



MELTON CITY COUNCIL

**Minutes of the Audit and Risk
Committee Meeting of the Melton City
Council**

**held via videoconference
2 September 2020**

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

2 SEPTEMBER 2020

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MELTON CITY COUNCIL

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING OF THE
MELTON CITY COUNCIL HELD VIA VIDEOCONFERENCE
ON 2 SEPTEMBER 2020 AT 12:00PM

Present: Mr R. Tommasini (Chairperson)
Mr F. Mansoor
Ms C. Gregory
Cr L. Carli (Mayor)
Cr K. Hardy

Attendance: Mr K. Tori, Chief Executive Officer
Ms C. Denyer, Manager Legal & Governance
Mr S. Rumoro, Manager Finance
Mr D. Caligari, Manager Capital Projects
Mr A. Hinds, Manager Risk & Performance
Mr. R. Baggio, Manager Planning Services
Ms J. Tori, Acting Coordinator Accounting Services
Mr M. Johnston, Asset Management & GIS Coordinator
Ms C. Santoro, Senior Administration Officer
Mr N. Walker, External Auditor
Mr S. Akbani, External Auditor

1. WELCOME / ELECTION OF CHAIR (IF REQUIRED)

The Chairperson opened the meeting and welcomed the committee members.

2. APOLOGIES AND LEAVE OF ABSENCE

Nil.

3. DECLARATION OF INTEREST AND / OR CONFLICT OF INTEREST

Nil.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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4. MINUTES OF PREVIOUS MEETINGS

RECOMMENDATION:

That the Minutes of the Audit Committee Meeting held on 1 July 2020 and adopted by Council at the Ordinary Meeting held on <Insert date> be noted.

Motion

Cr Hardy/Mr Mansoor.

That the Minutes of the Audit Committee Meeting held on 1 July 2020 and presented to Council at the Ordinary Meeting held on 20 July 2020, the recommendations for which have been adopted, be noted.

CARRIED

5. OTHER BUSINESS CARRIED OVER FROM A PREVIOUS MEETING

Nil.

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6. PRESENTATION OF STAFF REPORTS**6.1 ANNUAL PLAN FOR 2020 AND TRACKING REPORT FOR AUDIT COMMITTEE ACTIONS**

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Christine Denyer - Manager Legal and Governance

PURPOSE OF REPORT

To allow the Committee to check the agenda for this meeting against the *Annual Plan 2020* and to present to the *Tracking Report for Audit Committee Actions* as at August 2020.

RECOMMENDATION:

That the Council note that the Audit Committee checked the agenda against the *Annual Plan 2020* and reviewed the *Tracking Report for Audit Committee Actions* as at August 2020 and that no further action is required.

Recommendation 1

Mr. Mansoor/Ms. Gregory

That the Council note that the Audit Committee checked the agenda against the *Annual Plan 2020* and reviewed the *Tracking Report for Audit Committee Actions* as at August 2020 and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

As requested at the Audit Committee meeting held 11 December 2019, the *Annual Plan 2020* and the *Tracking report for Audit Committee Actions* are presented to the Committee as a standing item on this agenda.

2. Background/Issues

The *Annual Plan 2020* is attached as **Appendix 1** and the *Tracking report for Audit Committee Actions* as at August 2020 is attached as **Appendix 2**.

This agenda addresses all items in the *Annual Plan 2020* scheduled for August with the exception of item number 20, the Draft Council and Wellbeing Plan (or Review of Council and Wellbeing Plan) which was tabled at the July 2020 Audit Committee meeting.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

13. AC Charter

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4. Financial Considerations

N/A

5. Consultation/Public Submissions

N/A

6. Risk Analysis

N/A

7. Options

Make a different recommendation to Council based on the Tracking Report.

LIST OF APPENDICES

1. Annual Plan 2020
2. Audit Committee Tracking Report

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**6.2 DRAFT ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT -
30 JUNE 2020**

Author: Sam Rumoro - Manager Finance
Presenter: Sam Rumoro - Manager Finance

PURPOSE OF REPORT

To present to Audit Committee for approval the draft Annual Financial Statements and Performance Statement for 30 June 2020, prior to reports being submitted to Council's Auditor, in accordance with section 132(2) of the Local Government Act 1989.

RECOMMENDATION:

That Council:

1. Approve, in principle, the draft Annual Financial Statements and Performance Statement for 30 June 2020 at Appendix 1.
2. Authorise the Mayor, Cr Lara Carli and Deputy Mayor, Cr Steve Abboushi to approve the Statements in their final form after any changes recommended, or agreed, by the Auditor have been made, pursuant to sections 132(2) and 132(5) of the Local Government Act 1989.

Recommendation 2

Ms Gregory/Cr Hardy.

That Council approve

1. Approve, in principle, the draft Annual Financial Statements and Performance Statement for 30 June 2020 at Appendix 1 including amendments.
2. Authorise the Mayor, Cr Lara Carli and Deputy Mayor, Cr Steve Abboushi to approve the Statements in their final form after any changes recommended, or agreed, by the Auditor have been made, pursuant to sections 132(2) and 132(5) of the Local Government Act 1989

CARRIED

REPORT**1. Executive Summary**

Each year, individual local governments across Victoria are required to present a set of audited financial statements and performance statements to their Council and community.

The financial statements contains information on the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020. The format of the financial statements is standard across all Victorian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by Local Government Victoria.

The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results.

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This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

There were no adverse audit finds in relation to the 2019-20 financial and performance statements

Council remains in a strong financial position with a strong balance sheet and the 2019-20 financial performance when excluding non-cash and one off items was in line with budget.

2. Background/Issues

The performance and financial statements must be certified by senior staff and Councillors as "presenting fairly" the Council's financial results for the year as well as Council's financial position, and are required to be adopted by Council.

Council's financial statements and performance statements are required to be audited by external auditors. The auditor provide audit reports which gives an opinion on whether the statements present fairly the Council's financial performance, position and other indicators.

The financial statements and performance statements are publicly available documents and are used by (but not limited to) Councillors, residents and ratepayers, employees, suppliers, contractors, customers, Local Government Victoria, state and federal governments, and financiers including banks and other financial institutions.

Council's overall comprehensive result was a surplus of \$261.7 million which was largely attributable to \$211.1 million in contributed monetary assets from developers.

Council's total cash position at year end is \$146.87 million. The working capital ratio for the YTD period is a healthy 1:5.2.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

1. Draft Annual Financial Report - Financial Statements, Performance Statement, Auditor's Report

4. Financial Considerations

Financial considerations are contained in the respective reports listed as appendices.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

Presentation and certification of Annual Financial Statements and Performance Statement for 30 June 2020 will ensure Council's continued compliance with the legislative requirements and ensure transparency with regards to its financial performance.

7. Options

The Audit Committee:

1. Note the report;
2. Request further information/clarification if deemed necessary.

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1. Financial Statement 2019-20
2. Auditors Draft Closing Report 2019/20
3. Performance Statement 2019-20

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6.3 DRAFT EXTERNAL AUDIT MANAGEMENT LETTER 2019-20**Author: Sam Rumoro - Manager Finance****Presenter: Sam Rumoro - Manager Finance****PURPOSE OF REPORT**

To report to the Audit Committee the draft external audit management letter findings from the 2020 audit.

RECOMMENDATION:

That Council note that the Audit Committee have reviewed contents of this report and no further action is required.

Recommendation 3

Cr Hardy/Ms Gregory.

That Council note that the Audit Committee reviewed the contents of this report and no further action is required, other than completing the two recommended actions as outlined and agreed to by management in the report - in the section 'Summary of audit findings'.

CARRIED

REPORT**1. Executive Summary**

HLB Mann Judd, VAGO Audit Service provider completed the 30 June 2020 audit and are presenting their management letter finds to the Audit Committee.

There are 2 findings, one of which has been addressed and the other Council Officers have agreed to address.

2. Background/Issues

The Draft External Management Letter will be discussed at the Audit Committee meeting on 2 September 2020.

Included in the report is the assessment of the audit significance of the findings, which fall into the following categories:

- internal control weaknesses ; and
- financial reporting and performance statement reporting.

There were 2 finds in relation to internal control weaknesses which are listed as follows:

- ICT physical security policy document has not been established. Furthermore, the ICT documents developed by Council have not been reviewed periodically; and
- Password settings do not align with industry better practice.

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Both internal control weaknesses were assessed as moderate. Council Officers has resolved control weakness related to password setting and have set a target date of 30 September 2020 to resolve the security policy document issue.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

4. External Audit Management Letter

4. Financial Considerations

Financial considerations are outlined in the report.

5. Consultation/Public Submissions

Consultation with Council Officers was undertaken by external auditors HLB Mann Judd in the preparation of this report.

6. Risk Analysis

Risk analysis information is contained in the body of the attached Draft External Management Letter.

7. Options

The Audit Committee can recommend to Council that it:

1. Request further information/clarification if deemed necessary

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1. Draft External Audit Management Letter

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Mr Walker and Mr Akbani left the meeting at 12.32pm

6.4 EXTERNAL AUDITOR PERFORMANCE 2019-20

Author: Sam Rumoro - Manager Finance
Presenter: Sam Rumoro - Manager Finance

PURPOSE OF REPORT

To report to the Audit Committee on the performance of the external auditor.

RECOMMENDATION:

That Council note that the Audit Committee have reviewed contents of this report and no further action is required.

Recommendation 4

Cr Carli/Ms Gregory.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

Manager Finance has assessed the performance of the external auditor as very good, given challenges faced in the current environment. Manager Finance will provide further detail verbally at the Audit Committee meeting 2 September 2020.

2. Background/Issues

Manager Finance has assessed the performance of the external auditor as very good, given challenges faced in the current environment. There was a change in audit personnel undertaking the 2019/20 audit, despite this, knowledge of Council's operations, systems and processes remained strong.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

6. External Auditor Performance

4. Financial Considerations

N/A.

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5. Consultation/Public Submissions

N/A.

6. Risk Analysis

N/A.

7. Options

The Audit Committee can recommend to Council that it:

1. Request further information/clarification if deemed necessary

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Nil.

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6.5 FINANCE REPORT - PERIOD ENDED 30 JUNE 2020

Author: Sam Rumoro - Manager Finance

Presenter: Sam Rumoro - Manager Finance

PURPOSE OF REPORT

To present the 2019/2020 Finance report for the 12 months ended 30 June 2020 (the Report).

RECOMMENDATION:

That Council notes that the Audit Committee has reviewed the Report and that no further action is required.

Recommendation 5

Ms Gregory/Mr Mansoor.

That Council note that the Audit Committee has reviewed the Finance Report ended 30 June 2020 and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

This monthly report compares 12 months ending 30 June 2020 YTD results with the approved budget for the same period.

2. Background/Issues

The underlying operating deficit for the 12 months ended June was \$13.94 million. This compared with a budgeted result of \$2.31 million surplus, resulted in an unfavourable variance of \$16.25 million.

The unfavourable result was due mainly to the following non-cash items:

- Capital expenditure which was expensed due to capitalisation policy and threshold levels \$3.39 million;
- Higher than anticipated depreciation \$2.42 million; and
- Disposal/write down of infrastructure and building assets following replacement, renewal and upgrade works \$10.26 million.

Council's overall comprehensive result was a surplus of \$261.7 million which was largely attributable to \$211.1 million in contributed monetary assets from developers.

The actual capital expenditure completed at the end of June was \$54.5 million or 72.9% of the total budget.

Council's total cash position at year end is \$146.87 million. This balance includes general and restricted investments representing carry forward expenditure, employee entitlements,

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and developer contributions received for future capital works. The working capital ratio for the YTD period is a healthy 1:5.2.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

17. Financial Reporting including Capital Works Progress

4. Financial Considerations

Note the operating and comprehensive result for the 12 month period.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

Financial reporting will ensure Council's continued compliance with the legislative requirements.

7. Options

The Audit Committee:

1. Note the report;
2. Request further information/clarification if deemed necessary.

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1. 2019/20 Finance Report - 12 month ended 30 June 2020
2. Detailed Capital Report 2019/20

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Mr Caligari (Manager Capital Project) left the meeting at 12.48pm

6.6 INVESTMENT HOLDING REPORT AS AT 30 JUNE 2020

Author: Sam Rumoro - Manager Finance
Presenter: Sam Rumoro - Manager Finance

PURPOSE OF REPORT

To present the Investment Holding Report for the 12 months ended 30 June 2020 (the Report).

RECOMMENDATION:

That Council note that the Audit Committee reviewed the Report and that no further action is required.

Recommendation 6

Ms Gregory/Mr Mansoor.

That Council note that the Audit Committee reviewed the Report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

This report outlines Council's investments, compliance to policy and performance of investments for 12 months ending 30 June 2020.

2. Background/Issues

This report provides a detailed analysis of Council's investments, including the amount invested within various institutions, compliance with investment policy and performance of investment portfolio against budget.

Council's total investment holding as at 30 June 2020 is \$247.95 million and YTD actual interest earned is \$3.43 million which is \$0.45 million favourable to budget.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

24 e. Quarterly Investment Holdings Report

4. Financial Considerations

Note the performance of investments and compliance with Council's investment policy.

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5. Consultation/Public Submissions

N/A

6. Risk Analysis

There are no risks associated with the recommendations in this report.

7. Options

The Audit Committee can recommend to Council that it:

1. Note the report as per the recommendation;
2. Request further information/clarification if deemed necessary.

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1. Investment Holdings Report as at 30 June 2020

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Mr Rumoro (Manager Finance) and Ms Tori (Acting Coordinator Accounting Services) left the meeting at 12.50pm

6.7 ANNUAL REPORT ON OVERVIEW OF COUNCIL'S BUSINESS CONTINUITY PLAN

Author: Anthony Hinds - Risk and Performance Manager
Presenter: Anthony Hinds - Risk and Performance Manager

PURPOSE OF REPORT

To present the 2019 – 20 Annual Report on the Overview of Council's Business Continuity Plan.

RECOMMENDATION:

That Council note that the Audit Committee reviewed the Overview of Council's Business Continuity Plan and no further action is required.

Recommendation 7

Ms Gregory/Mr Mansoor.

That Council note that the Audit Committee reviewed the Overview of Council's Business Continuity Plan and no further action is required.

CARRIED

REPORT**1. Executive Summary**

Melton City Council is committed to achieving the continuity of its businesses in the event of an incident which causes, or has the potential to cause, major disruption. To achieve this, Council has established Business Continuity Management (BCM) as an integral part of the Council's normal business operations.

Council developed a Business Continuity Policy in 2018 as part of a previous Audit Committee review in order to guide the annual testing/review program. The policy requires that Critical Business Function plan coordinators conduct testing for their service unit plans in 2020; COVID-19 has continued to impact the range of testing options and methods of delivery available.

The Business Continuity Plan is currently activated in response to COVID-19; the Crisis Management team met daily from end March until end June, and is currently meeting every second day. A plan activation is also a test of that plan and its fitness for purpose, but when conditions allow, a full after-action review will be scheduled. This will no doubt yield improvements to Council's Business Continuity arrangements

2. Background/Issues

Melton City Council's Business Continuity Management (BCM) includes:

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- A Crisis Management Plan, which covers damage assessment, disaster declaration, crisis management and crisis communication
- A Corporate Business Continuity Plan, which also includes the plan to relocate personnel to different Council areas following the loss of a site
- Individual Critical Business Function Business Continuity Plans covering Melton City Council's critical function areas identified through the Business Impact Analysis process.

Critical Business Functions have been identified as Community Care, Building, Health, Customer Service, Families & Children, Information & Technology, People & Culture and Operations.

Council will ensure that, as far as reasonably practicable, Council's operations do not place people, property, or the environment at unacceptable levels of risk or harm.

The International Standard ISO22301:2012 – Societal Security – Business Continuity Management Systems (or its successor) will guide an integrated and systemic approach for managing BCM within Council.

Timetable for the review, testing and updating of BCPs

| BCP | Test/Exercise/Review Cycle | Responsibility |
|---|----------------------------|--|
| Critical Business Function Business Continuity Plans | Annually | Business Continuity Plan Coordinator, typically the manager of that Critical Business Function |
| *Crisis Management Plan | Annually | Emergency Management Coordinator |
| *Corporate Business Continuity Plan | Annually | Emergency Management Coordinator |

Critical Business Function Business Continuity Plans

During 2019 – 20, meetings were ongoing with Critical Business Function (CBF) plan coordinators individually prior to COVID-19 restrictions. The Emergency Management Coordinator outlined a range of testing options and methods of delivery for CBF plan coordinators that would satisfy the requirements of the policy for the reporting period.

Plan reviews were held with managers of Operations, Community Care and Engagement & Advocacy; these plans have been updated accordingly. Planned updates for Building, Health, People & Culture and Families & Children have been postponed due to COVID-19. Information & Technology's Disaster Recovery Plan was internally audited during the reporting period.

***Crisis Management Plan**

***Corporate Business Continuity Plan**

* The Crisis Management Plan and Corporate Business Continuity Plan were consolidated into one plan.

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The Business Continuity Plan has been activated in response to COVID-19, and the Crisis Management team met daily from end March until end June, and is currently meeting every second day.

COVID-19 has continued to impact the range of Business Continuity Plan testing options and methods of delivery for CBF plan coordinators that would satisfy the requirements of the policy for 2020.

Expressions of interest have been circulated to Business Continuity service providers to deliver a Crisis Management Team debrief and after-action review of all Crisis Management activities in the response and recovery around COVID-19. This will occur when restrictions change and/or the Crisis Management team requests it. The after-action review will no doubt inform updates to the current Business Continuity plan.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

24 j. Fraud & Corruption Control Plan

4. Financial Considerations

Contractor and other costs are in accordance with the approved Council 2019 – 2020 Budget.

5. Consultation/Public Submissions

No consultation was required in the preparation of this report.

6. Risk Analysis

A report by external consultant Risk Logic, on Council's Business Continuity training and exercise delivered in June and August 2018, has been used to review and refresh the BCM process. As a result, the Crisis Management Plan and Corporate Business Continuity Plan were consolidated.

Pleasingly, anecdotal feedback from Risk Logic regarding the training and exercise is that Council has a positive and agile Business Continuity approach

7. Options

The Audit Committee may:

- a) Seek further information regarding the annual report
- b) Make another recommendation to Council than the one proposed.

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Nil

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Mr Johnston (Coordinator Asset Management & GIS) joined the meeting at 1.08pm

6.8 2019-2020 COUNCIL AND WELLBEING ANNUAL ACTION PLAN EXCEPTION REPORT

Author: Bob Baker - Corporate Planning and Performance Coordinator

PURPOSE OF REPORT

To present the 2019-2020 Council and Wellbeing Annual Action Plan Year-end Exception Report ('the Report')

RECOMMENDATION:

That the Council note that the Audit Committee reviewed the Report and that no further action is required.

Recommendation 8

Mr Mansoor/Ms Gregory.

That Council note that the Audit Committee reviewed the Reports and that no further action is required.

CARRIED

REPORT

1. Executive Summary

The year-end report shows those actions from the 2019-2020 Council and Wellbeing Annual Action Plan Exception Report that have been assessed as Not on Track or Postponed.

2. Background/Issues

The Council and Wellbeing Plan is Council's primary vision and strategic planning document that establishes the direction Council has committed to for its term of office (4 years). The Council and Wellbeing Plan contains objectives, strategies and performance indicators.

Each year Council provides a range of services, activities and initiatives for the community. These key strategic activities and new initiatives are included in the development of an Annual Action Plan.

The 2019-2020 Council and Wellbeing Annual Action Plan provides 134 actions that Council has committed to deliver. Council provides the community with quarterly progress reports that support Council's commitment in providing transparency, through public access to relevant information, decision making and strategic documents.

In all, 17 actions have been determined as either Not on Track or Postponed. The onset of Covid-19 has impacted on a number of these actions by delaying delivery.

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Appendix 1 provides a detailed summary on the status of each action in the 2019-2020 Council and Wellbeing Annual Action Plan, inclusive of the period from 1 July - 30 June 2020 that have been assessed as Not on Track or Postponed. The areas with a stronger link to health and wellbeing are displayed with a heart icon ♥.

The following table provides summary of progress against actions.

| Status | Description | Number of actions |
|---------------------|--|-------------------|
| Achieved | The Action is completed. | 108 |
| On track | The action is on track and expected to be completed by the current timeline | 9 |
| Not On Track | The Action has been delayed impacting on the current timeline. An explanation and any remedial action and revised due date, where appropriate, is provided in the 'progress comments' column | 16 |
| Postponed | The Action has been deferred for the financial year. An explanation is provided in the 'progress comments' column | 1 |
| Total | | 134 |

Not On Track:

- Action 8 – Develop the Safer City Plan
- Action 20 - Deliver the Community Leadership Program
- Action 22 - Deliver Pop Culture events as a community gathering opportunity
- Action 23 - Deliver the Melton City Council annual Community Grants program
- Action 24 - Implement the Community Partnership Program
- Action 25 - Facilitate neighbourhood networks in Kurunjang and Frasers Rise Community Centres
- Action 40 – Develop a Waste & Litter Prevention Strategy
- Action 47 – Review Council's tree planting and removal policy
- Action 61 - Deliver the City of Melton Soccer Strategy
- Action 65 - Community Infrastructure Plan updated and endorsed by Executive
- Action 85 – Develop Public Realm Design Guidelines
- Action 110 - Deliver the annual Community Engagement Calendar
- Action 112 - Deliver an improved online engagement platform
- Action 119 – Develop Service Unit Workforce Plans
- Action 126 - Ensure Annual reporting of Essential Services maintenance for Council facilities referenced in the Victorian Building Regulations is completed
- Action 133 - Implement the 2019/20 actions from the 2018 - 2021 Enterprise Risk Management Strategy

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Postponed:

- Action 56 – Coordinate and deliver Heritage Week

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

19. Council Action Plan Quarterly Exception Report

4. Financial Considerations

Initiatives and activities delivered from the Action Plan are contained within the Council approved 2019-20 Budget.

5. Consultation/Public Submissions

The 2019-2020 Council and Wellbeing Annual Action Plan, which forms a part of the 2017-21 Council and Well Being Plan is prepared from internal consultation of Council management. The commentary contained in Appendix 1 which provides the detail set out in this report is derived from the Council staff who developed the annual action plan.

6. Risk Analysis

Nil.

7. Options

Nil.

LIST OF APPENDICES

1. 2019-2020 Council & Wellbeing Annual Action Plan Exception Report

6.9 KEY RISK MATTERS UPDATE**Author: Anthony Hinds - Risk and Performance Manager****PURPOSE OF REPORT**

To present to the Audit Committee the Key Risk Matters Update for 14 February to 25 August 2020 ('the Report')

RECOMMENDATION:

That Council note that the Audit Committee reviewed the report and that no further action is required.

Recommendation 9

Ms Gregory/Cr. Hardy.

That Council

1. note that the Audit Committee reviewed the report and that no further action is required in relation to it
2. ask officers to include in the next 'Key Risk Matters Update', a report on all of Council's strategic, corporate and operational risks within the risk register.

CARRIED

REPORT**1. Executive Summary**

Council Officers have undertaken risk mitigation actions over the last six months to decrease the likelihood and the severity of Council's strategic risks. These have included:

- Completing the review of the ten year capital works plan
- The plan to develop a Conflict of Interest Procedure as a requirement of the new Local Government Act
- Decreasing the likelihood of a destructive event in Council's IT systems, through the formation of the Information Security Risk Management Committee, and vulnerability and phishing programs
- Desktop testing of the business continuity arrangements for critical service contracts
- The planned refurbishment of the Civic Centre, and COVID-19 staff supports relieving some workplace-related staff stress issues.

2. Background/Issues

Council maintains an online Risk Register where officers record information on Council's enterprise (organisational) risks: strategic, corporate and operational. This includes risk ratings and the progress of mitigation actions. Information regarding the strategic risks is presented six-monthly to the Audit Committee as the Key Risk Matters Update refer to **Appendix 1**.

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3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

24 f. Key Risk Matters Update

4. Financial Considerations

Nil.

5. Consultation/Public Submissions

No consultation was required in the preparation of this report.

6. Risk Analysis

Some context regarding the information in **Appendix 1**:

- The strategic risk 'Growth Pressures' (Risk 340) addresses the risk that:
 - (i) "The approved Developer Contribution Plans (DCPs) and Infrastructure Contribution Plans (ICPs) in Precinct Structure Plan (PSP) areas:
 1. do not collect adequate money to cover local infrastructure costs; and
 2. do not collect any contributions towards regional level infrastructure;and
 - (ii) early delivery of infrastructure ahead of demand raises service delivery costs earlier than otherwise anticipated, and therefore not covered in rates income;
resulting in a significant funding shortfall for Council in the delivery of services and infrastructure in these areas, with associated damage to community confidence in Council and Council's service delivery capacity."
- To assist in mitigating this risk, the review of the ten year capital works plan has been completed; it will be adopted as part of the Council Budget at the Special Meeting of Council on 31 August 2020.
- Risk 2459 is the risk "that political agendas, or a major breach of the Councillor Code of Conduct, will result in Council suffering a loss of community confidence and/or not delivering critical infrastructure and community services."
 - As a requirement under the new Local Government Act, Council will develop a Conflict of Interest Procedure and Form; consideration is to be given to a central conflict of interest register and an organisational training/awareness program re the Conflict of Interest Procedure once it is developed.
- Risk 2460 is the risk "that a pandemic, natural disaster, destructive event or cyber event against a major Council or community asset (e.g. facility or information) will result in: loss of IT systems; Council not being able to deliver critical business functions like community services; the community losing access to Council services; and/or damages to Council's reputation."
 - The risk mitigation activity in the reporting period has involved the formation of an Information Security Risk Management Committee, the improvement of Council's security posture against vulnerabilities, and training and phishing simulation.
- Risk 1836 is that risk "that an external financial or economic downturn will result in Council losing a significant amount of revenue from the joint venture with Lend Lease"

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- Council remains in a relatively strong market position with the Atherstone joint venture; however, whilst income expected has been reduced, there are no commitments from any future sales of land.
- Risk 2484 has the title Work-Related Stress, and is the risk “that significant numbers of staff will experience work-related stress due to changing environment or accommodation; resource allocation; workload balance; or conflict; resulting in difficulties in attracting and retaining staff; decrease in productivity; and increased WorkCover costs.”
 - In the reporting period, Council has prioritised the refurbishment of the Civic Centre in place of the development of a new facility as part of the Cobblebank PSP.

Work-related stress due to the rapidly changing work environment under COVID-19 has been the topic of regular discussion at the Crisis Management Team meetings. Staff have been supported via: redeployment where possible; counselling via the Employee Assistance Program; and where required, the provision of Special Leave.

7. Options

The Audit Committee can recommend to Council that it:

1. Note the report and take no further action as per the recommendation;
2. Request further information/clarification if deemed necessary.

LIST OF APPENDICES

1. Strategic Risk Summary Report for Audit Committee - undated

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Mr Hinds (Manager Risk & Performance) left the meeting at 1.18pm.

6.10 VICTORIAN OMBUDSMAN REPORT: 'INVESTIGATION INTO THREE COUNCILS' OUTSOURCING OF PARKING FINE INTERNAL REVIEWS'

Author: Christine Denyer - Manager Legal and Governance

PURPOSE OF REPORT

To provide a summary of the Victorian Ombudsman's report, 'Investigation into three councils' outsourcing of parking fine internal reviews', as it relates to this Melton City Council.

RECOMMENDATION:

That Council note that the Audit Committee reviewed the report and that no further action is required.

Recommendation 10

Mr Mansoor/Ms Gregory.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT

1. Executive Summary

This Ombudsman investigation focussed on three Councils that defended their outsourcing of the review of infringements: Glen Eira, Port Phillip and Stonnington.

The investigation sought to determine whether or not such outsourcing was contrary to law.

The Ombudsman concluded that whilst Councils can use private contractors those contractors cannot actually make the internal review decisions. To this end, the Ombudsman also formed the view that all three Councils' use of private contractors was contrary to law.

Melton does not outsource its infringement review function. This function sits within Legal and Governance and every review is conducted on a case by case basis on its merits in accordance with Council's internal procedure, a copy of which is at **Appendix 1** and is currently under review following new Internal Review Guidelines being issued from the department of Justice and Community Safety in late June 2020.

2. Background/Issues

This Ombudsman investigation focussed on three Councils that defended their outsourcing of the review of infringements: Glen Eira, Port Phillip and Stonnington, and in relation to which the Ombudsman had received a number of Complaints.

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Other Councils were engaging in the practice of outsourcing, Monash and Kingston, however these Councils voluntarily refunded more than 46,000 infringements reviewed and upheld by the outsourced provider between 2006 and 2016.

The Ombudsman concluded that whilst Councils can use private contractors to provide administrative assistance those contractors cannot actually make the internal review decisions. To this end, the Ombudsman also formed the view that all three Councils were using private contractors in a way that is contrary to law.

Melton does not outsource its infringement review function. This function sits within Legal and Governance and every review is conducted on a case by case basis on its merits in accordance with Council's internal procedure, a copy of which is at **Appendix 1** and is currently under review following new Internal Review Guidelines being issued from the department of Justice and Community Safety in late June 2020.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

23. Other External Reports – AG's, Ombudsman etc

4. Financial Considerations

N/A

5. Consultation/Public Submissions

N/A

6. Risk Analysis

N/A

7. Options

Advise Council to seek further information

LIST OF APPENDICES

1. Infringements Review Procedure

6.11 VAGO REPORT ON MANAGING DEVELOPER CONTRIBUTIONS**Author: Bob Baggio - Manager Planning Services****PURPOSE OF REPORT**

To provide responses to the request by the Audit Committee to report on the actions taken by this Council in addressing the recommendations in the Victorian Auditor General's Office report on 'Managing Developer Contributions' (the VAGO Report) published March 2020.

RECOMMENDATION:

That Council note that the Audit Committee reviewed the report and that no further action is required.

Recommendation 11

Ms Gregory/Mr Mansoor.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

Victoria's growing population is placing pressure on its infrastructure. This is particularly the case in a rapidly growing area such as the City of Melton. Development contributions can help the state government and local councils meet infrastructure needs within their budgets.

Council currently receives direct funding to assist in the provision of local infrastructure and community facilities, through developer contributions. These contributions are payments or in-kind works, facilities or services that developers and landowners provide at the subdivision stage. Further, the state government collects contributions through GAIC, which assists in providing higher order facilities such as schools and public transport.

VAGO conducted an audit released in March 2020, which assessed how well Victoria's development contributions are delivering required infrastructure for growing communities. The City of Melton was directly involved in providing input into that audit.

In summary, the audit found that Victoria's development contributions are not delivering the infrastructure needed by growing communities to support their quality of life. This is largely because state agencies have not managed development contributions tools strategically to maximise their value and impact. Instead, they manage the tools in isolation, with overlapping roles and no overarching strategy, goals or plan to drive and measure their collective success.

The audit report makes a number of significant recommendations to improve this strategic alignment, which are discussed further in the report, and which are supported by Council.

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2. Background/Issues

In March 2020, the Victorian Auditor-Generals Office released an audit report titled 'Managing Development Contributions'. The audit assessed how well Victoria's development contributions are delivering required infrastructure for growing communities. It examined three programs and one other legal instrument:

- Growth Areas Infrastructure Contribution (GAIC) (since 2010)
- Development Contributions Plan (DCP) (since 1995)
- Infrastructure Contributions Plan (ICP) (since 2015)
- Voluntary agreements/ section 173 agreements (VA/s173).

A number of agencies and councils were examined in delivering and using these tools including the City Of Melton.

In essence, the audit concluded that Victoria's development contributions are not delivering the infrastructure needed by growing communities to support their quality of life.

This is largely because state agencies have not managed development contributions tools strategically to maximise their value and impact. Instead, they manage the tools in isolation, with overlapping roles and no overarching strategy, goals or plan to drive and measure their collective success.

The state-managed GAIC program is inefficient and lacks strategic effect because project funding decisions are split between two disconnected processes. This limits DELWP's ability to direct GAIC project funding towards the areas of greatest benefit and perform financial management of GAIC trusts.

The ICP program's implementation is delayed. DELWP and VPA's effort to implement the ICP program has reduced its focus on addressing the existing issues with the DCP program, which remains unnecessarily complex, costly and time-consuming for councils to use.

For many councils, VA/s173 agreements are the only realistic option to collect contributions for infrastructure. However, these one-off agreements are not designed specifically for development contributions and are unsuitable for supporting infrastructure delivery at the scale offered by the DCP and ICP programs.

The report recommended that the Department of Environment, Land, Water and Planning, in consultation with the Victorian Planning Authority, the State Revenue Office and councils:

1. Create an overarching development contributions framework that establishes:
 - a strategic direction for development contributions, including outcomes and targets for infrastructure delivery and supporting growth
 - clear and holistic accountability and governance arrangements for development contributions at a system-level
 - a central source of development contributions advice and guidance, including for voluntary agreements made through section 173 of the Planning and Environment Act 1987
 - the development contributions tools available for each council and the relationships between them.
2. Develop a plan for monitoring, evaluating and reporting on the outcomes achieved by development contributions at a state and council level, using the Victorian Government's outcomes architecture.
3. Complete outstanding work to implement the Infrastructure Contributions Plan program, including:

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- defining Strategic Development Areas and Regional Greenfield Growth areas
 - recommending to government when the program should expand into Strategic Development Areas and Regional Greenfield Growth areas
 - recommending to government which parts of Victoria should be included in these categories, using evidence-based eligibility criteria
 - recommending to government how to calculate levies for Infrastructure Contributions Plans in new areas
 - keeping all councils informed about implementation progress and decisions made.
4. Improve the Development Contributions Plan program by:
- identifying and reducing the time, cost and administrative burdens associated with developing Development Contributions Plans based on council feedback and the objectives of the Infrastructure Contributions Plan program
 - building councils' capacity to develop and implement Development Contributions Plans through updated written guidance and ongoing support that caters to their council type.
5. Investigate the extent to which councils deliver infrastructure through Infrastructure Contributions Plans and Development Contributions Plans that is beyond a 'basic and essential' standard and use this information to assess whether restrictions on community infrastructure need revision.
6. Identifies and advises government on potential reforms to the Growth Area Infrastructure Contribution program, including:
- providing overarching financial management of Growth Area Infrastructure Contribution trusts that prevents overdrawing funds to finance projects
 - providing overarching, strategic selection and assessment of Growth Area Infrastructure Contribution projects that meets the program's eligibility requirements and community infrastructure needs
 - seeking greater council input to selecting Growth Area Infrastructure Contribution-funded projects.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

23. Other External Reports – AG's, Ombudsman etc

4. Financial Considerations

Developer contributions are an important component of council's ability to provide infrastructure and community facilities to growing communities, in a timely manner. That said, some of the older DCPs such as the Toolern DCP have significant underfunding issues which creates cash flow issues for council in providing these facilities. A particular concern relates to escalation of land costs and the ability for council to find the funds to meet these land acquisition costs.

Further the implementation of the ICPs by government has been flawed and haphazard, leading to many issues for council in their implementation.

It is considered imperative that the existing developer contribution system is comprehensively reviewed and overhauled so that a more strategic approach is adopted as recommended in the VAGO audit.

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5. Consultation/Public Submissions

City of Melton was one of the councils chosen to be examined as part of the audit. The other councils included Shire of Cardinia and City of Whitehouse.

Council officers from the planning and finance areas were involved in the process through face to face interviews, and the provision of information on councils systems and processes relating to the collection, administration and expenditure of developer contributions.

Council officers were also requested to provide feedback on the audit at numerous steps during its preparation.

Finally, Council's CEO provided the following comments on the audit report and its recommendations:

"The City of Melton fully supports the conclusions and recommendations of the VAGO 'Managing Development Contributions' report.

Council has for some time been concerned about the lack of a coherent process for the project allocation of GAIC funding. Further, Council is currently dealing with cash flow issues relating to underfunding inherent to a number of the DCPs and the implementation problems with the introduction of the ICP system.

Council would welcome the opportunity to be involved in the implementation of the recommendations where appropriate."

6. Risk Analysis

Council is already experiencing financial issues principally relating to the underfunding of DCP/ICP projects and cash flow problems with the timely provision and local community facilities and infrastructure. The audit is an important review of the system which will hopefully result in some changes which will improve the system, particularly for council's who are responsible for their implementation.

7. Options

The Committee can recommend to Council that it:

1. Note the report as per the recommendation;
2. Request further information/clarification if deemed necessary.

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Nil

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2 SEPTEMBER 2020

Mr Baggio (Manager Planning Services) left the meeting at 1.26pm

6.12 ASSET MANAGEMENT UPDATE

Author: Mike Johnston - Coordinator Asset Management & GIS
Presenter: Sam Romaszko - Manager Engineering Services

PURPOSE OF REPORT

To provide an update on the status of Strategic Asset Management activities within the City of Melton.

RECOMMENDATION:

That Council note that the Audit Committee reviewed the report and no further action is required.

Recommendation 12

Mr Mansoor/Cr Carli.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

Following Melton's City Council's withdrawal from MAV's STEP Asset Management Improvement Program last year, the MAV has since concluded the program citing declining participation. We will continue to monitor correspondence distributed by the MAV regarding updates associated with a possible replacement for the STEP program, and reconsider membership at a future point in time.

Engineering Services (Asset Management & GIS team) continues to deliver outcomes associated with Strategic Asset Management practices, with the following initiatives undertaken in the last 12 months;

- The revision and update of Council's Asset Management Strategy
- The revision and update of Council's Asset Management Plans for all Asset Groups
- 10 year renewal modelling to inform Council's Long Term Financial Plan
- Establishment of a 4 year Condition Audit and Revaluation schedule for all asset groups
- The development of Business Process Manuals for each Asset Group (Transport, Open Space, Stormwater and Buildings)

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An update to Council's Asset Management Policy will occur this financial year, along with the adoption of the Asset Management Strategy and Asset Management Plans that will further reinforce the importance of asset management activities within the organisation.

2. Background/Issues

Following Melton's City Council's withdrawal from the Municipal Association of Victoria's (MAV) STEP Asset Management Improvement Program in late 2019, the MAV has since concluded the program citing declining participation. MAV's STEP Asset Management Improvement Program included the National Asset Management Assessment Framework (NAMAF) tool that was used to assess maturity in asset management practices.

The MAV is now gathering feedback via a survey distributed to Local Governments requesting advice relating to how they can best support Councils in the current environment, with the view to develop a new approach to regulating Asset Management within the Local Government Sector. Engineering Services will keep a keen eye on any updates or developments within this space.

The organisation performed well in the NAMAF assessment prior to withdrawal from the program and has a continued focus on the delivery of key strategic asset management activities as identified in the Asset Management Strategy and Asset Management Plan, and in accordance with the Asset Management Policy.

A range of initiatives have been undertaken in the last 12 months to ensure the continual improvement in Strategic Asset Management practices, including;

- *Asset Management Strategy*

The revision and update of Council's Asset Management Strategy. This document will also be presented to councillors for endorsement later this financial year;
- *Asset Management Plans*

The revision and update of Council's Asset Management Plans for all Asset Groups: Transport, Open Space, Stormwater and Buildings. The documents will be presented to councillors for endorsement later this financial year;
- *Long term renewal modelling*

The continued development and refinement of renewal modelling for all asset groups that will identify the ability of Council to maintain the range of current services and respective service levels delivered by these infrastructure assets over a 10 year timeframe. The renewal modelling undertaken will inform Council's Long Term Financial Plan.
- *4 year Condition Audit and Revaluation schedule*

Establishment of a 4 year Condition Audit and Revaluation schedule; for all asset groups, to ensure alignment with Australian accounting requirements;
- *Business Process Manuals (BPMs)*

The development of BPMs for each Asset Group (Transport, Open Space, Stormwater and Buildings). The purpose of these documents assist to document processes and procedures required for a robust, strategic approach to asset management, covering the entire life cycle of the asset, from acquisition to end of its useful life;
- *Departmental Collaboration*

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Increased collaboration between Engineering Services (Asset Management and GIS team) and other service units, in order to better support planning for renewal works, and proactive maintenance works.

Through the development of the Asset Management Strategy listed above, an Asset Management Core Competency Assessment Report which is based on the NAMAFA assessment criteria was conducted in February this year. This was completed by an external assessor, with the report concluding that Council is operating with most items of the criteria at "better practice" and some at "good practice" for Core Asset Management Competency. (See Appendix 1 for details).

Council is well placed in its Strategic Asset Management journey. The areas requiring the greatest level of improvement are those involving the capacity and functionality assessment of Council's infrastructure assets which are characteristics of advanced asset management maturity.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

24 g. National Asset Management Assessment Framework Report Card (NAMAFA)

4. Financial Considerations

There are no financial considerations associated with this report.

5. Consultation/Public Submissions

There is no consultation associated with this report.

6. Risk Analysis

Council has stringent strategic asset management practices and governing policies associated with the management of assets within the municipality. Council's Asset Management Plans, Asset Management Strategy and Asset Management Policy will be updated this financial year, with 10 year renewal modelling informing Council's Long Term Financial Plan.

7. Options

Nil

LIST OF APPENDICES

1. Asset Management Core Competency Report 2020

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Mr Johnston (Coordinator Asset Management & GIS) left the meeting at 1.30pm

6.13 INTERNAL AUDIT RECOMMENDATION TRACKING REPORT FOR AUGUST 2020**Author: Cheryl Santoro - Senior Administration Officer****Presenter: Cheryl Santoro - Senior Administration Officer****PURPOSE OF REPORT**

To present the *Internal Audit Recommendation Tracking Report for August 2020* (the Report).

RECOMMENDATION:

That Council note that the Audit Committee reviewed the Report and that no further action is required.

Recommendation 13

Ms Gregory/Mr Mansoor.

That Council note that the Audit Committee reviewed the report and that no further action is required.

CARRIED

REPORT**1. Executive Summary**

An updated report on the current status of recommendations emanating from Internal Audit reports is required to be presented to the Audit Committee pursuant to the *Annual Plan 2020* and pursuant to the *Strategic Internal Audit Plan 2019/20 to 2021/22*.

The Report is attached at **Appendix 1** for the Committee's consideration.

2. Background/Issues

Pursuant to the *Annual Plan 2020* and the *Strategic Internal Audit Plan 2019/20 to 2021/22* Council's internal auditors conduct planned audits.

In order to track and report on these audits and the resultant reports, the recommendations accepted by Council, upon the Audit Committee's recommendation, are recorded in Council's Risk Register.

Each internal audit recommendation is assigned an Action Owner. It is the responsibility of the Action Owner to action and report on the progress of addressing the recommendation.

Attached to this report at **Appendix 1** is the *Internal Audit Recommendation Tracking Report for August 2020*.

Recommendations shaded in green are those that have been completed since the last report to the Audit Committee.

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3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

11. Status of Internal Audit Recommendation Tracking Report

4. Financial Considerations

Nil.

5. Consultation/Public Submissions

Nil.

6. Risk Analysis

Recommendations from each internal audit are recorded in Council's Risk Register for the attention of the respective action owners. Not all recommendations are associated with risk although many are. Nevertheless, the risk register is considered the best place to store and track this information.

Each audit report sets out the main risk and any other risks in relation to the findings and recommendations.

7. Options

The Audit Committee can:

1. Note the report as per the recommendation;
2. Request further information as deemed necessary.

LIST OF APPENDICES

1. Internal Audit Recommendations Tracking Report for August 2020

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6.14 LOCAL GOVERNMENT ACT 2020 IMPLEMENTATION - AUDIT AND RISK COMMITTEE CHARTER AND OTHER ACTIONS

Author: Christine Denyer - Manager Legal and Governance
Presenter: Christine Denyer - Manager Legal and Governance

PURPOSE OF REPORT

To update the Audit Committee on the implementation of the Local Government Act 2020 including the adoption of the new Audit and Risk Committee Charter

RECOMMENDATION:

That Council:

1. notes the report and the provision of the new Charter to the Audit and Risk Committee ;
2. requires a report to the Committee on the status of the *Local Government Act 2020* implementation at every meeting until the full implementation of the Act has been achieved.

Recommendation 14

Mr Mansoor/Cr Carli.

That Council:

1. notes the report and the provision of the new Charter to the Audit and Risk Committee;
2. requires a report to the Committee on the status of the *Local Government Act 2020* implementation at every meeting until the full implementation of the Act has been achieved.

CARRIED

REPORT**1. Executive Summary****UPDATED FROM THE ORIGINAL DISTRIBUTION OF THE AGENDA**Audit and Risk Committee

Following approval by this Committee (out of session) and upon the recommendation of the Policy Review Committee, Council is expected to adopt a Charter for the newly formed Audit and Risk Committee at its meeting on 31 August 2020. At the time of the drafting of this agenda, the Council has not met. A copy of the Charter which has been recommended by the Policy Review Panel is at **Appendix 1**.

Relevantly, Council is also expected to formally resolve as follows:

- to establish the new Audit and Risk Committee, to replace the existing Audit Committee including appointment of all existing members on the same terms as their current appointments.

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- to vacate the meeting scheduled for 28 October 2020, it being a date before the result of the election will be declared such that no Councillor will be able to attend and therefore no quorum.

A draft *Annual Plan 2021* to reflect the Committee's widened scope, will be presented to the December meeting.

Other Local Government Act implantation actions

Insofar as the implementation of the 2020 Act more broadly, an *updated Local Government Act Implementation Plan as at 24 August 2020* **1 September 2020** is at **Appendix 2**.

2. Background/Issues

Audit and Risk Committee

At its meeting on 1 July 2020, this Committee received a report in relation to the implementation of the new *Local Government Act 2020* (the 2020 Act).

The Committee recommended – and Council resolved – *to hold over the scheduled review of the Audit Committee Charter pending release by DELWP of a template for the Audit and Risk Committee Charter as required by the Local Government Act 2020, which will be brought to Council via the normal Policy Approval Process.*

Following approval by this Committee (out of session) and upon the recommendation of the Policy Review Committee, Council is ~~expected to adopt~~ **ed** a Charter for the newly formed Audit and Risk Committee at its meeting on 31 August 2020. ~~At the time of the drafting of this agenda, the Council has not met. A copy of the Charter which has been recommended by the Policy Review Panel is at Appendix 1.~~

Council is also ~~expected to resolve~~ **d**, in relation to this Committee:

- to establish the new Audit and Risk Committee, to replace the existing Audit Committee including appointment of all existing members on the same terms as their current appointments.
- to vacate the meeting scheduled for 28 October 2020, it being a date before the result of the election will be declared such that no Councillor will be able to attend and therefore no quorum.

A draft *Annual Plan 2021* to reflect the Committee's widened scope, will be presented to the December meeting.

Other Local Government Act implantation actions

Insofar as the implementation of the 2020 Act more broadly, an *updated Local Government Act Implementation Plan as at 24 August 2020* **1 September 2020** is at **Appendix 2**.

~~By the time that this Committee meets, on 2 September 2020, all~~ **All** of stage one **has now** should have been implemented.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

13. AC Charter

4. Financial Considerations

Not applicable.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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5. Consultation/Public Submissions

N/A

6. Risk Analysis

N/A

7. Options

Not recommend to Council that the Committee requires a status report on the implementation of the *Local Government Act 2020*.

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1. Audit and Risk Committee Charter - 31 August 2020
2. Local Government Act Implementation Plan as at 1 September 2020

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6.15 AUDIT COMMITTEE PERFORMANCE PLAN

Author: Cheryl Santoro - Senior Administration Officer

Presenter: Kel Tori - Chief Executive Officer

PURPOSE OF REPORT

To present the results of the annual evaluation by the Audit Committee members and regular staff attendees at Audit Committee meetings, as to the Audit Committee's performance over the past 12 months.

RECOMMENDATION:

That Council note the results of the annual evaluation undertaken by the Audit Committee members set out at **Appendix 1** and regular staff attendees at Audit Committee meetings set out at **Appendix 2**, as to the Audit Committee's performance over the past 12 months and no further action is required.

Recommendation 15

Ms Gregory/Mr Mansoor.

That Council:

1. note the results of the annual evaluation undertaken by the Audit Committee members set out at **Appendix 1** and regular staff attendees at Audit Committee meetings set out at **Appendix 2**, as to the Audit Committee's performance over the past 12 months and no further action is required in relation to the evaluation.
2. Require officers to distribute to the Committee, out of session, the assessment template recently released by Local Government Victoria, for consideration of its use for next year's evaluation process.

CARRIED

REPORT**1. Executive Summary**

A performance review was undertaken by Audit Committee members as required under Council's Audit Committee Terms of Reference dated July 2019.

2. Background/Issues

Section 6 of Council's Audit Committee Terms of Reference, requires the Audit Committee to evaluate their own performance collectively against the Terms of Reference.

The Audit Committee's performance has, historically, also been evaluated by staff who regularly attend the Audit Committee meetings.

An evaluation on the performance of the Audit Committee is conducted annually and a questionnaire has been developed (and refined over the years) covering the following 12 components:

1. Achievement of Overall Objectives

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2. Financial Reporting
3. Internal Control
4. Risk Management
5. Business Continuity
6. Internal Audit
7. External Audit
8. Compliance
9. Reporting Responsibilities
10. Other Responsibilities
11. Completion of Authorised Functions
12. Committee Support and Self Assessment.

A copy on the results of the Audit Committee Feedback Questionnaire from Audit Committee members is attached as **Appendix 1** and the results of the Audit Committee Feedback Questionnaire from regular staff attendees is attached as **Appendix 2**.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

15. Report to Council on Audit Committee Performance Plan

4. Financial Considerations

Independent Audit Committee members remuneration is provided for in the recurrent budget of Council.

5. Consultation/Public Submissions

Self assessment feedback from Audit Committee members and also regular staff attendees at Audit Committee meetings were sought, as part of this review.

6. Risk Analysis

The proposed assessment of performance is based, in accordance with the Terms of Reference, on a self-assessment model. Each member of the Committee assessed the Committee's performance against a series of questions.

There is a risk, as with any self-assessment, that the questions are not answered in a fair and reasonable manner. This risk exists because those completing the questions have what would otherwise be considered a conflict of interest.

This risk is somewhat mitigated by the fact that staff who regularly attend the meetings were also invited to complete the questionnaire.

The only way to remove this risk completely is to have the Committee's performance be assessed by an external contractor, who is independent of the Committee and the Council.

7. Options

That Council

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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1. Accept the self-assessment model currently being undertaken.
2. Recommend that Council engage an external contractor to conduct an independent assessment of the Audit Committee's performance and amend the Committee's Charter accordingly.

LIST OF APPENDICES

1. 2020 Audit Committee Questionnaire Results from A/C members
2. 2020 Audit Committee Questionnaire Results from Regular Staff Attendees

7. MEET WITH AUDITORS IN THE ABSENCE OF MANAGEMENT

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8. PUBLICATIONS

8.1 PUBLICATIONS

There are no relevant publications for this meeting.

RECOMMENDATION:

Nil

LIST OF APPENDICES

Nil

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9. OTHER MATTERS RAISED BY THE COMMITTEE

Cr Hardy raised the matter on the requirement of training for Councillors if appointed as a member of the Audit and Risk Committee.

Recommendation 16

Cr Hardy/Cr Carli.

That Council:

Instruct officers to arrange a specific Audit and Risk Committee training/induction for any Councillor who has not previously served as a term on the Committee.

CARRIED

Mr Tommasini enquired on the status of appointing new Internal Auditors.

Ms Denyer advised that the proposal is to conduct a tender process for the Internal Audit sometime in October/November with a view to awarding the contract at the December 2020 Council meeting.

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10. CONFIDENTIAL BUSINESS

Nil.

11. NEXT MEETING

The next Audit Committee meeting will be held on Wednesday 9 December 2020.

12. CLOSE OF BUSINESS

The meeting closed at 1.53pm.

Confirmed

Dated this

.....CHAIRPERSON