



Murrindindi
Shire Council

Audit and Risk Committee Meeting

Minutes

Thursday 12 May 2022
Meeting Room Alexandra & Virtual
3:00 PM

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1 WELCOME AND RECOGNITION OF COUNTRY

2 APOLOGIES AND REQUEST FOR LEAVE OF ABSENCE

Kathie Teasdale - RSD Audit was noted as an apology.

Present:

Claude Baxter (Chair), Ian McKaskill, Craig Nisbet, Cr Damien Gallagher, Cr Sandice McAulay

In attendance:

Mayor: Cr Sue Carpenter

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

HLB Mann Judd: Mark Holloway & Irene Hills-Jones

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 10 March 2022.

RESOLUTION

I McKaskill / Cr S McAulay

That the Minutes of the Audit and Risk Committee Meeting held on 10 March 2022 be confirmed.

CARRIED

5 REVIEW ANY BUSINESS ARISING FROM PREVIOUS MINUTES

Nil.

6 RISK MANAGEMENT

6.1 CEO's Questionnaire

Attachment(s)	Audit and Risk Committee - CEO Questionnaire to Directors 30 April 2022 [6.1.1 - 3 pages]
Presenter	L Bonazzi
Approved by	Director Corporate & Shared Services
Purpose	For information

RESOLUTION

C Nisbet / I McKaskill
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
Approved by	Director Corporate & Shared Services
Purpose	For information

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

- Staff departures – minimising integrity risks
- Recent presentation to the Victorian Grants Commission
- Inflationary pressures on Council's resources
- Capital works carry forwards

RESOLUTION

Cr S McAulay / I McKaskill
That the Audit and Risk Committee note the Chief Executive Officer's update.

CARRIED

6.3 Review Risk Register

Attachment(s)	Attachment 1 - Strategic Risk Report - May 2022 [6.3.1 - 8 pages] Attachment 2 - Operational Risk Report - May 2022 [6.3.2 - 5 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.

Background

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

Discussion

The Strategic Risks and High Operational Risks remain relatively unchanged. Since the body of work was completed last year to review and refine Council's Strategic Risk Register the focus has been on monitoring and reviewing controls.

The reviewed Draft Enterprise Risk Policy includes a detailed risk appetite statement, defining the level of appetite for each risk category. Once adopted this will be incorporated into Council's risk management system and subsequent reporting. This will potentially change the risk rating for each of the Strategic and Operational Risks and will enable more relevant and accurate reporting to the Audit and Risk Committee in the future.

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

I McKaskill / Cr D Gallagher
That the Audit and Risk Committee note the Review Risk Register Report.

CARRIED

6.4 Reports & Publications of Interest to Local Councils

Attachment(s)	Local Government - Recent Reports and Publications (May 2022) [6.4.1 - 14 pages]
Presenter	HLB Mann Judd
Approved by	Manager Governance & Risk
Purpose	For information

RESOLUTION

C Nisbet / Cr D Gallagher
That the Audit and Risk Committee note the Recent Reports and Publications presented by HLB Mann Judd.

CARRIED

6.5 Review of CEO Credit Card Expenditure

Attachment(s)	Nil
Presenter	Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For information

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) credit card transactions for noting.

Discussion

The CEO's and CEO's Executive Assistants' (EA's) credit card transactions for the period 1 January 2022 to 31 March 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 the seven (7) transactions in March 2022 on the CEO's credit card totalling \$1243.10 were disputed and refunded in April 2022.

It is also noted that personal expenditure (air travel), expensed on EA's credit card, has been reimbursed. Upon investigation it was evident the purchase was made with the prior intent of the relevant officer to reimburse Council for the private expenditure. Nevertheless, card holders have been reminded of Council's policy that personal purchases must not be made on Corporate Credit Cards. Where a transaction involves both business and personal components, officers are required to pay using their private means and to claim reimbursement for legitimate business expenses only.

The transactions are listed below:

Date	Officer	Supplier	Description	Value (\$)
5/01/2022	L Bonazzi	VicRoads	CEO Vehicle Registration transfer / stamp duty fees	2583.58
17/01/2022	F Kay	S & D Fowles Pty Ltd	2 x Native plants - Citizenship ceremonies	10.00
19/01/2022	F Kay	Grant St Grocer	Thankyou gift - B Brook, Moira Shire - Supply of RAT tests	12.00
1/02/2022	T Fallon	Alex Garden Centre	3 x Native plants - Citizenship ceremonies	34.00
15/02/2022	F Kay	Beyond Blue	Donation in lieu of flowers - Cr Haslam's fathers passing	50.00
15/02/2022	F Kay	Alex Newsagent	Document Paper - School Leader Certificates	3.95
24/02/2022	F Kay	Alex Newsagent	Document Paper - School Leader Certificates	59.90
6/03/2022	L Bonazzi	Domino's Pizza	Disputed Transaction - Case 10746420 (Refunded in April)	177.54
18/03/2022	F Kay	IPWEA	IPWEA Course - V Albicini	220.00
21/03/2022	T Fallon	Murrindindi Shire Council	Murrindindi Children's Network Conference - Cr Gallagher	120.00
22/03/2022	F Kay	Flight Centre	IPWEA Conference Flight - V Albicini	179.90
22/03/2022	F Kay	Flight Centre	Mrs Albicini Flight - Vito to reimburse	179.90
25/03/2022	T Fallon	Australian Local Gov Assoc.	National General Assembly Conference - L Bonazzi	689.00
26/03/2022	L Bonazzi	Lvly.com.au	Disputed Transaction - Case 10746420 (Refunded in April)	270.95
27/03/2022	L Bonazzi	Coles Online	Disputed Transaction - Case 10746420 (Refunded in April)	252.60
27/03/2022	L Bonazzi	Marleyspoon.com.au	Disputed Transaction - Case 10746420 (Refunded in April)	139.99
27/03/2022	L Bonazzi	Marleyspoon.com.au	Disputed Transaction - Case 10746420 (Refunded in April)	179.99
27/03/2022	L Bonazzi	Marleyspoon.com.au	Disputed Transaction - Case 10746420 (Refunded in April)	179.99

28/03/2022	L Bonazzi	Coles Online	Disputed Transaction - Case 10746420 (Refunded in April)	219.58
28/03/2022	T Fallon	Australian Local Gov Assoc.	Nat. General Assembly Conference - Cr Carpenter	689.00
Total				6251.87

RESOLUTION

Cr D Gallagher / Cr S McAulay

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 January 2022 to 31 March 2022 have been appropriately approved, including the identification and handling of the inappropriate use of a card.

CARRIED

7 AUDITS - INTERNAL

7.1 Review Internal Audit Reports & Management Responses

Attachment(s)	MSC Follow Up Review - Final Report (Rates and Revenue) [7.1.1 - 14 pages]
Presenter	HLB Mann Judd
Approved by	Director Corporate and Shared Services
Purpose	For information

The Follow Up Audit was reported to the Audit and Risk Committee at its March 2022 meeting. As outlined in the report, the Rates and Revenue Audit review was still outstanding. This report now completes the follow up review for 2022.

RESOLUTION

C Nisbet / I McKaskill

That the Audit and Risk Committee note the "Follow Up Review – Final Report (Rates and Revenue)".

CARRIED

7.2 Follow up Significant Issues Raised by Internal Audit

Nil.

7.3 Review Implementation of Previous Audit Actions

Attachment(s)	Internal Audit Recommendations Summary Report- May 2022 [7.3.1 - 15 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.

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 6 May 2022.

Since the March Audit and Risk Committee Meeting, HLB Mann Judd conducted the review of the Rates and Revenue Audit Recommendations as the final part of the follow up review. This resulted in five of the audit recommendations being reopened to address components that had not been completed or were due for review again.

Items completed since the March 2022 meeting:

Review of Business Continuity Planning and Disaster Recovery

This Audit was presented to the Audit and Risk Committee at its December 2021 meeting and three of the recommendations have been completed since the March meeting, including:

1. FN02-01 Update the BCP to include Cyber related scenarios that may require activation of the plan, e.g., Network / infrastructure failure, Cyber-attack, Malware, etc
2. FN04-01 Ensure that the existing documents identified in the "observation" column are relevant. Accordingly, approval and review date should be included in these documents.
3. N06-01 Include a redundant link at the recovery site at Semi Circle Yea 3717 based on a cost benefit analysis

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 D Gallagher / Cr S McAulay

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)	MSC Review of Council Asset Building Maintenance IA Plan [7.4.1 - 6 pages]
Presenter	HLB Mann Judd
Approved by	Director Corporate & Shared Services
Purpose	For information

RESOLUTION

I McKaskill / C Nisbet
That the Audit and Risk Committee note the “Review of Council Asset Building Maintenance Internal Audit Plan”.

CARRIED

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

8 AUDITS - EXTERNAL

The Audit and Risk Committee was advised that the Interim Audit Management Letter will be circulated for viewing when completed.

9 FINANCIAL REPORT

9.1 Review Significant Accounting & Reporting Issues

Nil.

9.2 Review Quarterly Financial Statement

Attachment(s)	Finance Quarterly Report March 2022 [9.2.1 - 4 pages]
Presenter	Cheryl Nickels-Beattie, Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For information

Executive Summary

This report provides the quarterly financial report for the period ending March 2022

Background

The Quarterly Financial Report for the period ended 31 March 2021, was presented for consideration by Council at the April 2022 Scheduled Council Meeting, 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.

Discussion

The statements for the third quarter to 31 March 2022 is included in Attachment 9.2.1 Income Statement (Statement A)

The Income Statement for the period 1 July 2021 to 31 March 2022 (also within the attached report) is presented below:

Income Statement

For the period ended 31st March 2022

	NOTE	December Revised Budget 2021/22 \$	Annual Revised Budget 2021/22 \$	(1) Forecast Adjustment 2021/22 \$	YTD Budgets 31/03/2022 \$	Actual 31/03/2022 \$	(2) YTD Budget V Actual Variance 31/03/2022	YTD Budget V Actual Variance 31/03/2022
Revenue								
Rates & Charges	1	22,030,713	22,030,713	-	22,037,753	22,081,430	43,677	0%
Statutory fees and fines	2	1,404,840	1,404,840	-	1,034,528	1,051,812	17,284	2%
User fees	3	1,080,846	1,080,846	-	812,780	930,308	117,528	14%
Grants - Operating	4	7,167,441	8,963,386	1,795,945	3,914,659	3,832,035	(82,624)	-2%
Grants -Capital	5	6,590,850	6,652,699	61,849	3,198,615	3,195,169	(3,446)	0%
Contributions - Cash	6	293,025	325,803	32,778	275,803	280,030	4,227	2%
Contributions - Non-Cash	7	600,000	600,000	-	-	-	-	0%
Reimbursements	8	338,052	353,532	15,480	163,507	162,602	(905)	-1%
Other revenue	9	812,574	825,824	13,250	544,686	566,591	21,905	4%
Total Revenue		40,318,341	42,237,643	1,919,302	31,982,331	32,099,977	117,646	0%

Expenses

Employee Benefits	10	15,552,091	15,612,690	60,599	11,338,466	10,811,417	(527,049)	-5%
Materials and Services	11	13,328,707	13,430,381	101,674	9,026,779	8,302,580	(724,199)	-8%
Depreciation and amortisation	12	8,305,822	8,305,822	-	-	-	-	0%
Bad and Doubtful Debts		-	-	-	-	45	45	0%
Other Expense	13	388,886	388,886	-	219,294	230,946	11,652	5%
Total Expenses		37,575,506	37,737,779	162,273	20,584,539	19,344,988	(1,239,551)	-6%
Net gain/(loss) on disposal of property, infrastructure, plant and equipment.	14	(618,411)	(596,364)	22,047	274,877	361,955	87,078	32%
Surplus (deficit) for the period		2,124,424	3,903,500	1,779,076	11,672,669	13,116,944	1,444,275	12%

This statement provides information on two budgetary components:

1. Forecast adjustments: Adjustments to the March 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 improved by \$1,779,076 moving from a predicted surplus of \$2,124,424 to a forecast surplus \$3,903,500. The majority of this favourable movement is a result of the Federal Government budget decision to advance 75% of the annual financial assistance grant. The budget had allowed for a 50% advance payment, the extra 25% amounts to \$1,664,213. This is a timing issue and not a fundamental improvement in the operating result. Outside of the above issue, there has been minimal budget movement. The budget adjustments are outlined in more detail in the table below.

2. Year-to-date budget variances: Variances between March’s revised year to date budget and the year to date result (refer to column titled (2) Budget Actual Variance).

The \$13,116,944 operating result for the period ending March 2022 quarter is \$1,444,275 or 12% 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	No Change	\$43,677 increased revenue due to supplementary rates.
2	Statutory fees and fines	No Change	\$17,284 Increased revenue within budget tolerance.
3	User fees	No Change	\$117,505 increased revenue from <ul style="list-style-type: none"> •\$80,783 saleyard fees • \$28,702 Landfill and recycling charges.
4	Grants - Operating	\$1,795,945 increased revenue from <ul style="list-style-type: none"> •\$1,664,213 75% advance Grants Commission Financial Assistance Grant New or increased grants including: •\$20,000 Resource Recovery Centre Feasibility Study. •\$30,000 Concierge & Hospitality Program. •\$30,599 Women Building Surveyors Program. •\$13,200 Municipal Emergency Resourcing. • \$37,923 Disaster Recovery 9 June 2022 storm event. 	\$82,624 decreased revenue. \$105,984 Family Day Care, due to reduced service delivery. This has been partly offset by minor timing variances across several grants.
5	Grants -Capital	\$61,849 increased revenue. New Marysville Caravan Park grant.	\$3,466 decreased revenue within budget tolerance
6	Contributions - Cash	\$32,778 increased revenue <ul style="list-style-type: none"> • \$30,501 funds from former Committee for the Eildon Alliance Boat Ramp. •\$2,727 contribution to capital works. 	\$4,227 increased revenue within budget tolerance.
7	Contributions – Non- Cash	No Change	No Variance

8	Reimbursements	\$15,480 increased revenue relating to planning and fire protections works.	\$905 decreased revenue within budget tolerance.
9	Other revenue	\$13,250 increased revenue from Caravan Park rental	\$21,905 increase received, variance across a number of accounts.
10	Employee Benefits	\$60,599 increased expenditure relating to the following ongoing grants \$30,599 Women Building Surveyors Program. \$30,000 Concierge & Hospitality Program	\$527,048 decreased expenditure. \$280,000 estimated relating to the delayed Enterprise Bargaining Agreement. The remainder of the variance is due to positions being vacant or temporarily filled using labour hire resources. Staff have been taking built up leave. The extent of leave taken over the remainder of the year, and the portion funded from reducing the employee leave liability provisions will determine the final employee operational cost.
11	Materials and Services	\$101,674 additional expenditure. •\$40,000 expenditure relating to new grant Yea Resource Recovery Centre feasibility study. • \$30,051 provision for future expenditure Eildon Boat Ramp funded from contribution. • \$8,000 additional cloud services licensing • \$10,143 relating to the June 9, 2021 storm, grant funded.	\$724,199 expenditure below budget expectations. • \$253,405 waste management and landfill, including \$110,307 plant repairs, covering and compacting and leachate treatment all delayed or tracking below budget, • \$60,017 mulching cost behind budget but will be spent. • \$190,713 infrastructure maintenance including Parks and Gardens where grant funding has been utilised. • \$65,750 plant operating cost, which was tracking below budget for fuel cost, this will change with recent higher fuel cost. • \$55,708 Family Day Care due to difficulty recruiting care providers, • \$21,509 Business services being delayed IT purchases. • \$49,175 Business Development relating to delayed expenditure funded by the Covid Safe outdoor activation grant. • \$44,487 Business and Community Grants Program.
12	Depreciation and amortisation	No Change	\$0 Within Budget tolerance
13	Other Expense	No Change	\$11,652 ahead of budget, mostly relates to garbage and recycling waivers.
14	Net gain/(loss) on disposal of property, infrastructure, plant and equipment.	\$22,047 favourable being the net result of removing the sale of 25 Murchison Street Marysville from the budget.	\$87,076 favourable, • 16 items of plant have been sold, overall, the sale prices achieved have been better than budgeted.

Balance Sheet (Statement B)

The Balance Sheet is included in Attachment 9.2.1.

The Commentary below refers to Column (1) forecast adjustment, being the movement in the Balance Sheet from the previously reported December Budget review to the current budget revision as at 31 March 2022.

Assets

The statement shows cash has increased by \$1,369,980. It is expected that a further \$1,757,029 will be generated from operations, mostly due to the advanced Grants Commission payment. The net cash used in capital works will increase by \$387,049. (See the Cashflow Statement C) for a detailed analysis of cash movements.

Liabilities

There has been no adjustment made to expected liabilities.

Equity

As at 31 March 2022 the statements show a favourable movement equal to the favourable movement in the operating result being \$1,779,076. The variances are explained in more detail by the commentary outlined in Statement A – Income Statement. (1) Forecast Adjustment column.

Cash Flow Statement (Statement C)

This statement combines the cash related movements from the Income Statement and the Balance Sheet. The statement shows how funds are generated and consumed. The revised budget projects that cash will increase by \$1,369,049. Cash can be generated or consumed across the 3 areas outlined below:

1. Cash from Operating Activities

The statement shows an improvement of \$1,757,029 in cash generated by operations.

2. Cash Flow from Investing Activities

Increased net cash consumed in capital items, being capital works increase \$192,049, and \$195,000 removal of cash income for the sale of 25 Murchison Street Marysville.

3. Cash flow from financing activities

No budget changes, and no activity as Council is loan free.

Unallocated Cash and Council Reserves (Statement D)

Included as part of this report is a statement of Council's un-allocated cash. This reconciliation includes all Council reserves together with refundable deposits and securities. In addition, an allowance to cash- back 25% of annual leave, and long service leave provisions is included. The calculation has now been revised to include Grants Commission funds received in advance, and other grants received in advance that have specific conditions and that are forecast to be unspent at year end.

It should be noted that unallocated cash funds has a different formula to the unrestricted cash figure that is reported and audited in the Annual Accounts. Unallocated cash is a management figure that looks at all cash commitments and includes all cash available. Restricted cash focuses on cash which has specific restrictions on its future use. Items like cash backing of leave provisions, or recognition of general purpose grants paid in advance are not included in the restricted cash calculation. Term deposits with a maturity of more than 90 days are not considered as cash in the restricted cash calculation.

The December revised budget figure for total unallocated cash was \$7,182,826, the March revised budget figure is \$7,323,326.

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 lists Councillor expenses for the third quarter period ending 31 March 2022.

Councillor Expenses for 3 months ended 31 March 2022:

	Allowances	Travel	Childcare	Information & Communications	Conference & Training	Other
Cr Carpenter	\$17,754.22	\$2,463.00	\$-	\$132.56	\$544.54	\$23.43
Cr Gallagher	\$6,971.73	\$1,789.84	\$-	\$147.85	\$994.54	\$19.48
Cr Gerencser	\$5,865.64	\$670.48	\$-	\$124.46	\$544.54	\$19.48
Cr Haslam	\$5,865.64	\$353.60	\$-	\$153.08	\$544.54	\$19.48
Cr Lording	\$5,865.64	\$2,160.80	\$-	\$166.18	\$544.54	\$19.48
Cr McAulay	\$5,865.64	\$654.48	\$-	\$164.89	\$544.54	\$19.48
Cr Walsh	\$5,865.64	\$851.76	\$-	\$150.47	\$544.54	\$19.48

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.

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

Cr D Gallagher / C Nisbet

That the Audit and Risk Committee note the Quarterly Financial Report to 31 March 2022.

CARRIED

10 MANAGEMENT REPORTING

10.1 Review Draft of Annual Budget

Attachment(s)	2022-23 Draft Budget_-_for agenda [10.1.1 - 68 pages]
Presenter	Manager Business Services
Approved by	Director Corporate & Shared Services
Purpose	For information

Executive Summary

This report is to present the draft 2022/23 Annual Budget (draft Budget) to the Audit and Risk Committee, which was approved for public exhibition at the Unscheduled Council Meeting held on 13 April 2022.

Background

The development of the annual budget is part of an integrated process that occurs to ensure appropriate resource allocations are made to service Council's short and long-term activities and initiatives.

The Council Plan and the Financial Plan and their underpinning strategies inform the budget development process. The annual budget needs to consider Council Plan initiatives, external influences and any proposed new initiatives.

The draft Budget 2022/23 attached to this report outlines the financial implications of the strategic objectives and initiatives planned by Council, focusing on the coming financial year.

The draft Budget balances the need to deliver infrastructure and services while also providing the best possible value for residents and ensuring careful ongoing financial management.

It is noted that Section 4.1 - Rates and valuation information is based on Stage 3 preliminary property valuation data. The information in this section may change as a result of receipt of the Stage 4 property valuation data from the Valuer-General Victoria.

Discussion

The draft Budget details the resource requirements and project priorities that are in accordance with the key strategic objectives that have been set in the Council Plan 2021-2025.

The draft Budget has been prepared on the principles of responsible financial management to achieve an operating result that ensures and maintains Council's long term financial sustainability.

The proposed 1.75% average rate increase is in line with the rate cap set by the State Government under the Fair Go Rates System for 2022/23 and provides for a continued mix of responsible operating and capital budget expenditures.

Council is forecast to hold no debt from loan borrowings at 30 June 2022 and no further borrowings are proposed in the draft Budget for 2022/23. This represents the lowest level of absolute debt Council has held in more than a decade.

User fees and charges have been benchmarked against our neighbouring councils. Some fees have been adjusted to reflect the cost of service provision, rather than rate payers subsidising these 'user-pay' services. All other non-statutory user fee increases have been limited to a 1.75% increase.

The draft Budget identifies that Council will spend \$55.8 million to deliver services and improve infrastructure. This includes a \$18.8 million Capital Works Program.

Highlights of the Capital Works Program include:

- Snobs Creek Road widening (\$600,000)
- Bridge replacement at the Yea Caravan Park (\$400,000)
- Great Victorian Rail Trail art installations and signage (\$1,100,000 fully grant funded and joint project with Mitchell and Mansfield Shires)
- Blue Gums to Eildon Trail (\$1,300,000)
- Alexandra Rotary Park & Visitor Precinct (\$900,000)
- Waste Transfer Station and Landfill upgrades (\$4.7 million)
- Alexandra Maternal & Child Health internal fit out (\$100,000)
- Further Kinglake Streetscape Works (following Kinglake Village development) (\$150,000)
- Yea Recreation Reserve Football Pavilion upgrade (\$220,000)
- Upgrades to a number of recreation, leisure and sporting club buildings across the Shire (\$1,778,000)
- Improvements to Yea Saleyards, including traffic management, sealing of asphalt and fences and boom gates (\$220,000)
- Skyline-Maintongoon-Sonnberg Rd - Stage 1 Design for Road Sealing (joint project with Mansfield Shire Council) (\$605,000)
- Improvement works across the Shire's four swimming pools (\$830,000)
- Farm Forestry Demonstration Project (this allocation is subject to the outcome of a feasibility study and viable business case currently underway) (\$175,000)

Other new initiatives included in the budget to support the achievement of our goals under the Council Plan 2021-25 include:

- additional funds allocated to maintain new infrastructure transferred to Council following recent subdivisions (roads, drainage, footpaths etc.) (\$135,000)
- strengthening our Maternal Child and Health services to better support vulnerable clients and supporting our nurses to be able to focus on direct service delivery requirements (\$50,000)

- funds to support the implementation of Council's first Indigenous Reconciliation Action Plan (\$15,000)
- improving compliance with regulatory requirements associated with development and approvals to enhance amenity and support positive community outcomes (\$72,000)
- continued implementation of Council's Tourism and Events Strategy, to support economic recovery of this sector, including new printed maps, visitor guide and tourism marketing brochures, new digital maps of key nature-based attractions and increased buy-in to promotions campaigns run by Tourism North East (\$62,500)
- a feasibility study into the development of a truck wash facility at the Yea Saleyards (\$20,000)
- conservation assessment, fuel load reduction and improved maintenance of Council owned and controlled bushland in the Shire, including bushland around Council's recycling and waste management facilities (\$85,000)
- development of a pathway of priority actions to encourage and involve the entire community in meeting Council's target of net zero emissions by 2035 across the Shire (\$25,000)
- additional funds to support grant seeking by Council and the community to leverage existing funds and in-kind support and improve outcomes for the Shire (\$24,000)
- advice to support and inform Council's review of its Rates and Revenue Plan to ensure it continues to reflect current socio-economic conditions (\$20,000).

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

The draft budget has been prepared in accordance with Section 94 of the Local Government Act 2020.

Financial Implications and Risk

The proposed Budget 2022/23 is fiscally responsible in its scope of discretionary spending. The draft Budget details how Council can manage its requirement to keep average rate increases within the rate cap of 1.75% legislated by the State Government for 2022/23, whilst providing a responsible and viable financial plan for the ensuing year.

Conflict of Interest

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

Community and Stakeholder Consultation

Council gave public notice of intent to adopt the Budget. The draft Budget is available for viewing on Council's website and submissions invited from members of the public. The draft Budget has been formally advertised in a range of publications from 14 April 2022. Written submissions are called for by 5:00pm 13 May 2022.

RESOLUTION

I McKaskill / C Nisbet

That the Audit and Risk Committee note the Draft 2022/23 Annual Budget

CARRIED

11 GENERAL BUSINESS AND FUTURE PLANNING

11.1 Establish/Schedule Meeting for Forthcoming Year

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

The purpose of this item is to present to the Committee for consideration the proposed Audit and Risk Committee Schedule of Meetings for the 22/23 year.

RESOLUTION

Cr D Gallagher / Cr S McAulay
That the following meeting dates are proposed for 2022/23:
8 September 2022 at 1:00pm
8 December 2022 at 3:00pm
9 March 2023 at 3:00pm
11 May 2023 at 3:00pm

CARRIED

11.2 Review/Assess Adequacy of Audit Committee Charter

Attachment(s)	Draft Audit and Risk Committee Charter 2022 [11.2.1 - 11 pages]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For Decision

Executive Summary

The purpose of this report is to present the annual review of the Audit and Risk Committee Charter to the Committee for feedback and endorsement.

Background

The Audit and Risk Committee Charter was adopted by Council in July 2020 in accordance with the implementation of the *Local Government Act 2020*.

The Charter has been reviewed by Officers annually since.

Discussion

The Audit and Risk Charter has been reviewed by Officers to ensure that it meets legislative requirements and industry best practice. Whilst in the most part the Audit and Risk Charter – 2022 remains unchanged there were a few sections that required some alterations to meet current practices, these remain as tracked changes in Attachment 11.2.1.

One of the key areas of change is that the reviewed Charter now allows for virtual meeting attendance. During the COVID-19 Pandemic restriction period, the Minister for Local Government put in place provisions for Council's to conduct meetings and decision-making processes virtually. These provisions remain in place until 1 September 2022, following that date Councils are required under amended legislation to incorporate into the Governance Rules and any Committee Charters the provision for virtual attendance and set the parameters for approval of attendance virtually. Therefore section 4.2 Meeting Attendance has been altered to include the ability for the Chair to approve virtual attendance.

This does not preclude the Committee from diarising in person meetings it simply provides a mechanism for approving hybrid attendance or the meeting to be completely held virtually.

Section 7 has been added to address transparency. The Local Government Act 2020 promotes transparency and Council's 2021-2025 Council Plan has a strong focus on transparency in decision making processes. In an effort to bring transparency to the forefront a section has been added to the Charter to be clear as to the minimum requirements of openness with the public.

Council Plan/Strategies/Policies

This report supports the Council Plan 2021-2025 Transparency, Inclusion and Accountability strategy to "maintain transparent, inclusive and accountable governance practices".

Relevant Legislation

The Local Government Act 2020 section 54 requires Council to prepare and adopt a Audit and Risk Committee Charter.

Financial Implications and Risk

There are no financial implications in relation to the review of the Audit and Risk Committee Charter.

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 / Cr S McAulay

That the Audit and Risk Committee:

- 1. note the revised Audit and Risk Committee Charter**
- 2. recommend the revised Charter for formal adoption by Council.**

CARRIED

11.3 Review Audit Committee Annual Plan

Attachment(s)	Audit and Risk Annual Plan 2022.23 [11.3.1 - 1 page]
Presenter	T Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For information

RESOLUTION

C Nisbet / Cr D Gallagher

That the Audit and Risk Committee endorse the Audit and Risk Committee Annual Plan 2022/23.

CARRIED

11.4 Elect Chair of Audit Committee

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

The Election of the Chair of the Audit and Risk Committee was scheduled via the Annual Plan to occur at the May Committee Meeting. The election occurred at the September Meeting last year as the Independent Member terms are established with a 20 June end date. Therefore, it is proposed to ensure that the Election of the Chair occurs at the September Meeting as the first item of business. The Annual Plan for 2022/23 reflects this change.

RESOLUTION

C Nisbet / I McKaskill

That the Audit and Risk Committee note that the Election of the Chair will occur as the first item of business at the September 2022 meeting.

CARRIED

12 OTHER REPORTS

12.1 Local Government Act 2020 Implementation Update

Attachment(s)	Local Government Act 2020 Implementation [12.1.1 - 3 pages]
Presenter	Tara Carter, Manager Governance & Risk
Approved by	Director Corporate & Shared Services
Purpose	For decision

Purpose

The purpose of this report is to provide the Audit and Risk Committee with an overview of the Council's progress to date in implementing the Local Government Act 2020 in accordance with legislative requirements.

Background

On 6 April 2020 the *Local Government Act 2020* (Act 2020) was enacted. The implementation of the Act 2020 was initially staggered over an 18 month period, with the first sections of the Act due to be implemented by 1 September 2020. Over the two year period since the enactment the implementation dates for some of the sections of the Act 2020 have been extended so there are still some remaining tasks which are due 30 June 2022.

Discussion

The attached work plan (Attachment 12.1.1) shows the various documents and actions required by Council officers as part of the implementation. As shown, all of the legislated requirements have been achieved to date. The main outstanding items are:

1. The 10 year Asset Plan – due 30 June 2022 (75% complete)
2. The Annual Report – 21/22 Annual Report, to be the first under the new Act
3. Incorporation of virtual meetings into Council's Governance Rules (new requirement) - due 2 September 2022

There are additional tasks that are reliant on regulations yet to be released, such as the financial policies requirement. Similarly, there are elements where the original document under the 1989 Act is still valid until its nominal expiry date, whereupon the new requirements under the new Act apply, for example Council's Local Laws.

Council officers continue to monitor any changing requirements.

Council Plan/Strategies/Policies

This report supports the Council Plan 2021-2025 Transparency, Inclusion and Accountability strategy to "maintain transparent, inclusive and accountable governance practices".

Relevant Legislation

The Local Government Act 2020 was enacted on 6 April 2020 and is gradually replacing many of the requirements under the Local Government Act 1989.

Financial Implications and Risk

Not meeting the legislated requirements by the due date could pose a significant risk to Council.

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 / I McKaskill

That the Audit and Risk Committee note the Local Government Act 2020 Implementation Report as contained in attachment 12.1.1 and request that upon completion a report presented to the Audit and Risk Committee.

CARRIED

12.2 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 to ensure 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>

Borrowings Policy

Council's Borrowings Policy ensures that Council borrowings are well managed and in accordance with legislative requirements.

Council adopted the policy at its 27 April 2022 Scheduled Meeting.

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

12.3 Ian McKaskill Acknowledgement of Service

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

Mr Ian McKaskill was originally appointed to the Audit and Risk Committee in 2013 and has served nine consecutive years on the Committee, including serving terms as Chair of the Committee. In this time Mr McKaskill has made a valuable contribution to both developing the oversight role of the Committee and in providing advice to Council on matters brought before the Committee. The Committee and Council thanks Mr McKaskill for his valued input and commitment to the role and wishes him the best in his future endeavours.

RESOLUTION

C Baxter / C Nisbet

That the Audit and Risk Committee formally thank Mr Ian McKaskill for his commitment and contributions to the Committee over the last nine years.

CARRIED

Officers present left the meeting.

7.5 Committee to Meet with Internal Auditors

Opportunity for a closed discussion with the Committee and representatives of the internal auditor, HLB Mann Judd, 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.

13 NEXT MEETING

The meeting was closed at 5:01pm.

CONFIRMED THIS

CHAIRPERSON Claude Baxter