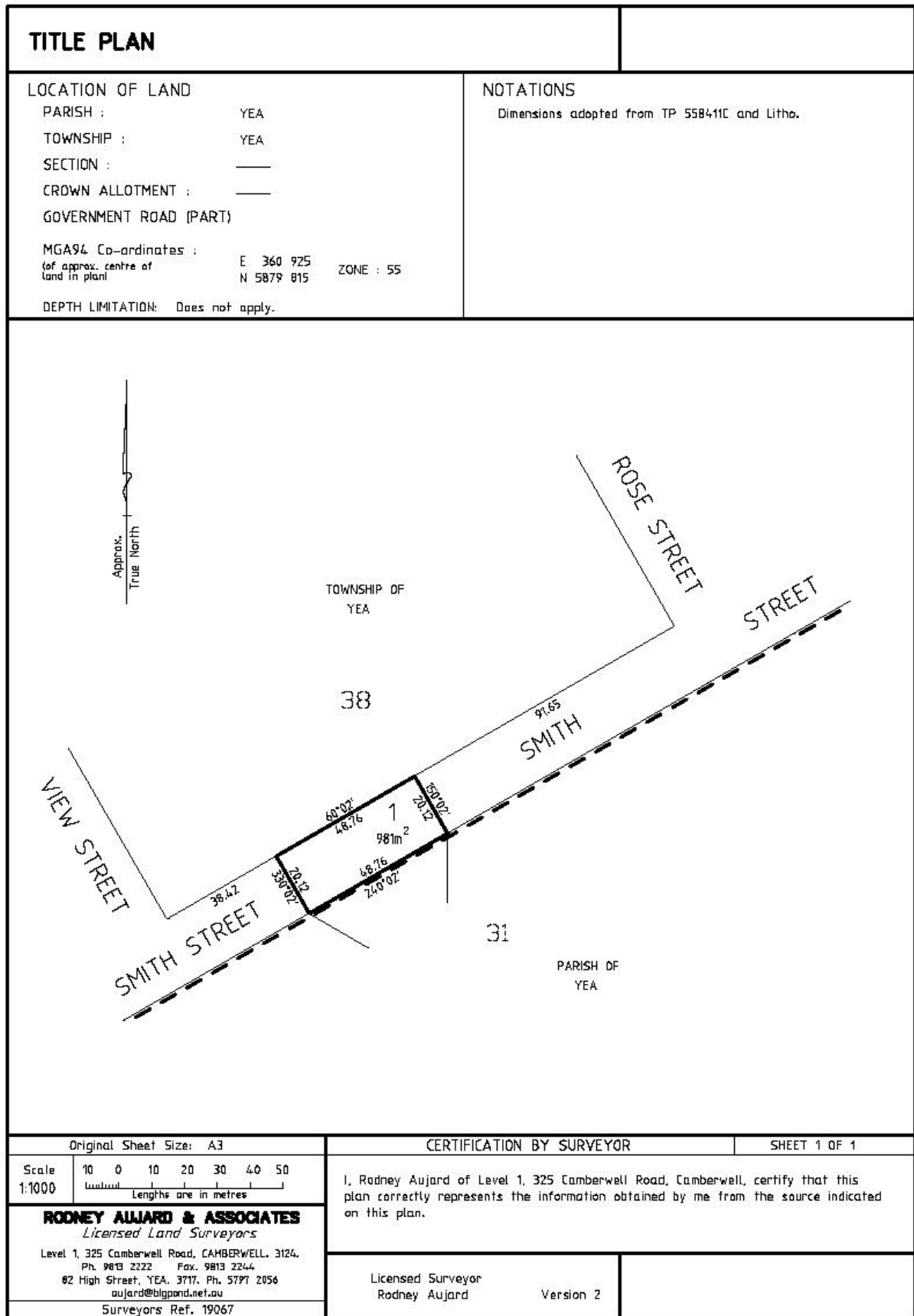


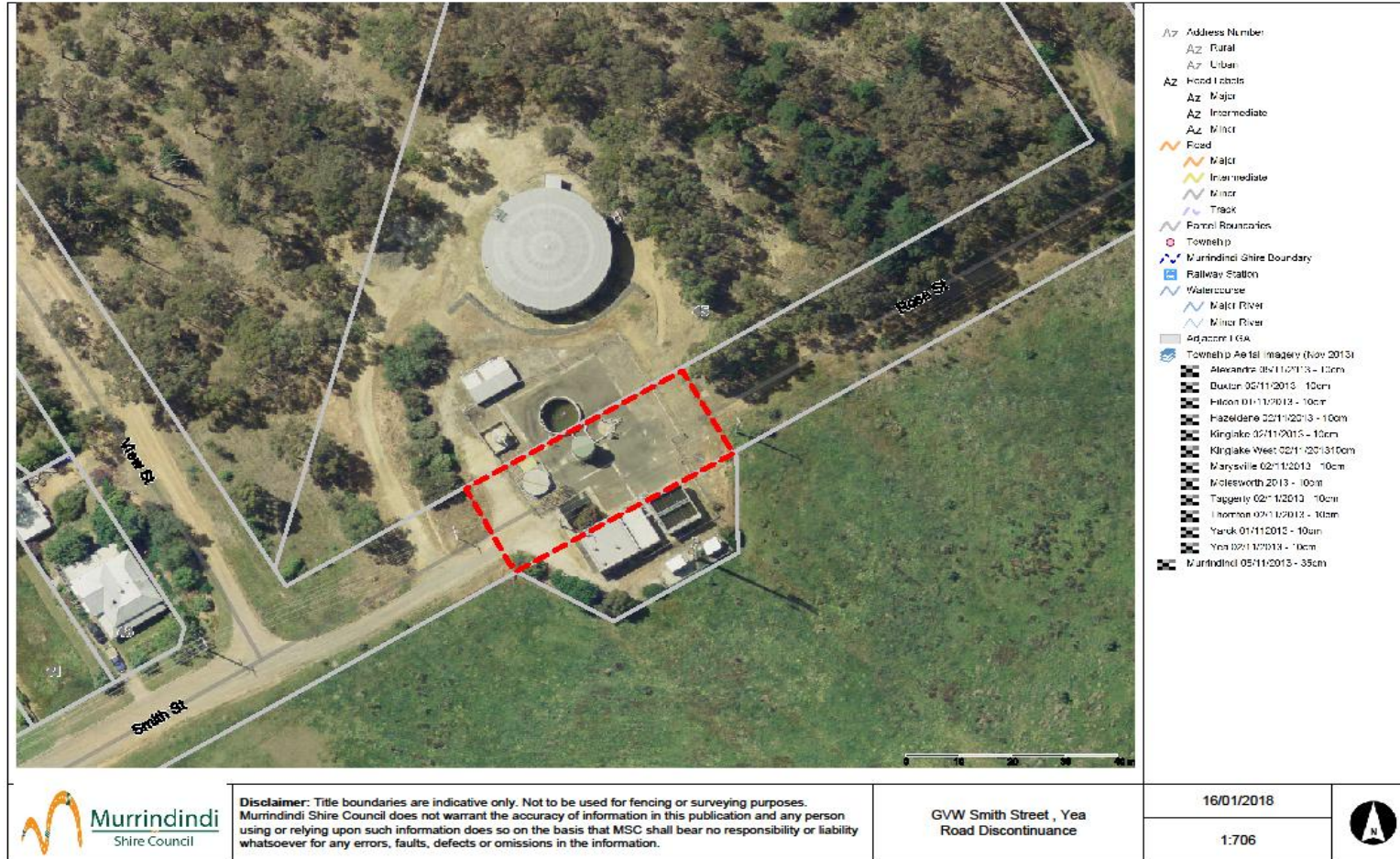
**Community Grant Applications Summary
Round 2 – October to February 2018**

No	Org/Club	Project Name/Brief Description	Grant Type	Project Value	Grant amount Requested	Previous Grant?	Grant amount recommended	Comments
1	Yea Bowling Club	Yea Bowls Club Winter 'Skins' Open Tournament	Community Grant	\$ 6,150	\$ 1,500	No	\$1,000	The Yea Bowling Club has sought funding of \$1,500 to develop and run a new off season tournament to further promote the sport and the club and attract new membership and greater use of the community asset. The Panel recommended that the application be supported to the value of \$1,000 to support catering and services costs of running the event rather than prize money.
2	Firefoxes Australia	Murrindindi Women's Forum	Community Grant	\$11,150	\$5,000	No	\$2,500	Firefoxes Australia sought funding of \$5,000 to run a Murrindindi Women's Forum in Yea to bring women across the Shire together and strengthen connections. The application sought support to cover the costs of facility and community bus hire in addition to supporting the costs of the event. The Panel recommended that the application be supported to the value of \$2,500 to support the costs of the event, additionally the panel recommended that the facility and community bus hire be waived (a value of \$962).
3	Sacred Heart Yea	Parent and community engagement	Community Grant	\$7,673.40	\$4,200	No	\$2,500	Sacred Heart Primary School sought funding of \$4,200 to undertake training and strategic engagement planning to strengthen collaboration between the school, parents and the broader community. The application sought funding to support the delivery of community engagement training for teachers and parents. The Panel expressed that teacher professional development is a responsibility of the Catholic Education Office but were happy to support the parent education component of the application. The Panel recommended that the application be supported to the value of \$2,500.
4	Yea Pottery Studio Inc.	Purchase of 3 Phase Electric Kiln with Automatic Controller	Community Grant	\$10,656	\$3,500	No	\$3,500	The Yea Pottery Studio sought funding of \$3,500 to upgrade their equipment, enabling on site firing of works completed by community members attending the Studio. The Panel recommended that the application be supported in full, contingent on the kiln being made available (at a suitable fee) to schools and other community groups.
5	Alexandra Primary School Arts Committee (APSAC)	The Bakers Lane Beasties	Community Grant	\$9,640	\$4,800	No	\$0 – application held to further grant round	The Alexandra Primary School, in conjunction with More Murals sought funding of \$4,800 to undertake workshops and an art/mural installation in Bakers Lane, Alexandra to celebrate and create awareness of the natural environment and endangered species. The Panel recommended that the application be held over to the next round of community grants pending further information and discussion regarding arrangements for the ongoing maintenance and renewal of the mural and to ensure the appropriate permissions were in place with relevant owners, tenants and other traders in Bakers Lane.

Title Plan



Aerial Photograph

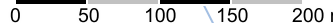
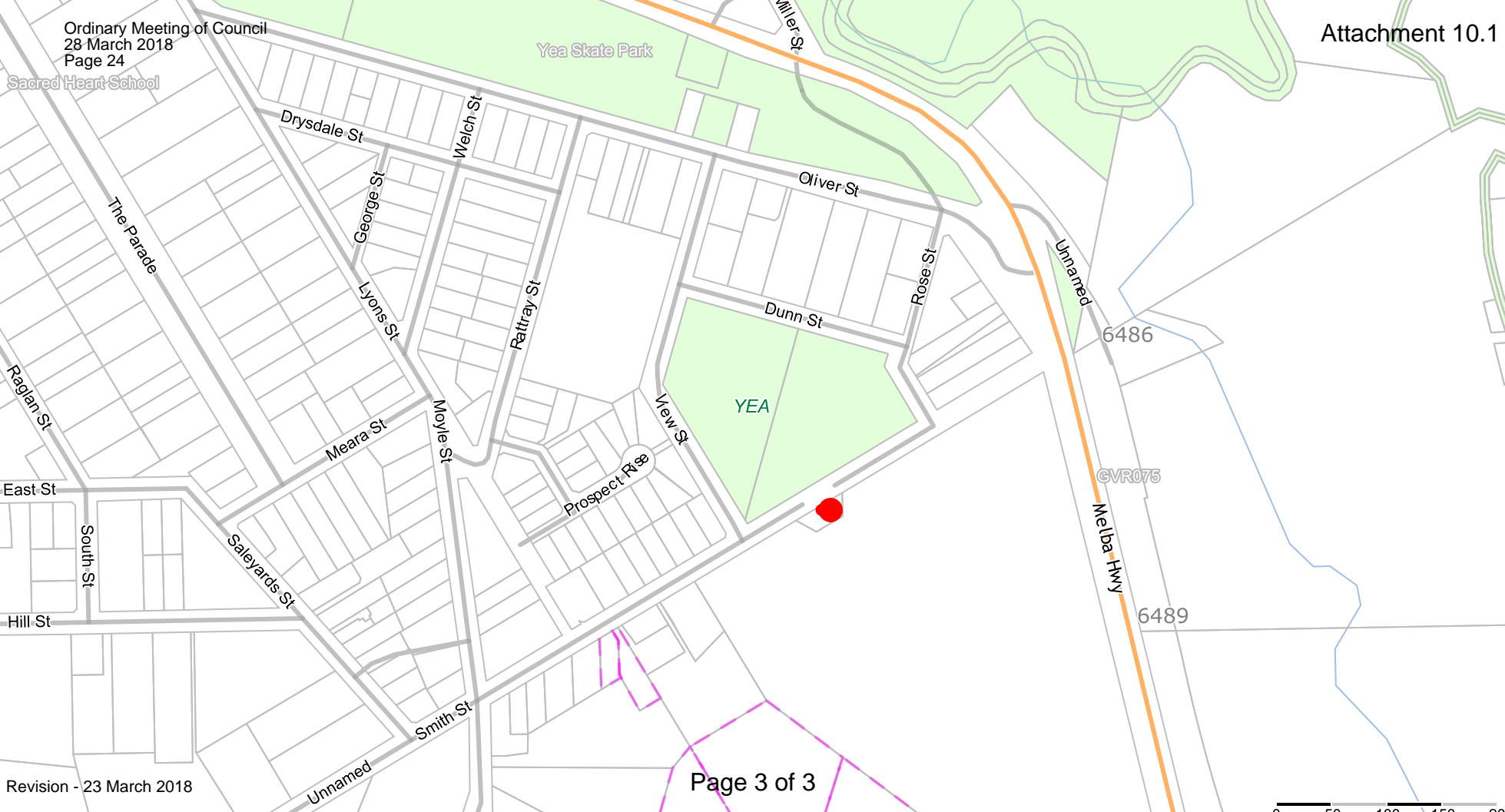


Ordinary Meeting of Council
28 March 2018
Page 24

Sacred Heart School

Yea Skate Park

YEA





|||||
Maddocks

S11A. Instrument of Appointment and Authorisation (Planning and Environment Act 1987)

Murrindindi Shire Council

**Instrument of Appointment and Authorisation
(*Planning and Environment Act 1987* only)**



Instrument of Appointment and Authorisation (Planning and Environment Act 1987)

In this instrument "officer" means -

- “CEMLL” means Coordinator Emergency Management & Local Laws – Chris Price
- “CLL” means Coordinator Local Laws – Andrew Daly
- “CSP” means Coordinator Statutory Planning – Karen Girvan
- “GMIDS” means General Manager Infrastructure and Development Services – Stuart McConnell
- “LLO” means Local Laws Officer – Casey Southurst, Natalie Stewart, Ian Collier
- “MDS” means Manager Development Services – Shivaun Brown
- “POS” means Senior Planning Officer – Doug Fotheringham
- “PTO” means Planning Technical Officer – Nicole Maguire
- “SPO” means Statutory Planning Officer – Clara Gartland

By this instrument of appointment and authorisation Murrindindi Shire Council -

1. under section 147(4) of the *Planning and Environment Act 1987* - appoints the officers to be authorised officers for the purposes of the *Planning and Environment Act 1987* and the regulations made under that Act; and

[GMIDS, MDS, CEMLL, CLL, CSP, LLO, POS, PTO, SPO]

2. under section 232 of the *Local Government Act 1989* authorises the officers generally to institute proceedings for offences against the Acts and regulations described in this instrument.

[GMIDS, MDS, CSP, POS]

It is declared that this instrument -

- (a) comes into force immediately upon its execution;
- (b) remains in force until varied or revoked.

This instrument is authorised by a resolution of the Murrindindi Shire Council on

DATED this day of 2018

THE COMMON SEAL OF THE MURRINDINDI)
SHIRE COUNCIL was hereunto affixed in the)
presence of:)

Chief Executive Officer

Councillor



MINUTES
of the
AUDIT ADVISORY COMMITTEE MEETING
held on
THURSDAY 8 MARCH 2018
in the
ALEXANDRA OFFICE – MAIN MEETING ROOM
commencing at
3.01 pm

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1. PRESENT/APOLOGIES

Present:

- Michele Sheward
- Ian McKaskill
- Richard Rogerson
- Cr Charlotte Bisset
- Cr Leigh Dunscombe
- Cr Sandice McAulay

In attendance:

- Craig Lloyd, Interim Chief Executive Officer
- Michael Chesworth, General Manager Corporate and Community Services
- Stuart McConnell, General Manager Infrastructure and Development Services
- Andrew Bond, Manager Business Services
- John Gavens, Partner, Crowe Horwath
- Audrey Kyval, Governance Officer

2. DECLARATIONS OF INTEREST

Nil

3. CONFIRMATION OF MINUTES

3.1 Minutes of the Audit Advisory Committee Meeting held on 14 December 2017.

Officer Recommendation

That the Minutes of the Audit Advisory Committee Meeting held on 14 December 2017 be confirmed.

RESOLUTION:

I McKaskill / R Rogerson

That the Minutes of the Audit Advisory Committee Meeting held on 14 December 2017 be confirmed.

CARRIED

4. REVIEW ANY BUSINESS ARISING FROM PREVIOUS MINUTES

Nil

5. RISK MANAGEMENT

5.1 REVIEW RISK REGISTER (SUMMARY OF CHANGES)

Attachment(s): *Strategic Risk Register – Summary Report (refer Attachment 5.1)*

Purpose

To provide an update on Council's Strategic Risk Register.

Officer Recommendation

That the Strategic Risk Register be noted.

Background

The purpose of Council's Enterprise Risk Management Policy (ERM Policy), which was adopted in June 2016, is to promote an integrated approach to risk management across Council so that the risks affecting the achievement of Council's objectives are identified, assessed and treated to an acceptable level.

The Enterprise Risk Management Committee (ERMC) is responsible for overseeing Council's strategic risks and reporting to the Executive Team, Audit Advisory Committee (Committee) and Council, as outlined in the ERM Policy. The ERMC meets monthly to review Council's Strategic Risk Register and consider new and emerging risks.

Discussion

Council's strategic risk register report (attached) provides more detailed information on the above risks, existing controls and planned treatments. The Committee will be provided with an update on changes that have been made to the register since the last meeting.

One emerging risk has been recently identified as follows:

- market changes may undermine Council's ability to deliver waste services leading to budget impacts, increased landfill pressure and reduced community support for recycling.

This issue relates to current significant global change in the waste and recycling industry which has attracted considerable media coverage and generated community concern in recent weeks. A significant number of councils in Victoria have been advised by their contractor receiving recyclables that either the service will be ceased or that the price for the service will increase. This has been triggered by changes in the recyclables that will be accepted for processing by China; a major destination for recyclables from Victoria. The current situation also reflects the limitations in local processing and recycling capacity.

The Victorian Government has announced a \$13 million assistance package to be shared between all Victorian councils that will assist in addressing some of the financial impacts being experienced up to 30 June 2018. The Victorian Government have advised that after this time councils need to fully budget for these impacts.

Council has a contract with Visy for receipt of our recyclables and this currently includes a rebate of approximately \$60/tonne on the recyclables. Council has yet to be approached by Visy in relation to a change to the contract (and Visy are continuing to provide the service) although industry advice suggests Visy will seek to renegotiate the contract from a ~\$60/tonne rebate to a \$60/tonne gate fee.

This issue presents a strategic risk in that the best case outcome is likely to be a budget impact in the range of \$200,000/year or a worst case outcome (following collapse of the recycling sector) would be that Council is unable to provide recycling services including kerbside recycling.

In addition to the new risk identified, one existing risk has been re-classed to 'high' risk status from 'medium' risk:

- if Councils OH&S management outcomes are unsatisfactory, because of governance and organisational capability issues and/or the inadequacy of existing policies, guidelines and templates, the consequences could include injury to staff, council contractors and community members, lack of reporting of incidents/near misses, internal and external investigations, fines, legal disputes, loss of confidence and reputation.

This risk was re-assessed for two reasons; firstly, recent OHS audits undertaken within parts of Council's operations has highlighted weaknesses in aspects of Council's OHS systems, knowledge and procedures that need to be addressed by management.

Secondly, Council has recently commenced its involvement in the Municipal Association of Victoria (MAV) Self-insurance Scheme, which involves a requirement to comply with the National OHS Audit Tool (ie. national best practice) within three years. Feedback from councils participating in a pilot program for the above Scheme indicated that when externally audited against the Tool, councils were generally less compliant than they had anticipated from their own self-assessments.

This has prompted a reassessment of the level of uncertainty and therefore risk and this is reflected in an escalation of the risk level. This is a current focus across Council's leadership team.

Relevant Legislation

Under the Local Government Performance Reporting Framework, Council has a requirement to report on an annual basis whether it has considered six monthly reports on strategic risks concerning the Council's operations, including their likelihood and consequences of occurring and risk minimisation strategies.

RESOLUTION:

I McKaskill / R Rogerson

That the Strategic Risk Register be noted.

CARRIED

The Committee would like to know the expiry date of Visy contract.

5.2 REVIEW INVESTMENT AND BORROWING POLICIES

5.2.1 INVESTMENT POLICY

Attachment(s): *Draft Investment Policy (refer Attachment 5.2.1)*

Purpose

The purpose of this report is to inform the Audit Advisory Committee of the requirement for the review of its adopted Investment Policy, to ensure that Council's investments are well managed, and in accordance with its legislative responsibilities.

Officer Recommendation

That the Audit Advisory Committee note the revised draft Investment Policy.

Background

Council's Investment Policy (Policy) is an organisational policy that provides the context and framework for the management of Council's financial investments. This Policy was adopted in 2014 and is now due for review in consideration of the 2017-2021 Council Plan.

Discussion

The draft Policy has been reviewed to reflect the 2017-2021 Council Plan, as well as considering Council's current financial position.

The most significant proposed change to the current Policy regards the delegation of investment decisions above \$500,000. As pricing received from financial institutions are only valid for the day that they are generated, Council needs to be able to promptly review and decide on the investment options that are available. As such it is proposed that the decision making for investments of this scale be shared between the Chief Executive Officer and General Manager Corporate & Community Services, based upon any recommendations and research undertaken by the Manager Business Services or Financial Accountant.

Relevant Legislation

There are no specific provisions within the *Local Government Act 1989* that relate to investment, although section 136 details the principles of sound financial management that Council must adhere to, which include the management of risk and ensuring that decisions are made having regard to their financial effects on future generations.

Community and Stakeholder Consultation

This Policy was developed in consultation with Council's Audit Advisory Committee, to ensure that this Policy provided clear direction to Council officers regarding investment obligations and responsibilities.

RESOLUTION:

R/Rogerson / I McKaskill

That the Audit Advisory Committee proposes revisions to the draft Investment Policy and that it be returned to the Committee for consideration at its May meeting.

CARRIED

The Committee made the following suggestions:

- legislative restrictions with investment to be mentioned near the beginning of the Policy
- counter party and credit rating to be included
- segregation of investments to be clearer
- provide a statement to terms/returns
- look at other councils Investment Policies
- the wording within the agenda report is clearer than the same details in the Policy.

5.2.2 BORROWING POLICY

Attachment(s): *Draft Borrowings Policy (refer Attachment 5.2.2)*

Purpose

The purpose of this report is to inform the Audit Advisory Committee of the requirement for the review of its adopted Borrowings Policy (Policy), to ensure that Council's borrowings are well

managed, and in accordance with its legislative responsibilities.

Officer Recommendation

That the Audit Advisory Committee confirms that the Borrowings Policy is to be submitted for adoption at the Ordinary Council Meeting on 24 April 2018.

Background

Council's borrowings strategy is currently directed through the development of the annual Strategic Resource Plan and Budget process. Following a request from Council's Audit Advisory Committee in 2014 a specific policy was developed for Council approval to ensure that Council's borrowings are appropriately managed.

Discussion

The draft Policy has been developed in accordance with recommendations from the Audit Advisory Committee, guidelines provided from the Municipal Association of Victoria (MAV) and in reference to other Councils that have an adopted Borrowings Policy.

Although there is not a statutory requirement for Council to have a Borrowings Policy, and given that Council is taking a view of being debt free during the life of the current Strategic Resource Plan, it is recognised as best practice to maintain a Borrowings Policy should the need arise where Council does need to access funds via debt.

The only significant change to the previous iteration of this Policy, is the inclusion of the requirement that all of Council's borrowings are undertaken in Australian dollars, thus ensuring that Council does not have any exposure to foreign exchange risk relating to its debt.

This Policy will provide Council officers with better direction regarding Council's requirements for borrowings as well as provide a greater level of oversight for the way should Council procure any debt.

Relevant Legislation

The *Local Government Act 1989* (the *Act*) provides Councils the power to borrow.

Section 144(1) of the *Act* states: 'Subject to the principles of sound financial management, a Council may borrow money to enable the Council to perform the functions and exercise the power conferred on the Council under this *Act* or any other *Act*.'

Sections 145 to 149 of the *Act* further specify the circumstances in which the power to borrow may be exercised, securities to be used for Local Government borrowings, and how the borrowings should be disclosed.

Financial Implications and Risk

Council's borrowing strategy has historically acknowledged that a prudent level of debt will not exceed \$500,000 in new borrowings per annum over the next 10 years. The draft budget for 2018/19 will propose that Council discontinue borrowing any further funds due to its strong financial position and considerable cash holdings. This will result in Council's overall debt level being extinguished during the life of the current Strategic Resource Plan.

Community and Stakeholder Consultation

This Policy was developed in consultation with Council's Audit Advisory Committee, to ensure that this Policy provided clear direction to Council officers regarding borrowing obligations and responsibilities, and to ensure compliance with Council's legislative obligations.

Proposed Action

The updated Policy will be presented to Council's Ordinary Meeting scheduled on 24 April 2018 for endorsement.

Conclusion

The introduction of this Policy will support Council's borrowing compliance with the sections 144-149 of the *Local Government Act 1989*, as well as provide Council officers with clear direction regarding their obligations when managing borrowings on behalf of Council.

RESOLUTION:

Cr S McAulay /Cr L Dunscombe

That the Audit Advisory Committee confirms that the Borrowings Policy is to be submitted for adoption at the Ordinary Council Meeting on 24 April 2018.

CARRIED

The Committee advised that a reference to the prior Council Plan needs to be amended and to highlight that this is a revised Policy.

5.3 REVIEW PROTECTED DISCLOSURE ARRANGEMENTS AND REPORTS (EX WHISTLEBLOWER)

Attachment(s): *Protected Disclosure Policy 2017 (refer attachment 5.3a)*
 Protected Disclosure Internal Processes (refer attachment 5.3b)

Purpose

The purpose of this report is to advise the Audit Advisory Committee on Council's Protected Disclosure Policy and Arrangements.

Officer Recommendation

That the report be noted.

Report

In accordance with the *Protected Disclosure Act 2012*, Council adopted a Protected Disclosure Policy (Policy) in 2013 and developed associated procedures to:

- encourage and facilitate disclosures of improper conduct or detrimental action
- enable the receipt and effective management of information relating to a Councillor or a Council officer or agent engaging in improper conduct or detrimental action
- ensure effective processes are in place to support people who have made protected disclosures, those who maybe the subject of a protected disclosure and those who may be witness to an investigation.

The Policy was last reviewed and updated by Council in January 2017 (refer *Attachment 5.3a*) to incorporate recent legislative changes, which included expanded definitions of corrupt conduct and reference to the Chief Executive Officer's (CEO) mandatory reporting to Independent Broad-based Anti-Corruption Commission (IBAC) of suspected corrupt conduct. There have been no further legislative changes since then.

During 2017 the procedures for Protected Disclosure were revised to incorporate the above Policy changes (refer *Attachment 5.3b*), which outline the roles of Council's designated Protected Disclosure Council officers and the definition of corrupt conduct and detrimental action and the processes for receiving, assessing and notification of disclosures.

The Policy and procedures are available to all employees via Council's Intranet and all new employees receive a briefing on the procedures as part of their induction activities.

The Policy and a summary of the procedures are also made available to the general public via Council's website.

A register has been established for recording protected disclosures.

During 2017 an allegation was reported to the Protected Disclosure Coordinator and was referred to IBAC for consideration as a protected disclosure, however it was deemed by IBAC not to be sufficiently serious to trigger the requirement for treatment as a protected disclosure. The allegation was subsequently investigated internally and found to be unsubstantiated.

To date there have been no Protected Disclosures reported to Council.

Council's Protected Disclosure Coordinator (General Manager Corporate and Community Services) and Protected Disclosure Officer (Coordinator Human Resources) have received regular refresher training undertaken periodically by IBAC on the legislative requirements and handling of protected disclosures.

Work is progressing on implementing the recommendations from the internal audit on Fraud Management, which is scheduled to be finalised during the first half of 2018. Following this it is proposed to conduct employee refresher training on Fraud Management and Protected Disclosure procedures.

Conclusion

Council has met its statutory obligations with respect to establishing and providing employees and public access to the Policy and procedures associated with the reporting of protected disclosures.

RESOLUTION:

**I McKaskill / R Rogerson
That the report be noted.**

CARRIED

5.4 CEO'S REPORT INTO LEGAL AND POLICY COMPLIANCE

Attachment(s): *Chief Executive's Questionnaire (refer attachment 5.4)*

There is no CEO report for this meeting. The new Interim CEO, Craig Lloyd, commenced with Council on 8 January 2018 and has been fully occupied gaining insight into the local communities of the Shire, and Council's strategic priorities and resource capability. Craig will provide a brief verbal introduction on his background at the meeting and provide a brief overview of his experience and observations to date at Murrindindi Shire Council. Craig proposes to review the format and structure of the CEO report for future meetings.

Declaration of Legal compliance by the CEO

The declaration of legal compliance for 2017-2018 is included as an attachment to this report.

Noted.

5.5 PUBLICATIONS OF INTEREST

Attachment(s): *Internal Audit – Publications of Interest (refer attachment 5.5)*

This report was tabled at the meeting and presented by Crowe Horwath.

Noted.

One touch payroll to be investigated and presented at the next Committee meeting. This matter should to be included in the risk management.

6. AUDITS – INTERNAL

6.1 REVIEW INTERNAL AUDIT REPORTS AND MANAGEMENT RESPONSES

Nil to report.

6.2 FOLLOW UP SIGNIFICANT ISSUES RAISED BY INTERNAL AUDIT

Nil to report.

6.3 REVIEW IMPLEMENTATION OF PREVIOUS AUDIT ACTIONS

Attachment(s): *Internal Audit – (refer attachment 6.3)*

This report was tabled at the meeting and presented by Crowe Horwath.

Noted.

6.4 REVIEW SCOPES OF AUDITS BY CROWE HORWATH

6.4.1 CONTRACT MANAGEMENT REVIEW

Attachment(s): *Internal Audit – MSC Contract Mgt Scope draft V2.1 (refer attachment 6.4.1)*

This report was tabled at the meeting and presented by Crowe Horwath.

Noted.

The Committee made the following suggestions:

- include compliance management
- the CEO, Craig Lloyd, to be included in the key personnel
- look at establishing a Fee Waiver Policy.

6.4.2 KERBSIDE WASTE HANDLING – GENERAL AND RECYCLING

Attachment(s): *Internal Audit – MSC Kerbside Waste Mgt draft Scope v1.1 (refer attachment 6.4.2)*

This report was tabled at the meeting and presented by Crowe Horwath.

Noted.

6.4.3 LOCAL LAW ENFORCEMENT REVIEW

Attachment(s): *Internal Audit – MSC Local Laws Enforcement draft Scope v2.1 (refer attachment 6.4.3)*

This report was tabled at the meeting and presented by Crowe Horwath.

Noted.

7. FINANCIAL REPORT

7.1 REVIEW SIGNIFICANT ACCOUNTING AND REPORTING ISSUES

Nil to report.

7.2 REVIEW QUARTERLY FINANCIAL STATEMENTS

QUARTERLY FINANCIAL REPORT TO 31 DECEMBER 2017

Attachment(s): *2nd Qtr Financial Report (refer Attachment 7.2)*

Purpose

The report provides the quarterly financial report for the period ending 31 December 2017 that was received by Council at the February 2018 Ordinary Meeting of Council.

Officer Recommendation

That the Audit Advisory Committee notes the Quarterly Financial Report to 31 December 2017.

Discussion

Annual Council Budget

The draft quarterly financial statements that are attached to this report detail Council's financial position as of 31 December 2017 and provide a record of all financial activity that occurred in the first six months of the 2017/18 financial year. It should be noted that this report continues from the first quarter report that recognised and adjusted for the financial impact of all items carried forward from the 2016/17 financial year. This includes items that were budgeted to occur in the 2016/17 financial year that were incomplete or not achieved prior to 30 June 2017, as well as the impact of items that were initially budgeted to occur from 1 July 2017 onwards, that were required to be recognised in last year's financial statements for accounting purposes. Details of these adjustments were tabled at the 25 October 2017 Ordinary Meeting of Council.

Quarterly Financial Report to 31 December 2017

The table below is a reconciliation between Council's Revised Budget presented in the first quarter report and the December Revised Budget figures within the enclosed Statements, which include the carry forward of unexpended projects from 2016/17.

Table 1 – Reconciliation of Budget Adjustments:

	2017/2018	2017/2018
	Operating Result	Capital Works
	Surplus / (Deficit)	Budget
September Revised Budget 2017/2018 - with carry forwards (Deficit)	(2,664,266)	(10,885,981)
Bushfire Memorials Construction - - \$142,528 Cont & Donations + \$38K from Reserve	133,142	(171,142)
Marysville Tourism & Arts Centre - funding \$126,530 VBAF & \$391,960 Bendigo Bank	518,490	(518,490)
Prime Mover - Waste Services - Cl. Minute 27/9/2017 - from Waste Reserve		(225,046)
Passenger Vehicles - deferred, adjusted actual & inclusion CEO Vehicle		9,610
Mobile Library - Prime Mover (insurance \$43,273 - rec'd June 2016)		(43,273)
Mobile Library - Rejuvenation Project - GR863	40,800	(40,800)
Library Generators - Living Libraries Program - return unexpended grant	(24,603)	24,603
Yea Caravan Park - electrical works		(29,499)
3245 Pools Operations to 3648 Pools Equipment	6,000	(6,000)
Savings - Eildon Boat Ramp - works completed by GM Water		28,000
Works deferred in 2017/18 - carried forward into 2018/19 Budget	423,978	1,566,679
Grants Capital - deferred works - c/fwd Yea Railway Playground, Alex Tennis & Yea Children's Centre	(305,500)	
Operating Grants Carried Forward - Doing Business Better	(121,090)	
Rate Revenue - 1% growth target reduced to 0.75% (achieved 0.5% in 2016/17)	(40,000)	
Special Charge Schemes - deferred until 2018/19 - timing	(87,000)	
Statutory Fees & Fines - Planning \$100K, Building \$20K Septic \$10K & Elections \$11K.	141,082	
User Fees - Aged & Disability \$242K, Waste Landfill \$76K, Leisure Centre \$12K & Shire Halls \$4K.	334,829	
Grants Operating - FDC \$121K, Streaming Growth \$50K, Playgroups \$41K, Meals \$31K plus minor.	269,930	
Contributions - Non Monetary - Gifted Art Works	10,000	
Reimbursements - \$18K Mansfield Building Surveyor / \$4K Roadside Weed contributions	22,229	
Other Revenue - Interest \$50K , Rental (Kinglake RAC) \$55K & Other - Scrap Steel \$9K	114,338	
NET Favourable adjustment Employee Benefits & Materials and Services	80,864	
reallocation \$425K - Business Grants, Events & Tourism - Priority Action Plan	(425,000)	
Depreciation Adjustment - forecast - all categories - includes Landfill amortisation	(432,912)	
Other Expenses - Councillor / Mayoral Allowances	(7,232)	
Finance Costs - no draw down of Loan 2017/18	4,178	
Gain / Loss on Disposal - Land Sales deferred to 2018/19 - including write out of carry values	55,054	
Write Out - Building Assets Disposed - Yea Caravan Park - carrying value	(147,000)	
December Revised Budget 2017/2018 - with all adjustments (Deficit)	(2,099,689)	(10,291,339)

As previously reported to the Committee and Council, the original budget operating deficit has been impacted by carry forward adjustments as detailed as part of the September 2017 Budget Review projecting a \$2.66 million operating deficit for 2017/18. With revised grant funding, increased income generation through user fees and operating grants, together with a revision of all operating and capital expenditure for the expected year end 30 June 2018 results, Council's Revised Budget for 2017/18 is now forecasting an operating deficit of \$2.09 million.

It should again be noted that the bulk of the operating deficit results from the advance payment of the 2017/18 Victorian Grants Commission (VGC) funding of \$2,224,000 that was unexpectedly received in the last week of June 2017 and not in the 2017/18 year. Several other grant funded projects either advanced or not completed at year end improved the overall 30 June 2017 operating result and increased the levels of cash held by Council. These project budgets will be expended during 2017/18.

The Annual Revised Budget for 30 June 2018 incorporates all adjustments detailed above and included in the attached financial statements.

Balance Sheet (Statement B)

The Balance Sheet – Statement B as at 31 December 2017 shows minimal year to date variance with Cash and Cash Equivalents favourable variance of \$427,000 directly related to the year to date operating result variance as presented within the Income Statement.

Trade and Other receivables year to date show minimal variance and are on track with initial budget projections. Council's debt position has been adjusted to reflect the decision not to borrow an additional \$500,000 in 2017/18, which gives a revised balance as at 30 June 2018 in interest bearing borrowings of \$986,865.

Cash Flow Statement (Statement C)

This statement provides a more holistic picture and reports the important information on Council's cash inflows and outflows. Net cash flow from operating activities in the Cash Flow Statement (a cash view of the operating statement) shows an increase of \$2 million when compared to the first quarter reports. The bulk of this adjustment is in revised projections for payments to suppliers and employees, as well as an improved projection in revenue collected from user charges, fines and contributions. Net cash used in investing activities (Capital Works) shows an overall decrease of \$0.13 million and net cash used in financing activities (mainly Trust and Deposits shows the adjustment of (\$500,000) proceeds from borrowings.

The overall result with the inclusion of the additional cash of \$5.17 million held at 30 June 2017 as detailed in the First Quarter report is reflected in the Balance Sheet with the Revised Budget for 2017/18 projecting an increase in cash of \$1.69 million when compared to the First Quarter report.

Non Discretionary Cash and Council Reserves (Statement E)

Included as part of this report is an additional reconciliation detailing Council's Non Discretionary Cash Flow requirements. This reconciliation lists all Council reserves together with funds held as Deposits or Trust which are required to be refunded, and an allowance for the provision of employee entitlements. The employee entitlement provision includes a nominal amount of 25% of Council's Annual Leave Liability and 25% of the Long Service Leave Liability as of 30 June 2017. An allowance of \$1.41 million has also been recognised as funding for the operational and capital carry forward adjustments. These funds have been included in the increase in projected cash held as at 30 June 2018.

Councillor Expenses (GST Exclusive):

As agreed in the new Councillor Reimbursement Policy that was adopted by Council at its February 2017 Ordinary Meeting, the following table details Councillor expenses for the six month period ending 31 December 2017.

Table 2:

Councillor	Councillor Allowance	Mobile Phone	Training & Professional Development	Accomm. & Travel	Total
Cr C Bisset	\$38,857.84	\$545.45	\$192.62	\$0.00	\$39,595.91
Cr S McAulay	\$13,006.43	\$545.45	\$192.62	\$1,564.27	\$15,308.77
Cr J Ashe	\$13,006.43	\$545.45	\$192.62	\$0.00	\$13,744.50
Cr R Bowles	\$13,006.43	\$545.45	\$192.62	\$711.54	\$14,456.04
Cr L Dunscombe	\$13,006.43	\$545.45	\$192.62	\$3,860.74	\$17,605.24
Cr E Lording	\$13,006.43	\$545.45	\$192.62	\$3,467.79	\$17,212.29
Cr M Rae	\$13,006.43	\$545.45	\$192.62	\$0	\$13,744.50
Subtotal	\$116,896.42	\$3,818.15	\$1,348.34	\$9,604.34	\$131,667.25

It should be noted that accommodation and travel costs include the reimbursement of the claims which a Councillor may choose to submit for travelling to Council meetings, briefings and other functions which they attend in their capacity as a Councillor. Where a Councillor's residence is

greater than 50 kilometres from the location of a Council meeting, they may also claim the statutory remote area allowance.

It should also be noted that Councillors' can elect for part of their allowance to be deducted for superannuation purposes.

The total Councillor expenditure of \$131,667 to 31 December 2017 compared to the budgeted amount of \$131,949 for the first six months of 2017/18.

Council Plan/Strategies/Policies

This report, in relation to the Annual Budget and quarterly financial reporting, is consistent with the Council Plan 2017-18 strategy under Our Promise to maintain Council's financial sustainability through sound financial and asset management practices.

Relevant Legislation

The *Local Government Act 1989* (the *Act*) requires, under section 126, that a Council must prepare a Strategic Resource Plan for a period of four years.

The *Act* also sets out in section 127 that the Council must prepare a budget for each financial year. Then, in section 138, the *Act* requires that quarterly financial reports must be presented to Council.

Financial Implications and Risk

The financial governance of a Council is an important role for Councillors. The risk of poor financial management can have a significant impact upon the governance of the Council. The financial implications flowing from this quarterly financial review are outlined in this report.

Conflict of Interest

There are no declared conflicts of interest by Council officers in the preparation of this report.

Community and Stakeholder Consultation

The *Act* requires that councils give public notice of their annual review of the Council Plan (which includes the Strategic Resource Plan) and also its Annual Budget. All submissions received by Council must be considered, in accordance with section 223 of the *Act*.

RESOLUTION:

Cr L Dunscombe / R Rogerson

That the Audit Advisory Committee notes the Quarterly Financial Report to 31 December 2017.

CARRIED

8. MANAGEMENT REPORTING

8.1 LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK

Nil to report.

9. GENERAL BUSINESS AND FUTURE PLANNING

9.1 ANNUAL ASSESSMENT OF COMMITTEE'S PERFORMANCE

Attachment(s): *Audit Committee Self Assessment Summary (refer attachment 9.1)*

As detailed at section 2(s) of the Audit Advisory Committee Charter, the Committee shall 'be subject to a periodic review, including a review by the Council and the completion of a self-assessment program'.

This self-assessment has traditionally been taken by Audit Advisory Committee (Committee) members on an annual basis, for presentation and review at the first meeting in the new calendar year.

The survey has been completed by core members of the Committee and the results summarised as attached, based on the six responses received.

The 2016 review did not record any scores of '1' or '2' (less than adequate), however the review for 2017 did receive less than adequate scores of '2' for the following:

- A(g) - the level and effectiveness of appropriate Business Continuity and Disaster Recovery Planning.
- G(d) - provided a structured reporting line for internal and external audit
- H(a) - Committee members have attended meetings on a regular basis.

The scoring of H(b) 'meetings have been conducted in accordance with the agenda issued' had three submitters rate this as more than adequate with the highest score of '6'.

The performance of the Committee has improved compared to the 2016 review across section 'A', 'the Audit Advisory Committee has monitored and reported on the systems and activities of Council', moving from adequate to more than adequate.

No additional comments were received from the submitters.

Noted.

The Committee would like the self assessment to include a comments row after each section.

9.2 REVIEW OF LOCAL GOVERNMENT ACT – AUDIT AND RISK COMMITTEE

Attachment(s): *Legislation Audit and Risk Committee (refer Attachment 9.2)*

Background

In 2015 the Victorian State Government embarked on an extensive review of the *Local Government Act 1989* (the *Act*), which was considered to be out of date with respect to contemporary community expectations and modern sector practices.

The aim of the review was to modernise the *Act* to better reflect:

- contemporary needs of the local government sector
- expectations of the community for more accountable and responsive councils
- better balance between the need for greater autonomy and independence of councils, with the need for appropriate state oversight.

The government established a consultation framework for the review including a website www.yourcouncilyourcommunity.vic.gov.au which maintains a history of the review and consultation process to date which has included:

1. initial discussion paper in September 2015 on initial ideas and options for reform
2. directions paper in June 2016 outlining 157 potential reform options
3. Exposure Draft Bill (proposed new Act) and summary document released in December 2017, and currently on public exhibition until 16 March 2018.

Council has made submissions to the review process at stages 1 and 2 above, and proposes to make a submission on the Exposure Draft Bill.

It is proposed by the Victorian Government that the Bill will be finalised and introduced into Parliament in the second quarter of 2018.

Of particular relevance to this Committee are the provisions in the Exposure Draft relating to the proposed Audit and Risk Committee, which replaces the provisions under the current *Act* relating to the Audit Committee.

The opportunity is given to the Committee to provide comment/feedback on the new provisions for consideration by Council and inclusion in Council's submission.

Discussion

Attachment 9.2 contains the clauses from the current *Act* and the Exposure Draft that relate to the function of the Audit Committee.

It is widely agreed that the current *Act* is quite limited and dated with respect to the Audit Committee provisions, with the Committee's function based solely on the 'principles of sound financial management'.

In contrast, the Exposure Draft considerably broadens the role of the Committee to include monitoring council financial and performance reporting, monitoring and providing advice on risk management and fraud prevention systems and controls, and overseeing internal and external audit functions. The expanded role also involves changing the name to Audit and Risk Committee.

These changes are not inconsistent with the current scope and practice of Council's Audit Advisory Committee and Charter.

In addition, the Exposure Draft also includes the role of the Committee to monitor the compliance of Council policies and procedures against:

- (i) a set of overarching governance principles
- (ii) the *Act* and the regulations and any Ministerial directions.

The governance principles refer to an earlier section of the Exposure Draft (clause 8 – refer Attachment 9.2), which establishes the governance principles under which a council must operate. These are listed in the attachment to this report.

There has been some discussion in the sector questioning whether it is reasonable to expect the Audit and Risk Committee to be able to monitor the compliance of the Council's policies and procedures against such a broad range of principles, in addition to its other functions and the impacts this may have on the Committee's workload.

There are several other additions to the Audit Committee provisions in the Exposure Draft. A number of these are already included to varying degrees in the Council's current Audit Committee Charter, including:

- adopting an annual work plan for the Committee
- undertaking an annual assessment of the Committee's performance against the Audit and Risk Committee Charter
- Preparing a biannual audit and risk report that describes the activities, findings and recommendations of the Audit and Risk Committee

With respect to the latter point, again questions have been raised about the need for, and value of biannual reporting (as opposed to an annual report), if the minutes of Committee meetings are already presented to a Council meeting.

Finally, in the Exposure Draft the Committee is to be comprised of a majority of non-Councillor members. Council's current Charter includes equal Councillor and non-Councillor members, although the Mayor is non-voting.

Feedback on the provisions of the Exposure Draft relating to the Audit Committee will be sought at the meeting.

Comments were provided noting the potential additional workload required of the Committee if the Exposure Draft Bill was adopted by Parliament.

10. OTHER REPORTS

The Committee membership for I McKaskill and R Rogerson expires in April.

It was suggested that the Chairperson of the Audit Advisory Committee to be on the panel for recruiting member instead of the Council CEO.

11. NEXT MEETING

Friday 18 May (Budget) at 1 pm in the Alexandra office main Meeting Room.

There being no further items of Business, the Chairperson declared the meeting closed at 4.30 pm.

CONFIRMED THIS

CHAIRPERSON
