



Ararat Rural City



Ararat Rural City

MINUTES

Audit and Risk Committee

Tuesday 7 December 2021

Held in the Alexandra Oval Community Centre
1 Waratah Avenue, Ararat

Commenced at 1:01pm

Audit and Risk Committee:

Cr Jo Armstrong (Mayor)

Cr Henry Burridge

Ms Jessica Adler

Mr Robert Tommasini

Mr Brian Keane

In attendance:

Dr Tim Harrison

Ms Julie Cronin

Mr Brad Ead (via Microsoft Teams)

SECTION 1 – PROCEDURAL MATTERS.....	4
1.1 APOLOGIES	4
1.2 DECLARATION OF DISCLOSURE OF INTERESTS	4
1.3 CONFIRMATION OF MINUTES	4
SECTION 2- CEO UPDATE.....	5
2.1 CEO UPDATE	5
SECTION 3- FINANCE AND PERFORMANCE REPORTING	18
3.1 REVIEW THE APPROPRIATENESS OF THE FORMAT AND CONTENT OF PERIODIC MANAGEMENT FINANCIAL REPORTS AND PERFORMANCE STATEMENTS	18
3.1.1 QUARTERLY PERFORMANCE REPORT	18
SECTION 4 – INTERNAL CONTROLS	23
4.1 REVIEW THE ADEQUACY AND EFFECTIVENESS OF KEY POLICIES, SYSTEMS AND CONTROLS FOR PROVIDING A SOUND INTERNAL CONTROL ENVIRONMENT	23
4.1.1 COUNCIL POLICY REVIEW UPDATE	23
4.2 DETERMINE WHETHER SYSTEMS AND CONTROLS ARE REVIEWED REGULARLY AND UPDATED WHERE REQUIRED	25
4.3 MONITOR SIGNIFICANT CHANGES TO SYSTEMS AND CONTROLS TO ASSESS WHETHER THOSE CHANGES SIGNIFICANTLY IMPACT COUNCIL’S RISK PROFILE	26
4.3.1 STRATEGIC RISK REGISTER UPDATE	26
SECTION 5- RISK MANAGEMENT.....	35
SECTION 6- FRAUD PREVENTION	36
SECTION 7- INTERNAL AUDIT	37
7.1 REVIEW REPORTS ON INTERNAL AUDIT REVIEWS, INCLUDING RECOMMENDATIONS FOR IMPROVEMENT ARISING FROM THOSE REVIEWS	37
7.1.1 STRATEGIC INTERNAL AUDIT PROGRAM STATUS UPDATE	37
7.1.2 INTERNAL AUDIT- CASH HANDLING	38
7.1.3 INTERNAL AUDIT- SELF-ASSESSMENT REPORT	40

7.2 MONITOR ACTION BY MANAGEMENT ON INTERNAL AUDIT FINDINGS AND RECOMMENDATIONS

41

7.2.1 INTERNAL AUDIT- AUDIT REVIEW OUTCOMES UPDATE 41

SECTION 8- EXTERNAL AUDIT.....42

8.1 CONSIDER THE FINDINGS AND RECOMMENDATIONS OF ANY RELEVANT PERFORMANCE
AUDITS UNDERTAKEN BY VAGO AND MONITOR COUNCIL'S RESPONSES TO THEM 42

8.1.1 FINAL MANAGEMENT LETTER FOR FINANCIAL YEAR ENDED 30 JUNE 2021 42

SECTION 9- COMPLIANCE.....43

9.1.2 VAGO REPORT – MAINTAINING LOCAL ROADS 46

SECTION 10- GENERAL BUSINESS47

10.1 2021/2022 CAPITAL WORKS..... 47

SECTION 11 – FUTURE MEETINGS48

11.1 FUTURE MEETING DATES 48

SECTION 12- NEXT MEETING/CHARTER ITEMS.....50

SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES

There were no apologies.

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed.

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 07 September 2021 be confirmed.

**MOVED BRIAN KEANE
SECONDED ROBERT TOMMASINI**

That the Minutes of the Internal Audit and Risk Committee Meeting held on 07 September 2021 be confirmed.

SECTION 2- CEO UPDATE

2.1 CEO UPDATE

Local Government Act 2020 Implementation

The implementation of the new Local Government Act 2020 (LGA2020) is almost at an end. All requirements have been completed within required timeframes, with many ahead of time.

There is currently only one incomplete requirement of the initial implementation of the LGA2020. It is listed below with the likely completion dates and any possible issues which may delay implementation.

LGV timeframe	LGA2020 requirement	Notes	Completion date
30/06/2022	Asset Plan	This is already under development with the Rural Road Group and Council. Awaiting LGV guidance on Plan content and format following their consultation process.	31/03/2022

Three implementation requirements have been completed since the previous Audit and Risk Committee. These are listed below:

LGV timeframe	Completed LGA2020 requirement	Notes	Completion date
31/10/2021	Finance Plan	10 Year Finance Plan developed using the Rural Councils Victoria template.	Adopted at October 2021 Council Meeting
30/11/2021	2020/2021 Annual Report	Annual report completed and on public exhibition. Adopted by Council within Statutory timeframes.	Adopted at November 2021 Council Meeting
01/01/2022	CEO Employment and Remuneration Policy	Policy developed based on LGA 2020 requirements.	Adopted at October 2021 Council Meeting

Progress of overall implementation of the LGA2020 is provided in the attached program. Completed steps are shaded grey, current actions are shaded blue.

The Finance Plan is included for the information of the Audit and Risk Committee.

Regional Councils Transformation Program (RCTP 2.0)

The RCTP 2.0 continues to survive and thrive. The final form is \$250,000 per Council to a maximum of \$1,000,000 per collaborative project. Ararat Rural City has partnered with Yarriambiack and Buloke Shires to implement a program that builds on a common base of finance, rating and human resource/payroll systems to build additional capability. The systems to be developed and implemented through the project will be related to:

- Organisational reporting / Power BI Dashboards
- Predictive asset planning systems
- Records management through AvePoint
- CouncilWise Integrations with CrisisWorks and Greenlight systems

The proposal was approved by Council at its November 2021 Council Meeting as required by the funding guidelines.

Finance changes

As reported to the last meeting of the Audit and Risk Committee Alister Rowe has retired after 38 years in the finance role at Ararat Rural City Council and its predecessor institutions. This of course provides an opportunity to undertake a review of management of Council's finance requirements. Greg Jakob has been engaged as a contractor to review financial operations and make recommendations on an effective model moving forward. Greg has held senior corporate services roles in the Tasmanian public sector (at Deputy Secretary level), local government and higher education. His breadth of experience will be valuable in seeking creative solutions.

Greg's initial remit is to provide advice on:

- finance function staffing requirements moving forward
- approaches to financial reporting, forecasting and modelling
- development of a live, scenario based long term finance planning tool

It is anticipated that Greg will present his initial recommendations to the CEO in late December 2021. A report will be provided to the March Audit and Risk Committee.

Karissa Hogan will continue to manage Council's finance function during this period. Greg Jakob is also providing professional mentoring to Karissa during this period as adjustment is made to the post-Rowe world.

Other staffing issues

Planning, Community and Compliance

Due to significantly increased workload in planning and building compliance, there have been some minor changes in reporting relationships in this service stream. Library Services are being managed by Organisational Transformation as part of a larger change project. HACC and Maternal and Child Health are now being managed by the Human Resources Business Partner as an opportunity for them to develop stronger line management capability. The Deputy CEO is currently working to develop a better organisational understanding of HACC funding streams and the impacts of contract changes.

In addition to this Council's Environmental Health function has been outsourced to Kernow Environmental Health and Immunisation. The service was market tested to seek a more responsive model of delivering this service. The current in-house service did not meet quality or service measures. The action was influenced by the internal audit report into his function.

Operations

Our Coordinator Depot Operations has resigned to seek opportunities in Queensland in the mining industry. This provided an opportunity to review leadership in our Operations area. A new Service and Quality Coordinator role has been created and the Coordinator Depot Services role will not be replaced. There will also be a review of supervisor / team leader roles.

Staff education and training

In order to develop staff capability and confidence moving forward there is a significant emphasis within the organisation of staff undertaking professional education, including post-graduate programs. Currently staff are engaged the following programs:

Program	Number of staff
Master of Business Administration	3
Master of Emergency Management	1
Graduate Certificate in Planning	1
Graduate Certificate in Industrial Relations	1
Bachelor of Engineering	1
Advanced Diploma of Engineering	1
Advanced Diploma of Building Surveying	1
Chartered Engineer certification	1

In addition to this Council has three graduate planners, one graduate engineer, three civil works trainees, 2 apprentices and 1 administration trainee.

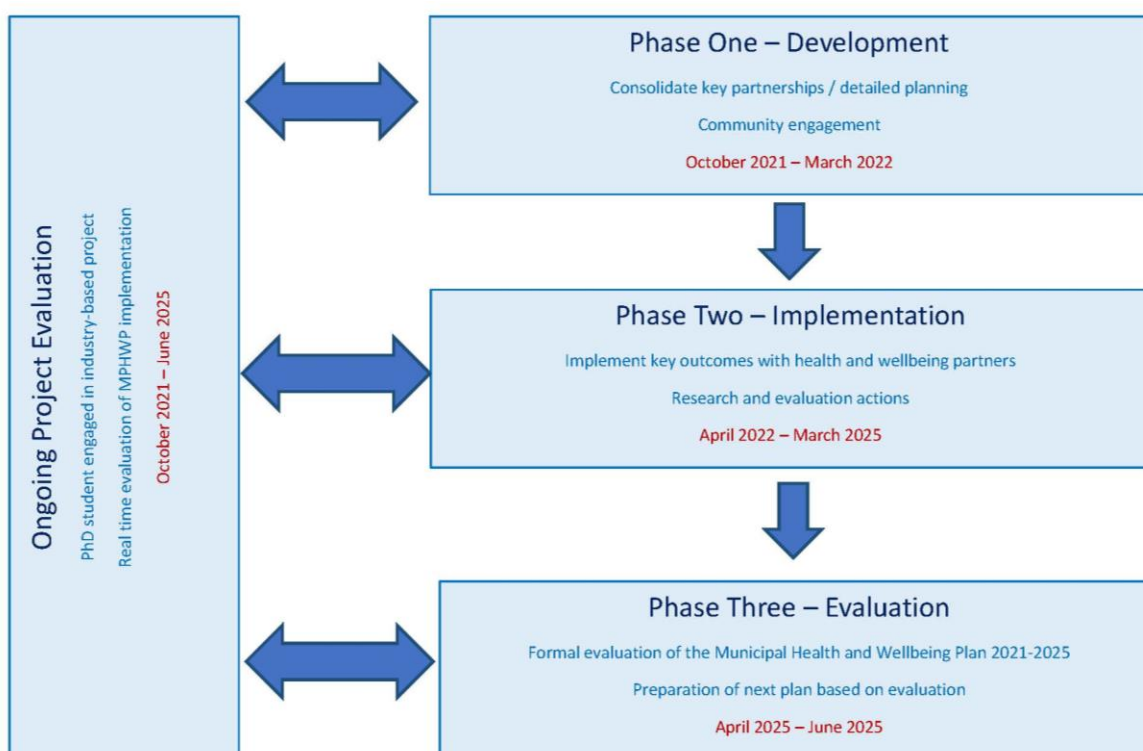
Review of plant ownership models

The outcomes of the recent Depot Operations internal audit have shone a light on plant ownership and utilisation. During January 2022 a review of plant ownership models will be undertaken by the CEO, Contracts and Procurement Coordinator and the new Service and Quality Coordinator, with a view to commencing to implement recommendations in February 2022.

Municipal Public Health and Wellbeing Plan

Council adopted its four-year Municipal Public Health and Wellbeing Plan (MPHWP) 2021-2025 at its October 2021 Council Meeting.

Ararat Rural City's MPHWP is significantly different to most approaches, as it has a significant emphasis on integrated partnerships and developing an evidentiary base to support further work. The MPHWP is also based on clear objectives and outcomes. The diagram below provides an indication of the staged approach to rolling out the plan.



The model is underpinned by two key partnerships, the existing partnership with Federation University Australia and a research and practice partnership with East Grampians Health Service focused on population health and community wellbeing.

The MPHWP has six key themes focusing on:

- building effective partnerships
- developing socially and emotionally strong and diverse communities
- creating a community that stands against domestic violence
- developing key health and wellness infrastructure
- developing environmentally positive health and wellbeing initiatives
- support active living and preventative health

A copy of the MPHWP is provided for the information of the Audit and Risk Committee.

Enterprise Bargaining Agreement negotiation

The negotiation of a new Enterprise Bargaining Agreement is moving towards completion following substantial delays due to COVID related lockdowns. The logs of claim presented by the Australian Services Union (ASU) and the Australian Nurses and Midwives Federation (ANMF) have been worked through. Both Unions are currently preparing final drafts for agreed clauses and then the quantum and timing of pay increases will be negotiated. At this stage it is anticipated that the pay increase will be modest and around the same level as recently negotiated agreements, with the exception of Hepburn Shire Council which had a first year increase of 4.5%.

Organisational Transformation

The focus in the second quarter of 2021/2022 in terms of organisational digital transformation has been on consolidation and completion of a range of projects. This includes:

- Greenlight building, planning and environmental health modules have been implemented and training of technical, compliance and customer service staff in currently underway
- Power BI budget and KPI dashboard has been developed and is being socialised with budget managers and KPI users. It is being used now by CEO / Deputy CEO for budget and KPI monitoring. Power Apps are being developed to enable Calxa to be closed down and have all budget management undertaken in Power BI
- A range of other cloud-based applications in HACC, leisure management and payroll have been implemented and require transition of ownership to their service users.
- The transformation team are working towards moving all of Council's IT platform to a cloud-based environment by 31 March 2022. This will assist greatly in mitigating risk of potential data loss and hardware failure locally

The organisational transformation team have also taken on management responsibility of the Library during implementation of the Ararat Library Services Strategy 2021-2026. One of the key elements is a change in emphasis to digital service delivery.

A copy of the Ararat Library Serve Strategy is provided for the information of the Audit and Risk Committee.

Digital Twin Victoria - Ararat

Digital Twin Victoria and Ararat Rural City Council have signed an agreement for Ararat Rural City to be the pilot location for the rural component of the Digital Twin Victoria project.

In July 2021, the Minister for Planning announced that the Victorian Government would invest \$35.2 million to deliver Digital Twin Victoria to create a data-based digital replica of the state. As part of the state-wide initiative, Ararat Rural City Council has been selected as the rural Victorian Pilot to develop a Digital Twin and has been working with Digital Twin Victoria on implementation. On 19 November 2021 a workshop was held with over fifty key stakeholders; agriculture, business, higher education and state government to explain the context of the Digital Twin Project and start to explore its possible benefits to Ararat.

Digital Twins are one of the world's leading advances in utilising advanced artificial intelligence to drive innovation and productivity. Like a lot of new digital innovations, it can be hard to conceptualise until it's been applied in our everyday lives.

Basically, a digital twin utilises data from the real world to build a virtual reality duplicate of an object or place in the digital world which creates its 'digital twin.' It is the key to smart farming via the virtualisation of weather, soil conditions and on-farm machinery and resources to simulate corrective and preventative action by evaluating the impact of various scenarios in the physical world on its digital surrogate.

The Minister for Planning will be officially launching the Digital Twin Victoria – Ararat project in Ararat on 15 December 2021.

Gordon Street Recreation Reserve project

Council went to market for construction of the new Gordon Street pavilion and lighting towers. The quantity surveyors reports on construction costs of the pavilion ranged from \$2.1m to \$2.5m and the lighting towers were estimated at \$375,000. The tenders received greatly exceeded these estimates. The conclusion reached by Council and our project architect was that the two tenderers were price gouging under cover of the COVID recover market. The unit rates and costs for project elements varied greatly across the two tenders. Price gouging has been widely experienced in the local government sector, particularly in relation to COVID stimulus projects.

Council is currently working with our project architect and quantity surveyors around negotiating more reasonable pricing or alternative construction models.

Ararat Free Wi Fi Project

The Ararat Free Wi Fi project is a \$1,560,000 project to provide free Wi Fi to 48 hotspots in Ararat and Lake Bolac. The project has been co-designed by Ararat Rural City Council, Telstra and Cisco to deliver Australia first OpenRoaming technology that seamlessly transitions between Wi Fi 6 and the 5G network. The EduRoam network have also expressed strong interest in joining the project, providing potential reciprocal connectivity opportunities in other locations.

The project covers key economic, tourism, recreation and cultural places such as Ararat Retail Precinct, Town Hall, Visitor Information Centre, the Ararat Jobs and Technology Precinct, the Ararat Active Corridor and the Lake Bolac foreshore.

As part of the trials of OpenRoaming and Internet of Things (IoT), Telstra has undertaken workshops with Council staff to establish a framework to base the trial on, including identifying problems Council needs to solve such as: car parking sensors in the retail precinct to enforce parking limits; monitoring drains and pits for blocking and flooding; and automated alerts for extreme weather warnings and damage. This will inform a trial scope of work and timeframe to run the trial.

The innovative elements of the project have attracted national interest, including from the City of Sydney, who are currently rolling out a free Wi Fi project, and requested information about OpenRoaming technology and IoT approaches.

Biomass Power Station

The development of the Grampians Gas biomass power station by Pacific Heat and Power P/L, in partnership with Ararat Rural City Council, is progressing very well. There is currently in excess of 140,000 tonnes of straw committed to the project by local agribusiness. The project has passed through the FEL1 gate well and FEL2 is progressing. The project is currently exploring opportunities such as biogas and biochar production in addition to electricity and heat. Current estimates indicate that the project will be valued at in excess of \$250mill. Capital raising is progressing well.

Ararat Jobs and Technology Precinct

The Ararat Jobs and Technology Precinct (AJTP) partnership with Federation University Australia (FedUni) continues to develop. Council's economic development team have located to the AJTP site in Laby Street, Ararat. A business innovation co-working space has been established including hot desks, video conference facilities, video and podcast recording facilities and 3D printing capability.

FedUni have appointed a Professor of Economics, Professor Harpinder Sandhu, to head the research and innovation program. Harpinder commenced in his Ararat role on 29 November 2021. Professor Sandhu's first major research effort will focus on an inclusive wealth report for Ararat. It will be the first municipal level report in the world to identify wealth by including natural, social and human capital along with produced and financial capital. This mirrors recent work of a similar kind undertaken in the United Kingdom at national level.

Between Ararat Rural City Council, Federation University Australia and the Commonwealth Government two masters by research and three PhD scholarships will be funded, under the Destination Australia scholarship scheme. Importantly these scholarships were allocated directly to the Ararat site by the Minister Tudge. This represented around thirty percent of Federation's total allocation.

The agreed target is to have twelve research students working in Ararat. This means that there may be twelve doctoral students, their academic supervisors and industry partners working on agricultural value adding, agricultural economics or advanced manufacturing research in 2023.

Beneficial Enterprise – Affordable Housing

The demand for jobs in Ararat cannot currently be met from within the existing labour market. The current unemployment rate is currently at 3.1%, which effectively represents full employment. There are a number of key current and emerging employment sectors that are signalling current and future demand for labour, particularly in the skilled and semiskilled sectors. The principal impediment to in-migration of suitable labour is the lack of rental and purchase options in an affordable housing segment of the market.

It is apparent that there has been significant interest in residential housing subdivisions in Ararat in the last twelve to eighteen months with around 160 lots approved and a number of these currently under construction, with realistic proposals for in excess of 250 lots under discussion. There remains a significant lack of affordable worker housing in Ararat, for rent or purchase.

Council has acted through its Transitional Worker Housing project to meet the short term needs of employers. It does not, however, provide an opportunity to encourage people to consider a long-term future as residents of Ararat.

Section 110 of the Local Government Act 2020 (LGA 2020) makes provision for Council to engage in "beneficial enterprises"

For the purpose of performing its role, a Council may participate in any of the following beneficial enterprises—

- (a) become a member of a corporation;
- (b) participate in the formation of a corporation, trust or other body;
- (c) acquire shares in a corporation, trust or other body;
- (d) enter into a partnership or joint venture with any other person or body.

S110(2) makes provision for Council to appoint directors

Section 111 provides the conditions under which Council may engage in a beneficial enterprise.

A Council must in participating in a beneficial enterprise under section 110—

- a) assess the total investment involved and the total risk exposure and ensure that its total risk exposure does not exceed its total investment; and
- b) if section 110(1)(a), (b) or (c) applies, ensure that the corporation is a limited corporation; and
- c) have regard to the risks involved; and
- d) establish risk management arrangements; and
- e) implement regular performance monitoring and reporting arrangements in relation to the beneficial enterprise; and

- f) ensure that any changes to the operation or purpose of the beneficial enterprise are reported to the Council; and
- g) identify and manage any risks associated with any changes to the operation or purpose of the beneficial enterprise.

Council has the opportunity to engage in a novel beneficial enterprise that will bring 60 houses into the affordable housing market in Ararat over a fifteen-year period, through Council and private investment, and carefully managed debt.

Key elements of the business model include:

- Formation of a limited company controlled by Council.
- Equity investment by Council and a private investor
- Two types of share:
 - Capital shares (100% owned by Council – assists in meeting the risk management elements of Section 111)
 - Ordinary shares (owned by the investor and Council based on equity contributions)
- Construction of four new houses per annum, with sales (usually four houses) to maintain a pool of 20 rental houses operated by the company
- This creates 4 new properties per year into local stock for the life of the project. This yields 60 new houses over the 15-year period
- The private investor exits at Year 10 with a proportion of the valuation of the Company
- Council exits at Year 15 with assets and cash at hand

The equity contribution from Council will be a total of approximately \$1,681,000 spread equally over a four-year period. The equity contribution of the private investor will be \$2,000,000 also spread equally over the first four years of operation. Council will fund the purchase of the land for the first sixteen houses and the private investor will provide funds contributing to the construction of the first sixteen houses. The purchase of land will be funded through an agreed level of debt and/or retained earnings, with a sense that the total level of debt will generally not exceed sixty percent of total asset value.

The enterprise will essentially be a Public Private Partnership between Council and the private investor. The proposed model sees the private investor exit the investment at ten years and Council at fifteen years. The structure of the business will support early profits returned to the private investor at or prior to Year 10 and Council retaining all cash at hand and assets at year 15.

The detailed mechanics of the model will be negotiated between Council and the private investor and the investment will be managed by the Company Board. Early financial modelling provides an NPV of \$206,102 to the private investor by Year 10 and an NPV for Council in Year 15 of \$1,654,167. The investment is profitable for both public and private investors over the two periods. In reality, this model is likely to be an “emotional investment” by the private investor and a commitment by Council to growth in the affordable housing market.

The final model for the enterprise is still being developed, with a range of key issues still being negotiated and finalised. A heads of agreement between Council and the private investor is currently being developed by lawyers representing both parties. Initial modelling of the project by an independent consultant is provided for the information of the Audit and Risk Committee.

Transitional Worker Housing project

The Audit and Risk Committee have been briefed on the Transitional Worker Housing project previously. The project is reaching some form of conclusion, following a number of changes along the way.

Initially, expressions of interest were called for developers to provide thirty two-bedroom dwellings in three tranches of ten dwellings. In order to lessen develop risk Council was prepared to provide a rental guarantee for the thirty dwellings for a

ten-year period. This represented an estimated maximum risk of \$360,000 per annum assuming that no rooms were ever occupied. Given the current level of demand for rental housing this was seen as extremely unlikely. The three major local employers have an immediate demand for in excess of one hundred new employees, all of whom will need to relocate, due to very low local unemployment rates.

Three developers provided proposals which when combined went some way to meeting Council's project goals. As negotiations continued two of the developers withdrew from the process. Subsequent negotiations with the remaining developer have yielded a proposal on two sites, utilising re-locatable dwellings. The first of these is for 16 beds on land already owned by the developer and the second on land leased by the developer for five years for between 52 and 60 beds.

Council's lawyers are currently working with the developer to establish a heads of agreement around terms of the development and the rental guarantee. The period of the rental guarantee will be for five years rather than ten which will significantly decrease Council's long term risk in the project.

Council had attempted to negotiate a shared risk arrangement with the state government through Regional Development Victoria (RDV) around the rental guarantee. This was totally unsuccessful! RDV did provide a fund of \$300,000 to support development of enabling trunk infrastructure to support transitional worker housing projects.

Capital Works program 2021/2022

Council's 2021/2022 Capital Works program is progressing very well with a significant number of high value roads projects being completed in the 2021 calendar year.

More detailed Capital Works Program progress will be reported under a separate agenda item.

Asset Management

In the last CEO Report to the Audit and Risk Committee it was suggested that Council's asset management processes required a thorough review and reboot. This process has now commenced.

At its November 2021 meeting Council Meeting, Council adopted an Asset Management Schema which provides a conceptual framework for understanding the strategic and operational issues related to asset management. It is hoped that the following provides the Audit and Risk Committee with a more detailed view than the previous meeting's report.

Council manages in excess of \$240mill of assets on behalf of the community. The management of these assets requires a range of decisions and interventions to ensure their ongoing efficient use and management. The degree to which Council effectively manages these assets has significant impacts on Council's long term financial and operational sustainability. Managing and developing this asset base drives a significant amount of Council's financial and operational effort

In managing its assets there is a need to consider a range of factors including:

- Ensuring that all asset classes are fit for purpose and meet the current and future needs of the community
- Ongoing need to continue to hold individual assets and classes of assets
- Strategic need to develop particular assets classes
- Planning maintenance of assets
- Strategic investment in renewal of existing assets and development of new assets
- Managing financial elements of asset management such as asset valuation and depreciation in a manner which mirrors the physical condition of assets
- Compliance with legislative and regulatory requirements

Asset management is an element of Council's work which requires significant improvement if Ararat Rural City Council is to provide effective stewardship of community assets. There have been a number of attempts to improve asset management practices at Council over the past ten years. None of these have yielded the benefits that they should have because they were too complex and granular and did not see asset management as a whole of organisation undertaking. Asset

management was generally compartmentalised into small and disconnected activities which became siloed and ineffective. Accountability for asset management needs to rest at senior management level and requires an integrated, whole of organisation approach in order to be successful.

The asset management schema that will provide the basis for significant improvements in Council's asset management processes. The schema links together all of the elements which Council is required to consider in developing an effective asset management process. The CEO has established an Asset Management Team to implement a new, whole of organisation approach to asset management encompassing the elements identified in the schema. The CEO will chair this group and take personal accountability for its effectiveness.

A diagrammatic representation of the Asset Management Schema is attached to provide a context for the interconnection of the elements of the schema. Each element is described briefly below:

Strategy / Policy Drivers

This provides the higher-level strategic drivers of the asset management approach. This includes the legislative and regulatory environment, Council's key strategies and important sector standards and approaches. Examples of these elements are:

- Local Government Act 2020
- Road Management Act 2004
- Department of Transport Codes and Standards
- ARCC Community Vision 2021-2031
- ARCC Council Plan 2021-2025
- ARCC 10-Year Finance Plan 2021-2031
- Australian Roads Research Board Standards and Guidelines

Key Strategies

This element relates to key Council strategies that relate directly to management of existing assets, financing assets or development of new community assets. Examples of these strategies are:

- 10 Year Asset Management Plan 2022-2031
- 10 Year Sealing of Urban Roads and Laneways Plan
- Leisure Centre Redevelopment Plan 2021
- Asset Management Strategy
- Annual Council Budget

Assets Plans

Council should have plans relating to management of all asset classes, Council is also required to have a current Road Management Plan and this section also includes current capital works plans. It will be noted that current asset plans are dated from 2012. These require immediate updating, and this will be undertaken with the assistance of a contractor by February 2022. There is a need to develop asset plans for some classes of assets such as playgrounds and parks. Items related to this element are:

- Road Management Plan 2021
- 2 Year Roads Plan 2020/2021
- Asset Management Plan Bridges 2012
- Asset Management Plan Buildings 2012
- Asset Management Plan Roads 2012
- Asset Management Plan Footpaths 2012
- Asset Management Plan Drainage 2012

Condition Assessment

Collecting condition assessment data is a key element of effectively managing existing assets in all classes. Approaches may include, but are not limited to:

- Collection of accurate new asset data when they are developed

- Collection of asset renewal data when capital works are completed
- Period, planned condition assessment of existing assets
- Recording accurate data on defect assessments and inspections
- National Heavy Vehicle Route bridge inspection data
- IoT/ drone or vehicle-based camera technology may be deployed
- Utilising condition reporting from community sources (crowd sourcing)

Current Interventions / reports

There are a number of current interventions and reports that relate directly to Council's asset management processes. These include:

- Rural Roads Support Package. This provides asset management assistance to eleven small rural Councils around road asset management data collection and processes.
- Victorian Auditor General Office Maintaining Local Roads Report 2021. This report makes a number of recommendations relating to asset management and cross sector benchmarking of local roads maintenance performance.
- Rural Councils Transformation Program (RCTP) . This program provides funding for cross Council collaboration. Ararat Rural City is partnering with Yarriambiack and Buloke Shires to undertake an It systems project which includes predictive asset management software
- Digital Twin Victoria. Ararat Rural City is the rural Council pilot for Digital Twin Victoria which may provide opportunities to apply advanced data visualisation to Council's asset management processes.

Systems

Implementation and use of effective systems are the key element to brining the asset management model together. These systems are critical to storing and interrogating asset condition data, visualisation of data, reporting, finance and managing customer requests for service and complaints. Systems that will be involved in this process are:

- Confirm asset management system
- Budget / KPI Dashboard
- GIS / Digital Twin Victoria
- Council's Xero finance system
- Asset prediction software / Power BI dashboard (RCTP)
- Customer service requests

The systems work will also inform the final two elements of the schema:

Asset works

The "outputs" from the systems component will inform the following physical works related to asset management:

- Annual capital works plan
- Reactive maintenance
- Planned maintenance

Finance

The other key area where system outputs are critical is in connecting the physical asset condition to financial reporting and modelling. A contract resource has been engaged to provide assistance in this area. System outputs will provide critical data for the following elements:

- Asset valuation
- Depreciation
- Operating budgets
- Capital budgets
- Strategic financial forecasting

Utilising the Asset Management Schema, the Asset Project Team will commence an intensive period of work focused on significant improvement in assets plans, accuracy of condition data, integration of systems and utilisation of outputs by 31 March 2022.

A copy of the Asset Management Schema is provided with the meeting papers for the information of the Audit and Risk Committee.

The first stages in improving the asset management system are currently underway:

- engaging a contractor to undertake a review and redevelopment of all asset management plans for all asset classes
- developing a detailed and consistent model of data to be captured for each asset class
- ensuring that new assets and asset renewal work has been updated on the Confirm system for the past ten years
- commence data cleansing of asset data currently in the Confirm system
- train and engage depot and engineering staff in the process of asset data capture in confirm
- implement Power BI Dashboard reporting of KPIs and unit rates recommended in the Victorian Auditor-General's Office Maintaining Local Roads Report 2021.

Circular Economy implementation

Implementation of the State Government's Circular Economy Model is progressing well. At its October Meeting Council adopted two key resolutions to progress the implementation:

- adoption of the Implementation model
- endorsed moving to in-house kerb side collection

The decision to in-house the kerb-side collection was made largely for reasons of risk management. In-house delivery of kerb-side collection provides much tighter control over service quality and cost. The waste collection and processing market has been made increasingly complex through the state government's waste reforms. The performance of Council's current contractor has been relatively poor and entering into collaborative purchasing processes with other Councils is seen as excessively time consuming, costly and potentially conflicts with Council's expressed policy position favouring local processing.

Council has committed to implement a four-bin system by 30 June 2022, significantly ahead of the 2030 requirement. This is in response to community expectation and Council's desire to be rural council leaders in the circular economy space.

The circular economy processing model favoured by Council relies on processing activity occurring as close to the point of collection as possible. This maintains circular economy principles and reduces cost and road miles on material. It is proposed that the processing model will be rolled out as follows:

- Glass recycling: Processed in a Council owned glass crusher and resulting "glass sand" used initially as bedding sand in drainage works
- Green waste: Signed a research and development agreement with GAIA (Gekko systems) to trial processing of green waste at municipal level. This will be managed by GAIA and charged to Council on a per tonne gate fee. Once technological options become clear around food waste processing this may move to full FOGO processing
- Comingled recycling (plastics, tin, aluminium, paper, cardboard) will be sorted at a small materials recycling facility (SMRF) established in Ararat as a social enterprise. Plastics will be chipped for sale or extruded to value add, other products will be sold into existing established markets. The container deposit scheme will reduce elements of this stream in time. Sustainability Victoria strongly support this approach.
- All other waste to landfill at a local Cleanaway owned site.

Kerb side collection is moving forward in the planning stage. Initial modelling indicates Council will require five trucks to manage a universal service across the municipality. It is anticipated that green waste collection will be an urban only service. One model being explored is to purchase quality second-hand trucks to establish in-house collection moving to leasing new electric trucks once the technology is proven.

Financial modelling is being undertaken to determine the impact on the waste charge in the 2022/2023 budget. The modelling is considering the following elements:

- Collection costs for four streams
- Processing costs including:
 - Gate fees for FOGO/green waste
 - Management of the SMRF
 - Glass crushing costs
 - Possible Increases in waste levy over time
- Costs of managing existing landfills / transfer stations including:
 - Remediation of landfill
 - Rationalisation of sites
 - Operational costs
- Managing circular economy expenditure in line with ESC guidelines for waste charges

COVID-19 Update

It looks like we are having some respite from the impacts of the COVID pandemic. The following is a very brief summary of key information.

Council Workforce

Most Council staff have now returned to the office at almost pre-COVID levels. There have been some work from home arrangements negotiated for staff who performed well in a working from home scenario. Most staff appear happy to be back and are performing well. A small number have found the adjustment difficult, and they are being assisted with their return-to-work process. There are no elements of Council's operation that aren't currently open to the public.

Local Economy

It appears that the local economy has had a relatively soft landing and we look forward to a strong COVID recovery. The local unemployment rate is 3.1% which is two percent lower than pre-COVID levels. Barkly Street shop vacancies are less than four percent and are also lower than pre-COVID levels. There is a strong labour demand across all sectors. It appears that the agricultural sector will have a very good year.

The key impediments to strong growth are clearly lack of suitable housing to support in migration and lack of a local labour force to fill unmet job demand.

Response to COVID events

During October Ararat had a short lived COVID event which saw nine active cases in our community, including one case related to an abattoir. Council and East Grampians Health Service responded quickly, established a jointly managed drive through testing station which tested over 2,500 residents in 4 days. Council's Community Relief Centre remained open to provide food relief and other care and support to those affected or isolated due to close contact status. The Ararat response was viewed by the Director of the Grampians Public Health Unit as a "textbook example of a community based COVID response".

Legal Issues and Non-Compliance

The two legal issues identified in the previous Audit and Risk Committee Meeting relating to an historical asbestos related claim against Council and an Office of the Victorian Information Commissioner report have both been resolved satisfactorily, with no adverse impacts on Council.

There are two additional issues to report to the Audit and Risk Committee at this time:

Issue 1

There is a potential professional indemnity claim against Council for a technical error made by a junior planning officer. It has had a potential financial impact of up to \$120,000 on the developer. The CEO has met with them and in his assessment it is unlikely that they will pursue the claim. Planning process changes have been made to minimise the risk of a similar incident occurring in the future.

Issue 2

Implementation of the Pool and Spa Registration process for the Victorian Building Authority has revealed a significant level of historic non-compliance with building code requirements around pools. Of the 195 pools registered under the new VBA requirements, 85 have no record whatsoever of having received a building permit, of the other 110 pools there is at least some evidence of building compliance although there is a significant amount of missing documentation among these as well. There is confidence that pools constructed and registered in the past two years will be compliant. The level of confidence prior to this time is significantly lower.

The 85 pools without a permit represent a high-risk issue and steps need to be taken to inspect them and ensure non-compliance issues are managed. Council has engaged a suitably qualified and experienced pool inspector to undertake inspections and issue non-compliance notices as required on the 85 undocumented pools prior to 30- April 2022. The remaining 110, lower risk, pools will be assessed by Council's Municipal Building Surveyor and the Cadet Building Surveyor prior to 31 December 2022.

RECOMMENDATION

That the CEO's update report be received.

MOVED ROBERT TOMMASINI
SECONDED JESSICA ADLER

That the CEO's update report be received.

ATTACHMENTS

Provided in the Attachment booklet are the following documents:

- Local Government Act Implementation Plan
- Financial Plan 2021-2031
- Municipal Public Health and Wellbeing Plan
- Ararat Library Services Strategy
- Beneficial Enterprise- Initial Modeling Info
- Asset Management Schema

Note: Circulate Procurement Policy to Audit & Risk Committee members

SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 REVIEW THE APPROPRIATENESS OF THE FORMAT AND CONTENT OF PERIODIC MANAGEMENT FINANCIAL REPORTS AND PERFORMANCE STATEMENTS

3.1.1 QUARTERLY PERFORMANCE REPORT

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

The financial statements and performance indicators have been prepared for the period ended 30 September 2021.

Based on the information provided by responsible officers and managers Council's overall financial performance is in line with budget.

DISCUSSION

Council must establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management.

Key Financial information:

Income Statement (Attachment 1)

The Income Statement measures how well Council has performed from an operating nature. It reports revenues and expenditure from the activities and functions undertaken, with the net effect being a surplus or deficit. Capital expenditure is excluded from this statement, as it is reflected in the Balance Sheet.

Attachment 1 shows that Council generated \$19.278 million in revenue and \$7.161 million in expenses to 30 September 2021. This has resulted in an operating surplus of \$12.117 million for the three months ended 30 September 2021.

Income

Rates and charges account for 47% of the total budgeted income for 2021/22. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of \$17.032 million has been recognised as income for the three months ended 30 September 2021.

User fees account for 4% of the total budgeted income for 2021/22 and \$0.173 million has been received to 30 September 2021. The majority of this relates to home care services, transfer station fees and fitness centre income. Income has been lower than budgeted due to several Council facilities being closed down and decreased service levels due to Covid-19, including the Town Hall, Ararat Fitness Centre, Gum San and the Alexandra Oval Community Centre.

Recurrent Operating Grants total \$1.401 million to 30 September 2021, including \$0.500 million from the Victorian Local Government Grants Commission for general purpose grants and \$0.306 million for the local roads grants.

Non-recurrent Capital Grants total \$0.325 million to 30 September 2021. Several grants that were budgeted for 2021-22 were received in advance during 2020-21 including \$1.227 million for the Local Roads and Community Infrastructure Program and \$0.326 million for Delacombe Way Road works.

Note

It is important to note the following:

1. The Grants Operating (recurrent) figure in the Original Budget was \$7.817 million and in the Current Budget is recorded as \$4.543 million, as \$3.274 million was paid to Council in 2020/21 by the Victorian Local Government Grants Commission (VLGGC) for the 2021/22 financial year. Council has still received the expected VLGGC income, to be spent in 2021/22, however it will be reported over two financial years.
2. This change in the budget, plus the note reported under expenses, create a change in the reported surplus position from a projected surplus of \$8.865 million to a surplus of \$5.22 million for 2021/22. The year to date variance is a surplus of \$0.258 million when the actual year to date expenses are compared to the year to date budget.

Expenses

Employee Costs account for approximately 40% of the total budgeted expenditure for 2021/22. For the three months ended 30 September 2021 Council has incurred \$2.621 million in employee costs.

Materials and Services account for approximately 33% of the total budgeted expenditure for 2021/22. For the three months ended 30 September 2021, Council has incurred \$2.730 million in materials and services costs. There are a number of projects, including those carried forward from 2020/21 that are expected to be completed before the end of the financial year.

Note

It is important to note the following:

There has been an increase in expenditure on materials and services from \$9.319 million in the Original Budget to \$12.972 million in the Current Budget for 2021/22. This has resulted from a carry forward amount of \$3.653 million from the 2020/21 financial year surplus and unspent grant funds which will be used for additional activity in 2021/22.

Balance Sheet (Attachment 2)

The Balance Sheet is one of the main financial statements and reports Council's assets, liabilities and equity at a given date, in this case 30 September 2021. Comparative figures have been provided as at 30 June 2021.

Council's current assets have increased by \$12.968 million from \$27.406 million as at 30 June 2021 to \$40.374 million as at 30 September 2021. Cash and cash equivalents have decreased by \$1.085 million from \$23.049 million to \$21.964 million. Trade and other receivables have increased \$14.091 million from \$4.233 million as at 30 June 2021 to \$18.324 million as at 30 September 2021, which can be attributed to the rates & charges being recognised as income in the quarter ended 30 September 2021.

Total liabilities have increased from \$14.390 million in 2020/21 to \$15.460 million in 2021/22, with an increase of \$0.315 million in trade and other payables. The trust funds and deposits have increased by \$0.792 million from \$0.455 million in 2020/21 to \$1.247 million in 2021/22.

Statement of Cash Flows (Attachment 3)

The Statement of Cash Flows shows how changes in the Statement of Financial Position and Income Statement affect Cash and Cash Equivalents, and breaks down the analysis to operating activities, investing activities and financing activities.

The Cash and Cash Equivalents at the beginning of the financial year of \$23.049 million have decreased by \$1.085 million to \$21.964 million as at 30 September 2021.

Net cash provided by operating activities was \$0.832 million and \$1.882 million was used in investing activities.

Investing activities includes payments for property, plant and equipment, and infrastructure totalling \$2.007 million. This included capital building works and capital road works.

Based on the information provided by responsible officers and managers the forecast year end result for cash and cash equivalents are in line with budget.

Financial Performance Indicators (Attachment 4)

The Local Government Performance Reporting Framework requires Councils to report various performance indicators at the end of each financial year.

A full list of financial performance indicators is included in attachment 4.

Indicator	30/6/2021	30/9/2021
Working capital <i>Measure - Current assets compared to current liabilities.</i> Expected values in accordance with the Local Government Performance Reporting Framework 100% to 400% Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity	202%	276%
Loans and borrowings <i>Measure - Loans and borrowings compared to rates.</i> Expected values in accordance with the Local Government Performance Reporting Framework – 0% to 70% Indicator of the broad objective that the level of interest-bearing loans and borrowings should be appropriate to the size and nature of a council's activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations	15.43%	15.86%
Indebtedness <i>Measure - Non-current liabilities compared to own source revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 2% to 70% Indicator of the broad objective that the level of long-term liabilities should be appropriate to the size and nature of a Council's activities. Low or decreasing level of long-term liabilities suggests an improvement in the capacity to meet long term obligations	4.29%	4.74%
Rates concentration <i>Measure - Rates compared to adjusted underlying revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 30% to 80% Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability	55.31%	89.86%
Expenditure level <i>Measure - Expenses per property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework \$2,000 to \$10,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency	\$4,049	\$3,971

Indicator	30/6/2021	30/9/2021
Indicator - Revenue level <i>Measure - Average residential rate per residential property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework - \$700 to \$2,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency	\$2,061	\$1,862
Indicator – Percentage of total rates collected The internal audit conducted in 2019 on Rates Revenue and Rate Debtor Management found no routine or regular reporting of large and long outstanding rates debtors. The outstanding Rates Debtors is reported in the Annual Financial report. As at 30 September 2021 the outstanding Rates Debtors totalled \$16.660 million compared to \$1.860 million as at 30 June 2021, an increase of \$14.800 million. In percentage terms 13.1% of the rates raised have been collected at 30 September 2021 compared to 9.5% up to 30 September 2020. Council issues approximately 7,500 rate notices. Last year there were 2,606 assessments paying by instalments compared with 2,799 assessments in 2019/20. Outstanding rates are currently charged 10% interest.	86.9%	13.1%
Indicator – Asset Renewal & Upgrade <i>Measure - Asset renewal & Upgrade compared to depreciation</i> Expected range in accordance with the Local Government Performance Reporting Framework – 40% to 130% Assessment of whether council assets are being renewed or upgraded as planned. It compares the rate of spending on existing assets through renewing, restoring, replacing or upgrading existing assets with depreciation. Ratios higher than 1.0 indicate there is a lesser risk of insufficient spending on Council's asset base.	164.30%	63.25%

The Local Government Performance Reporting Framework provides “Expected ranges” for each indicator. The framework has been developed to consider results at the end of the financial year so some results during the year are outside the expected range due to the timing of receipts and payments.

Explanations are provided in Attachment 4 for those indicators that are outside the “expected ranges”.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

The policy supports the strategic objectives of the Council Plan 2021-2025 including:

6 Strong and Effective Governance

Budget Implications

Council's financial performance is in line with expectations. Council's cash position was expected to reduce in the first quarter to pay for the outstanding accounts at year end.

Policy/Relevant Law

Section 97 – Quarterly Budget Report of the Local Government Act 2020 states:

- 1 As soon as practicable after the end of each quarter of the financial year, the Chief Executive Officer must ensure that a quarterly budget report is presented to the Council at a Council meeting which is open to the public.
- 2 A quarterly budget report must include—
 - (a) a comparison of the actual and budgeted results to date; and
 - (b) an explanation of any material variations; and
 - (c) any other matters prescribed by the regulations.
- 3 In addition, the second quarterly report of a financial year must include a statement by the Chief Executive Officer as to whether a revised budget is, or may be, required.

Sustainability Implications

This report does not raise any sustainability implications.

Risk Assessment

Council is required to establish and maintain a budgeting and reporting framework that is consistent with the principles of sound management and this report assists Council in meeting that requirement.

Innovation and Continuous Improvement

The content of the Quarterly report is continually reviewed to ensure meaningful data is provided.

Stakeholder Collaboration and Community Engagement

Council's financial performance reports are published quarterly.

RECOMMENDATION

That the:

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 September 2021 be received.

**MOVED JESSICA ADLER
SECONDED JO ARMSTRONG**

That the:

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 September 2021 be received.

ATTACHMENTS

- 1 Quarterly performance report: Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators

SECTION 4 – INTERNAL CONTROLS

4.1 REVIEW THE ADEQUACY AND EFFECTIVENESS OF KEY POLICIES, SYSTEMS AND CONTROLS FOR PROVIDING A SOUND INTERNAL CONTROL ENVIRONMENT

4.1.1 COUNCIL POLICY REVIEW UPDATE

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

Council policies are reviewed on an ongoing policy and procedure review process.

This report outlines the several Administrative and Council policies which have been reviewed.

DISCUSSION

Council has committed to reviewing policies through a review process to ensure that all Council policies meet legislative requirements and established internal processes

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at Depot and Municipal Officers, and on Council's website.

The table below provides a list of the recently reviewed policies, noting the main changes made to the documents. Copies of the policies are provided an attachment to this report:

Administrative/ Council	Policy Title	Last Reviewed and Adopted	Current Review Date ready for Adoption	Next review
Council	<p>Procurement Policy</p> <p>Main changes:</p> <ul style="list-style-type: none"> • <i>Changes to Responsible Officers due the recent changes in staffing.</i> • <i>Update policy to reflect implementation of Local Government Act 2020.</i> • <i>Minor wording to bring the policy up to standard.</i> • <i>Inclusion of the following sections:</i> <ul style="list-style-type: none"> ○ <i>Borrowings;</i> ○ <i>Market Engagement Methods;</i> ○ <i>Cumulative Spend (previously Aggregated Spend);</i> 	16 March 2021	November 2021	June 2023

Administrative/ Council	Policy Title	Last Reviewed and Adopted	Current Review Date ready for Adoption	Next review
	<ul style="list-style-type: none"> ○ <i>Non-confirming Tenders;</i> ○ <i>Diversity;</i> ○ <i>Collaboration between Councils;</i> ○ <i>Third Party Privacy.</i> 			
Administrative	<p>Code Red and Extreme Fire Danger Preparedness Policy</p> <ul style="list-style-type: none"> • <i>Minor wording changes to bring up to standard.</i> • <i>Appendix 3 – review of External Services.</i> • <i>Inclusion of Appendix 4 – Department Bushfire Obligations Summary (internal use form).</i> 	20 December 2019	November 2021	November 2025
Administrative	<p>OHS Workplace Emergency Evacuation Policy</p> <p>Main changes:</p> <ul style="list-style-type: none"> • <i>Renamed: OHS Workplace Emergency Preparedness Policy.</i> • <i>Change of Responsible Officer.</i> • <i>Minor wording changes.</i> 	February 2020	November 2021	February 2023
Administrative	<p>Corporate Purchase Card Policy</p> <p>Main changes:</p> <ul style="list-style-type: none"> • <i>Changes to Responsible Officers due to recent changes in staffing.</i> • <i>Alterations to processes due to change of programs.</i> 	February 2019	November 2021	November 2025

RECOMMENDATION

That the Council Policy Review Update be received.

MOVED ROBERT TOMMASINI SECONDED HENRY BURRIDGE

That the Council Policy Review Update be received, and recommend to Council the adoption of the Procurement Policy at it's January meeting.

ATTACHMENTS

Copies of the policies listed are provided as an Attachment 4.1.1.

Note: Bring status of policies table to the next Audit & Committee Risk meeting.

4.2 DETERMINE WHETHER SYSTEMS AND CONTROLS ARE REVIEWED REGULARLY AND UPDATED WHERE REQUIRED

NIL.

4.3 MONITOR SIGNIFICANT CHANGES TO SYSTEMS AND CONTROLS TO ASSESS WHETHER THOSE CHANGES SIGNIFICANTLY IMPACT COUNCIL'S RISK PROFILE

4.3.1 STRATEGIC RISK REGISTER UPDATE

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

Council's Strategic Risk Register is reviewed by the Chief Executive Officer and presented to the Audit and Risk Committee.

DISCUSSION

The Chief Executive Officer ensures that strategic risks are identified and assessed, treatment options are prioritised and implemented, actions are assigned; and performance is monitored and reviewed.

The following risk assessment matrix has been applied to each identified risk. This risk assessment matrix can also be found in the Risk Management Policy.

LIKELIHOOD	CONSEQUENCES				
	1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
Almost Certain: The event is expected to occur in most circumstances or at least twice a year	Moderate	High	High	Extreme	Extreme
Likely: Expect this event at least annually	Moderate	Moderate	High	High	Extreme
Possible: The event might occur at some time over an extended period	Low	Moderate	Moderate	High	High
Unlikely: The event could occur at some time but is not usually experienced	Low	Low	Moderate	Moderate	High
Rare: The event may occur in exceptional circumstances	Low	Low	Moderate	Moderate	High

The current Strategic Risk Register is provided for information and outlines the risk's impact, control measures, risk level, likelihood and actions/controls in place for 2021/2022.

Current Strategic Risk Status:

Risk Status	Number of Strategic Risks as at 29 November 2021
Red (Extreme)	0
Amber (High)	0
Blue (Moderate)	14
Green (Low)	2
Total Strategic Risks	16

STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021							
No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
1	Procurement - Unable to successfully procure goods and services to assist in the delivery of council projects and services or failure to appropriately manage contracts	<ul style="list-style-type: none"> Ineffective project management. Inexperienced contractors. Contract overruns. 	<ul style="list-style-type: none"> Clear communication of Council's expectations to Contractors. Council Procurement Policy reviewed and updated annually. Collaborative procurement. Purchasing limits Review of Contractor Register and Preferred Suppliers. Contractor Induction. Induction session on Procurement 	Low	Unlikely	30/11/2022 Reviewed Annually	<p>Procurement Policy updated in November 2021 and presented to Audit and Risk Committee in December 2021.</p> <p>Any new staff commencing with ARCC are provided with a one- hour procurement session.</p> <p>Induction for contractors carried out prior to commencing work.</p>
2	Emergency Management – Insufficient preparation on emergency situations that could affect the community from large incidents, such as bushfires to smaller incidents such as a community event. Council as a community leader in times of crisis and assisting authorities where possible. Council to continue a leader and assist with other Council's in both response and recovery.	<ul style="list-style-type: none"> Loss of life and property damage Disruption to essential services Loss of essential communications, access and service delivery 	<ul style="list-style-type: none"> MEMO and MMR staff appointment to create Emergency Management Team Municipal Emergency Management Plan Municipal Fire Prevention Plan Emergency Animal Welfare Plan Municipal Heatwave Plan Influenza Pandemic Plan Business Continuity Plan Disaster Recovery Plan Develop and implement a program of emergency exercises. Pandemic Committee created 	Low	Unlikely	30/11/2022 Reviewed Annually	<p>Council now has a full EMT, with 3 MEMO's and 3 MRM's to cover full emergencies.</p> <p>Regular meetings held with Emergency Management external stakeholders from the Grampians region.</p> <p>Organisational and Regional COVID Meetings held on a regular basis.</p>



STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021

No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
3	Fraud and Corruption – Failure to detect and prevent occurrences of fraud and corruption risks	<ul style="list-style-type: none"> Non-compliance by staff of Council policy and procedures Inefficient monitoring of financial processes 	<ul style="list-style-type: none"> Fraud and Corruption Control Policy and Plan reviewed regularly. Staff compliance training – Fraud and Corruption module Council Procurement Policy reviewed and updated. Councillor Code of Conduct Staff Code of Conduct 	Moderate	Possible	16/03/2022 Reviewed Annually	<p>Fraud and Corruption Policy and Plan reviewed and adopted in March 2021</p> <p>Compulsory training every December for all staff to complete, which includes a unit on Fraud and Corruption.</p> <p>Councillor and Staff Code of Conducts are current and have dedicated sections on Fraud and Corruption</p>
4	Workforce Planning – Lack of workforce planning in the face of an ageing workforce and changing demographics of staff	<ul style="list-style-type: none"> Inability to recruit resulting in loss of, or delay in services. Poor retention of staff. Increase in financial cost of recruiting Loss of knowledge, skills and experience Loss of continuity and services 	<ul style="list-style-type: none"> Workforce Plan developed as part of the LGA 2020 implementation. Succession planning Flexible working arrangements. Phased in retirement. Recruitment Plan developed. Annual Performance Plans reviewed. Employee Assistance Program. Staff Code of Conduct Health and Wellbeing Program 	Moderate	Possible	31/10/2022 Reviewed Annually	<p>Workforce Plan developed and in force.</p> <p>Annual Performance Plans updated in June each year.</p>
5	Governance – Failure to manage a governance framework which embraces good governance practices and	<ul style="list-style-type: none"> Unlawful or inappropriate decisions. Poor decision making Incorrect advice 	<ul style="list-style-type: none"> Monitoring changes in legislation. Councillor Code of Conduct Staff Code of Conduct Councillor Induction Program 	Moderate	Possible	30/05/2022 Reviewed Annually	<p>Continuing to monitor updates from LGV.</p> <p>Council policies, delegation and authorisations, and Personal Interests Returns</p>



STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021

No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
	ensures the delivery of customer focused services.		<ul style="list-style-type: none"> Staff delegation and authorisations Policies and Procedures, including Public Transparency Policy Governance Rules Personal Interests Returns 				<p>reviewed and updated as per legislative requirements.</p> <p>Councillor induction program completed.</p>
6	Legislative Compliance – Ensuring compliance with an understanding of Council's policies and legislative requirements.	<ul style="list-style-type: none"> Breach of privacy, confidentiality or other legislation. Reputational harm and loss of confidence in the Council. 	<ul style="list-style-type: none"> Monitoring changes in legislation. Councillor Code of Conduct Staff Code of Conduct Councillor Induction Program Access to legal advice Privacy procedures 	Moderate	Possible	<p>31/01/2022</p> <p>Reviewed every 6 months</p>	<p>Continual monitoring of changes to legislations.</p> <p>Councillor induction program completed.</p>
7	Business Continuity – Failure to plan adequately for the impacts of a disruption to Council's normal operating environment	<ul style="list-style-type: none"> Disruption to services. Breakdown of community networks 	<ul style="list-style-type: none"> BCP reviewed and updated in order to identify critical service requirements. Annual simulation testing exercises. Emergency Management Plan Insured risk. Disaster Recovery Plan 	Moderate	Possible	<p>25/01/2022</p> <p>Reviewed Annually</p>	Business Continuity Plan and Disaster Recovery Plan currently under review for presentation to Audit and Risk Committee and Council in February 2022.
8	Climate Change – Council faces a challenge in relation to an increase in inclement weather patterns (flood, heat waves, drought, windstorm). Having sufficient financial resources, lack of knowledge and flexibility to address these challenges may become increasingly difficult	<ul style="list-style-type: none"> Poor planning decisions. Increased cost of services. Reactive solutions to environmental issues. 	<ul style="list-style-type: none"> Liaison with partners/advice to residents on energy saving, reduction in carbon emission, wellbeing etc. Preparation of Climate Action Plan. Waste and Resource Recovery Strategy adopted February 2021 Municipal Emergency Management Plan 	Moderate	Possible	<p>30/04/2022</p> <p>Reviewed Annually</p>	Environmental Working Group currently advertising for members, meetings will commence in 2022.



STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021

No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
			<ul style="list-style-type: none"> Asset Management Plan 2021-2031 developed Environmental Working Group. 				
9	Occupational Health and Safety (OH&S) and Wellbeing – Work Health Safety compliance and risk management to people safety.	<ul style="list-style-type: none"> Death, injury or illness. Council non-compliance with legislative requirements. Increased costs and insurance premiums. Council staff non-compliance with Council policies and procedures. Increase in preventable accidents and injuries. 	<ul style="list-style-type: none"> Staff Induction and training protocols Ensure policies and procedures are in place to monitor, report and minimise health and safety risks in the workplace. Safety Committee Meetings Incident and hazard assessments. Toolbox meetings to discuss WHS matters. Regular maintenance schedules. 	Moderate	Possible	30/06/2022 Reviewed Annually	<p>All policies and procedures in relation to OHS are reviewed on an ongoing basis.</p> <p>Safety Committee meet every month to discuss relevant issues.</p>
10	Records Management – Insufficiently maintained records management, including corporate information not being appropriately recorded, managed or maintained resulting in inefficiencies, breach of legislation, loss of information and inappropriate disposal.	<ul style="list-style-type: none"> Loss of records and data. Breaches of privacy. 	<ul style="list-style-type: none"> Continuous training and auditing to be undertaken Maintain up to date IT systems Ongoing use of appropriate Records storage system Induction Session on Records Management 	Moderate	Possible	30/04/2022 Reviewed Annually	<p>Records management staff are trained in the use of the Councilwise records management system.</p> <p>Any new staff commencing with ARCC are provided with a one hour Records session.</p>



STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021

No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
11	IT Infrastructure – Failure to keep up with technology trends and to provide efficient, reliable, secure technology systems to support the delivery of council services	<ul style="list-style-type: none"> Inability to access data, records and systems. Disruption to services. Loss of business continuity Unauthorised use of information. 	<ul style="list-style-type: none"> Continuous monitoring of advances in technology and upgrading programmes to meet the Council's requirements. Information Technology Policy reviewed on a regular basis Protective Data Security Plan reviewed as per legislation Induction Session on IT. 	Moderate	Possible	31/08/2022 Reviewed Annually	<p>Organisation has transitioned to use of cloud infrastructure instead of on premises infrastructure.</p> <p>Any new staff commencing with ARCC are provided with a one hour IT session.</p>
12	Waste Management Service Delivery – Failure to plan and resource a suitable waste management program or facilities which are sustainable, reduce environmental degradation, improve public safety and complies with regulatory requirements.	<ul style="list-style-type: none"> Lack of planning leads to ineffective waste service. Loss of community confidence. 	<ul style="list-style-type: none"> Waste and Resource Recovery Strategy adopted February 2021. Review of Waste Management Services commenced in 2021. 	Moderate	Possible	30/06/2022 Reviewed Annually	<p>Waste and Resource Recovery Strategy – action identified and implementation commenced.</p> <p>Confidential review of Council's waste management services has commenced. Report to Council on</p>
13	Strategic Leadership and Advocacy – Ineffective or weakened relationships with Government, Council's stakeholders and the community to develop projects, support industry and provide opportunities.	<ul style="list-style-type: none"> Lack of community Trust Poor decision making 	<ul style="list-style-type: none"> Advocacy Program adopted by Council Community Satisfaction Survey results increase. Community Engagement Policy implemented. Regular external stakeholder meeting with Councils, Ministers and Government bodies. Engage Ararat Platform created and Council website Mayoral Column Public Transparency Policy 	Moderate	Possible	15/01/2022 Reviewed Annually	<p>Advocacy program adopted by Council for 2021/2022.</p> <p>Community Satisfaction Survey results for 2021 reported increases.</p> <p>Engage Ararat platform created and used to advocate on various documents/issues.</p> <p>Staff have shifted their thinking to a customer</p>



STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021

No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
			<ul style="list-style-type: none"> Customer focused approach in every daily interaction 				focus, which is a priority of the CEO.
14	Asset Management – Failure to manage and implement a Council wide framework for sustainable Asset Management which provides the desired level of services to the community	<ul style="list-style-type: none"> Failure of infrastructure assets due to lack of maintenance Inefficient work practices. Reduced ability to provide services. Assets that don't meet community expectations. Investigate other income sources to supplement asset renewal and upgrading. Loss of essential communications, access and service delivery. Emergency response capability inhibited. 	<ul style="list-style-type: none"> Asset Plans reviewed Annual building reviews undertaken by Assets to identify defects and remedial action Maintenance program. Recreation Reserve review. Regular building, bridge, road and footpath inspections carried out. 	Moderate	Possible	15/12/2021 Reviewed Annually	<p>Asset Management Plans currently being reviewed.</p> <p>Asset Management review to be completed by 31 March 2022.</p> <p>Annual building reviews and maintenance program to be incorporated into review of Asset Management.</p>
15	Financial Sustainability – Inadequate financial planning and management significantly impacting service delivery, and financial sustainability to meet projects and strategic objectives in Council Plan	<ul style="list-style-type: none"> Loss of, or reduction in services. Fraud Financially unsustainable Hold up, theft, misappropriation 	<ul style="list-style-type: none"> Council Plan developed with focus on key objectives. Financial Plan 2021-2031 developed Revenue and Rating Strategy 2021-2025 developed. Long Term Financial Plan Monthly financial reports to Council Dual authorisations. Duress button, security. 	Moderate	Possible	28/02/2022 Reviewed Annually	<p>All legislative requirements have been met with the Council Plan, Financial Plan, Revenue and Rating Strategy developed.</p> <p>New performance platform established with regular reporting to Council commencing soon.</p>



STRATEGIC RISK REGISTER AS AT 29 NOVEMBER 2021

No	Risk Description	Impact	Control Measures	Risk Level	Likelihood	Due Date	Actions / Controls in Place 2021/2022
			<ul style="list-style-type: none"> Staff training in security protocols. Insurance Policy 				
16 (248)	Cyber Attack – Failure to repel or recover from a Cyber-attack including targeted ransomware, malware, and Distributed Denial of Service (DDoS) attacks. The move to home working has increased the vulnerability to malware issues.	<ul style="list-style-type: none"> Unauthorised access to programs and data Data held for ransom Significant financial loss Harm to reputation 	<ul style="list-style-type: none"> Security and ICT usage policies in place and regularly updated. Cyber insurance Cyber risk training. 	Moderate	Possible	31/03/2022 Reviewed Annually	<p>IT Policy updated on 26 April 2021.</p> <p>IT staff are updated on the current issues from our Risk Management providers. They also provide training on cyber related matters.</p> <p>IT department alert staff on any suspected spam attacks and these are dealt with immediately.</p> <p>Council maintains its firewall and end point protection with industry standards.</p>

RECOMMENDATION

That the Strategic Risks Update be received.

**MOVED ROBERT TOMMASINI
SECONDED JO ARMSTRONG**

That the Strategic Risks Update be received.

ATTACHMENTS

There are no attachments relating to this item.

Note:

- Include consequences column
- Control measures separate column
- Jenny Woolcock and Robert to liaise about changes to the Strategic Risk Register
- Further work is to be conducted, prior to presentation to Council.

SECTION 5- RISK MANAGEMENT

NIL.

SECTION 6- FRAUD PREVENTION

NIL.

SECTION 7- INTERNAL AUDIT

7.1 REVIEW REPORTS ON INTERNAL AUDIT REVIEWS, INCLUDING RECOMMENDATIONS FOR IMPROVEMENT ARISING FROM THOSE REVIEWS

7.1.1 STRATEGIC INTERNAL AUDIT PROGRAM STATUS UPDATE

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. This report outlines the audit program that AFS will undertake over the next three years.

DISCUSSION

AFS & Associates have provided the current status of the Internal Audit Program. AFS completed the Depot Operations Audit and Past Issues Audit in May 2021, the Management Report for both of these audits were presented to the September Audit & Risk Committee meeting.

An audit was conducted in July 2021 in relation to Cash Handling. The Draft Internal Audit Report for Cash Handling has been issued to management. The outcomes of the Cash Handling audit are included in Item 7.2.1.

RECOMMENDATION

That the Strategic Internal Audit Program Status Update report be received.

**MOVED JO ARMSTRONG
SECONDED JESSICA ADLER**

That the Strategic Internal Audit Program Status Update report be received.

ATTACHMENTS

The Strategic Internal Audit Program Status Update report is provided as Attachment 7.1.1.

7.1.2 INTERNAL AUDIT- CASH HANDLING

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council's cash handling.

DISCUSSION

The objective was to review the reliability and effectiveness of the current controls over cash handling.

The audit concluded there were 8 areas of strength. 2 areas rated as moderate risks, 4 areas rated as minor risks and 1 area of opportunity. The definition of a moderate risk is medium likelihood and/or consequence – requires attention over six months. The definition of a minor risk is low likelihood and/or consequence – attention within 12 months. Recommendations from and responses to the Cash Handling audit are included in Item 7.2.1- Internal Audit- Audit Review Outcomes Update.

RECOMMENDATION

The Audit and Risk Committee recommends management:

- 1 *Develop and implement a procedure for ensuring Point of Sale (POS) system printouts are provided to the Vincent Street – Council Office reception when delivering banking for deposit. This process should be rolled out to the following sites which have a POS system with appropriate functionality: Vincent Street – Council Office (Reception), Ararat Fitness Centre, Alexandra Oval, Art Gallery, Visitor Information Centre and Town Hall;*
- 2 *Ensure adequate formalised agreements with the football clubs are in place regarding the Alexandra Oval Bar. These should clearly state: cash handling requirements, dealing with variances in stock or cash and where obligations for shortfalls lie and profit share arrangements;*
- 3 *Implement the following controls to mitigate the inherent risks of cash handling: reasonableness assessment on total income received based on data, trend monitoring for cash received, sampled, independent review of cash reconciliations, periodic review of cancelled or deleted receipts within POS systems and review of banking deposit amounts;*
- 4 *Nominate responsibility for monitoring cash transactions and performing additional analyses over cash transaction values, include these responsibilities within the development of procedure documents (as per Item 3) and relevant position descriptions;*
- 5 *Investigate POS systems (CouncilWise and PerfectGym) to ascertain their capacity to implement tiered access restrictions for cancelling transactions, implement access restrictions in line with requirements of the individual's role, perform periodic access level reviews across both platforms to ensure staff members continue to only have the required access for the role and produce and retain daily reports that highlight cancelled cash transactions; and*
- 6 *Investigate: capacity of CouncilWise and PerfectGym POS systems to integrate with opening the till only if a purchase is made, capacity of Vectron to disable the 'no sale' function and integrate opening the till only for a cash sale and implementing cameras to provide additional security monitoring over tills and volumes of waste presented for disposal.*

MOVED JO ARMSTRONG
SECONDED HENRY BURRIDGE

The Audit and Risk Committee recommends management adopt the recommendations from the Cash Handling report.

ATTACHMENTS

The Audit of Cash Handling report is provided as Attachment 7.1.2.

7.1.3 INTERNAL AUDIT- SELF-ASSESSMENT REPORT

BACKGROUND

Council appointed AFS & Associates from Bendigo as Council's Internal Auditors. The self-assessment survey was distributed to Audit & Risk Committee members in November 2021.

DISCUSSION

The last AFS & Associates self-assessment survey was conducted in May 2018, results from the November 2021 survey have been distributed to members and show a comparison between the two.

The overall average response score from Audit & Risk Committee members on a scale of 1 to 6 was 5.12, comparing to 2018: 4.31. Based upon the lowest scores in the survey and comments for improvement for Audit & Risk Committee members, suggestions for improvement exist around the Audit & Risk Committee reviewing the following:

- More detailed risk reporting would help the Audit and Risk Committee fulfil its obligations.
- Continually refining the Work Plan of the Audit and Risk Committee to cover off key areas of risk.
- Receiving rolling presentations of key risks and how they are managed in different (major) operational areas.
- Annual presentation by management of OHS risk management.
- Annual presentation of the maturity and effectiveness and embeddedness of the Risk Management Framework.
- Receiving assurance that key compliance obligations are being achieved (and the compliance function is across it all)
- Work to improve the organisation's performance reporting framework has commenced and will provide more useful and timely information to the Audit and Risk Committee. In turn this will enhance the Audit and Risk Committee's capacity to examine and report on council's operations.
- Clarification of process for Audit and Risk Committee reporting to Council
- Opportunity to have senior people present to Audit and Risk Committee from time to time.
- Further refinement of the agenda would be beneficial (this is currently underway).
- There are possibilities to develop a more collaborative mode of operation for the Audit and Risk Committee.

RECOMMENDATION

That the AFS & Associates November 2021 Self-Assessment report be received.

MOVED HENRY BURRIDGE SECONDED BRIAN KEANE

That the AFS & Associates November 2021 Self-Assessment report be received.

ATTACHMENTS

2021 Audit & Risk Committee Self-Assessment Survey results report.

Note:

- Terms of Reference to include initial conversation to occur between the CEO and the external auditor (VAGO)
- Half-year summary assessment is reported to Council
- In-camera review with internal & external auditor to be included on charter for September

7.2 MONITOR ACTION BY MANAGEMENT ON INTERNAL AUDIT FINDINGS AND RECOMMENDATIONS

7.2.1 INTERNAL AUDIT- AUDIT REVIEW OUTCOMES UPDATE

BACKGROUND

Council appointed AFS & Associates from Bendigo as Council's Internal Auditors. Council has reviewed the recommendations made by the Internal Auditor in relation to the internal audit reviews and these are presented as an attachment to this report.

DISCUSSION

An Audit Review Outcomes Action Plan was developed to capture the recommendations highlighted in the various internal audits conducted by AFS.

The Audit Review Outcome Action Plan lists the recommendations and subsequent outcomes and projected completion dates.

RECOMMENDATION

That the Audit Review Outcomes Update report be received.

ATTACHMENTS

The Audit Review Outcomes Update report is included as Attachment 7.2.1.

Note: Last item needs to be removed from table, as it is not a recommendation.

SECTION 8- EXTERNAL AUDIT

8.1 CONSIDER THE FINDINGS AND RECOMMENDATIONS OF ANY RELEVANT PERFORMANCE AUDITS UNDERTAKEN BY VAGO AND MONITOR COUNCIL'S RESPONSES TO THEM

8.1.1 FINAL MANAGEMENT LETTER FOR FINANCIAL YEAR ENDED 30 JUNE 2021

BACKGROUND

Ms. Cassandra Gravenall of Crowe Australasia has been appointed by the Victoria Auditor-General's office to undertake the annual financial audit for the year ending 30 June 2021.

DISCUSSION

Crowe Australasia conducted an off-site interim audit in March 2021. The assessment which this letter is based upon, is divided into two categories: internal control weaknesses and financial reporting and performance statement reporting.

The objective of this audit is to enable the Auditor-General to express an opinion on Councils financial report and performance statement. The Final Management Letter produced 8 key findings. Of these 8 key findings, 3 were rated high, 3 were rated moderate and 2 rated low.

RECOMMENDATION

That the Final Management Letter for the financial year ended 30 June 2021 be received.

**MOVED JESSICA ADLER
SECONDED HENRY BURRIDGE**

That the Final Management Letter for the financial year ended 30 June 2021 be received.

ATTACHMENTS

The VAGO Final Management Letter is provided as Attachment 8.1.1.

Note: Circulate table with management's comments on the VAGO Final Management letter recommendations

SECTION 9- COMPLIANCE

9.1.1 LOCAL GOVERNMENT INSPECTORATE – REVIEW INTO PERSONAL INTERESTS RETURNS

BACKGROUND

In October 2021 the Local Government Inspectorate released its report “Personal Interests Returns – Encouraging Disclosures and Increasing Transparency”.

This report outlines the recommendations coming out of the report, and Council’s response to the recommendations.

DISCUSSION

The Local Government Inspectorate conducted a review of the Interests Returns provided by Councillors between October 2016 and February 2020 under the Local Government Act 1989. This review made recommendations for the new personal interests returns provisions in the Local Government Act 2020 and the Local Government (Governance and Integrity) Regulations 2020.

The Local Government Inspectorate reviewed the websites of 79 Councils in August 2021. This review looked at the summary of Personal Interests from December 2020 and March 2021.

The final report and recommendations were released in October 2021.

The recommendations outlined in the report are listed below and incorporates a comment from Council to the recommendations.

Recommendations	Council’s Comments
1. The Local Government Act 2020 should be amended to: <ul style="list-style-type: none"> include a deadline for the publication of the summary on the council website after the end of the prescribed period require councils to have personal interests summaries available online for the duration of the council term. 	Summary of all Personal Interests Returns are on Council’s website. These have all met the legislative timeframe.
2. The Local Government Act 2020 and Local Government (Governance and Integrity) Regulations 2020 should be amended to make it mandatory for CEOs to use a form in a Schedule to the Regulations when creating a summary of personal interests to ensure consistency across the local government sector.	Council currently uses the summary template provided by Local Government Victoria.
3. Local Government Victoria should provide improved guidance to councils regarding: <ul style="list-style-type: none"> how to determine which staff should qualify as nominated officers who are required to submit a personal interests return a standard approach to compiling and presenting summaries on their websites, to assist comparison across councils. 	Currently all senior staff members complete a Personal Interests Return (<i>note: at the submission dates 1 September to 30 September 2021 this included the CEO and 3 senior staff members</i>)
4. The Local Government Act 2020 and Local Government (Governance and Integrity) Regulations 2020 should be amended to make it mandatory for people required to submit personal interests returns to use a form in a Schedule to the Regulations to ensure consistency of personal interests return submissions across the local government sector.	Council currently uses the Personal Interests Return template provided by Local Government Victoria.
5. LGV should finalise its draft guidance material, which is currently in draft form on the Engage Victoria website. The final guidance material should: <ul style="list-style-type: none"> be written in plain English with all legal terms explained 	Council currently uses the summary template provided by Local Government Victoria.

Recommendations	Council's Comments
<ul style="list-style-type: none"> include information about how the accurate completion of their interests returns can assist them to identify possible conflicts of interest include real-life examples of interests to be disclosed be easily accessible on the LGV website be promoted through its communication channels. 	
<p>6. LGV should communicate to councils and councillors:</p> <ul style="list-style-type: none"> the importance of their obligation of completing accurate, complete, and timely personal interests returns for the integrity of local government processes that the personal interests returns will be relied upon by IBAC and other integrity bodies in the event of an investigation. 	<p>Councillor Code of Conduct – Councillors acknowledge that it is a requirement to complete Personal Interests Returns and when to complete a return.</p> <p>The Code of Conduct also notes the penalty for failure to complete a return.</p>
<p>7. The Local Government (Governance and Integrity) Regulations 2020 be amended to include the topic of personal interests returns in the induction training for councillors.</p>	<p>Councillors have not had any formal training in relation to Personal Interests Return.</p> <p>Councillors did receive a copy of the Guide on Personal Interests Returns provided by Local Government Victoria.</p>
<p>8. The Local Government (Governance and Integrity) Regulations 2020 be amended to introduce annual refresher training in personal interests returns for councillors.</p>	<p>Council will ensure that a Personal Interests Returns session will be held with Councillors prior to the March 2022 submission period, if the Regulations have not yet been amended.</p>
<p>9. Councils should introduce annual training for their nominated officers and delegated committee members to increase their knowledge of the personal interests returns process.</p>	<p>The Governance Unit will ensure that all nominated officers, including the CEO receive annual personal interests return training prior to completing March and September returns.</p>
<p>10. LGV should provide regular updates to councillors to remind them of their obligations and to keep them informed about legislative amendments in relation to personal interests returns.</p>	<p>LGV</p>
<p>11. LGV should investigate the feasibility of creating a common electronic form that provides a standardised personal interests returns template that councils can incorporate into their IT platforms.</p>	<p>LGV</p>
<p>12. The Local Government Act 2020 should be amended to give the Inspectorate specific power to issue infringement notices for strict liability offences.</p>	<p>LGI</p>
<p>13. LGV should consider amending the Local Government Act 2020 to introduce non-monetary sanctions (such as temporary suspension or disqualification from civic office) to provide a more appropriate, proportional, and scalable sanction for persons who consistently flout the personal interests returns provisions of the Act.</p>	<p>LGV</p>
<p>14. The Local Government Act 2020 should be amended to require CEOs to report suspected breaches of the personal interests' returns provisions to the Inspectorate, including failure to submit returns or submitting inaccurate or late returns.</p>	<p>LGV</p>

RECOMMENDATION

That the “Local Government Inspectorate - Review into Personal Interests Returns” report be received.

**MOVED ROBERT TOMMASINI
SECONDED JO ARMSTRONG**

That the “Local Government Inspectorate - Review into Personal Interests Returns” report be received.

ATTACHMENTS

Local Government Inspectorate report “Personal interests return: Encouraging disclosure and increasing transparency”, October 2021 provided as Attachment 9.1.1.

9.1.2 VAGO REPORT – MAINTAINING LOCAL ROADS

BACKGROUND

The Victorian Auditor-General's Office (VAGO) conduct audits on Local Government on various topics throughout the year. In March 2021 VAGO presented its report on Maintaining Local Roads.

DISCUSSION

VAGO issued a report in March 2021 to ensure that roads are safe and functional and being maintained in a cost efficient and financially sustainable way.

The report assessed whether councils use asset data, budget information and community feedback to inform their planning for road maintenance. VAGO also looked at whether councils are finding and implementing ways to achieve value for money and their ability to maintain roads in timely manner.

The audit recommended that all Victorian Councils adopt the following:

- 5 recommendations about improving the information used for road maintenance planning;
- 3 recommendations relating to collecting and reporting accurate performance data; and
- 2 recommendations about assessing council performance on road management plans.

Management have developed an action plan to address the recommendations made from the VAGO report, which is included as an attachment.

A full copy of the VAGO audit report is available at <https://www.audit.vic.gov.au/report/maintaining-local-roads?section=>

RECOMMENDATION

That the VAGO – Maintaining Local Roads report be received.

**MOVED HENRY BURRIDGE
SECONDED JO ARMSTRONG**

That the VAGO – Maintaining Local Roads report be received.

ATTACHMENTS

The VAGO Maintaining Local Roads Report Recommendations action plan is provided as an Attachment 9.1.2.

Note: To present an update on this spreadsheet at the March Audit & Risk Committee meeting.

SECTION 10- GENERAL BUSINESS

10.1 2021/2022 CAPITAL WORKS

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

BACKGROUND

This report details the current status of Council's 2021/2022 Capital works program.

DISCUSSION

The capital works program is progressing well with approximately 67% of the roads budget expended to 30 November 2021. Internal road, bridge and drainage maintenance works are progressing well with the bulk of the works expected to be completed after harvest and into Autumn 2022. The operations depot will commence urban street construction works in the new year.

There are a number of continual improvement strategies being implemented into the new year to assist with quality and operator efficiency in the works area.

The road reseal program is progressing well and will be completed by mid-April 2022, which is within our contracted window with Inroads.

Externally contracted road construction works are either complete or due to be completed by the Christmas closure period, with the exception of Chatsworth-Wickliffe Road which will commence in the new year following harvest.

Works are progressing at the Gordon Street Oval with the majority of planning and site works completed. Community consultation is occurring with the Buangor community in relation to design options offered by the architect for their sport pavilion extension.

RECOMMENDATION

That the 2021/2022 Capital Works report be received.

**MOVED ROBERT TOMMASINI
SECONDED JO ARMSTRONG**

That the 2021/2022 Capital Works report be received.

ATTACHMENTS

2021/2022 Capital Works Summary provided as an Attachment 10.1.

SECTION 11 – FUTURE MEETINGS

11.1 FUTURE MEETING DATES

Future meetings of the Audit and Risk Committee are scheduled as follows:

- Tuesday 1 March 2022 at 1pm
- Tuesday 7 June 2022 at 1pm
- Tuesday 6 September 2022 at 1pm
- Tuesday 6 December 2022 at 1pm

The meeting was declared closed at 2:40 PM.

ALIGNMENT WITH AUDIT & RISK COMMITTEE CHARTER

Ref.	Item in Charter	Item in Agenda
5.6	Review the appropriateness of the format and content of periodic management financial reports and performance statements	3.1
5.7	Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment*	4.1
5.8	Determine whether systems and controls are reviewed regularly and updated where required*	4.2
5.9	Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile	4.3
5.25	Review reports on internal audit reviews, including recommendations for improvement arising from those reviews	7.1
5.27	Monitor action by management on internal audit findings and recommendations	7.2
5.35	Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them	8.1

SECTION 12- NEXT MEETING/CHARTER ITEMS

MARCH 2022	
Ref.	Item in Charter
5.10	Ensure that a program is in place to test compliance with systems and controls
5.11	Assess whether the control environment is consistent with Council's Governance Principles
5.18	Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programs
5.21	Review the Internal Audit Charter regularly
5.22	Review and approve the three-year strategic internal audit plan, the annual internal audit plan
5.25	Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
5.27	Monitor action by management on internal audit findings and recommendations
5.31	Annually review and approve the external audit scope and plan proposed by the external auditor
5.37	Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations
5.38	Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code
5.39	Obtain briefings on any significant compliance matters
5.40	Receive reports from management on the findings of any examinations by regulatory or integrity agencies
	Strategic Risks report/matrix