



MANSFIELD SHIRE COUNCIL

Audit and Risk Committee

15 February 2021

Council Chamber, 33 Highett Street, Mansfield

AGENDA

4.30pm meeting for Committee.

Council Officers will be attending from 5.00pm

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AGENDA

15 February 2021
Council Chamber, 33 Highett Street, Mansfield
4.30PM

4.30pm meeting of the Committee.
Council Officers will be attending from **5.00pm**

1. OPENING OF THE MEETING
2. APOLOGIES
3. CONFIRMATION OF MINUTES

Recommendation:

That the Minutes of the Audit and Risk Committee Meeting held on 7 December 2020 be confirmed as an accurate record.

4. DISCLOSURE OF CONFLICTS OF INTEREST
5. ADMINISTRATIVE ITEMS
 - 5.1 **Annual Work Plan**

Refer attached.



ATTACHMENT 5.1

ANNUAL WORK PLAN

(4 PAGES)



5.2 ARC Performance Reporting Actions

Refer attached.



ATTACHMENT 5.2

ARC PERFORMANCE REPORTING ACTIONS

(6 PAGES)



6. FINANCIAL AND PERFORMANCE REPORTING

Duties and responsibilities of the Committee:

- a) At least annually review significant accounting and external reporting issues, including complex or unusual transactions, transactions and balances in areas where judgement is required, changes to accounting policies, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the annual financial report and the audit thereof;
- b) At least annually review changes to the Local Government Performance Reporting Framework and understand the impact of those changes on Council's performance indicators;
- c) Review the annual financial report and annual performance statement and consider whether they are complete, consistent with information known to Committee members, reflect appropriate accounting treatments and adequately disclose Council's financial performance and position;
- d) Review with management and the external auditors the results of the audit, including any difficulties encountered by the auditors and how they were resolved;
- e) Recommend the adoption of the annual financial report and annual performance statement to Council; and
- f) Review the appropriateness of the format and content of periodic management financial reports and performance statements to Council as required.

6.1 Finance Report: 1 July 2020 to 31 December 2020

File Number: E39

Responsible Officer: Manager Business and Performance, Mandy Kynnersley

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report provides information on Council's financial performance against the 2020-21 budget.

This report is for noting only and no decision is required.

Background

Council adopted the budget for the 2020-21 financial year at its meeting of 4 August 2020. Subsequently Council approved carry forward projects from the 2019-20 year which have now been included and form part of the Updated Budget 2020-21.

This report explains material variances between the year to date actual financial results and the Updated Budget 2020-21. Favourable variances are reported as positive values, while unfavourable variances are shown as negative values.



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

Policy and Legislative Implications

Section 97 of the *Local Government Act 2020* requires quarterly reporting as soon as practicable after the end of each financial quarter, and in addition, a statement by the CEO in the second quarterly report of the financial year as to whether a revised budget is or may be required.

Council Plan

Strategic Direction Five: Responsible leadership

Financial

There is no direct financial impact in relation to this report. The financial reports attached provide the opportunity for regular monitoring of Council's financial position to ensure compliance with budgets.

Social

Nil.

Environmental

Nil.

Economic

Nil.

Risk Management

Regular financial reporting is part of Council's financial strategy to ensure budgets are complied with and the short to medium term financial sustainability of Council is maintained.

Community Engagement

The 2020-21 budget engagement process facilitated opportunities for community input to and feedback on Council's budget. There has been no community engagement around the actual results against the budget.

Key Issues

DASHBOARDS

Below is a high level dashboard of the actual year to date (YTD) result against budget, and the forecast year end result against budget.



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

YTD Dashboard

Indicator	Result YTD	Budget YTD / Target	Favourable / Unfavourable	Variance
Operating surplus/(deficit)	11,832,731	8,914,639	F	2,918,092
Underlying surplus/(deficit)	10,681,587	7,818,456	F	2,863,131
Capital expenditure	737,663	3,776,471	U	(3,038,808)
Working capital ratio	7.90	1.00	F	6.90
Cash and financial assets	16,528,013	8,146,000	F	8,382,013

	\$'000 YTD Revised Budget	\$'000 YTD Actual	\$'000 YTD Variance
Underlying surplus/(deficit)	7,818	10,682	(2,863)
Surplus/(deficit)	8,915	11,833	(2,918)
Departmental results			
Business and Performance	12,630	12,506	(805)
Community & Economic Development	(985)	(570)	(415)
Community Health and Wellbeing	(383)	(22)	(360)
Community Safety	(285)	520	(805)
Executive Management	(430)	(420)	(10)
Field Services	(998)	(838)	(160)
Governance & Risk	(753)	(530)	(223)
Operations & Capital Works	(916)	(706)	(210)
People & Culture	(1,180)	(182)	(998)
Planning & Environment	790	910	(119)
Capital works expenditure (net of income)	(2,351)	427	(2,779)



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

Forecast Dashboard

Indicator	FY Budget	FY Forecast	Favourable / Unfavourable	Variance	
Operating surplus/(deficit)	7,783	7,902	U	(119)	-2%
Underlying surplus/(deficit)	430	550	U	(119)	28%
Capital expenditure (net of income)	(10,290)	(8,305)	U	(1,985)	19%

	\$'000	\$'000	\$'000	%
	FY Updated Budget	FY Forecast	FY Variance	
Underlying surplus/(deficit)	430	550	119	28%
Surplus/(deficit)	7,783	7,902	119	2%
Departmental results				
Business and Performance	10,062	10,073	11	0%
Community & Economic Development	(1,943)	(1,772)	171	-9%
Community Health and Wellbeing	(765)	(629)	136	-18%
Community Safety	(564)	(557)	7	-1%
Executive Management	(894)	(917)	(23)	3%
Field Services	(1,705)	(1,743)	(38)	2%
Governance & Risk	(1,097)	(1,083)	14	-1%
Operations & Capital Works	(1,783)	(1,774)	9	-1%
People & Culture	(601)	(689)	(88)	15%
Planning & Environment	(937)	(1,031)	(94)	10%
Capital works expenditure (net of income)	(10,290)	(8,305)	1,985	-19%



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

VARIANCE ANALYSIS

Detail variance analysis is shown below.

Actual YTD against Budget

Operating Finance Report

Operating Income & Expenditure Actual against Updated Budget

The year to date operating result is favourable (underspent) against the 2020-21 Updated Budget by \$3.1m (42%). Major variances are summarised below.

Favourable Variances (underspend)

- \$72k Salaries and Wages clearing account – Timing of leave and public holidays taken.
- \$47k Customer Service & Records – Timing issues only relating to software expenditure costs.
- \$331k Economic Development – Business & Industry – \$250k Activating Outdoor Dining grant received, not yet fully expended. This grant was not budgeted, but will be fully spent and acquitted. \$180k grant received for Community Recovery & Resilience which was also not budgeted.
- \$57k Economic Development – Tourism & Events – Events postponed due to COVID19.
- \$50k Sport & Recreation – Timing only in relation the pool running costs.
- \$151k Aged & Disability Services – both Home Care and Planned Activities have had reduced or suspended services during COVID19 restrictions resulting in reduced expenditure. Income also over budget due to increased targets and new service agreement.
- \$148k Family Services & Partnerships – \$59k grant received for Community Activation & Social Isolation which has not yet been fully expended. Additional Integrated Family services income has been secured increasing income over budget \$20k YTD. Early Years review has not yet been completed resulting in underspend YTD of \$12k. Maternal & Child Health are currently under spent by \$61k YTD, due to carry forward funds from prior year not yet spent.
- \$59k Youth Services – Youth services were shut down over COVID19 restrictions resulting in reduced expenditure YTD. Timing issues in relation to expending grants funds for Freeza, L2P & Engage programs.
- \$831k Emergency Management – Recovery – Bushfire Recovery grant funds have not yet been fully expended.
- \$162k Road Network Maintenance – wages \$98k under budget due to vacant positions. Materials \$63k under budget (timing only) which is expected to increase as the grading season has recently commenced.



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

- \$162k Council - \$120k budgeted for VEC costs which have not been paid (timing only). Australia Day grants (unbudgeted) totalling \$21k have been received but not yet expended. Training costs also under budget YTD and will be spent later in year.
- \$113k Risk Management – Insurances came in under budget by \$86k. Risk Officer role has not yet been filled.
- \$143k Engineering Services – wages under budget due to vacancies not yet filled. Consultants under budget as the High Street West drainage study has not yet been completed.
- \$1.08m Working for Victoria – Timing only. Grant funding for this program has been received in advance. Various positions have not yet been filled. Any unspent funding will be returned upon acquittal.
- \$113k Waste Management – Waste Officer role has not yet been filled. Waste income currently over budget due to supplementary rates and increased income resulting from the Resource Recovery Centre.

Unfavourable Variances (overspend)

- \$83k Financial Services – Interest on investments under budget \$30k YTD due to lower than budgeted interest rates. Timing issues in relation the Victorian Grants Commission payments (partly paid in June 2020).
- \$54k Information Technology – timing of payments made for software maintenance and support costs.
- \$57k Revenue Services – timing of the Fire Services Property Levy grant which has not yet been received.
- \$69k Arts, Culture & Library – Timing of grant funds which have not yet been received.
- \$53k Emergency Management – pandemic costs not budgeted.
- \$52k Governance – unbudgeted legal and training costs relating to the implementation of the new act and annual report costs. Advertising costs (Mansfield Matters) have also increased due to COVID19 and elections.
- \$84k Human Resources - over budget due to organisational restructure costs.
- \$55k Statutory Planning – overspent in legal expenses and training costs. Statutory planning services review was not budgeted.



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

Capital Works Report

A summary of Council's budget Capital Works Program for 2020-21 is shown below:			
Project	Purpose	Project cost	External funding
Building renewal – Mechanics Institute	To contribute to the State Funding (\$600k) obtained by the Kinder to renovate the Mechanics Institute as part of the Kinder Masterplan redevelopment	\$173k	The funding will be used to match State funding the Kinder has been awarded.
Building renewal - general	Maintain council's buildings at optimal condition	\$400k	nil
Solar panels	Install solar panels on xx Council buildings	\$30k	nil
Nets behind the goals	Address insurance risk of wayward footballs injuring users of the netball courts or people/vehicles in the car park at the Mansfield Recreation Reserve	\$75k	\$38k to be raised from community contributions (ie sporting clubs or local businesses).
Plant & Equipment	Renewal of various light and heavy fleet, furniture, and ICT hardware	\$573k	nil
Reseal program	Road renewal – resealing the surface of sealed (bitumen or similar) roads	\$1.4m	\$592k – roads to recovery (recurrent Commonwealth funding)
View Street reconstruction	Upgrade of View Street (road surface and drainage) – key passage way to the new sports stadium	\$1.1m	Nil
Resheet program	Road renewal – resheeting unsealed roads with new material (gravel or similar)	\$1.4m	\$592k – local road and community infrastructure funding (non-recurrent Commonwealth funding)
Intersection upgrades	A new roundabout at the intersection of View Street and Highett Street to facilitate bus and school traffic, and the new stadium.	\$1m	\$600k Fixing Country Roads (non –recurrent State funding)
Infrastructure renewal	General renewal of Council's kerb and channel, drainage, bridges, footpaths and cycleways, and the pool.	\$981k	nil



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

Project	Purpose	Project cost	External funding
Lords Pavillion	Construction of a new community pavillion including female friendly change rooms at the Lords Oval.	\$3.7m	\$3.2m – funding not yet identified
Outlying Communities Infrastructure Fund	A fund to which Community groups from outer communities can apply for small infrastructure projects	\$100k	Nil
Cardboard baler	New plant to bale cardboard at the Resource Recovery Centre so it can be stored more effectively and sold	\$90k	Nil
Indigenous Garden	Development of an indigenous garden at the Mansfield Botanic Park in partnership with the Ghadaba local indigenous network (GLIN)	\$62k	\$62k – fully funded (State funding accessed by the GLIN)
Playground	A new playground at the Botanic Park to replace aging and unsafe equipment	\$667k	\$417k – funding unidentified
Car park and bus turning circle	A new car park and bus turning circle at the new sports stadium off View Street	\$1.4m	\$88k – federal government funding as part of the stadium project (Building Better Regions).
Dual Court indoor stadium	A new multisport, dual court indoor sports stadium, in partnership with the local secondary college	\$1.7m (carried forward from prior year – total project \$3.31m)	\$3.31m – Building Better Regions (commonwealth funding).

Capital Income & Expenditure Actual against Budget

The net year to date capital works variance (net of capital income) is \$2.7m (118%) underspent compared to the 2020-21 year to date Updated Budget.

Favourable Variances (underspend)

- \$50k Footpaths Reconstruction Programme – Timing only. Works currently out for tender.
- \$48k Footpaths Renewal - Timing only. Works currently out for tender.
- \$50k Mansfield Streetscape – Timing – currently working on scope of the project.



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

- \$225k Playground Income – Timing only. Grant funding received earlier than budgeted.
- \$74k Vehicle Purchases – Timing only.
- \$175k Reseal Preparation program – Tender has been awarded and work due to commence in January 2021.
- \$1.2m Heavy Vehicle Bypass – Timing. Project is to be re-scoped by designer.
- \$295k Resheets Income – Timing only. Grant funding received earlier than budgeted.
- \$56k Malcolm Street Road Reconstruction – Budget is for design work which has been completed, but not yet fully paid.
- \$59k Alpine Ridge Road Reconstruction - Budget is for design work which has been completed, but not yet fully paid.
- \$68k Barwite Road Reconstruction – Reconstruction work was carried forward from prior year, and is now planned to be spent on design works. This will come in under budget, and savings are planned to be spent on various culverts.
- \$423k Fixing Country Roads Income – Income carried forward from prior year under new accounting standards implemented.
- \$276k Kerb & Channel Renewal– Currently in scoping stages.
- \$61k Ghadaba Edible & Medicinal Garden Project Income – Income carried forward from prior year under new accounting standards implemented. Income was not budgeted.
- \$66k Swimming Pool Refurbishment – Timing only. Project has been completed, however not yet fully paid.
- \$800k Dual Court Indoor Sporting Stadium – Project has been delayed due to COVID19. Payment for next stages will likely fall due in the next few months.
- \$90k Plant Resource Recovery Centre – Request for tender is currently being developed for vertical baler and upgrade to solar. Finalisation of purchases likely to be March 2021.

Unfavourable Variances (overspend)

- \$73k View Street Upgrade – Timing only. Work commenced earlier than budgeted.
- \$295k Roads to Recovery Income – Timing only. Projects claimed through this program have not yet commenced.
- \$951k Dual Court Indoor Stadium Income - Project has been delayed due to COVID19 which has delayed milestone payment.



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

Overall Position YTD

Operating Variance Favourable/(Unfavourable)	\$3,177,174
Capital Variance Favourable/(Unfavourable)	<u>\$2,778,826</u>
Total Variance Favourable/(Unfavourable)	\$5,956,000

Working Capital Ratio YTD

The working capital ratio (WCR) compares current assets to current liabilities and is an indicator of Council's capacity to meet its immediate debts when they fall due. A WCR of more than 1:1 (or 100%) is considered healthy.

WCR = 7.9 (790%)

Full Year Forecast against Budget

Operating Finance Report

Operating Income & Expenditure Budget against Forecast

The operating forecast reflects an anticipated increase in operating surplus of \$119k compared to the Updated Budget for 2020-21. Major variances are summarised below.

Favourable Variances (underspend or increased income)

- Community & Economic Development – savings from COVID closures at the library (\$44k) and cancelled events (\$95k)
- Community Health & Wellbeing – \$140k additional income received for Integrated Family Services and Maternal & Child Health programs

Unfavourable Variances (overspend or decreased income)

- Planning & Environment - \$130k increase in expenditure for legal and consultancy fees incurred for the three VCAT planning cases (MASS, Station Street convenience restaurant and Chenery Street service station).

Capital Works Report

Capital Income & Expenditure Budget against Forecast

The capital forecast shows a \$1.9m anticipated decrease in capital expenditure, net of income. Major variances are summarised below.

Favourable Variances (underspend)

- \$908k savings in the Car Park and Bus Turnaround at the new Alex Pullin Stadium



6.1 Finance Report: 1 July 2020 to 31 December 2020 cont.

- \$588k savings in the construction of the round-about at the View Street / Monkey Gully Rd intersection
- \$432k savings in the View Street upgrade
- \$123 savings in road re-sheets due to increased funding received

Unfavourable Variances (overspend)

- \$109k Botanic Park playground – unable to source full funding as per the budget (shortfall of \$192k), and although specifications were modified to reduce the total project costs from \$667k to \$584k there is still a net increase in spend.

Attachments

December 2020 Year To Date Financial Report, comprising:

- 1 Income and Expenditure Summary
- 2 Operating Report – income and expenditure by business unit
- 3 Capital Works Report – income and expenditure
- 4 Balance Sheet
- 5 Statement of Cash Flows

Recommendation:

THAT the Audit & Risk Committee receives the Year to Date Finance Report for the period 1 July 2020 to 31 December 2020.



ATTACHMENT 6.1

**FINANCE REPORTS
(8 PAGES)**



6.2 Council Plan Performance Reporting Q2 20-21

File Number: E4397
Responsible Officer: Coordinator Governance & Risk, Michelle Kain

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report presents an update on performance against the Mansfield Shire Council Plan 2017-21.

Background

Item 5.3.2 of the Council Plan 2017-2021 requires management to provide quarterly updates on the delivery of the Council Plan and its performance measures.

Policy and Legislative Implications

Our Performance Reporting Policy and Procedures 2020 states that the Council Plan progress report will be presented to the Audit and Risk Committee at each quarterly meeting.

The *Local Government (Planning and Reporting) Regulations 2020*, which came into effect on 24 October 2020, require Council to indicate publically (in the annual report) whether they have received:

- Council Plan reporting - A report reviewing the performance of Council against the Council Plan, including the results in relation to the strategic indicators, for the first six months of the financial year; and
- Performance reporting - six-monthly reports of indicators measuring the results against financial and non-financial performance, including performance indicators referred to in section 98 of the *Local Government Act 2020*.

Council Plan

Strategic Direction Five: Responsible Leadership.

Strategic Objective 5.3: Our organisation transparently reports on its performance through a comprehensive reporting and audit framework.

Financial

NA

Social

NA

Environmental

NA



6.2 Council Plan Performance Reporting Q2 20-21 cont.

Economic

NA

Risk Management

NA

Community Engagement

NA

Key Issues

See the attached report for details of performance against the Mansfield Shire Council Plan as at 31 December 2020 (quarter two of the 2020-21 financial year).

Of the seven key performance indicators that are shown as red in the report, six of those reflect results from the community satisfaction survey.

The final red indicator relates to the percentage of Council decisions made in meetings closed to the public. The percentage is high due to there being a number of confidential contractual items at the September Council Meeting, in the first quarter of the year. It is worth noting however that the resolutions were made public in the minutes of the meeting, despite the decisions being made in confidential.

Attachments

Council Plan Performance Report Q2 20-21.

Recommendation:

THAT the Audit and Risk committee receive and note the Council Plan Performance Report as at 31 December 2020.



ATTACHMENT 6.2

OMNI PERFORMANCE REPORT Q2

(32 PAGES)



7. INTERNAL CONTROL ENVIRONMENT

Duties and responsibilities of the Committee:

- a) Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment. This should be done on a rotational basis over a three to four year period;
- b) Determine whether systems and controls are reviewed regularly and updated where required;
- c) Monitor significant changes to systems and controls to assess whether those changes significantly impact Council's risk profile;
- d) Ensure that a programme is in place to test compliance with systems and controls;
- e) Assess whether the control environment is consistent with Council's Governance Principles.

7.1 Policy Register Update

File Number: E3627

Responsible Officer: Coordinator Governance & Risk, Michelle Kain

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

The policy register is provided to the Audit and Risk Committee for review.

Background

The Coordinator Governance & Risk maintains a register of all policies and their review dates. The internal procedure for creating and reviewing policies is as follows:

1. Create new draft policy or revise existing policy
2. Review by Manager
3. Review by EMT
4. Placed onto the Intranet for staff feedback
5. Reviewed again by EMT to consider staff feedback
6. Review by Advisory Committee (where required)
7. ORGANISATIONAL POLICIES – signed by CEO
8. COUNCIL POLICIES – Council briefing, followed by Council meeting for adoption.
9. Register updated. Policy TRIMMED.

The Coordinator Governance & Risk advises staff, at the Senior Leadership Group (SLG) level, of upcoming revision dates on a regular basis, to allow time to comply with the review process.



7.1 Policy Register Update cont.

Policy and Legislative Implications

NA

Council Plan

NA

Financial

NA

Social

NA

Environmental

NA

Economic

NA

Risk Management

A review and policy management process minimises the risk of out of date policies and non-compliance with policies.

Community Engagement

NA

Key Issues

There are 26 policies that are still out of date or under review. These continue to be a focus of the Senior Leadership Group.

The Coordinator Governance & Risk is also reviewing our current policy register against the list of recommended policies attached to the Annual Work Plan, to identify any gaps.

Attachments

Policy Register as at 2 February 2021.

Recommendation:

That the Audit and Risk Committee note the Policy Register as at 2 February 2021.



ATTACHMENT 7.1

POLICY REGISTER

(3 PAGES)



7.2 Investment and Borrowings Policies

File Number: E1533

Responsible Officer: Manager Business & Performance, Mandy Kynnersley

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report provides the Council's Investment Policy for the Audit & Risk Committee's (ARC) review.

Background

The ARC Annual Workplan requires the Investment Policy and the Debt Management / Borrowing Policy to be reviewed in 2021.

Policy and Legislative Implications

Section 143 of the *Local Government Act 1989* provides the following in relation to investments:

A Council may invest any money—

- (a) in Government securities of the Commonwealth;
- (b) in securities guaranteed by the Government of Victoria;
- (c) with an authorised deposit-taking institution;
- (d) with any financial institution guaranteed by the Government of Victoria;
- (e) on deposit with an eligible money market dealer within the meaning of the Corporations Act;
- (f) in any other manner approved by the Minister after consultation with the Treasurer either generally or specifically, to be an authorised manner of investment for the purposes of this section.

Section 143 of the *Local Government Act 1989* will be repealed on 1 July 2021 and replaced with Section 103 of the *Local Government Act 2020*, which states exactly the same requirements. Council's existing Investment Policy 2018 addresses the legislative requirements.

Sections 144-150 of the *Local Government Act 1989* dictate the legislative borrowing framework for Council's. These sections will be repealed on 1 July 2021 and replaced by Section 104 of the *Local Government Act 2020* which merely states:

- A Council cannot borrow money unless the proposed borrowings were included in the budget or a revised budget.

Council does not currently have a Borrowings Policy, given the prescription currently available in the legislation. However with a transition to a less directive Act in 2021, a policy will need to be generated prior to 1 July 2021.



7.2 Investment and Borrowings Policies cont.

Council Plan

NA

Financial

NA

Social

NA

Environmental

NA

Economic

NA

Risk Management

Council's Investment Policy ensures compliance with the requirements of the relevant legislation, and embeds a low risk approach to cash management.

Community Engagement

NA

Key Issues

The Policy is presented for the ARC's information and feedback. The Policy will be revised and presented to Council for adoption prior to 1 July 2021 to ensure the legislative references are updated for the enactment of Part 7 of the *Local Government Act 2020*. There are no other significant changes proposed.

Attachments

- 1 Mansfield Shire Council Investment Policy 2018

Recommendation:

That the Audit & Risk Committee:

- 1. Review the Mansfield Shire Council Investment Policy 2018 and provide any feedback to the Manager Business & Performance for incorporation into the 2021 Policy update.**
- 2. Note that Council do not currently have a Debt Management or Borrowing Policy.**



ATTACHMENT 7.2

INVESTMENT POLICY 2018

(6 PAGES)



7.3 Mansfield Shire Council Investment Schedule

File Number: E5001
Responsible Officer: Senior Accountant, Belinda Langlands

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

A report on the status of Council's investments as at 31 January 2021 is presented to the Audit and Risk Committee (ARC) for noting.

Background

Regular reporting to the ARC in relation to investments is required by Council's Investment Policy.

Policy and Legislative Implications

Council's Investment Policy adheres to the requirements contained within the *Local Government Act 2020*.

Council Plan

Strategic Direction 5: Responsible leadership.

Strategic Objective 5.3: Our organisation transparently reports on its performance through a comprehensive reporting and audit framework.

Strategic Objective 5.5: We have a strong framework in place to proactively mitigate risk

Financial

Excess cash is invested in order to attract greater interest income than that achievable through our operating bank account.

Social

There is no significant social impact in relation to this matter

Environmental

There are no environment impacts related to this matter.

Economic

There is no significant economic impact in relation to this matter.

Risk Management

Regular oversight mitigates the risk of lost income or lost working capital as a result of poor investment management strategies or non-compliance with Council policy.

Community Engagement

There has been no community engagement on the matter.



7.3 Mansfield Shire Council Investment Schedule cont.

Key Issues

The Investment Portfolio report is attached for the Committees information.

Council is currently compliant with its Investment Policy.

Interest rates are extremely low. Interest income received as at 31 January is only \$37k, compared to year to date budget of \$73k. If interest rates don't recover this financial year, the total impact is likely to be approximately \$40k reduction in income.

Investments are currently \$4m higher than budget, but as the capital program begins to enter delivery phases over the coming months this is expected to start to decline.

Attachments

Investment Portfolio report 31 January 2021.

<p><u>Recommendation:</u></p> <p>THAT the Audit and Risk Committee receive and note the Investment Portfolio Report 31 January 2021.</p>
--



ATTACHMENT 7.3

INVESTMENT SCHEDULE

(2 PAGES)



7.4 Mansfield Shire Council Gifts, Benefits and Hospitality Annual Report

File Number: E501

Responsible Officer: Coordinator Governance and Risk, Michelle Kain

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

In accordance with Council's Gifts, Benefits and Hospitality Policy (attached), an annual report of the Gifts Register must be provided to the Mansfield Shire Audit and Risk Committee within three months of the end of the calendar year.

Background

Our policy is designed to ensure transparency and that the principles of good governance are practiced by Councillors and staff when receiving gifts and hospitality in the course of their duties.

Councillors or staff must not accept a gift, benefit or hospitality if it *could* be perceived as intended to, or likely to, influence him or her in the fair, impartial and efficient discharge of their duties as a Councillor or staff member.

Policy and Legislative Implications

Section 138 of the new *Local Government Act 2020* (the Act) requires that a Council must adopt a Councillor Gift Policy within 6 months after this section comes into operation. The policy must be adopted by 24 April 2021. We will take this opportunity to review our current policy.

Our Public Transparency Policy states that our gift register is available to the community for inspection on request.

Council Plan

Strategic Objective 5.1: We achieve the highest standards of good governance.

Financial

N/A.

Social

N/A

Environmental

N/A

Economic

N/A



7.4 Mansfield Shire Council Gifts, Benefits and Hospitality Annual Report cont.

Risk Management

The Gifts Register ensures transparent recording and reporting of any gifts, hospitality and benefits received by Councillors or officers and assists in ensuring compliance with the Act.

Community Engagement

N/A

Key Issues

All gifts, benefits and hospitality with a value over \$50 received by Councillors or Council officers must be declared and listed on the Gifts Register. However, Councillors and staff are encouraged to complete the appropriate Gift Register form even for minimal amounts, which is the current practice as per the attached register.

The majority of gifts listed are under the \$50 threshold and are predominantly received by our Community Care Workers at Christmas time.

Two gifts of cash were declined, which is appropriate in line with our policy.

Attachments

- 1 Gifts, Benefits and Hospital Policy 2017
- 2 Gift Register from 1 January 2020 to 31 December 2020

Recommendation:

That the Mansfield Shire Audit and Risk Committee receive and note the Gifts, Benefits and Hospitality Annual Report 2020.



ATTACHMENT 7.4

GIFTS, BENEFITS AND HOSPITALITY POLICY 2017 AND REGISTER

(10 + 2 PAGES)



8. RISK MANAGEMENT

Duties and responsibilities of the Committee:

- a) Review annually the effectiveness of Council's risk management framework;
- b) Review Council's risk appetite statement and the degree of alignment with Council's risk profile;
- c) Review Council's risk profile and the changes occurring in the profile from meeting to meeting;
- d) Review Council's treatment plans for significant risks, including the timeliness of mitigating actions and progress against those plans;
- e) Review the insurance programme annually prior to renewal; and
- f) Review the approach to business continuity planning arrangements, including whether business continuity and disaster recovery plans have been regularly updated and tested.

8.1 Mansfield Shire Council Risk Register

File Number: E709
Responsible Officer: Coordinator Governance & Risk, Michelle Kain

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

The purpose of this report is to provide the Audit and Risk Committee with an update on our review of Council's Risk Register.

Background

Our Risk Management Framework was adopted by Council in June 2019. The framework was reviewed by the Audit and Risk Committee at the December 2020 meeting and following that review, an action was minuted for Council officers to review the Risk Register.

This Risk Register was developed in 2019 following a process of interviews with the Senior Leadership Group (SLG). Since that time, there has been large staff turnover in SLG and the register has been overdue for review by this group.

In December 2020 and January 2021, risk sessions were held with members of SLG. These sessions involved reviewing the current risk register relating to their area, establishing whether the risks were still current and identifying any new/emerging risks that we should capture on our Risk Register.

The SLG members were engaged in the process and a number of new/emerging risks were identified.



8.1 Mansfield Shire Council Risk Register cont.

Policy and Legislative Implications

Our risk management policy (section 1.5 Monitor and Review) requires the risk register to be reported to the Audit and Risk Committee on a quarterly basis.

Council Plan

Strategic objective 5.5: We have a strong framework in place to proactively mitigate risk.

Financial

NA

Social

NA

Environmental

NA

Economic

NA

Risk Management

The risk management framework is Council's overarching risk control.

Community Engagement

NA

Key Issues

Over December 2020 and January 2021, numerous risk sessions were conducted with SLG members to review and update the Risk Register. The process is ongoing and there are still a number of risks on the register that require review. This will continue, with the aim of having the completed register for review at the May committee meeting. The reasons for the incomplete review process include:

- staff absence over the Christmas/New Year period;
- new staff being involved in the process for the first time; and
- additional time being spent on how we assess the inherent risk, with particular attention on those with an "extreme" risk.

As shown on the attached register, those risks which do not yet have a "risk identification" title are the outstanding risks still to be reviewed.



8.1 Mansfield Shire Council Risk Register cont.

Attachments

Mansfield Shire Council Risk Register as at 2 February 2021

Recommendation:

THAT the Audit and Risk Committee receive and note the Risk Register as at 2 February 2021.



ATTACHMENT 8.1

RISK REGISTER

(3 PAGES)



8.2 Occupational Health and Safety

File Number: E3937
Responsible Officer: Occupational Health and Safety Officer
Michelle Foster

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report provides an update on Mansfield Shire Council's Occupational Health and Safety Management System.

Background

Council's Occupational Health and Safety Officer continues to establish, implement and maintain Council's Occupational Health and Safety Management System, in consultation with Council's Health and Safety Representatives, and in accordance with the Occupational Health and Safety Act 2004 and the Occupational Health and Safety Regulations 2017.

Policy and Legislative Implications

There are no statutory requirements.

Council Plan

Strategic Objective 5.3 Our organisation transparently reports on its performance through a comprehensive reporting and audit framework.

Strategic Objective 5.5 We have a strong framework in place to proactively mitigate risk.

Financial

No financial implications.

Social

No social implications.

Environmental

No environmental implications.

Economic

No economic implications.

Risk Management

No risk management implications.

Community Engagement

No community engagement implications.

8.2 Occupational Health and Safety cont.

Officers Comments

Training and Induction

Council's Occupational Health and Safety Induction continues to be undertaken. This induction was completed by 205 employees, volunteers and contractors during 2020.

Council's How to Protect Yourself and Others from COVID-19 Training also continues to be undertaken. This training has been completed by 293 employees, volunteers, contractors and students.

Council's COVID-19 and Face Coverings Training also continues to be undertaken. This training has been completed by 245 employees, volunteers and contractors.

Incidents

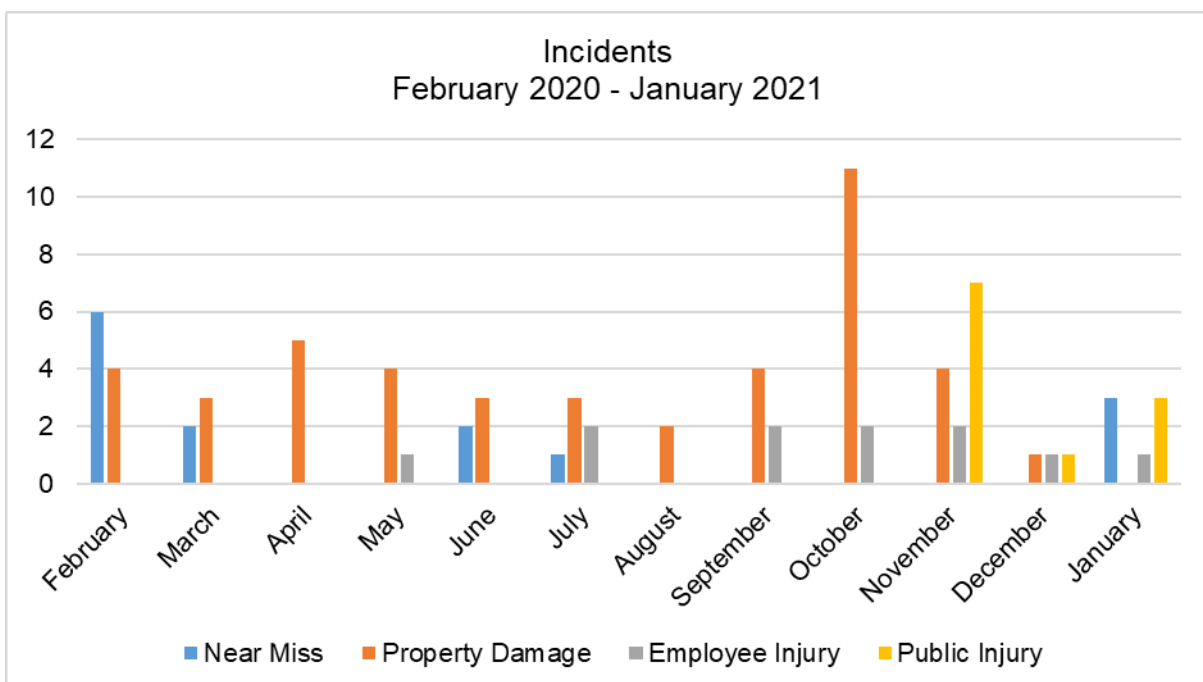
Twenty three incidents were reported during the last quarter.

Five incidents were property damage incidents, sixteen incidents were injuries and two were near misses. Of the sixteen injuries, twelve of the injuries involved members of the public and four of the injuries involved employees.

Twenty one of these incidents had an actual risk rating of low. One of these incidents had an actual risk rating of medium. One of these incidents had an actual risk rating of high.

Thirteen of these incidents had a potential risk rating of low. Seven of these incidents had a potential risk rating of medium. Three of these incidents had a potential risk rating of high.

Hazards and risks identified were enter into CRMS.





8.2 Occupational Health and Safety cont.

Lost Time Injury Frequency Rate

Council does not have an occupational health and safety management system (OHSMS) software system. Council's payroll software system and human resources software system do not record total hours worked. Without total hours worked, a lost time injury frequency rate (LTIFR) cannot be calculated. As part of Council's IT Strategy, an appropriate OHSMS software system will be determined and LTIFR's will be provided.

Incident Investigations

No incident investigation were completed for the quarter.

OHS Inspections

Three workplace inspections were undertaken for the quarter.

Electrical inspection, test and tagged was undertaken at all Council owned and operated facilities in the month of November.

Hazard and Risks

Forty one CRMS's were raised and 15 CRMS's were closed during the previous quarter. Forty two CRMS's remain overdue as at 31 January 2021.

Occupational Health and Safety Hazard and Risk Register as at 31 January 2021 is included as an attachment to this report.

Risk Assessments

COVIDSafe Plans were also updated to reference the QR Code which has replaced the sign in / out register.

COVIDSafe Plans continue to be adjusted to meet the Victorian Governments requirements associated with face masks and density limits.

Occupational Health and Safety Committee

An Occupational Health and Safety Committee Meeting was held Wednesday 2 December at 10.00am. This meeting was held via a Zoom Meeting. Council's People and Culture Advisor and Senior Coordinator Community Safety were present at this meeting.

The next Occupational Health and Safety Committee Meeting is scheduled for Wednesday 3 March at 10.00am.

COVID-19 Hygiene

Both reusable and disposable face masks continue to be distributed, as do individual hand sanitisers and pump pack hand sanitisers. Alcohol wipes, disinfectant spray and paper towels continue to be replenished. Two WFV employees help support other employees



8.2 Occupational Health and Safety cont.

with the sanitisation and cleaning requirements as determined by Safe Work Australia at each facility.

Internal Reports / Documents

The Occupational Health and Safety Quick Links tab on Council's Intranet was updated with:

- OHS-PRO-11 – Working Alone Procedure
 - OHS-FRM-11-A – Communications Plan
- OHS-PRO-12 – Working from Home Procedure
 - OHS-APP-12-A – If You Are Injured At Work Poster
 - OHS-APP-12-B – Setting Up a Workstation
 - OHS-APP-12-C – Take Regular Breaks and Stretch
 - OHS-FRM-12-A – Working from Home Checklist

External Reports / Documents

The Occupational Health and Safety Report and associated attachment were produced and provided to the Audit and Risk Advisory Committee.

Attachments

Occupational Health and Safety Hazard and Risk Register as at 31 January 2021.

Recommendation:

That the Audit and Risk Advisory Committee receive this report.



ATTACHMENT 8.2

OH&S AND RISK REGISTER

(10 PAGES)



9. INTERNAL AUDIT

Duties and responsibilities of the Committee:

- a) Review the Internal Audit Charter regularly to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations;
- b) Review and approve the three year strategic internal audit plan, the annual internal audit plan and any significant changes to them;
- c) Review progress on delivery of annual internal audit plan;
- d) Review and approve proposed scopes for each review in the annual internal audit plan;
- e) Review reports on internal audit reviews, including recommendations for improvement arising from those reviews;
- f) Meet with the leader of the internal audit function at least annually in the absence of management;
- g) Monitor action by management on internal audit findings and recommendations;
- h) Review the effectiveness of the internal audit function and ensure that it has appropriate authority within Council and has no unjustified limitations on its work;
- i) Ensure that the Committee is aware of and appropriately represented with regard to any proposed changes to the appointment of the internal audit service provider, including being appropriately briefed on the need for any proposed change;
- j) Recommend to Council, if necessary, the termination of the internal audit contractor.

9.1 Internal Audit

File Number: E34
Responsible Officer: Finance Manager

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report provides a status update on our Internal Audit programs.

Background

Council's Risk Management Strategy requires the management of risk in accordance with best practice and compliance with Standard AS/NZS 31000 2009. Under the Standard, a risk management process follows a systematic application of policy, procedures and practices to the tasks of context identification, analysis, evaluation, treatment, monitoring and communication. The internal audit process is an essential tool in this process.



9.1 Internal Audit cont.

Policy and Legislative Implications

There are no statutory requirements.

The monitoring of Council’s Internal Audit Plan and recommendations is a key responsibility of the Audit and Risk Committee.

Council Plan

Theme: Responsible leadership.

Strategy 5.3: Our organisation transparently reports on its performance through a comprehensive reporting and audit framework.

Strategy 5.5: We have a strong framework in place to proactively mitigate risk

Financial

The findings from an independent audit have the potential to impact on future MAV public liability premiums. The costs of internal audit are included annually in Council budgets.

Risk Management

The Internal Audit process is part of Council’s Risk Management Framework.

Community Engagement

There has been no external community engagement in relation to this matter.

Key Issues

Refer to the Internal Audit Program Status Update provided by AFS & Associates – Council’s Internal Audit providers.

All audit actions arising from Internal Audits are recorded in Council’s corporate reporting system (OMNI) and the status of progress to implementation is reported against each quarter via the Audit Actions Performance Report. A summary is shown below, and the full report is attached for the Committee’s information.

Green (in progress and on track)	Amber (in progress but delayed)	Total outstanding deliverables	Deliverables overdue (past estimated completion date)
19	2	21	9 (43%)

Attachments

1. Internal Audit Program Status Update.
2. Audit Actions Performance Report

Recommendation:

That the Audit and Risk Committee:

1. receive and note the Internal Audit Program Status Update presented by AFS & Associates; and
2. receive and note the Audit Actions Performance Report.



ATTACHMENT 9.1

**INTERNAL AUDIT PROGRAM STATUS UPDATE
(4 PAGES)**

**ICT CONTROLS AND GOVERNANCE REPORT
(27 PAGES)**

**OMNI PERFORMANCE REPORT
(15 PAGES)**



9.2 Fraud Prevention Systems and Controls

File Number: E501
Responsible Officer: Coordinator Governance and Risk, Michelle Kain

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020* (the Act).

Introduction

The purpose of this report is to provide the committee with Council's Fraud Prevention and Control Policy 2019 for review.

Background

Our policy is designed to protect public money and assets and to protect the integrity, security and reputation of the Council, its management and employees and the services it provides to the community.

This policy should be read in conjunction with the Fraud Prevention and Control Plan, attached to the policy.

Policy and Legislative Implications

Our policy states that the Audit and Risk Committee plays a key role in fraud control through providing an independent review of Council's audit and controls, annual financial statement and review of key policies.

Section 54 of the Act also states that the Audit and Risk Committee monitor and provide advice on fraud prevention systems and controls.

Council Plan

Strategic Objective 5.1: We achieve the highest standards of good governance.

Financial

N/A.

Social

N/A

Environmental

N/A

Economic

N/A

Risk Management

To mitigate risk, all staff are to be familiar with, competent in the application of and accountable for the delivery of this policy within their areas of responsibility.

Community Engagement

N/A



9.2 Fraud Prevention Systems and Controls cont.

Key Issues

Council's Fraud Prevention and Control Policy and Plan 2019 is presented for review, as required by the Audit and Risk Committee Annual Work Plan.

It is expected that staff training in fraud prevention will be provided before the end of the current financial year.

The policy is due for review by Council by December 2021.

Attachments

- 1 Fraud Prevention and Control Policy and Plan 2019

Recommendation:

That the Mansfield Shire Audit and Risk Committee provide advice in respect of the Fraud and Prevention Control Policy and Plan 2019.



ATTACHMENT 9.2

FRAUD PREVENTION AND CONTROL POLICY 2019

(24 PAGES)



9.3 Internal Audit Charter

File Number: E34
Responsible Officer: Manager Business & Performance, Mandy Kynnersley

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report presents the Internal Audit Charter for review

Background

The Internal Audit is required to be reviewed and updated, in accordance with the Audit and Risk Committee Annual Workplan.

Policy and Legislative Implications

NA

Council Plan

NA

Financial

NA

Social

NA

Environmental

NA

Economic

NA

Risk Management

Internal Audit is a key part of Council's risk management framework. The Charter is provided to prospective Internal Audit providers as part of the three yearly tender package, and governs the conduct of the internal audit program.

Community Engagement

NA

Key Issues

The Internal Audit Charter has not been amended and formally adopted since 2015. Minor updates have been made to legislative and staff position references within the Charter. The remainder of the Charter remains largely unchanged.

The Charter is a key document that forms part of the tender package every three years when Council tenders for Internal Audit contract services.



9.3 Internal Audit Charter cont.

The current contract expires August 2022, and the next tender process will commence around April/May 2022.

Attachments

- 1 Draft Internal Audit Charter 2021.

<p><u>Recommendation:</u></p> <p>That the Audit and Risk Committee receive and review the draft Internal Audit Charter 2021.</p>
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ATTACHMENT 9.3

MANSFIELD SHIRE COUNCIL DRAFT INTERNAL AUDIT CHARTER

(7 PAGES)



9.4 Review of the effectiveness of the Internal Audit Function

File Number: E34
Responsible Officer: Manager Business & Performance, Mandy Kynnersley

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report presents a review of the effectiveness of the Internal Audit function, against the contract and Internal Audit Charter.

Background

Council's Internal Audit Charter (last endorsed in 2015) sets out the framework for an effective internal audit function, and determines that it be outsourced under a three year contract.

Council's current Internal Audit provider is AFS & Associates, appointed by Council in June 2019. The current three year contract commenced in September 2019 and is due to expire in August 2022.

Policy and Legislative Implications

NA

Council Plan

NA

Financial

NA

Social

NA

Environmental

NA

Economic

NA

Risk Management

Internal Audit is a key part of Council's risk management framework.

Community Engagement

NA



9.4 Review of the effectiveness of the Internal Audit Function Key Issues cont.

Internal Audit is considered a key part of Council’s risk management framework, and staff rely on the outcomes of each audit to assist in prioritising work programs to improve the effectiveness of the internal control environment. A summary of the audits performed under the current contract (since September 2019) and the recommendations arising is shown below.

Audit Area	Number of recommendations by risk profile					TOTAL	Outstanding
	Major	Moderate	Minor	Opportunity	Strong		
Fraud and Corruption Risk Management	-	2	3	1	6	12	2
OHS and Wellbeing Risk Management	-	5	7	-	9	21	7
Strategic and Service Level Planning	-	2	-	-	7	9	3
Past Issues review 2020	-	9	11	-	-	20	-
IT Controls & Governance*	-	6	6	-	8	20	12

**note the IT Controls & Governance report has not yet been endorsed by the Audit & Risk Committee.*

The effectiveness of the Internal Audit function can further be assessed by reviewing the performance & deliverables against the Internal Audit Charter, as shown in the table below.

Internal Audit Charter requirements	Met / Not Met	Comments
Independence	Met	External provider contracted to perform internal audit services. Contractor appointed via a competitive tender process.
Authority & Confidentiality	Met	



9.4 Review of the effectiveness of the Internal Audit Function Key Issues cont.

<p>Roles & Responsibilities:</p> <ul style="list-style-type: none"> • Developing and maintaining a culture of effective corporate governance, accountability and integrity • Facilitating the integration of risk management into day-to-day business activities and processes • Promoting a culture of cost-consciousness, self- assessment and adherence to high ethical standards • Attend Audit & Risk Committee meetings as required (at least once per year) • Examining and evaluating the adequacy and effectiveness of the controls over risks. 	<p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>	<p>The various internal audit’s undertaken across a variety of business processes (list in the table above) have all contributed to addressing each of the roles and responsibilities listed in the Charter.</p> <p>Recommendations made are then revisited through a “Past Issues Review” each year to independently assess whether they have been adequately addressed and completed by Council.</p> <p>A representative from AFS (usuually the Internal Audit Partner) attends all Audit & Risk Committee meetings.</p>
<p>Scope of activities:</p> <ul style="list-style-type: none"> • Compliance • Advisory services 	<p>Met</p>	<p>The internal audit program included a number of reviews that assess compliance components of business processes.</p> <p>Other advisory services have been provided through the Industry Updates and general advice at meetings. No specific advisory services have been procured by Council.</p>
<p>Standards</p>	<p>Met</p>	<p>Engaging a professional firm to undertake Council’s internal audit function ensures all professional and legislative standards are understood and adhered to.</p>
<p>Planning</p>	<p>Met</p>	<p>A detailed risk assessment was undertaken by AFS to inform the recommended three year internal audit program in September 2019.</p>
<p>Reporting to the Audit & Risk Committee</p>	<p>Met</p>	<p>Reports are provided to the Manager Business & Performance each quarter.</p>



9.4 Review of the effectiveness of the Internal Audit Function Key Issues cont.

Attachments

Nil

Recommendation:

That the Audit and Risk Committee receive and note the review of the effectiveness of the internal audit function.



10. EXTERNAL AUDIT

Duties and responsibilities of the Committee:

- a) Annually review and approve the external audit scope and plan proposed by the external auditor;
- b) Discuss with the external auditor any audit issues encountered in the normal course of audit work, including any restriction on scope of work or access to information;
- c) Ensure that significant findings and recommendations made by the external auditor, and management's responses to them, are appropriate and are acted upon in a timely manner;
- d) Review the effectiveness of the external audit function and ensure that the Victorian Auditor General's Office (VAGO) is aware of the Committee's views;
- e) Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them; and
- f) Meet with the external auditor at least annually in the absence of management.

No reports



11. COMPLIANCE MANAGEMENT

Duties and responsibilities of the Committee:

- a) Review the systems and processes implemented by Council for monitoring compliance with relevant legislation and regulations and the results of management's follow up of any instances of non-compliance;
- b) Review the processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance with the Code;
- c) Obtain briefings on any significant compliance matters; and
- d) Receive reports from management on the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies), such as the Ombudsman, IBAC, Victoria Government Inspectorate, etc. and monitor Council's responses.

11.1 Procurement Exceptions

File Number: E5332
Responsible Officer: Manager Business & Performance, Mandy Kynnersley

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

Council's Procurement Policy provides specific circumstances under which exceptions to the policy are allowable. This report provides details of any Procedural Exceptions that have occurred during the last quarter.

Background

There may be, from time to time, exceptional circumstances that arise where the provisions of the Procurement Policy cannot be satisfied.

Section 4.2 of the procedures attached to the Policy provides a list of these circumstances where approval from the CEO is required prior to proceeding with the purchase.

Thorough documentation and evidence must accompany any request to utilise this provision that clearly demonstrates a procedural exception exists.

There have been three procedural exception memorandums authorised by the CEO since the previous Audit and Risk Committee meeting in December 2020.

Policy and Legislative Implications

Procedural Exceptions approved by the CEO are considered to be compliant with policy.



11.1 Procurement Exceptions cont.

Council Plan

Strategic Objective 5.3: Our organisation transparently reports on its performance through a comprehensive reporting and audit framework.

Strategic Objective 5.5: We have a strong framework in place to proactively mitigate risk.

Financial

Exemptions to the general requirements of Council's Procurement Policy can lead to additional costs to Council as they typically revolve around removing the competition requirements of the policy.

Social

There is no significant social impact in relation to this matter.

Environmental

There are no environment impacts related to this matter.

Economic

There is no significant impact in relation to this matter.

Risk Management

The procedural exceptions process allows for a controlled variation to standard procurement requirements.

Community Engagement

There has been no community engagement on the matter.

Key Issues

There have been two procedural exception memorandums authorised by the CEO during the last quarter.

Item	Exemption Category	Value	Department	COVID-19 Related
Wellbeing & future of work survey	Support from original supplier	\$23,402 +GST	People & Culture	Yes
Local Laws vehicle renewal	Sole supplier / insufficient quotes	\$38,181+GST	Fleet	No

The full memorandums are attached for the Committee's information.

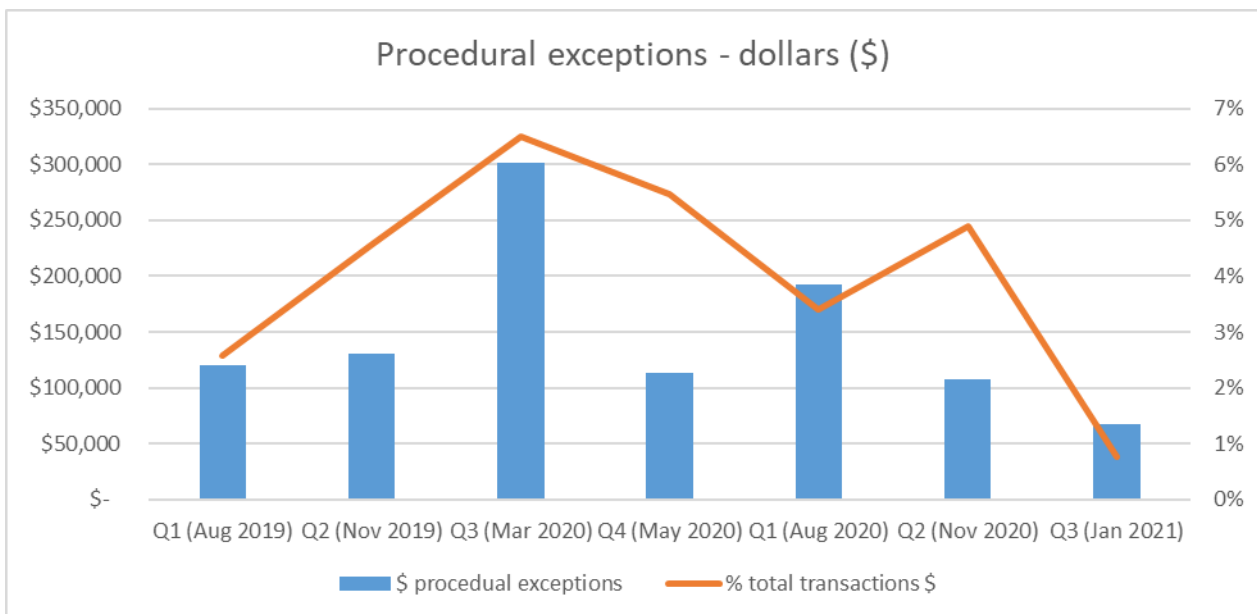
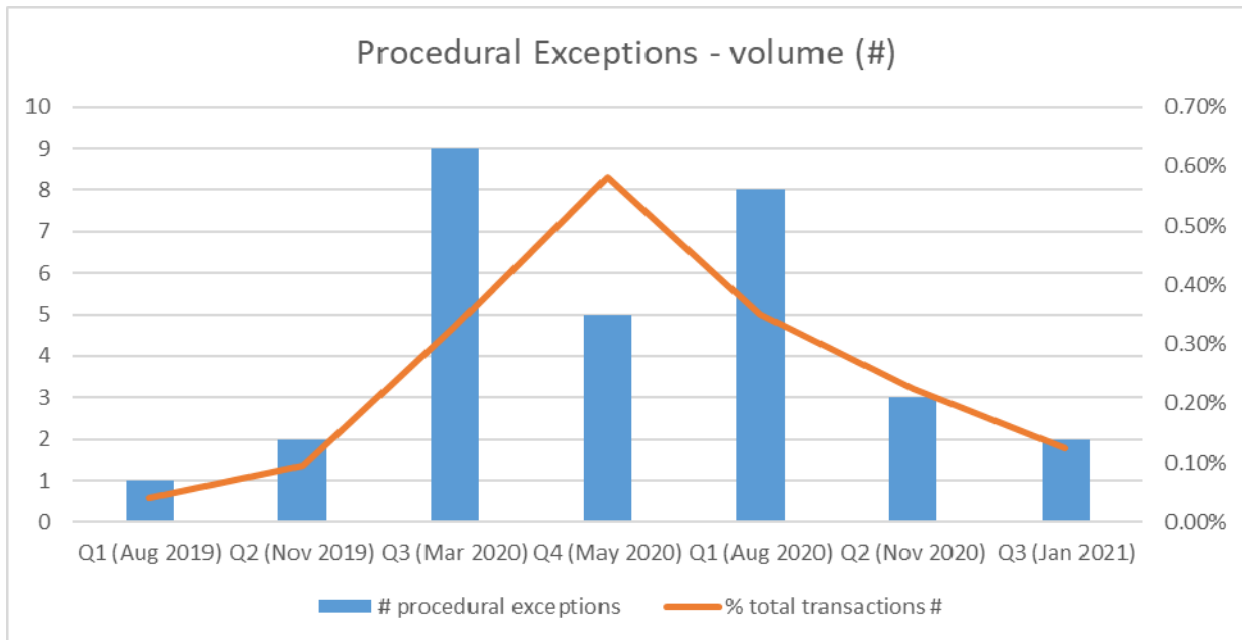


11.1 Procurement Exceptions cont.

The number of procedural exemptions (two) this quarter is the same as last quarter.

QUARTER 3 STATS	Volume		Value	
	Number	%	\$	%
Procedural exceptions	2		\$67,742	
Total purchase orders raised	123	2%	\$2,804,955	2%
Total purchase transactions	1,586	0.13%	\$8,975,362	1%

Trend analysis over the last 21 months is shown below.





11.1 Procurement Exceptions cont.

Attachments

Procedural Exception Memorandums:

1. Wellbeing and future of work survey
2. Local Laws vehicle renewal

Recommendation:

That the Audit and Risk Committee note the Procedural Exception Memorandum/s authorised by the Chief Executive Officer between 1 November 2020 and 25 January 2021.



ATTACHMENT 11.1

**WELLBEING AND FUTURE OF WORK SURVEY AND LAWS
VEHICLE EXCEPTIONS
(2 + 2 PAGES)**



11.2 Vested Benefits Index Update

File Number: E34
Responsible Officer: Manager Business and Performance, Mandy Kynnersley

Disclosure of Conflicts of Interest

The author of this report and officers providing advice in relation to this report do not have a conflict of interest to declare in this matter, in accordance with the *Local Government Act 2020*.

Introduction

This report provides the most recent Vested Benefits Index (VBI) from Vision Super, for information only.

Background

Mansfield Shire Council are party to the Local Authorities Superannuation Fund Defined Benefit Plan (LASF DB) which is managed by Vision Super. This means that Council has a responsibility (in relation to the employees that are members of the fund) to ensure that superannuation contributions meet the defined benefit value requirements. Compliance with the value requirements is measure through the Vested Benefit Index (VBI). There are certain VBI shortfall thresholds below which the fund will call for “top up” contributions over and above the superannuation guarantee for employees.

Vision Super provide regular VBI updates to Council. The most recent update (below) shows that the VBI remains above the shortfall threshold. The update also provides information on the recent triennial actuarial assessment.



Good afternoon,

Local Authorities Superannuation Fund Defined Benefit Plan (LASF DB) - Vested Benefit Index (VBI) update (COVID-19 #9)

Since our 30 June 2020 VBI update on 14 August 2020, equity markets have improved following relaxation of COVID-19 restrictions around the world. However, the lockdown in Victoria and the increasing spread of COVID-19 throughout the world with second wave lockdowns in Europe have resulted in market volatility in the quarter ended 30 September 2020 and during the month of October 2020. However, recent announcements about the effectiveness of a number vaccines under development have been positively received even though the threat of the pandemic remains.

The 30 September 2020 VBI results have been finalised as follows:



11.2 Vested Benefits Index Update cont.

As at	30 Jun 2019 (actual)	30 Sep 2019 (est.)	31 Dec 2019 (est.)	31 Mar 2020 (est.)	30 Jun 2020 (actual)	30 Sep 2020 (est.)
LASF DB	107.1%	107.3%	107.7%	102.1%	104.6%	104.5%

The 30 September 2020 VBI has remained relatively unchanged compared to that at 30 June 2020.

This is mainly due to:

- Investment returns of 1.7% for the quarter which have increased the asset pool supporting the defined benefit liabilities of the sub-plan
- Salary increases of 1.3% advised to Vision Super during the quarter, which have increased the value of the active member benefit liabilities, and
- An increase in the number of pensioners commencing lifetime during the quarter, which increase the value of the pension member benefit liabilities.

The VBI of 104.5% as at 30 September 2020 satisfies APRA's Superannuation Prudential Standard 160 (SPS 160).

Vision Super is closely monitoring the investment markets to identify potential threats/opportunities that we may be able to avoid/take advantage of to improve the funding position of the sub-plan.

Triennial valuation

The triennial 30 June 2020 actuarial investigation has been completed. The Fund Actuary found that the LASF DB plan was in a satisfactory financial position at 30 June 2020 and recommended that all contributions to the plan continue based on the current arrangements that are in place. A copy of the report is available [here](#).

Shortfall limit

Under the superannuation prudential standards, VBIs must generally be kept above a fund's nominated shortfall threshold. When an actuarial review/investigation is in progress the fund's VBI must be at least 100%. As the triennial investigation has been completed, the VBI shortfall threshold is now 97% until the next investigation occurs at 30 June 2020.

In the event the VBI falls below this threshold, an interim investigation is required to be carried out by the Fund Actuary and the Fund's Trustee is required under the superannuation prudential standards (SPS 160) to formulate a restoration plan to restore the VBI to 100% within three years.

Vision Super's new website

We have recently updated our website at www.visionsuper.com.au and the LASF DB employer-sponsor webpage can be found at www.visionsuper.com.au/employers/db/.



11.2 Vested Benefits Index Update cont.

Next update

The next VBI review is scheduled as at 31 December 2020. We expect to distribute an update by mid-February 2021. If the equity markets increase in volatility, we will consider more regular VBI updates based on the level of volatility.

Action required (if any)

At this stage, no action is required by you.

If you have any queries, please contact the Employer Services team on 1300 304 947 or employerservices@visionsuper.com.au.

Yours sincerely,

Stephen Rowe
Chief Executive Officer

Policy and Legislative Implications

NA

Council Plan

NA

Financial

The VBI update indicates there is no “call” on the defined benefit fund foreseen in the near future, therefore there are no financial impacts in relation to this report

Social

NA

Environmental

NA

Economic

NA

Risk Management

NA

Community Engagement

NA

Key Issues

No issues to note.



11.2 Vested Benefits Index Update cont.

Attachments

Nil

Recommendation:

That the Audit and Risk Committee note the VBI update from Vision Super, dated 23 December 2020.



11.3 Reports by Regulatory and Integrity Agencies

Attached for information is Industry Updated on recent reports and publications of interest as provided by AFS & Associates.



ATTACHMENT 11.3

**AFS INDUSTRY UPDATE
(5 PAGES)**



12. OTHER BUSINESS

13. NEXT MEETING

The next meeting of the Audit and Risk Advisory Committee will be held on Monday, 17 May 2021 in the Council Chamber commencing at 4.30 pm for Committee members with officers attending from 5.00 pm.

14. CLOSURE OF MEETING