



MELTON CITY COUNCIL

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

1 July 2020

**THESE MINUTES CONTAIN REPORTS DEALT WITH AT A
CLOSED SECTION OF THE COMMITTEE**

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

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MELTON CITY COUNCIL

MINUTES OF THE AUDIT COMMITTEE MEETING
OF THE MELTON CITY COUNCIL
HELD VIA A VIDEOCONFERENCE
ON 1 JULY 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 L. Stokes, Manager Operations
Mr A. Hinds, Manager Risk & Performance
Ms C. Santoro, Senior Administration Officer
Ms D. Robertson, Internal Auditor
Mr M. Oroszi, Internal Auditor
Mr P. Iwaniew, JB Were
Mr M. Kendall, JB Were
Mr T. Goode, JB Were

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.

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4. MINUTES OF PREVIOUS MEETINGS

RECOMMENDATION:

That the Minutes of the Audit Committee Meeting held on 25 February 2020 and adopted by Council at the Ordinary Meeting held on 2 April 2020 be noted.

Motion

Ms Gregory/Cr Hardy.

That the Minutes of the Audit Committee Meeting held on 25 February 2020 the recommendations within which were adopted by Council at the Ordinary Meeting held on 2 April 2020 be confirmed.

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 June 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 June 2020 and that no further action is required.

Recommendation 1

Cr Hardy/Cr Carli.

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 June 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 June 2020 is attached as **Appendix 2**.

This agenda addresses all items in the Annual Plan 2020 scheduled for April and June with the exception of 24 g), the National Asset Management Assessment Framework Report Card (NAMAF) which has not been able to be completed due to Covid-19 restrictions as they relate to staff.

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.

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1. Annual Plan 2020
2. Tracking Report for Audit Committee Actions as at June 2020

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Mr Iwaniw, Mr Kendall and Mr Goode (JB Were) joined the meeting at 12.21pm.

6.2 DRAFT INVESTMENT POLICY STATEMENT

Author: Sam Rumoro - Manager Finance
Presenters: Sam Rumoro - Manager Finance
and
Mr Iwaniw, Mr Kendall and Mr Goode – JB Were

PURPOSE OF REPORT

To present Draft Investment Policy Statement to Audit Committee for consideration.

RECOMMENDATION:

That Council approve the Investment Policy Statement.

Recommendation 2

Cr Hardy/Mr Mansoor.

That Council approve the Investment Policy Statement.

CARRIED

REPORT**1. Executive Summary**

The attached Draft Investment Policy Statement and Discussion Paper has been developed in collaboration between Council and JB Were following the establishment of the Infrastructure and Strategic Investment Reserve in 2019 by Council. This Investment Policy Statement will replace the Councils' Investment of Council Funds Policy if approved.

Draft Investment Policy Statement once approved by Audit Committee and Council, will require certain investments/asset classes recommended in Draft Investment Policy Statement to be approved by the Minister.

2. Background/Issues

In 2019 Council approved the establishment of the Infrastructure and Strategic Investment Reserve (the Reserve) from the proceeds of the Atherstone development joint venture with Lend Lease Communities. Councils share of proceeds from the Atherstone Development are placed in a separate reserve as funds are received/lots settled. This fund will be used to ensure the long term financial sustainability of Council's finances and provide funding for Councils services and infrastructure over the long term.

Funds placed in the Reserve are to be separately identified and managed in accordance with projected inflows and outflows from major projects, strategic land purchases and income generating activities. Reserve funds are to be allocated in the following manner:

- Major projects 50%;
- Income generating activities 30% and;

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- Strategic land purchases 20%.

Utilisation of the Reserve's funds will be approved by Council as part of the Budget process or by Council resolution.

After the established of the Reserve, Council appointed JB Were Pty Ltd as its investment manager. JB Were Pty Ltd is required to provide investment advisory and management services to Melton City Council with the main goal of maximising the return from investments that are allowed within the parameters of the Local Government Act 1989 including sections 143 and 193.

Investment manager is to work with Council in development of an Investment Policy, in order to establish a clear roadmap for future investments of reserves and provide clear direction with respect to;

- Investment Philosophy
- Investment Objectives
- Investment Governance
- Investment Allocation and
- Investment Selection.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

12. Relevant Council Policies

4. Financial Considerations

The adoption of the Investment Policy Statement will impact on Council's investment returns.

5. Consultation/Public Submissions

The Draft Investment Policy Statement was developed in consultation with JB Were, Council Officers and Executive.

6. Risk Analysis

Risk analysis is contained in the attached Draft Investment Policy Statement and Discussion Paper.

7. Options

The Audit Committee can recommend to Council that it:

1. Approve Investment Policy Statement ;
2. Approve Investment Policy Statement with amendments
3. Request further information/clarification if deemed necessary.

LIST OF APPENDICES

1. Draft Investment Policy Statement - undated.
2. Investment Discussion Paper - July 2020.

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Mr Iwaniw, Mr Kendall and Mr Goode (JB Were) left the meeting at 12.56pm.

6.3 2019-2020 THIRD QUARTER COUNCIL ANNUAL ACTION PLAN EXCEPTION REPORT

Author: Bob Baker - Corporate Planning and Performance Coordinator
Presenter: Anthony Hinds - Risk and Performance Manager

PURPOSE OF REPORT

To present the 2019-2020 Third Quarter Council Annual Action Plan Exception Report ('the Report')

RECOMMENDATION:

That Council note that the Audit Committee reviewed the Report and that no further action is required, the Action Plan having already been received and noted by Council on 25 May 2020.

Recommendation 3

Cr Carli/Mr Mansoor.

That Council note that the Audit Committee reviewed the Report and that no further action is required, the Action Plan having already been received and noted by Council on 25 May 2020 .

CARRIED

REPORT**1. Executive Summary**

The quarterly report shows those actions from the 2019-2020 Third Quarter Council Annual Action Plan 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.

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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 - 31 March 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.	38
On track	The action is on track and expected to be completed by the current timeline	82
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	11
Postponed	The Action has been deferred for the financial year. An explanation is provided in the 'progress comments' column	3
Total		134

Not On Track:

- Action 9 – Develop the Safer City Plan
- 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 51 - Deliver the Water Sensitive Urban Design Construction program
- Action 85 – Develop Public Realm Design Guidelines
- Action 99 - Host community events including Djerriwarrh, a major community event in Caroline Springs, Carols by Candlelight and the activation of event spaces in the Melton Town Centre
- Action 10 - Deliver the annual Community Engagement Calendar
- Action 115 - Develop, and implement Year 1, of 2019 - 2022 Occupational Health and Safety Strategy
- Action 119 – Develop Service Unit Workforce Plans
- Action 133 - Implement the 2019/20 actions from the 2018 - 2021 Enterprise Risk Management Strategy

Postponed:

- Action 20 – Deliver the Community Leadership Program
- Action 24 - Implement the Community Partnership Program
- Action 56 - Coordinate and deliver Heritage Week

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

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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 Third Quarter Council Annual Action Plan Exception Report

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6.4 REVISED COUNCIL AND WELLBEING PLAN 2017-2021Author: **Bob Baker - Corporate Planning and Performance Coordinator**Presenter: **Anthony Hinds - Risk and Performance Manager****PURPOSE OF REPORT**

To present the revised Council and Wellbeing Plan 2017 – 2021 (Appendix 1)

RECOMMENDATION:

That Council note that the Audit Committee reviewed the Report and that no further action is required, the Revised Plan having already been endorsed by Council on 22 June 2020.

Recommendation 4

Cr Hardy/Cr Carli.

That Council note that the Audit Committee reviewed the report and that no further action is required, the Revised Plan having already been endorsed by Council on 22 June 2020.

CARRIED

REPORT**1. Executive Summary**

As prescribed by the *Local Government Act 1989* (Vic) ('the Act') Council is required to consider its Council Plan annually.

Following consultation with Council officers, some content in the Council and Wellbeing Plan 2017-2021 has been revised to ensure the information reflects Council's service delivery, organisational structure, Council membership and revised demographic forecasts.

The review found that all of the existing Themes, Outcomes, Strategic Objectives and Strategies expressed Council's direction, and identified that the Mayor's and Chief Executive Officer's messages, and the Organisation Structure, were the only elements of the Council and Wellbeing Plan to be adjusted.

Details of the adjustments to the 2017-2021 Council and Wellbeing Plan will be forwarded to the Minister for Local Government pursuant to section 125(10) of the *Local Government Act 1989*.

The Revised Council and Wellbeing Plan 2017-2021 was endorsed by Council at the Ordinary Council meeting on 22 June 2020.

2. Background/Issues

The Council and Wellbeing Plan is reviewed on an annual basis to ensure that the strategic direction of Council is articulated and implemented by the organisation. The annual review is good governance practice and is also required by the *Local Government Act 1989*.

The *Local Government Act 1989*, requires:

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Section 125(7) - At least once in each financial year, a Council must consider whether the current Council Plan requires any adjustment in respect of the remaining period of the Council Plan.

Section 125(8) - Subject to the following two provisions, a Council may make any adjustment in considers necessary to the Council Plan.

Section 125(9) - A person has the right to make a submission under section 223 on a proposed adjustment to a Council Plan which relates to a matter specified under 125, subsections

2(a) – the strategic objectives of the Council,

2(b) - strategies for achieving the objectives for at least the next 4 years and

2(c) – strategic indicators for monitoring the achievement of the objectives.

Section 125(10) - If a Council makes an adjustment to the Council Plan, the Council must within 30 days of making the adjustment, advise the Minister of the details of any adjustment to the Council Plan.

Section 125(11) - A copy of the current Council Plan must be available for inspection by the public at:

- The council office and any district offices, and
- Any other place required by the regulations

In addition, a Council must ensure that the current Council Plan is published on the Council's Internet website.

As the adjustments to the Plan don't include any elements identified in Section 125 (9) above, the revised plan has not been displayed to invite community submissions under section 223 of the Act.

The *Local Government Act* 1989 also states that if a Council makes an adjustment to the Council Plan, the Council must within 30 days of making the adjustment advise the Minister of the details of the adjustment to the Council Plan.

The Strategic Resource Plan is revised as part of the 2020 - 2021 budget process taking into consideration the latest information available on the 2017 – 2021 Council and Wellbeing Plan, capital works and human resources within the planned operations of Council. The revised Strategic Resource Plan is presented to Council for consideration as part of the 2020 - 2021 budget process.

The review of the Council and Wellbeing Plan undertaken for the final year of the 2017-2021 Council and Wellbeing Plan found that the existing Strategic Objectives, Strategies and Strategic Indicators were still relevant to Council direction and the organisational operation. Therefore, it is recommended that no change is made to any of these elements of the Plan.

Additionally, analysis of the Council Annual Action Plans to date demonstrates that Council has delivered outcomes against all of the existing Strategic Objectives.

The review conducted an assessment of Council's ability to demonstrate the achievement of the objectives and found the actions in the Council and Wellbeing Annual Action Plans in combination with the Strategic Indicators will provide evidence that the objectives have been achieved.

Therefore, adjustments to the revised 2017-2021 Council and Wellbeing Plan have been made only to updates to the Mayor's message, Chief Executive Officer's message, and Our Organisation sections.

The Revised Council and Wellbeing Plan 2017-2021 was endorsed by Council at the Ordinary Council meeting on 22 June 2020.

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3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

20. Draft Council Plan (or Review of Council Plan)

4. Financial Considerations

The Council and Wellbeing Plan 2017-2021 is financed through the Strategic Resource Plan. Both the Council and Wellbeing Plan and Strategic Resource Plan are reviewed annually and are aligned with the Annual Action Plan, Budget and Capital Works Program.

5. Consultation/Public Submissions

The 2017-2021 Council and Wellbeing planning process involved extensive consultation with stakeholders including the community, Council staff, government agencies, community organisations and private industry. This process resulted in the publication of the 2017-2021 Melton City Council and Wellbeing Plan. The 2019-2020 Council and Wellbeing Annual Action Plan is prepared from internal consultation with Council officers.

6. Risk Analysis

Nil

7. Options

Nil

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1. Revised 2017-2021 Council and Wellbeing Plan

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6.5 FRAUD AND CORRUPTION CONTROL PLAN PROGRESS REPORT

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

PURPOSE OF REPORT

To present a progress report on Council's Fraud and Corruption Control Plan.

RECOMMENDATION:

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

Recommendation 5

Mr Tommasini/Ms Gregory.

That Council note that the Audit Committee reviewed the progress report and no further action is required other than to complete the outstanding actions.

CARRIED

REPORT**1. Executive Summary**

Council develops, implements and reviews a Fraud and Corruption Control Plan in order to strengthen its fraud and corruption control environment. The current Plan (attached) was developed using information from previous risk assessments, and internal and external reviews of Council's policies, procedures and context.

13 of the 22 actions in the Plan are now completed. Of the remaining nine actions:

- Crowe has been contracted to support completion of four, which are related to policy review, fraud risk assessments and awareness training; of these, two are scheduled for completion end July 2020, and two when COVID-19 restrictions on face-to-face training are eased
- Three are related to conflicts of interest and the Staff Code of Conduct, and have been held over pending the new Local Government Act
- One regarding Information Security is due for completion end July 2020, and one, regarding personal use of equipment, end September 2020.

2. Background/Issues

Council's Fraud and Corruption Control Procedure identifies the requirement to develop, implement and review a Fraud and Corruption Control Plan (the Plan). The Plan, which is included as an appendix, is informed by:

- Fraud and corruption risk assessments conducted by Macquarie Lawyers in July and October 2017

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- IBAC Local Government Integrity Framework Review 2017 – Melton City Council Final Summary Report
- Internal audit 2017/18 – 05.

The Plan identifies actions to strengthen Council's fraud and corruption control environment. Officers complete actions, and the Risk & Performance Manager and/or the OHS & Risk Officer update the Plan with commentary. The attachment contains progress comments valid to 22 June 2020.

To date, 13 of the 22 actions have been completed. Of the balance:

- Four actions are sitting with Crowe, to whom Council has contracted their completion; two of those (policy review and fraud risk assessments) are scheduled for completion by end July 2020, and two (related to staff awareness training) are held over, with Executive approval on 1 May 2020, until the State Government relaxes restrictions impacting face-to-face training delivery.
- The completion of three actions (related to conflicts of interest and the Staff Code of Conduct) has been dependent on the content of the new Local Government Act, which only received royal assent in March 2020. It includes various dates for implementation of various parts of the legislation. New due dates have been set for those actions.
- One action (regarding the development of the Information Security Policy) is scheduled for completion end July 2020; the Policy has undergone internal and external consultation.
- The commencement of one action (regarding personal use of equipment) has been delayed due to prioritisation of other actions, including the fraud risk assessments; a new due date has been set.

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

Internal audit 2017/18 – 05 identified that the fraud and corruption risk assessments conducted by Macquarie Lawyers in July and October 2017 had some shortcomings. As such, the current Fraud and Corruption Control Plan can be improved.

The Crowe report on the fraud risk workshops, draft due 26 June 2020, will be used to review and refresh the Fraud and Corruption Control Plan. The revised plan will be presented to the Audit Committee upon the completion of its review.

Pleasingly, anecdotal feedback from Crowe regarding the workshops is that Council has a positive and transparent fraud risk culture. The Risk & Performance Manager considers that the risk impact to Council regarding the current Plan, due to the quality of its inputs, is minimal.

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7. Options

The Audit Committee may:

1. Seek further information regarding the progress report
2. Note the progress report and take no further action.

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1. Fraud and Corruption Control Plan - update as of 22 June 2020

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Mr Hinds (Manager Risk & Performance) left the meeting at 1.11pm.

6.6 CHANGES TO ACCOUNTING POLICIES/PROCEDURES REVIEW AND EXTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP INFORMATION

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

PURPOSE OF REPORT

To advise the Committee of changes to Accounting Policies/Procedures and external audit recommendations follow-up information.

RECOMMENDATION:

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

Recommendation 6

Ms Gregory/Mr Mansoor.

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

CARRIED

REPORT

1. Executive Summary

There are a number of new Accounting Standards applicable to 2019/20 financial year;

AASB 15 Revenue from Contracts with Customers;

AASB 1058 Income of Not-for-Profit Entities; and

AASB 16 Leases

I do not expect these standards to have a material impact on Council.

There are no major outstanding external audit recommendations.

2. Background/Issues

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities. These standards set out new requirements for revenue recognition.

AASB 15 establishes a five-step model to account for revenue arising from a contract that contains a performance obligation for an entity to transfer goods or services. Revenue is only recognised when the performance obligation has been satisfied. Entities will allocate a transaction price and recognise revenue according to when the related performance

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obligation is satisfied. The standard contains specific guidance on application for the not-for-profit sector.

AASB 1058 establishes the accounting requirements for recognising income for government grants and other types of contributions, such as income from the receipt of volunteer services.

AASB 16 Leases (replaces AASB 117 Leases), AASB 16 fundamentally changes lease accounting.

Lessees will be required to account for most leases on their balance sheet, recording a 'right-of-use' asset and a corresponding lease liability. Previously, only finance leases were recognised on balance sheet. Lessees are also required to recognise the interest expense on the lease liability and depreciation expense on the 'right-of-use' asset. These requirements are not applicable to leases shorter than 12 months in term and/or leases where the underlying asset value is considered low value, broadly the public sector is applying a \$10,000 threshold.

I do not expect these standards to have a material impact on Council.

I will provide an update on any outstanding external audit recommendations at the Audit Committee meeting. There are no major items outstanding.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

2. Changes to Accounting Policies/Procedures

4. Financial Considerations

Financial considerations are outlined above.

5. Consultation/Public Submissions

Consultation undertaken with external auditors HLB Mann Judd.

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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6.7 FINANCE REPORT - PERIOD ENDED 31 MARCH 2020

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

PURPOSE OF REPORT

To present the 2019/2020 Finance report for the 9 months ended 31 March 2020 (the Report).

RECOMMENDATION:

That Council notes that the Audit Committee has reviewed the Report and that no further action is required, the Finance Report having already been presented and noted by Council on 25 May 2020.

Recommendation 7

Cr Hardy/Mr Mansoor.

That Council note that the Audit Committee has reviewed the Report and that no further action is required, the Finance Report having already been presented and noted by Council on 25 May 2020.

CARRIED

REPORT**1. Executive Summary**

This monthly report compares 9 months ending 31 March 2020 YTD results with the profiled YTD approved budget for the same period.

The Finance Report for period ended 31 March 2020 was presented and noted by Council on 25 May 2020.

2. Background/Issues

The underlying operating surplus for the March year to date (YTD) period was \$36.43million. This compared with the profiled budgeted result of \$38.21 million resulted in an unfavourable variance of \$1.78 million. Operating revenue (excluding capital grants and contributions) was unfavourable to budget by \$5.03 million due mainly to 50% of grants commission funding of \$8.5 million for the current year received in advance in June 2019 and treated as income in the last financial year. Partially offsetting this was favourable variances in Rates and Fee income due to growth. Overall operating expenditure was \$3.25 million favourable to budget due mainly to favourable variances in employee and administrative expenditure, partially offset by an unfavourable variance in contracts and materials expenditure.

Atherstone land sales net income is unfavourable to budgeted due mainly to due higher than anticipated levels of cancellations at settlement.

Forecasted underlying deficit is \$9.37 million which is due mainly to timing of grants commission funding and lower than budgeted land sales as specified above.

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The actual capital expenditure completed at the end of March was \$35.0m or 46.9% of the total Council capital expenditure forecast including carry forwards.

Council's total cash position at month end is \$231.6 million. This balance includes general and restricted investments representing carry forward expenditure, employee entitlements, and developer contributions received for future capital works. The working capital ratio for the YTD period is a healthy 1:12.

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 surplus/deficit for the March YTD 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.

LIST OF APPENDICES

1. 2019/20 Finance Report - 9 month ended 31 March 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

Mr Caligari (Manager Capital Works) left the meeting at 1.21pm.

6.8 DRAFT BUDGET 2020/2021 AND STRATEGIC RESOURCE PLAN 2020-2024 INCLUDING LONG TERM FINANCIAL PLAN ASSUMPTIONS

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

PURPOSE OF REPORT

Audit Committee to note Draft Budget 2020/2021 and Strategic Resource Plan 2020-2024 which includes assumptions used to develop Long Term Financial Plan.

RECOMMENDATION:

That Council note that the Audit Committee has reviewed the Reports and that no further action is required, the Draft Budget 2020/2021 and Strategic Resource Plan 2020-2024 having been approved by Council on 22 June 2020.

Recommendation 8

Mr Mansoor/Ms Gregory.

That Council note that the Audit Committee has reviewed the Reports and that no further action is required, the Draft Budget 2020/2021 and Strategic Resource Plan 2020-2024 having been approved by Council on 22 June 2020.

CARRIED

REPORT

1. Executive Summary

Section 127 of the *Local Government Act 1989* ('the Act') requires that Council prepare a budget for each financial year, and that the budget contain the following information:

- Financial statements in the form and containing the information required by the regulations;
- A description of the services and initiatives to be funded in the budget;
- A statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the Council Plan;
- Major initiatives to be undertaken during the financial year;
- For services to be funded in the budget, the prescribed indicators of service performance that are required to be reported against in the performance statement;
- The amount which the Council intends to raise by general rates, municipal charges, service rates and service charges;
- Whether the general rates will be raised by uniform rate or differential rate and information required relating to differential rates as per section 161(2) of the Act; and

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1 JULY 2020

- Any other information required by the regulations.

The average general rate and the municipal charge will not increase in 2020/2021 (0% rate rise).

Council approved the Draft Budget 2020/2021 and Strategic Resource Plan 2020-2024 on 22 June 2020.

The draft budget in this report has been prepared for public display and to receive public comment. Public submissions close on Wednesday 22 July 2020 and be heard by Council's section 223 Submissions Advisory Committee on Thursday 6 August 2020.

The budget will be considered and adopted by the Council at a Council Meeting to be held on Monday 31 August 2020.

2. Background/Issues

Council commenced its budget process for 2020/2021 in October 2019. The draft budget has been prepared giving consideration to the growing needs of the community, service delivery demands, 'high priority' requests received from the public via various forums, surveys and requests from Councillors. The draft budget reflects the priority of Council in delivering high quality and best value services and infrastructure to the community.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

21. Draft Budget

4. Financial Considerations

Council continue to make significant investment in infrastructure assets in the order of \$105.63 million in capital works in 2020/21.

The draft budget includes total income of \$439.65 million, inclusive of developer contributed infrastructure assets valued at \$174.95 million. The following table provides a breakdown of this income with comparative amounts for the 3rd quarter forecast 2019/20.

	2019/20 \$ millions	2020/21 \$ millions	Per cent Change
Rates & Charges Income <i>see note below</i>	124.17	132.20	6.47%
Grants & Subsidies	32.47	37.36	15.06%
Fees & Charges	18.21	15.83	-13.04%
Developer Contributions- Cash	70.84	66.49	-6.14%
Developer Contributions- Assets	107.60	174.95	62.59%
Net Gain (loss) on Asset Sales	2.19	4.80	119.13%
Other Income	7.70	8.02	4.09%
Total Income and Receipts	363.18	439.65	21.06%

The total increase in Rates and Charges income, includes rates income received from supplementary valuations during the year due to growth. The average general rate and the municipal charge will not increase in 2020/2021 (0% rate rise).

MINUTES OF THE AUDIT COMMITTEE MEETING

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The total budgeted operating expenditure is \$189.54 million as detailed below.

	2019/20 \$ millions	2020/21 \$ millions	Per cent Change
Staff costs	58.61	63.34	8.07%
Material and services	79.95	79.46	-0.61%
Depreciation / Amortisation	37.02	37.64	1.70%
Other Expenditure	9.00	9.10	1.11%
Total Expenditure	184.58	189.54	2.68%

The draft budget has been prepared taking into consideration Council's Strategic Resource Plan (SRP).

Assumptions used in SRP have been used to develop Councils Long Term Financial Plan. Council Officers are currently undertaking a Service Planning exercise which will be used to develop a more detailed Long Term Financial Plan for presentation to Executive in the next financial year.

5. Consultation/Public Submissions

Council undertook two Community Engagement sessions on 8 and 9 October 2019. Proposals received from the community were considered in developing the draft budget.

Council, in accordance with section 223 of the Act, will be inviting submissions on the draft budget from the community, to be considered by Council before finalising the budget.

6. Risk Analysis

N/A

7. Options

The Audit Committee:

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

LIST OF APPENDICES

1. Draft Budget 2020/2021 and Strategic Resource Plan 2020-2024

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

6.9 INVESTMENT HOLDING REPORT AS AT 31 MARCH 2020**Author: Sam Rumoro - Manager Finance**
Presenter: Sam Rumoro - Manager Finance**PURPOSE OF REPORT**

To present the Investment Holding Report for the 9 months ended 31 March 2020 (the Report).

RECOMMENDATION:

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

Recommendation 9

Cr Hardy/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 9 months ending 31 March 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 31 March 2020 is \$228.0 million and YTD actual interest earned is \$2.6 million which is \$0.4 million favourable to budget. It is anticipated that Council will have a favourable variance in interest income for the financial year. All investment holdings are in line with investment property parameters.

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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1 JULY 2020

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.

LIST OF APPENDICES

1. Investment Holdings Report as at 31 March 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

Mr Rumoro (Manager Finance) left the meeting at 1.36pm.

Mayor Carli briefly left the meeting at 1.40pm due to a connection interruption and re-joined the meeting shortly thereafter .

6.10 LOCAL GOVERNMENT ACT 2020 IMPLEMENTATION - AUDIT AND RISK COMMITTEE CHARTER

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 and the adoption of the new Audit and Risk Committee Charter

RECOMMENDATION:

That Council:

1. notes the report
2. holds 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.

Recommendation 10

Ms Gregory/Cr Hardy.

That Council

1. notes the report
2. holds 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.

CARRIED

REPORT

1. Executive Summary

The Local Government Act 2020 commenced operation on 6 April 2020 (the 2020 Act).

Most, but not, of what is required by the 2020 Act involves a review, or minor changes to, what is already business as usual (BAU). There are some new policies/documents required however the bulk are a review of existing.

Governance will oversee the program of work required in terms of timing and (work plan at **Appendix 1** current as at 18 June 2020) and will assist responsible business units in terms of content.

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1 JULY 2020

In addition, DELWP have advised that they will produce scalable templates for all of the documents required by the 2020 Act.

Council will, unless there good reason not to, use these templates as a basis for its own documents.

As the DEWLP template has not yet been released it will have to be distributed to the Audit Committee for comment out of session as the next meeting is not until 2 September 2020 whereas the Audit and Risk Committee Charter is required to be adopted by Council by 1 September 2020.

It will then proceed to the Policy Review Panel and then ultimately to Council for adoption by 1 September 2020.

2. Background/Issues

Program of works

The Local Government Act 2020 commenced operation on 6 April 2020 (the 2020 Act).

Most, but not, of what is required by the 2020 Act involves a review, or minor changes to, what is already business as usual (BAU). There are some new policies/documents required however the bulk are a review of existing.

There are two broad issues in implementing the changes brought by the 2020 Act - *timing* and *content*.

Governance will overseeing the program of work required in terms of timing and (work plan at **Appendix 1** current as at 18 June 2020) and will assist responsible business units in terms of content.

A review by Governance will be conducted of all new policies and procedures to ensure:

- Compliance with the Local Government Act 2020:
- Overarching Governance Principles and the Five Supporting Principles
- Provisions of the 2020 Act that might relate to the subject matter
- Climate change (also part of Overarching Governance Principles)
- Gender Equity (as per Equality and Respect 2030 and where required by the 2020 Act)
- Compliance with the Charter of Human Rights

The Policy Approval Process Policy (see **Appendix 2**) has been amended to include this extra review step.

DELWP Templates

In addition, DELWP have advised that they will produce scalable templates for all of the documents required by the 2020 Act.

Council will, unless there good reason not to, use these templates as a basis for its own documents. Using the standard templates has many benefits in including the sharing of practices, the ease with which updates and amendments can be made and the overall certainty and uniformity that templates will bring to the sector.

DELWP have released a draft of the Audit and Risk Committee charter for comment however have not settled this draft yet.

Once the template is finalised and released by DELWP then it will go through the Policy Approval Process which includes taking it to any relevant committee (in this case the Audit Committee) for its input, then to the Policy Review Panel for its endorsement and finally to Council for its adoption.

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MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

That said, as the DEWLP template has not yet been released it will have to be distributed to the Audit Committee for comment out of session as the next meeting is not until 2 September 2020 whereas the Audit and Risk Committee Charter is required to be adopted by Council by 1 September 2020.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

13. AC Charter

4. Financial Considerations

Not applicable.

5. Consultation/Public Submissions

DWELP has engaged significantly with the sector and the public via Engage Victoria to ensure that it has taken into account feedback in relation to all of the template documents. DWELP has held online sessions and taken feedback in writing.

6. Risk Analysis

There is no risk is holding over the review of the Charter. While section 139 of the previous Act (1989 Act) has already been repealed, the 2020 Act specifically allows for the continued operation of an audit committee established under that section (prior to the repeal).

7. Options

Recommend to Council that it adopt its own Charter rather than the DWELP template that is yet to be finalised.

LIST OF APPENDICES

1. Local Government Act 2020 Implementation Plan as at 18 June 2020
2. Policy Approval Process Policy - dated 11 May 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

6.11 EVALUATION OF AUDIT COMMITTEE PERFORMANCE

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

PURPOSE OF REPORT

To present to the Committee the proposed process for the annual evaluation by the Audit Committee members and relevant staff members, as to the Audit Committee's performance over the past 12 months.

RECOMMENDATION:

That Council endorse the Audit Committee, and staff who regularly attend the Audit Committee, undertaking an evaluation on the Committee's performance using the questionnaire set out at **Appendix 1** against the Committee's Terms of Reference dated 22 July 2019

Recommendation 11

Ms Gregory/Mr Mansoor.

That Council endorse the Audit Committee, and staff who regularly attend the Audit Committee, undertaking an evaluation on the Committee's performance using the questionnaire set out at **Appendix 1** against the Committee's Terms of Reference dated 22 July 2019.

CARRIED

REPORT**1. Executive Summary**

A performance review by the Audit Committee is required under Council's Audit Committee Terms of Reference.

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
2. Financial Reporting
3. Internal Control
4. Risk Management
5. Business Continuity

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1 JULY 2020

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 of the proposed Audit Committee Feedback Questionnaire is attached as **Appendix 1**.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

13. AC Charter

4. Financial Considerations

N/A

5. Consultation/Public Submissions

N/A

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 will assess 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 will be invited to complete the questionnaire.

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

7. Options

1. Recommend that Council engage an external contractor to conduct an independent assessment of the Audit Committee's performance and amend the Committee's Terms of Reference accordingly.

LIST OF APPENDICES

1. Audit Committee Feedback Questionnaire June 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

6.12 INTERNAL AUDIT RECOMMENDATION TRACKING REPORT FOR JUNE 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 June 2020* (the Report).

RECOMMENDATION:

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

Recommendation 12

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 June 2020*.

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

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

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MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

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 Recommendation Tracking Report for June 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

6.13 INTERNAL AUDIT REPORT ON ACCOUNTS PAYABLE REVIEW

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

PURPOSE OF REPORT

To present the Internal Audit Report, Accounts Payable Review ('The Report')

RECOMMENDATION:

That Council:

1. note that the Audit Committee reviewed the Report; and
2. note that no recommendations to improve existing practices were found by the Internal Auditors.

Recommendation 13

Ms Gregory/Cr Hardy.

That Council

1. note that the Audit Committee reviewed the Report; and
2. note that no recommendations to improve existing practices were found by the Internal Auditors.

CARRIED

REPORT**1. Executive Summary**

Internal audit reports are presented to the Audit Committee in February, April, June, October and December pursuant to the *Annual Plan 2020*.

The timing of each audit and corresponding report is determined by the approved *Strategic Internal Audit Plan 2019/20 to 2021/22*.

According to that Plan the internal auditors conducted a review of accounts payable and the resulting Report dated 6 May 2020 is attached at **Appendix 1**.

2. Background/Issues

Internal audit reports are presented to the Audit Committee in February, April, June, October and December pursuant to the *Annual Plan 2020*.

The timing of each audit and corresponding report is determined by the approved *Internal Strategic Internal Audit Plan 2019/20 to 2021/22*. According to that Plan the internal auditors conducted a review of accounts payable.

The objective of the Audit was to assess whether the adequacy and effectiveness of policies, procedures and controls around accounts payable processes.

The Report dated 6 May is attached at **Appendix 1**.

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1 JULY 2020

The Summary of Positive Observations is set out on pages 3 to 5 of the report.

The report noted that no recommendations to improve existing practices were found by the Internal Auditors.

The internal auditors will be present at the meeting to answer any questions.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

9. Internal Audit Reports/Scopes/Progress Reports

4. Financial Considerations

N/A.

5. Consultation/Public Submissions

Consultation occurred with relevant staff members throughout the process of this internal audit review. The Key Personnel Interviewed is set out on page 10 of the Report.

6. Risk Analysis

The key risks associated with this report are set out on page 3 of the report itself. These are listed as 'fraud and corruption' and 'failure to comply with legislated duties' (both rated medium).

7. Options

The Committee may accept, or request further information in relation to this report tabled by the Internal Auditors.

LIST OF APPENDICES

1. Internal Audit Report on Accounts Payable dated 6 May 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

6.14 INTERNAL AUDIT REPORT ON ROAD MANAGEMENT PLAN REVIEW

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

PURPOSE OF REPORT

To present the Internal Audit Report, *Road Management Plan Review* ('The Report')

RECOMMENDATION:

That Council:

1. note that the Audit Committee reviewed the Report; and
2. approve the recommendations and management comments contained in the Report.

Recommendation 14

Ms Gregory/Cr Hardy.

That Council

1. note that the Audit Committee reviewed the Report; and
2. approve the recommendations and management comments contained in the Report.

CARRIED

REPORT**1. Executive Summary**

Internal audit reports are presented to the Audit Committee in February, April, June, October and December pursuant to the *Annual Plan 2020*.

The timing of each audit and corresponding report is determined by the approved *Strategic Internal Audit Plan 2019/20 to 2021/22*.

According to that Plan the internal auditors conducted a review of Council's Road Management Plan and the resulting Report dated 24 June 2020 is attached at **Appendix 1**.

2. Background/Issues

Internal audit reports are presented to the Audit Committee in February, April, June, October and December pursuant to the *Annual Plan 2020*.

The timing of each audit and corresponding report is determined by the approved *Internal Strategic Internal Audit Plan 2019/20 to 2021/22*. According to that Plan the internal auditors conducted a review of the Road Management Plan.

The objective of the Audit was to assess whether adequate processes and internal controls are in place to manage compliance with MCC's Road Management Plan and the Road Management Act 2004.

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MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

The Report dated 24 June 2020 is attached at **Appendix 1**.

The Summary of Findings is set out on page 8 of the report.

The report contains 5 recommendations with management comments. In relation to those comments, the Manager of Operations, Les Stokes will attend the meeting to answer any questions if required.

The internal auditors will also be present at the meeting to answer any questions.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

9. Internal Audit Reports/Scopes/Progress Reports

4. Financial Considerations

N/A.

5. Consultation/Public Submissions

Consultation occurred with relevant staff members throughout the process of this internal audit review. The Key Personnel Interviewed is set out on page 18 of the Report.

6. Risk Analysis

The key risks associated with this report are set out on page 3 of the report itself. These are listed as 'failure to comply with legislated duties' (rated medium).

7. Options

The Committee may accept, or request further information in relation to this report tabled by the Internal Auditors.

The Committee may also suggest amendment to the management comments and/or due dates.

LIST OF APPENDICES

1. Road Management Plan Review - dated 24 June 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

Mr Stokes (Manager Operations) left the meeting at 1.58pm.

6.15 INTERNAL AUDIT CONTRACT - COVID-19 (INTERNAL AUDIT PLAN, PLAN REVIEW, STATUS REPORT - JUNE AND PERFORMANCE)**Author: Christine Denyer - Manager Legal and Governance****Presenter: Kel Tori - Chief Executive Officer****PURPOSE OF REPORT**

To present the *Internal Audit Status Report as at 24 June 2020* (the Report) and update the Audit Committee

RECOMMENDATION:

That Council

1. note that the Audit Committee reviewed the Report and that no further action is required.
2. approve the course of action outlined in the report – namely that the Internal Audit Contract tender will be delayed by approximately 6 months, given the social distancing and other Directions issued under the *Public Health and Wellbeing Act 2008* and the requirements of Council's Pandemic Plan.

Recommendation 15

Cr Hardy/Ms Gregory.

That Council

1. note that the Audit Committee reviewed the Report and that no further action is required.
2. approve the course of action outlined in the report – namely that the Internal Audit Contract tender will be delayed by approximately 6 months, given the social distancing and other Directions issued under the *Public Health and Wellbeing Act 2008* and the requirements of Council's Pandemic Plan.

CARRIED

REPORT**1. Executive Summary**

Attached at **Appendix 1** is the *Internal Audit Status report as at 24 June 2020*. This is the last status report required by the current Internal Audit Contract, which expires on 30 June 2020.

At the same time as the tender was due to run for the next internal audit contract, a state wide (Class 2) Public Emergency was declared in relation to COVID-19 (current extension until 11.59pm on 19 July 2020). This declaration allows for Directions to be made pursuant to the *Public Health and Wellbeing Act 2008* (PH&W Act). Failure to comply with a Direction is an offence. Various Directions have been made by the State Government at various stages of the pandemic.

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In addition to protect the health of residents and staff, Council enacted its Pandemic Plan for its staff, residents and the broader community.

As part of the organisation's response, the decision was taken by the Chief Executive Officer not to issue the invitation to tender for the Internal Audit Services.

This was considered appropriate for a number of reasons, chief amongst them the inability and undesirability of external people attending Council's sites.

The expectation is that the tender will now be run in October - November with an aim to have the internal auditors 'meet and greet' the Audit Committee at the December 2020 meeting (when the Annual Plan can also be amended if necessary).

2. Background/Issues

Items 7, 8, 9 and 10 of the Annual Plan 2020

This report addresses Items 7, 8, part of 9 and 10 of the *Annual Plan 2020* in the context of Covid-19 and necessary the restrictions imposed by the law and the organisation in response to this pandemic. Further, in the context of the current Internal Audit Contract coming to an end on 30 June 2020.

The *Annual Plan 2020* requires that the *Strategic Internal Audit Plan 2019/20 to 2021/22* is approved by the Audit Committee and reviewed on an annual basis in June (Items 7 & 8) and a progress report provided to each meeting (Item 9). It also requires that the performance of the Internal Auditor is reviewed in June (Item 10).

Insofar as the status report is concerned, Attached at **Appendix 1** is the Internal Audit Status report as at 24 June 2020. The internal auditors will be in attendance at the meeting to answer any questions in relation to this Report.

Insofar as balance of the items required by the Annual Plan, these have unable to be completed because of the decision referred to further below.

Covid-19 – Tender for Internal Audit Contract

A state wide (Class 2) Public Emergency was declared in relation to COVID-19 (current extension until 11.59pm on 19 July 2020). This declaration allows for Directions to be made pursuant to the Public Health and Wellbeing Act 2008 (PH&W Act). Failure to comply with a Direction is an offence. Various Directions have been made by the State Government at various stages of the pandemic.

In addition to protect the health of residents and staff, Council enacted its Pandemic Plan for its staff, residents and the broader community.

As part of the organisation's response, the decision was taken by the Chief Executive Officer not to issue the invitation to tender for the Internal Audit Services, which would normally have been run in late March of this year.

This was considered appropriate for a number of reasons, chief amongst them the inability and undesirability of external people attending Council's sites.

The expectation is that the tender will now be run in October - November with an aim to have the internal auditors 'meet and greet' the Audit Committee at the December 2020 meeting (when the Annual Plan can also be amended, if necessary).

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

9. Internal Audit Reports/Scopes/Progress Reports

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

4. Financial Considerations

A provision has been provided in this draft budget for Council's Internal Audit contract fees. These will be adjusted down accordingly.

5. Consultation/Public Submissions

N/A

6. Risk Analysis

The risks to health and safety of the internal auditors, staff and the wider public are far greater than the risks of not having an internal auditor contracted for approximately 6 months (in circumstances where the newly engaged contractors would have been prevented from attending Council sites - unable to meet and greet in person).

7. Options

The Committee has the option to accept or seek further information from the internal auditors in relation to the Status Report as it sees fit.

The Committee has the option to recommend to Council that it issue an invitation to tender earlier than mentioned in this report.

LIST OF APPENDICES

1. Internal Audit Status Report dated 24 June 2020

MINUTES OF THE AUDIT COMMITTEE MEETING

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6.16 EXCESSIVE STAFF LEAVE

Author: Nicole Misurelli - Manager People & Culture
Presenter: Kelvin Tori – Chief Executive Officer

PURPOSE OF REPORT

To advise the Committee of the status of Excess Annual Leave accrued by staff and measures taken to reduce this leave liability.

RECOMMENDATION:

That Council note that the Audit Committee have reviewed the contents of this report and note that the CEO and Manager People and Culture are taking actions to address leave balances.

Recommendation 16

Cr Hardy/Ms Gregory.

That Council note that the Audit Committee have reviewed the contents of this report and note that the CEO and Manager People and Culture are taking actions to address leave balances.

CARRIED

REPORT**1. Executive Summary**

Excess Annual Leave which is defined by Council's Enterprise Agreement as more than eight (8) weeks has increased when compared with the September 2019 quarter. This is despite a number of actions by People and Culture (P&C) including ongoing messaging to staff encouraging leave taking for OH&S reasons, promoting the option to cash out Excess Annual Leave and actively coaching and scripting some managers to establish leave plans with staff who have large balances.

2. Background/Issues

Factors associated with COVID-19, particularly early on hindered attempts to reduce leave balances. Inability to travel or holiday and perceptions of insecurity in employment led to some staff cancelling leave plans or stock-piling leave – a reaction when staff anticipate future financial hardship.

There is some easing of restrictions on the horizon. Council have been able to avert standing down any staff. P&C will work with managers on targeted leave planning where staff have Excess leave balances and continue to emphasise the message that all staff require a reasonable break from work ie. 4 weeks every year.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

24 b. Staff Excess Annual Leave

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4. Financial Considerations

Excess staff Annual Leave is a significant liability which has increased by approximately 8% since 30 September 2019 and is now sitting at 548 weeks. In June 51 staff have an excess balance compared with 49 in September 2019 (ref. **Attachment 1, Excessive Leave – June 2020**). An Enterprise Agreement increase of 2.5% will take effect on 1 July 2020 increasing this liability.

5. Consultation/Public Submissions

NA

6. Risk Analysis

- a) Excess Annual Leave is considered an Occupational Health and Safety risk because it means that these staff are not taking reasonable breaks from work, generally considered to be the legislated 4 week entitlement per year.
- b) Numbers of staff with excess leave balances have also been flagged as a fraud 'red flag,' in a recent workshop to develop a Fraud Risk Register. A 'red flag' does not mean that the staff member(s) is/are involved in fraud but along with numbers of other factors, can be an indicator of risk, either because it can indicate staff are taking leave without application and crediting of balances or it can indicate staff involved in fraud who do not take leave for fear of other staff discovering fraudulent practices (ref. **Attachment 2, Excerpt from Fraud Risk Register June workshop**).

7. Options

That Council note the report.

LIST OF APPENDICES

1. Excessive Leave - June 2020 - dated 18 June 2020
2. Excerpt from Fraud Risk Register June workshop - undated

MINUTES OF THE AUDIT COMMITTEE MEETING

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7. MEET WITH AUDITORS IN THE ABSENCE OF MANAGEMENT

Meeting not required.

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

8. PUBLICATIONS**8.1 PUBLICATIONS**

- Independent Broad-Based Anti-Corruption Commission, *Operation Betka*, (May 2020).
- Victorian Auditor-General's Office, *Responses to Performance Audit Recommendations 2015–16 to 2017–18*, (June 2020).
- Victorian Auditor-General's Office, *Managing Development Contributions*, (March 2020).
- Victorian Ombudsman, *Investigation of alleged improper conduct by Executive Officers at Ballarat City Council*, (May 2020).
- Victorian Ombudsman, *Investigation into three Councils outsourcing of parking fine internal reviews*, (February 2020)

RECOMMENDATION 17

That Council recommend that the following publications be the subject of a report back to the Audit Committee:

- Victorian Auditor-General's Office, *Managing Development Contributions*, (March 2020).
- Victorian Ombudsman, *Investigation into three Councils outsourcing of parking fine internal reviews*, (February 2020).

LIST OF APPENDICES

1. IBAC, *Operation Betka*, (May 2020)
2. VAGO, *Responses to Performance Audit Recommendations 2015-16 to 2017-18* (June 2020)
3. VAGO, *Managing Development Contributions* (March 2020)
4. VO, *Investigation of alleged improper conduct by Executive Officers at Ballarat City Council* (May 2020)
5. VO, *Investigation into three Councils outsourcing of parking fine internal reviews* (Feb 2020)

MINUTES OF THE AUDIT COMMITTEE MEETING

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9. OTHER MATTERS RAISED BY THE COMMITTEE

No matters were raised.

AUDIT COMMITTEE MEETING

1 JULY 2020

Ms Robertson and Mr Oroszi (Internal Auditors NTT Australia Digital Pty Ltd) left the meeting at 2.18 pm.

10. CONFIDENTIAL BUSINESS

Procedural Motion

Cr Hardy/Cr Carli.

That the meeting be closed to all staff other than the CEO, Manager Legal & Governance and minute taker to consider the following reports, that are considered confidential for the reasons indicated:

- 10.1 Quarterly Legal Report**
- as it relates to legal advice.

CARRIED

MINUTES OF THE AUDIT COMMITTEE MEETING

1 JULY 2020

Procedural Motion

Cr Carli/Cr Hardy.

That the meeting be opened to all staff.

CARRIED

11. NEXT MEETING

The next Audit Committee meeting will be held on Wednesday 2 September 2020.

12. CLOSE OF BUSINESS

The meeting closed at 2.21 pm.

Confirmed

Dated this

.....CHAIRPERSON