appendix:

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 organisational update from Keith Baillie, Chief Executive Officer.

Recommendation

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

Discussion

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

Introduction of General Manager Governance and Infrastructure

- Anne Howard

Budget Summary

- Fair Go Rates System
- Garbage Charge
- Cost Management
- Business Improvement Officer
- Digital Transformation Fund
- Organisation Submission

Council Plan Update

- Vision, Purpose, Direction
- Community Consultation
- Cr Coker and Council Decision re Vacancy
- Federal Election Advocacy

Council Election

- Things to complete (e.g. Code of Conduct)
- Induction planning
- Next Council Plan

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Melissa Field

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

CARRIED 6:0

2.2 Confidential - 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:** IC16/509

Appendix:

1. Business Improvement Program - Update for May 2016 Audit and Risk Committee Meeting
(Confidential) (D16/40956)

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: 89(2)(h) any other matter which the council
or special committee considers would prejudice the
Council or any person.

Purpose

To receive an update on activities associated with the 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

The report also provides information about the early work being done for the 2016/17 work plan.

Recommendation

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

Discussion

- Business Improvement major and minor review update on topics.
- Thermometer reflects ongoing savings not one off savings. Noted that savings are greater than the 15/16 target and could be as high as \$400K by the time the budget is adopted.

Committee Resolution

MOVED Ms Debra Russell, Seconded Cr Margot Smith

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

CARRIED 6:0

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:** Anne Howard

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

Division: Governance & Infrastructure **Trim No:** IC16/529

Appendix:

1. Enterprise Risk Management Report May 2016 (**Confidential**) (D16/43933)

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: 89(2)(h) any other matter which the council or special committee considers would prejudice the Council or any person.

Purpose

To provide an Enterprise Risk Management Report in an updated format which includes:

- Risk Profile
- Strategic Risks – Serious and High
- Serious Operational Risks
- Risk Treatment Action Status
- New and Emerging Risks
- Risk Management Improvement Activities
- Strategic Risk Register
- Risk Matrix

Recommendation

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

Discussion

- Risk 23 - Discussed the principle about whether asset renewal or new asset funding should be council's priorities. Council may consider this when it refines its Asset Renewal Funding Strategy and financial principles.
- Noted that the ERM report focuses on Strategic Risks – Current Ratings Serious or High.
- Committee recommended the following changes:
 - Risk 94 - add control effectiveness for next ARC meeting in 8 September 2016.
 - Risk 30 - reword from 'failing' trees to damage to people/assets, for example.
 - Risk 72 - Consider removal from Risk Register as actions have been addressed.

Committee Resolution

MOVED Ms Melissa Field, Seconded Cr Margot Smith

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

CARRIED 6:0

3.2 Work Health & Safety & Project Management Office Report

Charter Reference: N/A

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/424

Appendix:

1. Work Health & Safety and Project Management Office Report May 2016 (D16/35616)

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.

Recommendation

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

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Debra Russell

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

CARRIED 6:0

3.3 Risk Management Policy Review

Charter Reference: 9.7.4

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F11/799

Division: Governance & Infrastructure

Trim No: IC16/520

Appendix:

1. Risk Management Policy for ARC Review (D16/41933)

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 present the Risk Management Policy for comment prior to consideration by the Policy Review Sub-Committee.

Recommendation

That the Audit & Risk Committee provides feedback on the Risk Management Policy for consideration by the Policy Review Sub-Committee in June.

Discussion

Committee suggested the following changes:

- Risk Management Policy section 7 (page 72 of Agenda):
- Change heading from 'Procedure' to 'Roles and Responsibilities'.
- Section 7.6 and 7.7 need to align to the Committee Charter.
- Add in 'risk management integrated into planning and operational processes', (under scope).

Committee Resolution

MOVED Cr Margot Smith, Seconded Mr John Gavens

That the Audit & Risk Committee provides feedback on the Risk Management Policy for consideration by the Policy Review Sub-Committee in June.

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: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/517

Appendix:

1. Audit and Risk Committee - Internal Audit Status Report May 2016 (D16/43262)

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. Internal Audit Status Report - May 2016
2. Procure to Pay Control Review Report and
3. Draft FY17 Audit Plan

Recommendation

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

Discussion

- Procure to pay review – report to be provided on 4,500 purchases made outside of delegations for period of 1 July 2015-20 April 2016 and management to determine process to investigate.
- Work around is operating effectively.
- Analytics taking longer than expected, reply by next week.
- Tabled document D16/46596 Surf Coast Shire Council Strategic Internal Audit Plan for the Three Years Ending 30 June 2019. Draft circulated for discussion.
- Internal audit plan – Council to provide feedback on assurance map and to endorse plan before next meeting or 30 June 2016, resolve evidence ASAP.
- Internal Strategic Audit Plan – includes assurance map.
- Assurance map looked at 3 lines of defence.
- Controls to be checked by management.
- Review assurance map and provide feedback to Scott.
- Resolve levels of control with management over next few weeks. Approve out of session.
- Circulate Debra's audit idea for concerns about Councillor interactions/behaviours and adherence to role.

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

That the Audit & Risk Committee receive and notes the Internal Auditors update (Grant Thornton) and provides any feedback on the Draft Strategic Audit Plan to Scott Hartley.

CARRIED 6:0

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

Charter Reference: 9..1.2

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/459

Appendix:

1. Victorian Auditor-Generals Office - VAGO - Audit Strategy - Year Ending 30 June 2016 (D16/29716)

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 from the External Auditors (VAGO) on the audit strategy.

Recommendation

That the Audit & Risk Committee receive and note the External Auditors (VAGO) update.

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the External Auditors (VAGO) update.

CARRIED 6:0

4.3 Performance Audit Reports - External Bodies

Charter Reference: 9.9.3

Author's Title: Coordinator Governance & Procurement

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/515

Appendix:

1. Audit and Risk Committee - May 2016 - Performance Audit Reports - External Bodies (D16/41662)

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 receive and note the various external agency performance audit reports and their implications for Council.

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the various external agency performance audit reports and their implications for Council.

CARRIED 6:0

5. FINANCIAL REPORTS

5.1 Monthly Finance Report March 2016

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

Author's Title: Acting Finance Manager

CEO: Keith Baillie

Department: Finance

File No: F16/145

Division: Office of the CEO

Trim No: IC16/479

Appendix:

- Quarterly Finance Report - March 2016 (D16/43289)

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 nine months ending 31 March 2016. 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	18.59	\$2.32m favourable to Budget
Capital Works expenditure	9.88	\$2.98m favourable to Budget
New Initiatives expenditure	1.14	\$0.70m favourable to Budget
Net Assets & Total Equity	397.16	\$2.32m favourable to Budget
Cash & Cash Equivalents (including financial assets)	32.51	\$3.08m favourable to Budget
Working Capital Ratio	422%	73% favourable to Budget

Recommendation

That the Audit & Risk Committee receive and note the March 2016 Monthly Financial Report.

Discussion

- On track for delivering good financial results.
- Audit Strategy.
- VAGO visited in April 2016.
- John Brockway advised that VAGO provided first cut outcome to him yesterday but not yet reviewed. Importantly all 8 of actions identified last year have been closed out.
- Preparation for upcoming audit carried out.
- Infringement debtors of a concern to Councillors and CEO advised that Business Improvement Manager is looking into this in the Business Improvement Program. 16/17

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the March 2016 Monthly Financial Report.

CARRIED 6:0

5.2 Review of SCS-016 Investment Policy

Charter Reference: 9.4.3

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F16/145

Division: Office of the CEO

Trim No: IC16/391

Appendix:

1. SCS-016 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

To present the SCS-016 Investment Policy for Audit Committee review, as per the 2015/16 Work Plan which lists this for review at least annually. The policy was reviewed by the Finance team in August 2015 and no changes are recommended at this time.

Recommendation

That the Audit & Risk Committee receive and note the SCS-016 Investment Policy and provide any recommendations for amendment.

Discussion

VAGO recommends separation of:

- decision (Tracy McCarthy).
- authorisation (John Brockway).
- reporting (Gabby Spiller).

Committee Resolution

MOVED Mr John Gavens, Seconded Ms Melissa Field

That the Audit & Risk Committee receive and note the SCS-016 Investment Policy.

CARRIED 6:0

5.3 Depreciation of Property, Infrastructure and Plant & Equipment Policy

Charter Reference: 9.4.4

Author's Title: Manager Finance

CEO: Keith Baillie

Department: Finance

File No: F16/145

Division: Office of the CEO

Trim No: IC16/527

Appendix:

1. Depreciation of Property Infrastructure and Plant and Equipment (D16/43021)

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 policy has been out to Audit & Risk members for comment, questions have been answered. The policy is now up for further comment before it is being presented to the Policy Review Sub – Committee in June 2016.

Recommendation

That the Audit & Risk Committee note the draft policy and that it would be forwarded to the Policy Review Sub-Committee in June 2016.

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Debra Russell

That the Audit & Risk Committee note the draft policy and that it would be forwarded to the Policy Review Sub-Committee in June 2016.

CARRIED 6:0

6. OTHER REPORTS

6.1 Gifts & Hospitality Register and Councillor Entitlements, Education and Other Expenses Report

Charter Reference: 9.7.5

Author's Title: Coordinator Governance & Procurement

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/503

Appendix:

1. Gifts & Hospitality Register 2015-16 (D14/118267)
2. Councillor Allowances and Expenses - 1.7.15 to 30.4.16. (D16/40545)

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 present to the Audit and Risk Committee Council's Gifts & Hospitality Register and Councillor Entitlements, Education and Other Expenses Report for the period 30 April 2016.

Recommendation

That the Audit & Risk Committee note Council's Gifts & Hospitality Register and the Councillor Entitlements, Education and Other Expenses Report for the period 1 July 2015 to 30 April 2016.

Discussion

Committee suggested the following changes:

- additional column to be added with regard to the \$500 cumulative amount nearing the five year cap on the Gift Register.
- a short paper from management about controls relating to Councillor costs.

Committee Resolution

MOVED Cr Margot Smith, Seconded Mr John Gavens

That the Audit & Risk Committee note Council's Gifts & Hospitality Register and the Councillor Entitlements, Education and Other Expenses Report for the period 1 July 2015 to 30 April 2016.

CARRIED 6:0

6.2 Gifts & Hospitality and Councillor Entitlements Policy

Charter Reference: 9.7.4

Author's Title: Coordinator Governance & Procurement

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/504

Appendix:

1. SCS-001 Councillor Entitlements (Expenses & Facilities) (D16/27531)
2. SCS-018 Gifts & Hospitality Policy - March 2016 (D16/25939)

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 Audit and Risk Committee with a revised draft Councillor Entitlements (Expenses and Facilities) Policy and the Gifts and Hospitality Policy for feedback.

The Councillor Entitlements Policy provides Councillors with clear guidelines relating to reimbursement of out of pocket expenses and provision of Council owned resources, whilst performing their duties as a Councillor.

The Gifts and Hospitality Policy outlines processes for the acceptance, declaration and allocation of gifts, benefits and hospitality received by Councillors and staff to protect individuals from potential conflicts of interest and ensure that gifts received are properly managed and disclosed.

The policies are presented for comment prior to being reviewed by Council's Policy Review Sub-Committee in June.

Recommendation

That feedback from the Audit and Risk Committee on the draft Councillor Entitlements and Gifts & Hospitality Policies is presented to the Policy Review Sub-Committee for consideration.

Discussion

Committee recommended that section 5.6 (page 171) of Agenda, paragraph 4, Gifts and Hospitality Policy be edited to add wording 'within first 2 years of term'.

Committee Resolution

MOVED Ms Melissa Field, Seconded Cr Margot Smith

That feedback from the Audit and Risk Committee on the draft Councillor Entitlements and Gifts & Hospitality Policies is presented to the Policy Review Sub-Committee for consideration.

CARRIED 6:0

6.3 Compliance Report

Charter Reference: 9.7.3

Author's Title: Coordinator Governance & Procurement

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/400

Appendix:

1. Effectiveness of the Internal Control Framework - Report for the Audit and Risk Committee - May 2016 Meeting (D16/33184)

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 update the Audit and Risk Committee (ARC) on Council's internal control framework in relation to compliance with key legislation, policies and procedures.

Council is required to develop and maintain adequate procedures, systems and guidelines to enable:

- Preparation of accurate Financial Statements and other information
- Timely and reliable external and internal reporting
- Safeguarding of public assets
- Prevention of fraud, errors and other irregularities and
- Compliance with legislation.

The assessment of the framework and related policies, procedures and guidelines has been conducted in accordance with the annual internal audit plan in order to assess effectiveness.

The internal self-assessment has concluded that overall the framework is effective. There are however a number of actions which have been identified where improvements are required and underway.

The results of the internal self-assessment including actions required to further strengthen the framework are attached.

Recommendation

That the Audit & Risk Committee:

1. notes the report on the assessment of the internal control framework; and
2. notes the improvements recommended as a result of the assessment.

Committee Resolution

MOVED Ms Melissa Field, Seconded Cr Margot Smith

That the Audit & Risk Committee:

1. notes the report on the assessment of the internal control framework; and
2. notes the improvements recommended as a result of the assessment.

CARRIED 6:0

6.4 Policy Matrix & Flowchart

Charter Reference: 9.7.4

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/388

Appendix:

1. Policy Review Process Flowchart (D16/30930)
2. Policy Review Matrix for Audit and Risk Committee (D16/29422)

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

At the February 2016 Audit and Risk Committee meeting members identified a list of policies they want to review and requested that Council develops a summary of these with their review dates etc. This information is provided in the attached spreadsheet, along with a flowchart which summarises the review process.

The policy review dates have been incorporated into the draft Committee Work Plan for 2016/17 which forms part of this agenda.

Recommendation

That the Audit & Risk Committee notes the Audit and Risk Policy Review Schedule and process flowchart.

Discussion

Committee was advised that the Audit & Risk Committee Policy Review Schedule would be updated to reflect that SCS-009 Policy Infrastructure Special Rate and Charge Scheme to be reviewed at Policy Review Sub-Committee meeting in 8 September 2016.

Committee Resolution

MOVED Ms Debra Russell, Seconded Mr John Gavens

That the Audit & Risk Committee notes the Audit and Risk Policy Review Schedule and process flowchart.

CARRIED 6:0

6.5 Legislative Update

Charter Reference: 9.7.3

Author's Title: Manager Governance & Risk

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/387

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 a summary of the recent changes to the Local Government Act and Council's response to these.

Legislation	Main Changes Include:	Surf Coast Council's Response
<p>Local Government Amendment (Improved Governance) Act 2015</p> <p><i>Proclaimed 1 March 2016 except for sections 13 and 56 which will come into force on 1 September 2016.</i></p>	<p>Councillor Conduct Provisions - Description of the roles of Councillors, CEO and Mayor included.</p> <p>Requirement to review and adopt an updated councillor code of conduct by 4 July 2016 which Councillors must sign.</p> <p>Having effective enforcement mechanisms in Councillor Codes of Conduct – including mandatory internal resolution procedures.</p> <p>Making it an offence for Councillors to disclose confidential information, and improperly direct or influence council staff.</p> <p>Requirement to appoint a Principal Conduct Officer to assist the Conduct Panel Registrar with conduct panels.</p> <p>Providing more powers to Councillor Conduct Panels.</p> <p>Giving the Minister for Local Government the power to appoint municipal monitors; stand down an individual Councillor prior to a panel or VCAT hearing or direct improvements in governance on the advice of a municipal monitor or Chief Municipal Inspector (CMI).</p> <p>Providing a new role for the Chief Municipal Inspector in investigating allegations of misconduct, serious and gross misconduct by a Councillor.</p> <p>Prohibiting the use of Councillor discretionary or ward funds (from which Councillors can make distributions at their individual discretion) by Councils.</p>	<p>Amendments have been included in the draft Councillor Code of Conduct SCS-002 which is currently being reviewed and scheduled for adoption before 4 July 2016. Council has used the guidelines produced by Local Government Victoria.</p> <p>The General Manager Governance and Infrastructure has been appointed Council's Principal Conduct Officer.</p> <p>Council does not have such funds.</p>

6.5 Legislative Update

Legislation	Main Changes Include:	Surf Coast Council's Response
	<p>Council Election Provisions -</p> <p>Requiring Councils to have an election period (caretaker) policy adopted by 31 March 2016.</p> <p>Making the Victorian Electoral Commission the statutory provider for all council elections.</p> <p>Removing the requirement for an exhibition voters' roll.</p> <p>Preventing a person who is banned from being a company director, from being a candidate at an election or continuing as a councillor.</p> <p>Enabling a returning officer to remove a candidate found to be disqualified, from the ballot paper.</p>	<p>Council adopted its Election Period Policy SCS-023 on 22 March 2016.</p>

Recommendation

That the Audit & Risk Committee note the contents of the Legislative Update report.

Discussion

CEO highlighted that there is new IBAC Legislation and that a report will be provided to the Committee in relation to mandatory reporting.

Committee Resolution

MOVED Ms Melissa Field, Seconded Mr John Gavens

That the Audit & Risk Committee note the contents of the Legislative Update report.

CARRIED 6:0

6.6 Review Council's Fraud and Corruption Policy

Charter Reference: 9.8.3

Author's Title: Coordinator Governance & Procurement

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/507

Appendix:

1. SCS-010 Fraud and Corruption Policy - Draft - March 2016 (D16/30690)

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 provide the Audit and Risk Committee with a revised draft Fraud and Corruption Policy for their comment and feedback.

Council's Fraud and Corruption Policy provides guidance in relation to establishing a culture of proactive control, prevention, detection and response to fraud and corruption risk at Council. The Policy confirms that Council will not tolerate fraudulent behaviour and to ensure that all Councillors and staff have a clear understanding of their responsibilities in regard to fraud control.

The policy is due for review and will be presented to the Policy Review Sub-Committee in June.

Recommendation

That the Audit & Risk Committee provide the comment and feedback on the revised draft Fraud and Corruption Policy for the Policy Review Sub-Committee.

Discussion

Committee recommended to include a sentence that where the matter is a protected disclosure, the protected disclosure policy applies.

Committee Resolution

MOVED Cr Margot Smith, Seconded Ms Debra Russell

That the Audit & Risk Committee provide the comment and feedback on the revised draft Fraud and Corruption Policy for the Policy Review Sub-Committee.

CARRIED 6:0

7. ADMINISTRATIVE MATTERS

7.1 Committee Work Plan 2016-2017

Charter Reference: 9.10.4

Author's Title: Coordinator Governance & Procurement

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/396

Appendix:

1. Audit and Risk Committee Work Plan 2016-2017 -Draft Version May 2016 (D16/40654)

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

Draft Audit and Risk Committee's Work Plan for 2016/17 is being provided for consideration and adoption.

Recommendation

That the Audit & Risk Committee adopts the Audit and Risk Committee Work Plan for 2016-2017.

Discussion

It was noted that the Audit Committee Work Plan 2016-2017 item 9.2.1 'To make recommendations to the Council on the appointment and remuneration of internal auditor' to be scheduled for February 2017 ARC meeting.

Committee Resolution

MOVED Ms Melissa Field, Seconded Cr Margot Smith

That the Audit & Risk Committee adopts the Audit and Risk Committee Work Plan for 2016-2017.

CARRIED 6:0

7.2 Next Meeting & Proposed Agenda Outline

Charter Reference: 9.10.4

Author's Title: Team Leader Governance

General Manager: Anne Howard

Department: Governance & Risk

File No: F16/145

Division: Governance & Infrastructure

Trim No: IC16/381

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 **Thursday, 8 September 2016 from 9:00 – 11:30am.**

The proposed Agenda outline for this meeting is as follows:

Audit Committee Members-Only Session with VAGO

- **Chief Executive Officer's update**
- **Outstanding Issues & Actions**
- **Business Improvement update**
- **Financial Reports**
 - Monthly Finance Report
 - Review Accounting Principles, Policies and Practices
 - Review Annual Financial Statements
 - Local Government Annual Performance Reporting Framework (LGPRF) results
- **Risk Management**
 - Enterprise Risk Management Report
 - Review of Business Continuity Procedure
 - WHS and Program Management Report
- **Audit Reports**
 - Internal Auditors Update (Grant Thornton)
 - Review Strategic Annual Internal Audit Plan
 - External Audit Update (VAGO)
 - Performance Audit Reports – External Bodies
 - Consider Independence of External Auditor
- **Other Reports**
 - Capital Works Community Engagement Policy
 - Review Infrastructure Asset Management Policy
 - Review Management's Fraud Prevention Strategies and Programs
 - Evaluation of Audit and Risk Committee's performance (including management views)
 - Review of Committee Annual Report to Council.
- **Administrative Matters**
 - Next Meeting Date & Proposed Agenda

Recommendation

That the Audit & Risk Committee note the proposed agenda outline for the next meeting to be held on Thursday, 8 September 2016 from 9.00 – 11.30am.

Discussion

Committee recommended:

- a. Remove item 5 from Agenda Outline 'Consider Independence of External Auditor under Audit Reports'.
- b. Include policy SCS 009 - Structure Special Rate Charge.

Committee Resolution

MOVED Mr John Gavens, Seconded Cr Margot Smith

That the Audit & Risk Committee note the proposed agenda outline for the next meeting to be held on Thursday, 8 September 2016 from 9:00 – 11:30am.

CARRIED 6:0

Close: There being no further items of business the meeting closed at 11:15am