



Murrindindi
Shire Council

Audit and Risk Committee Meeting

Minutes

Thursday 10 March 2022
Alexandra Meeting Room
Perkins Street
3:00 PM

ORDER OF BUSINESS

1 WELCOME AND RECOGNITION OF COUNTRY	3
2 APOLOGIES AND REQUEST FOR LEAVE OF ABSENCE	3
3 DISCLOSURE OF INTEREST OR CONFLICT OF INTEREST	3
4 CONFIRMATION OF MINUTES	3
5 REVIEW ANY BUSINESS ARISING FROM PREVIOUS MINUTES.....	4
8 AUDITS - EXTERNAL	4
8.1 Review Auditors Proposed Scope & Approach	4
6 RISK MANAGEMENT	5
6.1 CEO's Questionnaire	5
6.2 CEO's Update	5
6.3 Review Business Continuity Plan	6
6.4 Review Risk Management Framework & Policy	6
6.5 Review Risk Register.....	8
6.6 Review Investment & Borrowing Policies	9
6.7 Reports & Publications of Interest to Local Council's	11
6.8 Review of CEO Credit Card Expenditure.....	11
7 AUDITS - INTERNAL	13
7.1 Review Internal Audit Reports & Management Responses.....	13
7.2 Follow up Significant Issues Raised by Internal Audit	13
7.3 Review Implementation of Previous Audit Actions	14
7.4 Review Scopes of Audits by HLB Mann Judd	15
9 FINANCIAL REPORT.....	16
9.1 Review Significant Accounting & Reporting Issues	16
9.2 Finance Quarterly Report - December 2021.....	16
10 MANAGEMENT REPORTING.....	23
10.1 Policy Register Report.....	23
11 GENERAL BUSINESS AND FUTURE PLANNING	25
11.1 Audit and Risk Committee Biannual Report	25
12 OTHER REPORTS	26

12.1 Policies and Plans Adopted for Noting	26
7.5 Committee to Meet with Internal Auditors.....	27
13 NEXT MEETING	27

1 WELCOME AND RECOGNITION OF COUNTRY

The Audit and Risk Committee meeting was opened with the Chair declaring the following Pledge:

“I would like to welcome you all to the Audit and Risk Committee Meeting, on behalf of the Committee I would like to acknowledge the Taungurung and Wurundjeri people as the traditional custodians of the land we now call Murrindindi Shire.

We pay our respects to First Nations leaders and elders, past, present and emerging.”

2 APOLOGIES AND REQUEST FOR LEAVE OF ABSENCE

Cr S Carpenter was noted as an apology.

Present:

C Baxter (Chair), I McKaskill, C Nisbet, Cr D Gallagher, Cr S McAulay.

In attendance:

Chief Executive Officer: Livia Bonazzi
Director Corporate and Shared Services: Michael Chesworth
Director Community Engagement: Shivaun Brown
Director Assets and Development: Vito Albicini
Manager Governance and Risk: Tara Carter
Manager Business Services: Cheryl Nickels-Beattie
Coordinator Integrity & Governance: David Echeverry
HLB Mann Judd: Kapil Kukreja & Irene Hills Jones
RSD Audit: Kathie Teasdale & Tyson Holt

3 DISCLOSURE OF INTEREST OR CONFLICT OF INTEREST

Nil.

4 CONFIRMATION OF MINUTES

4.1 Confirmation of Minutes

Minutes of the Audit and Risk Committee Meeting held on 9 December 2021.

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held on 9 December 2021 be confirmed.

RESOLUTION

I McKaskill / Cr S McAulay

That the Minutes of the Audit and Risk Committee Meeting held on 9 December 2021 be confirmed.

CARRIED

5 REVIEW ANY BUSINESS ARISING FROM PREVIOUS MINUTES

Nil.

The Chair brought forward item 8.1 to allow for the External Auditors to present item and then leave the meeting.

8 AUDITS - EXTERNAL

8.1 Review Auditors Proposed Scope & Approach

Attachment(s)	Attachment 1 - Audit strategy memorandum - 30 June 2022 [8.1.1 - 22 pages]
Presenter	RSD Audit
Approved by	Manager Business Services
Purpose	For noting

This report will be presented by RSD Audit.

RECOMMENDATION

That the Audit and Risk Committee note the VAGO Audit Strategy Memorandum for the financial year ending 30 June 2022.

RESOLUTION

C Nisbet / Cr D Gallagher

That the Audit and Risk Committee note the VAGO Audit Strategy Memorandum for the financial year ending 30 June 2022.

CARRIED

6 RISK MANAGEMENT

6.1 CEO's Questionnaire

Attachment(s)	Attachment 1 - CEO Questionnaire - 28 February 2022 [6.1.1 - 3 pages]
Presenter	L Bonazzi, Chief Executive Officer
Approved by	Director Corporate & Shared Services
Purpose	For noting

RECOMMENDATION

That the Audit and Risk Committee note the Chief Executive Officer's Questionnaire to Directors.

RESOLUTION

I McKaskill / Cr D Gallagher

That the Audit and Risk Committee note the Chief Executive Officer's Questionnaire to Directors.

CARRIED

6.2 CEO's Update

Attachment(s)	Nil
Presenter	L Bonazzi, Chief Executive Officer
Approved by	Director Corporate & Shared Services
Purpose	For noting

The Chief Executive Officer will provide a verbal update on the following matters:

- Integrity agency notification
- Covid – staff impacts, RATs, transition back to office
- Mental First aid training
- Kinglake community emergency exercise.

RECOMMENDATION

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

RESOLUTION

I McKaskill / C Nisbet

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

CARRIED

6.3 Review Business Continuity Plan

Attachment(s)	Nil
Presenter	M Chesworth, Director Corporate & Shared Services
Approved by	Director Corporate & Shared Services
Purpose	For information

The Business Continuity and Disaster Recovery Internal Audit was presented to the Audit and Risk Committee at its December 2021 meeting. The recommendations from that audit are currently being progressed. It is not intended to provide a further report on "Review Business Continuity Plan" at this meeting.

6.4 Review Risk Management Framework & Policy

Attachment(s)	Attachment 1 - Policy Enterprise Risk Management 2022 Review DRAFT [6.4.1 - 11 pages]
Presenter	D Echeverry, Coordinator Integrity & Governance
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

The purpose of this report is to present the review of the Enterprise Risk Policy including Risk Appetite Statement in draft form to the Audit and Risk Committee for their feedback and direction.

RECOMMENDATION

That the Audit and Risk Committee note the Draft Enterprise Risk Management Policy including Risk Appetite Statement.

Background

Council adopted the Enterprise Risk Management Policy (the Policy) at its 23 October 2019 Ordinary Meeting. The Policy is due for full review in September 2022. Significant change has

occurred in how Council identifies, manages and monitors risk in the past 2 years and Council continues to improve the systems and processes supporting the Policy implementation. The first draft of the Risk Appetite Statement was presented to the Audit and Risk Committee at the December 2021 meeting.

Council officers committed to presenting the first draft of the Policy to the Audit and Risk Committee at its March 2022 meeting to ensure adequate time for review prior to the due date in September 2022.

Discussion

In light of the recent changes to the Victorian Risk Management Framework, public sector organisations must comply with the following mandatory requirements:

- the agency must have a risk management framework in place consistent with AS *ISO 31000:2018 Risk Management – Guidelines*
- a risk management framework that is reviewed annually to ensure it remains current and is enhanced, as required
- a positive risk culture in the agency that is able to be demonstrated
- the agency defines its risk appetite
- responsibility is clear for managing each risk
- 'shared risks are identified and managed through communication, collaboration and/or coordination by the impacted agencies
- the agency contributes to the identification and management of state significant risks, as appropriate
- strategic and business planning and decision-making processes embed risk management and demonstrate consideration of the agency's material risks
- adequate resources are assigned to risk management
- the agency risk profile and risk appetite is reviewed at least annually.

As a result of these changes, the draft Risk Management Framework and Policy has been updated to ensure compliance with the new requirements, but also to enhance Council's maturity in its risk management approach.

Some of the key changes proposed in this Policy review includes:

- the introduction of target risk as a concept to identify the level of risk Council is comfortable to retain
- revised definition of risk appetite and its relationship with the framework as a whole
- new appetite statements under each risk category to ensure risks under each category are managed in accordance to their specific level of appetite
- new risk tolerance statements and metrics designed to identify, monitor and report on how well risk categories are managed in an objective, tangible manner
- defining the process for control effectiveness testing and validation- the process was already in place at Council now it is documented in the Policy.

This reviewed Policy will ensure that Council has a strong framework to guide the effective allocation of resources to enable identification, management and mitigation of risks in line with their category and level of appetite.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective "to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future".

Relevant Legislation

The *Local Government Act 2020* has a general requirement that the Audit and Risk Committee will provide advice on financial management and broader aspects of the council's operations, particularly where compliance issues and risks are involved.

Financial Implications and Risk

This report directly relates to the management of risk by Council. There are no budgetary impacts associated with developing the Policy. The risk to the organisation if the policy and process that guides the management of Strategic and Organisational risk is inadequate is high. This Policy directly reduces Council's liability across the organisation by ensuring that all staff understand, identify and mitigate risk.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

I McKaskill / Cr D Gallagher

That the Audit and Risk Committee note the Draft Enterprise Risk Management Policy including Risk Appetite Statement.

CARRIED

6.5 Review Risk Register

Attachment(s)	Attachment 1 - ERM - Operational Risk Register - Heatmap Report (Extreme High) - March 2022 [6.5.1 - 5 pages] Attachment 2 - ERM - Strategic Risk Heatmap Report - March 2022 [6.5.2 - 8 pages]
Presenter	D Echeverry, Coordinator Integrity & Governance
Approved by	Director Corporate & Shared Services
Purpose	For noting

Purpose

The purpose of this report is to provide the Audit and Risk Committee with an update on the management of Council's Strategic and Operational Risk Registers.

RECOMMENDATION

That the Audit and Risk Committee note the Review Risk Register Report.

Background

This report provides the Audit and Risk Committee with a quarterly update on how Council is managing its Strategic and Operation Risks and any emerging risks that have been identified.

Discussion

The revised Strategic Risk Register was presented to the Audit and Risk Committee at its December meeting and has since been reviewed by the Enterprise Risk Management Committee. There have not been any significant changes since the last report.

The Operational Risk Register continues to be monitored on a regular basis by Council officers and is reviewed by the Executive Risk Management Committee as part of the bi-monthly meetings. The Operational Risk Report attached provides an overview of all the risks with a residual rating of high or extreme. Council currently has two risks that are rated high with controls in place.

One operational risk regarding Lone Workers has reduced its residual risk rating since the last meeting and now does not appear in the report. The residual risk assessment for this risk has been reduced to a medium level due to the implementation of new controls, including the trial of the WorkSafe Guardian App. This mobile device technology logs staff location and can automatically escalate issues to management or even authorities if the staff does not log any activity for a specified period of time.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective “to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future”.

Relevant Legislation

The Local Government Act 2020 has a general requirement that the Audit and Risk Committee will provide advice on financial management and broader aspects of the council’s operations, particularly where compliance issues and risks are involved.

Financial Implications and Risk

This report directly relates to the management of risk by Council so that it is best able to realise its strategic objectives and opportunities.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

Cr S McAulay / C Nisbet

That the Audit and Risk Committee note the Review Risk Register Report.

CARRIED

6.6 Review Investment & Borrowing Policies

Attachment(s)	Attachment 1 - Draft Borrowings Policy 2022 Review [6.6.1 - 4 pages] Attachment 2 - Draft Investment Policy 2022. Review [6.6.2 - 6 pages]
Presenter	C Nickels Beattie, Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

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

RECOMMEDATION

That the Audit and Risk Committee:

1. note the draft revised Investment Policy
2. note the draft revised Borrowings Policy.

Background

Council's Investment Policy provides the context and framework for the management of Council's financial investments. This Policy was adopted in 2019, approved by the CEO and is now due for review.

Council's Borrowing Policy provides the context and framework for the establishment and management of a debt portfolio. This Policy was adopted in 2019 by Council and is now due for review.

Discussion

The draft Investment Policy and draft Borrowing Policy have been reviewed to reflect the

- 2017-2021 Council Plan and
- *Local Government Act 2020*.

The majority of proposed changes to the current policies are in relation to the references to the *Local Government Act 2020*.

Definitions have been added to the draft Investment Policy, wording relevant to the previous legislation has been removed. A list of approved investments has been added to provide clarity.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategy to "ensure Council remains financially-sustainable through sound management, forward planning, innovative service delivery and asset consolidation as appropriate".

Relevant Legislation

Section 103 of the *Local Government Act 2020* details how the Council may invest monies. Section 101 outlines the financial management principles which include the management of investments in accordance with a Council's financial policies and strategic plans, and management of financial risk.

Financial Implications and Risk

The policies ensure Council's borrowing and investing activities are in line with legislative requirements and include adequate controls to mitigate financial risks.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

RESOLUTION

I McKaskill / C Nisbet

That the Audit and Risk Committee:

- 1. note the draft revised Investment Policy**
- 2. note the draft revised Borrowings Policy.**

CARRIED

6.7 Reports & Publications of Interest to Local Council's

Attachment(s)	Attachment 1 - Local Government - Recent Reports and Publications (February 2022) [6.7.1 - 15 pages]
Presenter	HLB Mann Judd
Approved by	Manager Governance & Risk
Purpose	For information

HLB Mann Judd will present this report.

RECOMMENDATION

That the Audit and Risk Committee note the Recent Reports and Publications presented by HLB Mann Judd.

RESOLUTION

Cr D Gallagher / Cr S McAulay

That the Audit and Risk Committee note the Recent Reports and Publications presented by HLB Mann Judd.

CARRIED

6.8 Review of CEO Credit Card Expenditure

Attachment(s)	Nil
Presenter	C Nickels-Beattie
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

The purpose of this report is to provide the Audit and Risk Committee with a summary of the Chief Executive Officer's (CEO) and the CEO's Executive Assistant's credit card transactions for noting.

RECOMMENDATION

That the Audit and Risk Committee note that the Chief Executive Officer's and the CEO's Executive Assistant's credit card transactions for the period 1 October 2021 to 31 December 2021 have been appropriately approved.

Discussion

The CEO's and CEO's Executive Assistants' credit card transactions for the period 1 October 2021 to 30 December 2021 have been reviewed and approved by the Mayor and Director Corporate and Shared Services in accordance with the Corporate Card Policy.

It is noted that there were no transactions on the CEO's credit card.

The transactions are listed below:

Date	Supplier	Description	Value (\$)
15/10/2021	The Perth Mint	50 x Citizenship Coins	263.90
28/10/2021	Alexandra Garden Centre	3 x Vouchers - Staff thank you program	90.00
9/11/2021	Local Government Professionals	Extracting Value from the Circular Economy registration - Livia Bonazzi	120.00
10/11/2021	Kmart	Photo reprint - Mayor McAulay Gift	12.00
17/11/2021	Alexandra Garden Centre	Native Plants x2 Thank you gifts outgoing Mayor & Deputy Mayor	25.00
21/11/2021	Coles	Catering Development Planning Day 22/11	7.80
21/11/2021	Woolworths	Catering Development Planning Day 22/11	34.20
21/11/2021	Woolworths	Catering Development Planning Day 22/11	5.75
10/12/2021	Vic Greenhouse Alliance	Vic Greenhouse Alliance Annual Conf Registration - Councillors Haslam & Walsh	162.14
15/12/2021	Alexandra Foodworks	PA Batteries Xmas Function/ Milk Council Meeting	8.44
16/12/2021	Alexandra Garden Centre	Native Plants x 2 - Staff Awards 25 Years' Service	28.00
Total			757.23

RESOLUTION

I McKaskill / Cr D Gallagher

That the Audit and Risk Committee note that the Chief Executive Officer's and the CEO's Executive Assistant's credit card transactions for the period 1 October 2021 to 31 December 2021 have been appropriately approved.

CARRIED

7 AUDITS - INTERNAL

7.1 Review Internal Audit Reports & Management Responses

Attachment(s)	Attachment 1 - MSC Follow Up Review - Final Report [7.1.1 - 46 pages]
Presenter	HLB Mann Judd
Approved by	Manager Governance and Risk
Purpose	For noting

This report will be presented by HLB Mann Judd.

RECOMMENDATION

That the Audit and Risk Committee note the Murrindindi Shire Council Follow Up Review.

RESOLUTION

C Nisbet / I McKaskill

That the Audit and Risk Committee note the Murrindindi Shire Council Follow Up Review.

CARRIED

7.2 Follow up Significant Issues Raised by Internal Audit

Nil to report.

7.3 Review Implementation of Previous Audit Actions

Attachment(s)	Attachment 1 - Implementation of Previous Audit Recommendations - March 2022 [7.3.1 - 13 pages]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

The purpose of this report is to provide the Audit and Risk Committee with an update regarding the implementation of previous audit actions.

RECOMMENDATION

That the Audit and Risk Committee note the Review Implementation of Previous Audit Actions report as contained in Attachment 7.3.1.

Background

Each year as part of the internal audit program, specific areas of Council functions are reviewed and recommendations for improvement are tabled at the Audit and Risk Committee meetings. Management responds to audit findings with an agreed set of responses to address the findings.

Quarterly, officers provide the Audit and Risk Committee with an update on the implementation of outstanding internal audit recommendations.

Discussion

Attached is the report produced for the Audit and Risk Committee showing the status of all internal Audit recommendations as at 3 March 2022.

Since the December Audit and Risk Committee Meeting, HLB Mann Judd conducted an audit of the following internal audit recommendations:

1. Review of the Risk Management Framework (May 2019)
2. Review of HR and Workforce Planning (September 2019)
3. Follow-Up Review (November 2019) – Review of Local Laws Enforcement (May 2018)
4. Follow-Up Review (November 2019) – Review of Contract Management (Aug 2018)
5. Follow-Up Review (November 2019) – Review of Waste Handling – Kerbside Collection (Nov 2018)

The findings of this audit have been presented to the Committee as part of item 7.1.

Council officers have updated the register of audit recommendations to ensure that the findings of this audit are reflected.

The changes made since reported to the Audit Risk Committee at its December 2021 meeting are as follows:

Contract Management Audit

The recommendation in relation to contract management training has been closed. The outstanding recommendation to implement a contract management framework remains.

HR and Workforce Management

Council's CEO adopted the Workforce Management Plan in December 2021, therefore closing one of the outstanding recommendations. The audit however found that one of the completed recommendations still had two policies that had not been reviewed out of the original 8 that were requiring action. This recommendation has been re-opened and has a new due date of 31 December 2022.

Follow-Up Review (November 2019) – Review of Local Laws Enforcement (May 2018)

The audit found that Council had sufficiently met the outstanding requirements under this audit, therefore the final action has now been closed and will be managed via Council's risk register as it related to lone workers.

Review of Business Continuity Planning and Disaster Recovery

This Audit was presented to the Audit and Risk Committee at its December 2021 meeting and now forms part of the register and subsequent reporting.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective "to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future".

Relevant Legislation

The *Local Government Act 2020* has a requirement that the Audit and Risk Committee will provide advice on financial management and broader aspects of the council's operations, particularly where compliance issues and risks are involved, this includes the implementation of audit recommendations.

Financial Implications and Risk

Internal audits are designed to identify risk areas and address them so as to risk Council's exposure to risk.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

Cr S McAulay / Cr D Gallagher

That the Audit and Risk Committee note the Review Implementation of Previous Audit Actions report as contained in Attachment 7.3.1.

CARRIED

7.4 Review Scopes of Audits by HLB Mann Judd

Attachment(s)	Attachment 1 - Review of Cyber Security (Essential Eight) - Draft IA Plan updated [7.4.1 - 6 pages]
Presenter	HLB Mann Judd
Approved by	Director Corporate & Shared Services
Purpose	For noting

This report will be presented by HLB Mann Judd.

RECOMMENDATION

That the Audit and Risk Committee note the Audit Scope "Cyber Security (Essential Eight).

RESOLUTION

I McKaskill / C Nisbet

That the Audit and Risk Committee note the Audit Scope "Cyber Security (Essential Eight).

CARRIED

The Chair deferred item 7.5 until the end of the meeting.

9 FINANCIAL REPORT

9.1 Review Significant Accounting & Reporting Issues

Nil to report.

9.2 Finance Quarterly Report - December 2021

Attachment(s)	Attachment 1 - Financial Statements December 2021 [9.2.1 - 4 pages]
Presenter	C Nickels-Beattie, Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

This report provides the quarterly financial report for the period ending 31 December 2021.

RECOMMENDATION

That the Audit and Risk Committee:

1. note the Quarterly Financial Report to 31 December 2021
2. note that the Chief Executive Officer advises that the formal adoption of a revised budget for the 2021/22 financial year is not required.

Background

The Quarterly Financial Report for the period ended 31 December 2021, was presented for consideration by Council, in accordance with the *Local Government Act 2020* (“the Act”).

The report includes the following statements:

- Comprehensive Income Statement
- Balance Sheet
- Statement of Cash Flow
- Reconciliation of Non-Discretionary Cash & Reserves.

In accordance with Section 97(3) of the Act, the second quarter financial report requires a statement by the Chief Executive Officer as to whether a revised budget is, or may be, required.

Under Section 95 of the Act, the adoption of a formal revised budget is required if Council intends to:

- make a variation to the declared rates or charges
- undertake any borrowings that have not been approved in the budget
- make a change to the budget that the Council considers should be the subject of community engagement.

The Chief Executive Officer advises that the formal adoption of a revised budget for 2021/22 was not required as Council does not intend to make changes to the budget that would trigger the requirement to adopt a revised budget.

Discussion

The statements for the second quarter to 31 December 2021 are included in Attachment 1.

Income Statement (Statement A)

The Income Statement for the period 1 July 2021 to 31 December 2021 (also within the attached report) is presented below:

Statement A

 Murrindindi Shire Council
 Income Statement
 For the period ended 31 December 2021

	NOTE	September Revised Budget 2020/21	Annual Revised Budget 2021/22	(1) Forecast Adjustment 2021/22	YTD Budgets 31/12/2021	Actual 31/12/2021	(2) YTD Budget V Actual Variance 31/12/2021
		\$	\$	\$	\$	\$	\$
Revenue							
Rates & Charges	1	22,016,713	22,030,713	14,000	21,991,230	22,039,893	48,663
Statutory fees and fines	2	1,218,699	1,404,840	186,141	715,836	735,327	19,491
User fees	3	990,096	1,080,846	90,750	522,108	541,987	19,879
Grants - Operating	4	6,956,395	7,167,441	211,046	2,791,160	2,783,660	(7,500)
Grants -Capital	5	10,540,850	6,590,850	(3,950,000)	4,964,593	4,964,593	-
Contributions - Cash	6	206,600	293,025	86,425	213,570	243,172	29,602
Contributions - Non Cash	7	600,000	600,000	-	-	-	-
Reimbursements	8	290,257	338,052	47,795	93,606	100,615	7,009
Other revenue	9	725,065	812,574	87,509	380,829	390,558	9,729
Total Revenue		43,544,675	40,318,341	(3,226,334)	31,672,932	31,799,805	126,873
Expenses							
Employee Benefits	10	15,607,456	15,552,091	(55,365)	7,905,618	7,685,551	(220,067)
Materials and Services	11	11,982,720	13,328,707	1,345,987	5,915,886	5,956,906	41,020
Depreciation and amortisation	12	8,920,102	8,305,822	(614,280)	-	-	-
Bad and Doubtful Debts		-	-	-	-	45	45
Other Expense	13	361,886	388,886	27,000	164,322	172,913	8,591
Total Expenses		36,872,164	37,575,506	703,342	13,985,826	13,815,415	(170,411)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment.	14	(622,047)	(618,411)	3,636	107,658	137,273	29,615
Surplus (deficit) for the period		6,050,464	2,124,424	(3,926,040)	17,794,764	18,121,663	326,899

This statement provides information on two budgetary components:

1. *Forecast adjustments*: adjustments to the September revised budget figures to reflect the predicted result at the end of the 2021/22 financial year (refer to the column titled "(1) Forecast Adjustment").

The forecast position for the financial year has decreased by \$3.92 million moving from a predicted surplus of \$6,050,464 to a surplus of \$2,124,424. This significant movement was heavily influenced by a downward adjustment to capital grants of \$3.95 million. The recognition of these grants has been deferred to a future accounting period and will be recognised when the capital works activities they fund are completed. A complete analysis of the budget movement is provided in the table below.

2. *Year-to-date budget variances*: variances between December's revised year-to-date budget and the year-to-date result (refer to column titled "(2) Budget Actual Variance").

The \$18.12 million operating result for the December 2021 quarter is \$326,899 or 2% favourable to the year-to-date budget.

Detail explanations of the forecast adjustments (1) and year-to-date variances (2) are included in the table below:

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
1	Rates & Charges	\$14,000 increased revenue from rates.	Within Budget tolerance
2	Statutory fees and fines	\$186,141 increased revenue. Anticipated extra \$70,000 for both building and planning fees, extra \$60,000 development plan checking fees. Reduced budget for shipping container fees \$15,000.	Within Budget tolerance
3	User fees	\$90,750 increased revenue from waste charges.	Within Budget tolerance
4	Grants - Operating	\$211,446 increased revenue. New grants including \$60,000 Disaster Recovery, \$300,000 Covid Outdoor Activation, \$35,627 Roadside Weed and Pest management.	Within Budget tolerance
5	Grants -Capital	\$3,950,000 reduced revenue. Capital grants are recognised as the capital works they fund are constructed. The following grants have been deferred, or partly deferred and will be recognised in a future accounting period. \$1,300,000 Blue gums to Eildon Rail Trail. \$1,100,000 GVRT Art and Signage installation. \$800,000 Alexandra Rotary Park and Visitor Precinct. \$500,000 DITRDC Heavy Vehicle and Bridge funding.	Within Budget tolerance
6	Contributions - Cash	\$86,425 increased revenue. \$38,030 contribution to capital projects. \$35,003 contributions collected on behalf of the Goulburn Murray Climate Alliance. \$11,028 contributions to fire protection works.	\$30,051 received ahead of schedule from Community Committee for the Eildon Boat Ramp.
7	Contributions - Non Cash	No Change	No Variance
8	Reimbursements	\$47,795 increased revenue. \$36,000 insurance claims and \$7000 for Naturally Cooler Towns project on behalf of Strathbogie Council.	
9	Other revenue	\$87,509 increased revenue. \$97,809 sale of scrap metal, partly offset by reduced interest on investments \$12,300	

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
10	Employee Benefits	<p>\$55,365 reduced expenditure. Savings from vacancies and delayed starts across a number of areas. Some positions have been filled utilising temporarily labour hire arrangements, these costs are reported as Material and Services. The savings have been partly offset by the cost associated with the cessation of Municipal Association of Victoria (MAV) WorkCare scheme as reported in item 11.5 October 2021 Council meeting \$180,000 Additional resource have been allocated for Environmental Services.</p>	<p>\$220,067 behind budget. The Enterprise Bargaining Agreement is yet to be finalised, depending on the outcome, a back pay may be required, currently this is estimated at \$150,000 of the variance. The remainder of the variance is likely to equalise as positions are filled. There has been a build of accrued annual leave and RDO's over the year mostly likely due to Covid restrictions on travel. The extent of leave taken over the remainder of the year will determine the final employee operational cost.</p>
11	Materials and Services	<p>\$1,345,987 additional expenditure. \$230,000 expenditure relating to new grant Covid safe Outdoor activation. \$330,000 employment positions budgeted as employee cost, but now being provided temporarily by labour hires services. \$615,726 extra cost landfill operation, including \$245,000 for leachate management, \$200,000 repair to, and hire of replacement for the compactor. \$120,000 environmental audit. Other items \$ 60,000 rehabilitation works associated with storm damage on the 10th June 2021, these expenditures are likely to be reimbursed by government disaster recovery funding.</p>	<p>Within Budget tolerance</p>
12	Depreciation and amortisation	<p>\$614,289 reduced expenditure. Following the last condition review of the roads infrastructure, depreciation has decreased by \$478,042. Building depreciation is forecast to reduce by \$320,179 due to some short life assets components being fully depreciated. Depreciation on Plant is likely to increase by \$143,780 due to items being held longer for utilisation due to Covid, or delays in getting items to auction.</p>	<p>Within Budget tolerance</p>
13	Other Expense	<p>\$27,000 increased expenditure. \$20,000 expected increase Councillor allowances following tribunal outcome. \$7,000 completing internal audit projects delayed from the previous year.</p>	<p>Within Budget tolerance</p>

Note	Line item	(1) Explanation Forecast Adjustment	(2) Explanation YTD Budget V Actual Variance
14	Net gain/(loss) on disposal of property, infrastructure, plant and equipment.	\$3,636 reduced gain. The final outcome will be heavily influenced by the extent of the completion of the capital works renewal and upgrade program. The underlying book value of the infrastructure assets renewed or upgraded will be written out of the balance sheet and recorded as a cost here in the operating statement.	The few items of plant that have been disposed have sold well. The majority of this budget happens around June when the years capital projects are complete and the underlying book value of the renewed and upgraded infrastructure assets are written out of the balance sheet.

Balance Sheet (Statement B)

The Balance Sheet is included Attachment 1.

The Commentary below refers to Column (1) forecast adjustment, being the movement in the Balance Sheet from the previously reported September Budget review to the current budget revision as at 31 December 2021.

Assets

The statement shows a \$766,158 increase in Current Assets being cash movement, this is explained in the Statement of Cash flows. Non-Current Assets are expected to decline \$4,219,013 as result of the reduction of the capital works still to be completed.

Liabilities

Employee Provisions both Current and Non-Current are expected to increase due to staff deferring leave during the pandemic.

Equity

As at 31 December 2021 the statements show an unfavourable \$3,926,404 decrease in equity. These variances are explained in more detail by the commentary outlined in Statement A – Income Statement.

Cash Flow Statement (Statement C)

This statement combines the cash related movements from the Income Statement and the Balance Sheet into one statement. This Statement shows how funds are generated and consumed. The revised budget projects that cash will decrease by \$766,158.

Cash from Operating Activities

The statement shows a decrease of \$4,078,956 mostly relating to the timing of income recognition of capital grants.

Cash Flow from Investing Activities

The variance \$4,845,114 is increased cash due to some capital works being deferred and a slight increase in cash from the sale of assets.

Cash flow from financing activities

No budget changes.

Non-Discretionary Cash and Council Reserves (Statement D)

Included as part of this report is a statement of Council's Non-Discretionary Cash Flow requirements. This reconciliation lists all Council reserves together with funds held as Deposits or Trust, these are required to be refunded, and an allowance for the provision of employee entitlements. This latter provision being a nominal amount of 25% of Council's Annual Leave Liability and 25% of the current Long Service Leave Liability.

The September budget figure for total unallocated cash was \$11.3 million, the December revised budget figure is now \$11.9 million.

Councillor Expenses (GST Exclusive):

As required in the adopted Councillor Expenses and Support Policy (July 2020), Council reports quarterly on the Councillor related expenses. The following table details Councillor expenses for the second quarter period ending 31 December 2021.

Councillor Expenses for 3 months ended 31 December 2021:

	Allowances	Travel	Childcare	Communications	Conference & Training	Other
Cr Carpenter	15,119.98	1,642.00	0	92.73	857.15	92.23
Cr Gallagher	5,788.47	1,951.70	0	126.67	857.15	92.23
Cr Gerenscer	5,788.47	659.36	0	150.41	857.15	88.05
Cr Haslam	5,788.47	1,371.30	0	153.18	857.15	88.05
Cr Lording	5,788.47	218.16	0	197.76	857.15	88.05
Cr McAulay	7,961.57	1,492.80	0	235.35	857.15	88.05
Cr Walsh	5,788.47	180.00	0	167.21	857.15	88.05

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategy to "ensure Council remains financially-sustainable through sound management, forward planning, innovative service delivery and asset consolidation as appropriate".

Relevant Legislation

Section 97 of the *Local Government Act 2020* requires that at the end of each quarter of the financial year, a quarterly budget report is presented to the Council at a Council meeting which is open to the public. In addition, the second quarterly report must include a statement by the Chief Executive Officer as to whether a revised budget is, or may be, required.

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 relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

I McKaskill / C Nisbet

That the Audit and Risk Committee:

- 1. note the Quarterly Financial Report to 31 December 2021**
- 2. note that the Chief Executive Officer advises that the formal adoption of a revised budget for the 2021/22 financial year is not required.**

CARRIED

10 MANAGEMENT REPORTING

10.1 Policy Register Report

Attachment(s)	Attachment 1 - Policy Report - March 2022 [10.1.1 - 1 page]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

This report provides the Audit and Risk Committee with an overview of the status of both council and organisational level policies.

RECOMMENDATION

That the Audit and Risk Committee notes the Policy Register Report including Attachment 10.1.1.

Background

Council has two levels of policies. Firstly, Council policies, which are adopted by Council, and are aimed at addressing a legislated or strategic need. These are made publicly available. Secondly Organisational policies, which are approved by the Chief Executive Officer and are operational in nature, setting the requirements of Council in achieving service delivery and compliance.

The Audit and Risk Committee reviews the Policy Register on a six-monthly basis.

Discussion

Council and organisational policies contain review dates, which range from annually through to once per Council term (every four years). Policies remain in effect until reviewed, however it is good business practice to ensure that policies are regularly reviewed, to ensure that they meet legislated requirements and industry standards.

Council policies are a priority to review in accordance with the due date as they address legislated or strategic requirements, which is evident in the Policy Register Report (Attachment 10.1.1). Organisational policies will be a priority to review and update for the remainder of the 2022 calendar year, as there is an increasing trend in policies being overdue for review.

Council has 14 organisational policies that are due for review, eight of which are HR related. As previously reported to the Committee this area has been under resourced for a few years.

Council engaged a HR Officer late 2021 and this additional resource has assisted with the adoption of the Workforce Management Strategy, completion of Council's Gender Equality Audit and the drafting of Council's Gender Equality Action Plan (due end of March 2022). An appointment to the role of People and Culture Business partner has occurred in the last week of February, this addition to the team will mean that greater focus can be put into ensuring that Policies are reviewed.

The organisational Policies due for review are:

Policy	Department
Volunteers	Governance & Risk
Information Management	Business Services
Performance Management and Discipline	Governance & Risk
Employee Code Red and Fire Danger	Governance & Risk
Study Assistance	Governance & Risk
Library Service	Customer Experience
Job Evaluation and Classification	Governance & Risk
Prevention of Bullying, Harassment and Occupational Violence	Governance & Risk
Internal Grievance Resolution	Governance & Risk
Health and Wellbeing	Governance & Risk
Investment	Business Services
Tree Risk management	Community Assets
Vehicle	Community Assets
Fuel Card	Community Assets

Since the last report, three significant organisational policies have been adopted:

1. Workforce Management Strategy
2. Senior Manager and Executive Employment and Remuneration Policy
3. COVID-19 Vaccination Policy.

Council Plan/Strategies/Policies

This report supports the *Council Plan 2021-2025 Transparency, Inclusion and Accountability* strategic objective "to ensure our services, people and systems deliver the best possible outcomes for our communities now and into the future".

Relevant Legislation

Policies at both levels address the various legislated responsibilities that Council must meet. Reviews are undertaken on regular basis to ensure that the policies are adequately addressing legislated responsibilities, Australian Standards and industry best practice.

Financial Implications and Risk

Policies are in place to mitigate Council's risk in various areas. Policies that address higher risk areas to Council are reviewed on a more regular basis to ensure that they are adequately addressing the issue.

Conflict of Interest

There are no declared conflicts of interest by Council officers in relation to this report.

Community and Stakeholder Consultation

No external community or stakeholder consultation was required for this matter.

RESOLUTION

Cr D Gallagher / C Nisbet

That the Audit and Risk Committee notes the Policy Register Report including Attachment 10.1.1.

CARRIED

11 GENERAL BUSINESS AND FUTURE PLANNING

11.1 Audit and Risk Committee Biannual Report

Attachment(s)	Nil
Presenter	C Baxter, Audit and Risk Committee Chair
Approved by	Audit and Risk Committee Chair
Purpose	For noting

This report will be distributed separately. The Audit and Risk Committee Chair will present the report at the meeting.

RECOMMENDATION

That the Audit and Risk Committee note the Audit and Risk Biannual Report and recommend the report is tabled by the CEO at the 23 March 2022 Scheduled Council Meeting.

RESOLUTION

Cr D Gallagher / I McKaskill

That the Audit and Risk Committee note the Audit and Risk Biannual Report and recommend the report is tabled by the CEO at the 23 March 2022 Scheduled Council Meeting.

CARRIED

12 OTHER REPORTS

12.1 Policies and Plans Adopted for Noting

Attachment(s)	Nil
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For noting

Executive Summary

The purpose of this report is to share with the Audit and Risk Committee the key Council Policies and Plans that have been adopted since the last meeting. This is in an effort to ensure that the Committee is aware of the strategic documents being implemented by Council to support the management of risk and ensure legislative compliance.

The following policies and plans are located on Council's website for viewing. Please visit <https://www.murrindindi.vic.gov.au/Your-Council/Publications/Policies>
<https://www.murrindindi.vic.gov.au/Your-Council/Publications/Council-Plans>
<https://www.murrindindi.vic.gov.au/Your-Council/Publications/Strategies>

Service Provision and Fire Danger Ratings Policy

Council has a legal obligation to ensure its employees, Councillors and the general public are not placed in situations of risk to safety due to its services and actions. The Service Provision and Fire Danger Ratings Policy (Policy) outlines changes to Council's services on days declared to be the most dangerous if a fire started, to minimise potential risks to personal safety.

Council adopted the policy at its 15 December 2021 Scheduled Meeting.

Workforce Management Strategy

The development of a Workforce Plan is a requirement of the *Local Government Act 2020*. Council's Workforce Management Strategy aims to outline the initiative required over a four-year period to support attraction, development and retention of employees.

The Workforce Management Strategy was adopted by the CEO on 17 December 2021.

RECOMMENDATION

That the Audit and Risk Committee note the Policies and Plans that have been recently adopted by Council.

RESOLUTION

C Nisbet / Cr S McAulay

That the Audit and Risk Committee note the Policies and Plans that have been recently adopted by Council.

CARRIED

All Officers present left the room.

7.5 Committee to Meet with Internal Auditors

Opportunity for a closed discussion with the Committee and the internal auditor, Mark Holloway, without Council officers present to raise any relevant questions or matters.

Any advice to officers following this discussion can be subsequently relayed by the Chair. This item was deferred to the end of the meeting.

13 NEXT MEETING

13.1 Next Meeting

The next Audit and Risk Committee Meeting will be held on 12 May 2022 at 3pm.

The meeting was closed at 4:38pm.

CONFIRMED THIS

CHAIRPERSON Claude Baxter