



Mansfield Shire

Audit and Risk Committee

Monday 27 February 2023

Commencing at 2:30pm for Committee | Officers attend from 3:00pm

Our aspiration for our Shire and its community

We live, work and play in an inclusive, dynamic and prosperous place where community spirit is strong and people are empowered to engage in issues that affect their lives.

Councillors

Cr James Tehan (Mayor)
Cr Mark Holcombe

Officers

Kirsten Alexander, Chief Executive Officer
Melissa Crane, Acting General Manager Infrastructure and Planning
Dena Vlekkert, General Manager Community and Corporate Services
Tony Cooper, Manager Business and Performance
Travis Derricott, Sector Director, Financial Audit - Victorian Auditor-General's Office
Bradley Ead, Partner – AFS

Members

Jane Watson
Peter Johnston
Moh-Lee Ng

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Agenda

1. Opening of the Meeting

2. Present

The Chair will call on each Committee Member and ask them to confirm verbally that they can see all Members and hear the proceedings.

3. Apologies

The Chair will call on the CEO for any apologies.

4. Acknowledgement of Country

The Chair will recite Council's Acknowledgement of Country:

"Our meeting is being held on the lands of the Taungurung people and we wish to acknowledge them as Traditional Owners. We would also like to pay our respects to their Elders, past and present, and Aboriginal Elders of other communities who may be here today."

5. Disclosure of Conflicts of Interest

The Chair will call on each member in turn and ask them to declare whether they have any conflicts of interest in relation to any agenda items.

6. Confirmation of Minutes

Recommendation

THAT the Minutes of the Mansfield Shire Council Audit and Risk Committee Meeting held on 21 November 2022 be confirmed as an accurate record.

7. Administrative Items

7.1. Presentation - Landfills

File Number	E9842	Responsible Officer	Project Officer, Akhil Joseph
Purpose			

To provide Audit & Risk Committee with an update on the aftercare management works being undertaken at different closed landfills under Council's responsibility.

Executive Summary

Changes to the Victorian Government's Environmental Protection Act (the Act) introduced in July 2021, require that Council both notify the Environment Protection Authority of any risks on contaminated land and reduce the risk to human health and the environment from this contaminated land. The historical landfills operated by Mansfield Shire Council are considered contaminated land, and Council is considered a polluter in these scenarios. Hence Council has the responsibility to act under the requirements of the Act.

The historical landfills operated by the Council include several unregulated closed landfills and Monkey Gully Landfill (Licensed Closed Landfill). Details of all aftercare management work being completed at these two types of landfills are detailed in this paper.

Key Issues

Unregulated Closed Landfills

In 2021, the Northeast Waste and Resource Recovery Group (NEWRRG) engaged Randell Environmental Consulting on behalf of its member councils to undertake the Closed Landfills Risk Assessment and Action Planning project. The consultant's report identified the risks and provided a prioritized action plan for unlicensed closed landfills within Mansfield Shire. A copy of the report is attached for reference in Attachment 1. During the assessment, while six closed landfills were investigated, only four closed landfills were able to be located. For these four sites, Council is currently implementing the actions recommended to address the site risks.

Details of the four sites are:

Site Name	Site Address	Owner	Comments
Maindample	Paps Road, Maindample (Parcel 2/PP2536)	Crown land, managed by Parks Victoria	Used as a Natural Features and Scenic Reserve
Maintongoon	Maintongoon Road, Bonnie Doon (14B, Sec 8/PP3038)	Crown land, managed by Mansfield Shire Council as Committee of Management	Used as a Natural Features and Scenic Reserve
Mansfield (Dead Horse Lane)	342 Dead Horse Lane, Mansfield (23H/PP3056)	Mr. Tom Tomic	Council officers have been in contact with Mr. Tomic about the site.

Site Name	Site Address	Owner	Comments
Rifle Butts	98 Rifle Butts Road, Mansfield	Crown land, managed by Parks Victoria	Used as a Mountain Bike Park, by a local club.

To identify the works required for each site, Council officers have worked closely with other councils undertaking similar projects and the Environment Protection Authority (EPA) to ensure the Council complies with its obligations and best practice.

The NEWRRG report for Mansfield Shire Council recommended that Council undertake a Gap Analysis on each site, a landfill capping assessment, prepare an Aftercare Management Plan (AMP) and undertake a review of that plan.

EPA advised that a Gap Analysis was not required as there was not enough information to make this a worthwhile piece of work. It is most likely that the Gap Analysis would have indicated that a Capping Assessment, Capping Rectification Design, and the installation of groundwater monitoring bores would be required. The actions already in progress will provide further rectification recommendations and be used to develop AMPs (Aftercare Management Plans) for each site.

Landfill Capping Assessments for Maindample, Maintongoon and Rifle Butts

A contract (CM2122.042) was awarded to SMEC for a contract sum of \$77,632.50 (including GST) and SMEC commenced work in August 2022. The first part of the project, the landfill cap performance assessment, has been completed. As part of the assessment, test pit investigations and feature surveys have been completed for the three sites: Maindample, Maintongoon and Rifle Butts. A Landfill Capping assessment was not required for 342 Dead Horse Lane as the existing capping was established as being in good order and condition.

SMEC has provided the Site Investigation Reports, with the investigation findings together with an updated risk assessment for these three closed landfills. The investigation reports for Maindample, Maintongoon, and Rifle Butts closed landfills are included in Attachments 1 to 3 to this report.

SMEC is currently working on the rehabilitation plan, which includes detailed design, construction quality assurance (CQA), and bill of quantities for the landfill cap maintenance works required at each site. SMEC provided a draft design, technical specification, and CQA on 17 February 2023, for review and finalisation in the coming weeks. Further to this, SMEC will also provide a Landfill Cap Maintenance Plan which will be added to Council's maintenance schedule to ensure the cap profile is properly maintained. Upon completion of these SMEC works, a tender will be prepared for the landfill cap rehabilitation works.

Installation of monitoring bores

The landfill gas (LFG) risk was deemed to be minimal based on both the age of these four landfills and the risk assessment determined by Randall (2021). As such, no landfill gas monitoring bores were installed at these four sites. To assess the environmental impacts on the groundwater (GW), the installation of GW monitoring bores and subsequent environmental monitoring of these bores were required by the EPA. Once a reliable environmental monitoring data set is obtained, conceptual site models (CSM) can be developed for these sites.

A contract (CM2223.002) was awarded to Adams Drillers for an amount of \$68,692 (including GST) for the installation of 11 monitoring bores across four unlicensed closed landfills (Maintongoon, Maindample, Rifle Butts, and Dead Horse Lane) and the licensed closed landfill at Monkey Gully. The contract used an industry-standard assumption that all the bores would be 15m deep, accepting that the actual depths could be greater depending on the water table depth specific to each bore location and EPA requirements. The works have been completed even though there have been difficulties with heavy rains and unfavorable ground conditions, with a cost saving of \$54,454 achieved against the estimated costs.

The status of the monitoring bore installation is provided in the table below.

Update Date					14/02/2023	
Site	Bore ID	Type	Work Status	Hydrogeologist Estimated Depth (m)	Actual Depth (m)	
Maindample	MB01	GW	Completed	64	91	
Maintongoon	MB01	GW	Completed	14	16	
Maintongoon	MB02	GW	Completed	14	34	
Maintongoon	MB03	GW	Completed	14	14	
Dead Horse Lane	MB01	GW	Completed	24	24	
Rifle Butts	MB01	GW	Completed	34	49	
Rifle Butts	MB02	GW	Completed	44	58	
Rifle Butts	MB03	GW	Completed	24	39	

The estimated costs from the NEWRRG report for the installation of monitoring bores, as well as the actual costs incurred are detailed below:

Action	Cost	Maindample	Maintongoon	Dead Horse Lane	Rifle Butts	Total
GW Monitoring Bore Installation	Estimate	\$37,500	\$37,500	\$37,500	\$37,500	\$150,000
	Actual	\$22,445	\$29,524	\$8,730	\$34,846	\$95,546
Difference		\$15,055	\$7,976	\$28,770	\$2,654	\$54,454

Upcoming Works

1. Landfill Capping Rectification works
2. Environmental monitoring of the groundwater and surface landfill gas.
3. Development of Conceptual Site Model (CSM)
4. Development of Aftercare Management Plan (AMP) and Environmental Monitoring Plan (EMP).
5. Audit of all AMP and EMP by an accredited environmental auditor in accordance with Section 53V of the *Environment Protection Act 2017*.

The financial implications for implementing these actions have been forecast for inclusion in the proposed Council Budget.

Monkey Gully Landfill

Monkey Gully Landfill was a licensed landfill facility operated under EPA waste discharge license ES411, issued on 14 July 1986. The landfill operated from 1986 to 2007 when it was closed to waste acceptance.

An Aftercare Management Plan (AMP) was developed, and various actions were implemented over the last years after the closure. An Environmental Audit in accordance with section 53V of the Environment Protection Act 2017 was completed in October 2021. The actions recommended by the auditor are being implemented. The next environmental audit must be completed by June 2023. Refer Attachment 2 for the audit recommendations.

One of the main actions recommended by the auditor was to establish the background level of carbon dioxide (CO₂), which has continually had exceedances identified in the landfill when regular testing has been undertaken. To establish the background level of CO₂, background gas bores were required to be installed at the Monkey Gully landfill. Installation of these bores was done at the same time along with the installation of GW monitoring bores at the unregulated closed landfill sites. The status of installation of these bores is given in the following table.

Update Date					14/02/2023
Site	Bore ID	Type	Work Status	Hydrogeologist Estimated Depth (m)	Actual Depth (m)
Monkey Gully	LFG09	LFG	Completed	25 or as close to the water table (EPA Recommended)	21
Monkey Gully	LFG10	LFG	Completed	25 or as close to the water table (EPA Recommended)	21
Monkey Gully	LFG11	LFG	Completed	25 or as close to the water table (EPA Recommended)	21

The cost incurred to install three background gas monitoring bores at Monkey Gully landfill is \$25,101.05 inclusive of GST. By completing this work as well along with the GW monitoring bores installation, Council was able to minimize the establishment costs associated with the drilling. Hence, the total cost incurred to install GW monitoring bores and background gas monitoring bores is \$120,646.77 inclusive of GST.

The monitoring of background CO₂ levels will be monitored from the April Environmental Monitoring Round onwards and once reliable data is obtained the background level of CO₂ in the soil can be established. Other auditor recommendations are currently being implemented and are expected to be finished before June 2023.

Apart from the above work, a financial assurance (FA) calculation report was developed by a Council appointed consultant in 2022. The FA report was verified by a third-party environmental auditor and the FA report was submitted to EPA by late 2022. This was required under condition of item LC7 of the Post Closure Pollution Abatement Notice (PC-PAN) issued to the Council for the Monkey Gully Landfill.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes the following:

1. The landfill rehabilitation and risk assessment work required for the unregulated closed landfills, including:

- Landfill Capping Rectification works
- Environmental monitoring of the groundwater or surface landfill gas.
- Development of Conceptual Site Model (CSM)
- Development of Aftercare Management Plan (AMP) and Environmental Monitoring Plan (EMP).
- Audit of all AMP and EMP by an accredited environmental auditor in accordance with Section 53V of the *Environment Protection Act 2017*.

2. Monitoring work required for Monkey Gully Landfill by 30 June 2024:

- Implementation of environmental audit recommended actions.
- Ongoing monitoring background CO2 levels from the monitoring bores installed.
- Section 53V environmental audit completed by June 2023.
- Establishment of background CO2 level in the soil.

Support Attachments

1. NEWRRG landfill RA Mansfield final issued [7.1.1 - 44 pages]
2. Environmental Audit Report on the Landfill Aftercare Management 2016–2021 [7.1.2 - 121 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

The financial impacts of the required works have been identified in future budget projections for inclusion in the proposed 2022-23 Budget, based on the works completed to date.

Legal and Risk Implications

The Environment Protection Act 2017 places a general environmental duty on Council to reduce the risk of harm from previous activities on human health and the environment from pollution and waste. Even on land Council no longer owns, it is responsible for the assessment and rehabilitation of closed landfills as far as is reasonably practicable.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Not Applicable

Governance - 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.

7.2. Audit and Risk Committee Charter Review 2023

File Number	E9616	Responsible Officer	Manager Business & Performance, Tony Cooper
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Purpose

To seek endorsement from the Audit and Risk Committee of the reviewed and updated Audit and Risk Charter, for presentation to Council for adoption.

Executive Summary

The Audit and Risk Committee Charter requires reviewing on a regular basis to ensure that it is current and supporting best practice.

At the Audit and Risk meeting held in November 2022 a brief was presented to the Committee with recommended updates and changes to the Charter. As part of this process, examples of charters from other councils were reviewed.

The Audit and Risk Committee was asked to review the updated Charter and provide comments to the Manager Business and Performance for inclusion. Feedback was received from several members of the Committee and a further updated version of the Charter was distributed to the Committee for review in January 2023.

The Committee provided a further inclusion under section 4.3 (e) related to the suggested Cyber Security inclusion.

Presented for endorsement by the Committee is the updated Charter with changes marked in Attachment 1.

The endorsed Charter will be presented at the March 2023 Council Meeting for adoption.

Key Issues

The primary changes to the Charter include:

- Widening of the purpose to highlight the Committee obligation to inform Council in a timely manner.
- Additional authority for the Committee members to meet in the absence of Council officers.
- The inclusion of the Committee’s oversight of Cyber Security.
- The inclusion of any complaints and management responses to them, received by regulatory and integrity bodies.
- General updates in Section 6 – Nomination of membership, Section 7 - Term of Appointment and Section 10 - Meetings of the Committee.
- Appendix B – inclusion of the Risk Matrix.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE endorse the updated Audit and Risk Committee Charter for consideration at the March 2023 Council Meeting.

Support Attachments

1. DRAFT Audit and Risk Committee Charter Jan 2023 - Proposed Changes [7.2.1 - 13 pages]
2. DRAFT Audit and Risk Committee Charter 2023 [7.2.2 - 13 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

This has been a collaboration with members of the Audit and Risk Committee and has involved review of example Charters from other Councils.

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.2 Building organisational capacity through its people

Governance - 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.

8. 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.

8.1. Mansfield Shire Council Investment Schedule

File Number	E5001	Responsible Officer	Senior Accountant, Belinda Langlands
Purpose			
A report on the status of Council's investments as at 31 January 2023 is presented to the Audit and Risk Committee (ARC) for noting.			
Executive Summary			
Regular reporting to the ARC in relation to investments is required pursuant to Council's Investment Policy.			
Key Issues			
The Investment Portfolio report is attached for the Committee's information. Council is currently compliant with its Investment Policy. RBA Interest rates are continuing to rise, and this is having a positive flow-on effect to the interest being earned on current term deposits.			
Recommendation			
THAT THE AUDIT AND RISK COMMITTEE receive and note the Investment Portfolio Report 31 January 2022.			
Support Attachments			
1. Investment Report January 2022 [8.1.1 - 2 pages]			

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

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

Legal and Risk Implications

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

Financial Risk: 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.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 7 Financial sustainability and value for money

Strategy 7.1 Increase Council's financial resilience by utilising opportunities to derive own-source of funding income and optimising costs of delivering services

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 8 A consultative Council that represents and empowers its community

Strategy 8.1 Increase community trust in Council to make informed decisions with "no surprises"

Strategy 8.2 Develop capacity and capability to advocate powerfully for the most important interests of the Mansfield community

Governance - 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.

8.2. Finance Report to 31 December 2022

File Number	E39	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

This report provides information on Council's financial performance against the 2022-23 Updated Budget for the period 1 July 2022 to 31 December 2022.

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.

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

Executive Summary

Council adopted the budget for the 2022-23 financial year at its meeting of 28 June 2022.

Subsequently Council approved carry forward projects from the 2021-22 year which have now been included and form part of the Updated Budget 2022-23.

This report explains material variances between the year-to-date actual financial results and the Updated Budget 2022-23. Favourable variances are reported as positive values, while unfavourable variances are shown as negative values.

Key Issues

Operating Finance Report

Operating Income & Expenditure Actual against Updated Budget

The year-to-date operating result is favourable (underspent) against the Updated 2022-23 Budget by \$1,982k (24%). Major variances are summarised below.

Favourable Variances (underspend or increased income):

- \$68k Community Development – Community grants of \$50k have not yet been distributed to the community groups. These funds are expected to be distributed in March 2023.
- \$53k Economic Development (Business & Industry) – Activating Outdoors & Community Assistance fund programs have not yet been finalised / fully expended.
- \$144k Aged & Disability Services – Aged care has now been handed over to the Mansfield District Hospital with most program wind-up costs having been processed to the 2021-22 year.
- \$148k Family Services & Partnerships - \$35k grant received for Central Registration & Enrolment Scheme which has not yet been spent. Supported Playgroups has been funded for an additional \$15k, with all funding paid in advance resulting in a \$40k YTD variance. Additionally, timing of spend in relation to Family Services \$53k and Maternal & Child Health \$20k. Expenses in relation to these programs are expected to increase over the next 6 months.
- \$108k Health & Wellbeing – Social Inclusion Action Group grant (unbudgeted) has been received and not yet expended

- \$269k Youth Services - \$206k Youth Bushfire Recovery Income has been received which was not budgeted. This grant funding is expected to be fully spent this year. The Youth Services area have recently been through a restructure. Staff have now been appointed, but short-term vacancies in this area have resulted in reduced expenditure both in relation to the wages and program costs. It is anticipated that program costs will be fully expended this year.
- \$524k Emergency Management Recovery – \$500k Flood recovery funds (unbudgeted) has been received and not yet expended.
- \$65k Health – relates predominantly to the timing of environmental health registration fees.
- \$53k Field Services - Rental Income totalling \$37k has not been budgeted (for a two-year period). Council rent out land around the depot. The remaining variances are timing only.
- \$100k Parks & Gardens – Materials and services are currently under budget \$50k, however these costs are expected to increase over the coming months due to street tree planting and oval maintenance. Plant hire is currently under budget \$29k, however this is an internal charge only.
- \$133k Plant Operating – Additional plant income has been recouped from Road Network maintenance; however, this is an internal charge only. The cost of maintaining existing plant is over budget \$65k YTD due to timing of invoices and repairs, refurbishment of the second-hand street sweeper and repairs to one of the graders.
- \$55k Buildings – This is a timing issue only in relation to the payment of cleaning invoices.
- \$182k Community Assets & Land Management – \$104k relates to the Goughs Bay Boat Club upgrade grant funding received in advance, which will be expended. \$33k relates to the timing of the pool operational costs. \$25k relates to timing of costs associated with the Lakins Road development.
- \$62k Engineering Services – Additional unbudgeted income received from Developer Contributions for open space.
- \$67k Environment – \$14k is a timing variance only, with full year Weed and Pest grant funding received in advance. Services are under budget by \$23k YTD as the community education program has not yet been delivered.
- \$367k Strategic Planning – \$350k Streamlining for Growth grant funds (unbudgeted) have been received and not yet expended.
- \$262k Waste Management – Waste income is higher than budget, as anticipated. It is expected that this will be partially offset by increased expenditure later this financial year. \$110k relates to timing due the delayed receiving and processing of landfill invoices.

Unfavourable Variances (overspend or decreased income):

- \$338k Financial Services – \$378k variance relates to Victorian Grants Commission income which was paid 75% in advance (paid and processed in the previous financial year). This is being offset by interest income from investments which is bringing in increased income due to higher interest rates.
- \$94k Customer Service & Records - \$65k has been spent on Digitising Development Applications. Funding for the program was received during the 2021-22 year. Other

variances in this area relate to timing issues with software payments and staff leave which has required casual backfill staff (unbudgeted).

- \$137k Road Network Maintenance - Variance predominately relates to Victorian Grants Commission income which was paid 75% in advance (paid and processed in the previous financial year).
- \$66k Risk Management – Insurance costs are higher than budgeted due to increased premiums associated with increased value of assets insured.
- \$107k Human Resources – \$74k variance relates to unbudgeted legal costs. Other variances include \$15k recruitment costs (unbudgeted) and additional wages due to casual backfill staff.

Capital Finance Report

Capital Income & Expenditure Actual against Budget

The net year to date capital works variance (net of capital income) is \$2,581k (67%) underspent compared to the 2022-23 Updated Budget. Major variances are summarised below.

Favourable Variances (underspend or increased income):

- \$50k Lords Reserve Recreation Facilities – This is due to timing only. Updated design work is currently being scoped for procurement.
- \$97k Kindergarten Refurbishment – Project has been delayed due to contractor availability and will likely be completed in the 2023-24 financial year.
- \$114k Heritage Facility (Station Precinct) Income – This is due to timing only. Mansfield Historical Society contribution has been received and not yet expended against the project.
- \$58k Digital Transformation – Project is progressing with procurement of new systems to be released in the next few months.
- \$85k Drainage Works Upgrade – This is due to timing only. Drainage improvement design is underway for Rowe St and Ailsa St.
- \$55k Drainage Works Renewal – This is due to timing only. Drainage works have commenced.
- \$435k Stormwater Drainage Works (Cnr Apollo & High St) - Initial drainage works will progress in the coming months, in parallel with design review works to integrate with works planned in the Mullum wetlands.
- \$50k Water & Stormwater Management Program (Inspect & Jet) - Project has been delayed due to wet weather and is expected to be completed by March 2023.
- \$105k Footpaths Gravel / Stone Renewal – This project is still in the scoping phase.
- \$300k High Street Carpark – This is due to timing only. Temporary car park works have been completed and the final design is in progress.
- \$319k Project Management Costs – Project officer costs have been costed to operating expenditure and will be reallocated to the various projects to be capitalised.
- \$63k Plant Resource Recovery Centre – Forklift has been ordered but not yet delivered.
- \$140k Plant Purchases – This is due to timing only. Purchase of a new water truck will be tendered for in February 2023.

- \$313k Reseal Preparation Program – This is due to timing only. 2021-22 contract (budget carried forward) has been completed and 2022-23 contract is on track to be completed this year.
- \$100k Rifle Butts Roads – This project has been absorbed into the Impact Route project.
- \$83k Resheets - 2022-23 contract has been completed and 2021-22 contract (budget carried forward) is on track to be completed this year.
- \$181k Roads to Recovery Income – this includes \$254k of Local Roads and Community Infrastructure Funds (Phase 2).

Unfavourable Variances (overspend or decreased income):

- \$200k Heavy Vehicle Alternative Route (HV5 Withers, Deadhorse, Midland) Income – This is due to timing of income only. This stage of the contract is now complete.

Summary of Financial position compared to Budget

Operating Variance	\$1,982,481
Capital Variance	<u>\$2,581,132</u>
Total Variance	\$4,563,613

*Favourable / (Unfavourable)

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.

Current WCR = 4.06 (406%), as compared with 2.53 (253%) as at the end of 2021-22 financial year.

The high working capital ratio is reflective of the full year rates income being raised in August and reported as a current asset (debtors). Only two of the four instalments have fallen due as at 31 December 2022.

CEO Statement

Based on the analysis and review of the budget, actual year to date result and other known financial factors as at 31 December 2022, it is considered that a revised budget for the purposes of s95 of the Local Government Act 2020 is not required.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE:

1. Receives the Quarterly Budget Report for the period 1 July 2022 to 31 December 2022; and
2. Note the statement by the Chief Executive Officer that a revised budget will not be required for the 2022-23 financial year.

Support Attachments

1. Quarterly Finance Report - 31 December 2022 [8.2.1 - 8 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable.

Community Engagement

The 2022-23 Budget engagement process facilitated opportunities for community feedback on Council's budget. Regular updates are provided on the progress of projects and works included in the Budget through print and social media.

Collaboration

Not Applicable

Financial Impact

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.

Legal and Risk Implications

Financial Risk: 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.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - 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.

9. 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.

No Internal Control Environment reports for February 2023 Audit and Risk Committee Meeting

10. 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.

10.1. Occupational Health and Safety Management Report and Register

File Number	E3937	Responsible Officer	OH&S Officer, Michelle Foster
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Purpose

To provide an update on Mansfield Shire Council's occupational health and safety management system for the period to January 2023.

Executive Summary

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.

This report has been developed to provide the Audit and Risk Committee with an overview of Council's occupational health and safety performance for the period to January 2023.

Key Issues

WorkSafe Victoria

Legislation Update

Council has been added to the WorkSafe Victoria distribution list for updates and key communications on the proposed Occupational Health and Safety Amendment (Psychological Health) Regulations.

The proposed Occupational Health and Safety Amendment (Psychological Health) Regulations are still being considered by the Government.

WorkSafe Visit

No WorkSafe inspections were undertaken. No Prohibition or Improvement Notices were received.

WorkCover

Two new Workers Injury Claim Forms were received. One claim is yet to be accepted by Gallagher Bassett.

WorkSafe Articles

Three articles from WorkSafe Victoria were issued:

- Auto electrician crushed by truck tailgate
- Give the gift of safety this holiday season
- Let's put 2022 safely behind us

One article for Safe Work Australia was issued:

- Using data to make workplaces safer

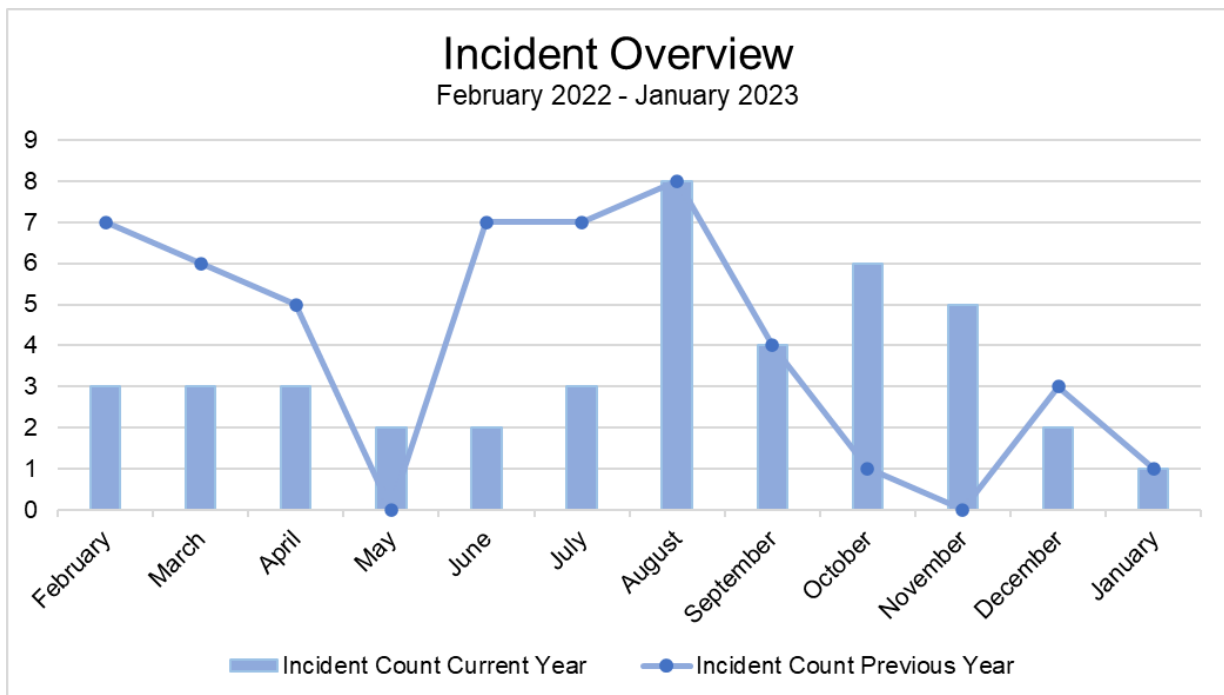
Incidents

Incident Summary

Eight incidents were reported for the period November 2022 to January 2023. Four incidents resulted in property damage, three incidents resulted in injury and one incident resulted in a near miss.

Annual Incident Overview

The graph below depicts the total number of incidents per month over the last 12 months. The graph also illustrates the total number of incidents per month for the previous 12 months.



Incident Investigation

No incident investigations were undertaken.

Workplace Inspections

No workplace inspections were undertaken.

Risk Assessment

One risk assessment was undertaken at the Mansfield Sporting Complex with the Asset Maintenance Officer. Identified potential risks are being managed by the Asset Maintenance Officer and the Property Management Officer.

Hazard and Risks

No hazards were raised. Three hazards were closed. No hazard remains open.

Training and Induction

OHS Induction

Council's Occupational Health and Safety Inductions continue to be undertaken. There were no Occupational Health and Safety Hazards reported during this period.

Training

One Health and Safety Representative completed the Health and Safety Representative Initial OHS Training.

The Cancer Council Victoria held two Standard UV safety training sessions on 14 December. The first session was held in Council Chambers. The second session was held at the Depot.

Those employees who participated in Restoring Calm Training were invited to attend the EMatrix Managing Customer Concerns and Engaging with your Keyboard Workshops via webinar.

Occupational Health and Safety Committee

One Occupational Health and Safety Committee Meeting was held. The next Occupational Health and Safety Committee Meeting is scheduled for Wednesday 8 March 2023 in Council Chambers.

Internal Reports / Documents

Four updates were made to Council's occupational health and safety management system and intranet.

- -Occupational Health and Safety Committee Meeting Minutes – September 2022.
- -If you are injured at work poster.
- -Return to Work Plan – Version 3.
- -Health and Wellbeing Policy 2022.

COVID-19

Face masks, hand sanitiser, alcohol wipes and RAT tests continue to be distributed.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE receive this report.
Support Attachments
Nil

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 1: Connected and Healthy Community

Strategic Objective 1: The health and wellbeing of families and communities is maximised

Strategy 1.1 Embed health and wellbeing enablers and protections to reduce risks to our communities.

Strategy 1.3 Contribute to efforts that ensure essential community services exist locally.

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Strategy 6.2 Building organisational capacity through its people

Governance - 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.

10.2. Risk Register Report - 31 December 2022

File Number	E3937	Responsible Officer	Manager Business & Performance, Tony Cooper
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Purpose

The purpose of this report is to provide the Audit and Risk Committee with an update on Council's Risk Register and any other areas of interest.

Executive Summary

The Audit and Risk Committee oversees the risk exposure of Council by advising management on appropriate risk management processes and adequate risk management systems to assure alignment of the Risk Management Framework with ISO 31000. ISO 31000 (2018) are best practice principles and guidelines.

The Mansfield Shire Council Risk Management Strategy states that the Council is committed to the process of identifying, quantifying and managing risk to minimise the effect of risk on the objectives of the Council.

Key Issues

All Department Managers were asked to review and update the Risk Register as of 31 December 2022. The Risk Register is located in Council's records management system – TRIM. The updated register is attached to this report.

Since the last Risk Register report, an additional risk has been identified as “Aged Care services” – this risk is identified in the attachment as **new**. The risk relates to the “Capacity of the aged care services to offer timely home and community care services to the growing community meaning the community cannot access the appropriate level of care.” The inherent risk is identified as “high”, however with mitigating actions the residual risk is “medium”.

All other risks were reviewed with some additional mitigating controls added to risks such as Tree Management, Road Management and Infrastructure. Actions are being taken to address concerns and issues with Cyber Events. Cyber Events have been topical over the last 12 months and Council has worked with the internal auditors to develop an audit scope. From this meeting council will undertake an Essential Eight's review.

The Essential Eight's maturity model is summarised below:

- While no set of mitigation strategies are guaranteed to protect against all cyber threats, organisations are recommended to implement eight essential mitigation strategies from the ACSC's Strategies to Mitigate Cyber Security Incidents as a baseline. This baseline, known as the Essential Eight, makes it much harder for adversaries to compromise systems.
- The mitigation strategies that constitute the Essential Eight are: application control, patch applications, configure Microsoft Office macro settings, user application hardening, restrict administrative privileges, patch operating systems, multi-factor authentication and regular backups.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the information contained in this briefing.

Support Attachments

1. Corporate Risk Register December 2022 [10.2.1 - 5 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Individual assessment's may have cost implications to address each risk.

Legal and Risk Implications

The Risk Management Framework is Council's overarching control that covers:

1. Asset Risk
2. Business Continuity Risk
3. Change Risk
4. Environmental Risk
5. Financial Risk
6. Information Risk
7. People Risk
8. Regulatory Risk
9. Reputation Risk
10. Safety Risk
11. Social Risk
12. Strategic Risk

Regional, State and National Plans and Policies

The Risk Management Framework is in line with National and International standards and legislative requirements.

It is also in line with the Mansfield Shire Risk Management Policy 2019.

Innovation and Continuous Improvement

Quarterly review and reporting to the Audit and Risk Committee incorporates continuous innovation and improvement initiatives in the Risk Management area.

Alignment to Council Plan

Theme 1: Connected and Healthy Community

Strategic Objective 1: The health and wellbeing of families and communities is maximised

Strategy 1.1 Embed health and wellbeing enablers and protections to reduce risks to our Communities.

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 8: A consultative Council that represents and empowers its community

Strategy 8.1: Increase community trust in Council to make informed decisions with “no surprises”

Governance - Disclosure of Conflicts of Interest

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

10.3. Policy Register Status Update

File Number	E3627	Responsible Officer	Interim Governance and Risk Coordinator, Jane Carter
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Purpose

To present the updated Policy Register to the Audit and Risk Committee.

Executive Summary

The Governance & Risk Coordinator is responsible for maintaining a register of all policies and their review dates. The internal procedure for creating and reviewing policies is attached.

The Governance team aims to advise managers of upcoming revision dates, approximately four months ahead, to allow time to comply with the review process.

Key Issues

The Interim Governance & Risk Coordinator has reviewed and updated the current register based on feedback obtained from the relevant managers on progress against the review dates.

There are 16 policies that are currently under review or overdue for review. The Policy Register incorporates comments to accurately reflect the current status of each policy. Extended leave of the Governance and Risk Coordinator, large staff turnover and changes to the organisational structure have contributed to the delay in the completion of these policies, however they will be given increased priority to ensure that policy reviews are completed in a timely way.

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 Executive Team Management (EMT).
4. Staff feedback sought.
5. Review by EMT to consider staff feedback, including Employee Consultative Committee where appropriate.
6. For Organisational Policies – signed by CEO; or
7. For Council Policies – presentation to a Councillor briefing, followed by presentation to a Council meeting for adoption.
8. Policy Register updated.
9. Policy saved in TRIM.

The Policy Register has been included as a Standing Item for review at the monthly internal Senior Leadership Group (SLG) meetings with the next meeting being held on 28 February 2023.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the Policy Register as of 17 February 2023.

Support Attachments

1. Policy Review Process Flowchart 2020 [10.3.1 - 1 page]
2. Policy Register as at 21 February 2023 [10.3.2 - 3 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

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

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 8 A consultative Council that represents and empowers its community
Strategy 8.1 Increase community trust in Council to make informed decisions with “no surprises”

Governance - 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.

10.4. Gifts, Benefits and Hospitality Annual Report

File Number	E501	Responsible Officer	Interim Coordinator Governance and Risk, Jane Carter
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Purpose

To provide the Gifts Register to the Audit and Risk Advisory Committee.

Executive Summary

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 Advisory Committee within three months of the end of the calendar year.

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.

The 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.

Key Issues

As a guiding principle, Councillors or staff should not accept gifts as a gift can 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.

All gifts, benefits and hospitality received by Councillors or Council officers, whether considered token or otherwise, must be declared and listed on the Gifts Register.

Gifts, benefits and hospitality greater than \$30 that have been declined by the Councillor, staff member or by CEO's decision are also to be recorded appropriately within the register.

Of the 5 declarations made during 2022, all gifts, benefits or hospitality were retained by the officer.

Council's Gift Register is made available for public inspection in accordance with our Policy.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receive and note the Gifts, Benefits and Hospitality Annual Report 2022.

Support Attachments

1. Gift, Benefits & Hospitality Policy 2021 [**10.4.1** - 10 pages]
2. Gift Register from 1 January 2022 to 31 December 2022 [**10.4.2** - 1 page]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

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.

Regional, State and National Plans and Policies

The *Local Government Act 2020* (the Act) is explicit in its instructions around Councillors and Staff managing conflicts of interest section 128(3)(H) of the Local Government Act 2020 (Indirect interest because of receipt of an applicable gift) outlines the requirements in relation to the acceptance of gifts and hospitality, namely:

- (2) *A person has an indirect interest in a matter if the person has received an applicable gift, directly or indirectly, from—*
 - (a) *a person who has a direct interest in the matter; or*
 - (b) *a director, contractor, consultant, agent or employee of a person, company or body that the person knows has a direct interest in a matter; or*
 - (c) *a person who gives the applicable gift to the person on behalf of a person, company or body that has a direct interest in the matter.*

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 8 A consultative Council that represents and empowers its community

Strategy 8.1 Increase community trust in Council to make informed decisions with “no surprises”

Governance - 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.

11. 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.

11.1. Internal Audit Status Reports

File Number	CM1819.030	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

This report provides a status update on Council’s Internal Audit program.

Executive Summary

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.

Key Issues

The Internal Audit Program Status and Industry Update reports provided by AFS & Associates, Council’s Internal Audit providers are provided as Attachment 1 and 2.

AFS have now finalised their report on Contract Management. This report has been included in this agenda as item 11.2.

The audit was scheduled and undertaken in the late stages of the 2021-22 financial year due to staff leave and resourcing issues in the Operations and Capital works team. After provision of the audit report to management, internal discussions occurred in the final quarter of 2022 regarding the role of the Procurement Officer and the inclusion of contract management responsibilities, in response to the audit findings. Review of the proposed actions in response to the audit findings meant that this report missed the November Audit & Risk Committee Meeting.

Two Internal Audit Planning documents have been completed and are included in section 11.3. These are for:

- Cyber Security Strategy and Governance
- Infrastructure Asset Management

Recommendation

THAT THE AUDIT AND RISK COMMITTEE receives and notes the Internal Audit Program Status Report and Industry Update – Recent Reports and Publications of Interest.

Support Attachments

1. Status Update [11.1.1 - 3 pages]
2. Industry Update [11.1.2 - 5 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

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

11.2. Internal Audit Completed Report - Contract Management

File Number	CM1819.030	Responsible Officer	Manager Business & Performance, Tony Cooper
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Purpose

To present the completed Internal Audit Report on Contract Management and discuss the recommendations.

Executive Summary

The Contract Management audit identified several strengths, however highlighted that a review was required to determine organisational ownership to centralise key elements of the Contract Management function and support consistency across the organisation, while reducing the current reliance on the Operations and Capital Works Team to provide contract management support and advice.

The audit noted the increase in the number of capital works projects over the last two years and that the forward capital program has seen a corresponding increase in contracts. However, there is inconsistency across the organisation in managing contracts, particularly for service contracts outside major capital projects.

Key Issues

In summary AFS identified a number of strengths including:

- Reporting and monitoring mechanisms in place to support oversight of contracts associated with capital works projects
- Contract Management Policy and Procedures in place to guide expectations and aligned to the Local Government Act 2020 and the MAV Contract Management Guidelines, including key controls to support effective management of contracts.
- Dispute resolution processes are in place and supported by appropriate clauses within each contract, aligned to Australian Standard Conditions of Contract.

AFS identified that there are gaps and additional controls required to mitigate contract management risks including:

- Assigning organisational responsibilities for the contract management function and ensuring contract owner responsibilities are carried out consistently across the organisation.
- Documenting and formalising contractor relationship management for consistency.
- Ensuring contractor performance and relationship management is performed consistently, and evidence is retained to support these processes.
- Ensuring appropriate management and monitoring of service contracts.
- Implementing access restrictions on contract records for employees with Conflicts of Interests (COI) declared.
- Tightening controls around payment and spend monitoring.

AFS also noted that since the previous Contract Management audit in 2017 a number of previously identified risks have been addressed as follows:

- Contract Management Framework - Since the 2017 review, management have updated the Contract Management Policy and Procedure to include key elements of a framework.
- Contract Management Procedures and Contract Variations Procedures - the updated Contract Management Policy and Procedure includes sufficient process details.
- Contract Register - the current contract register was reviewed and the audit identified that aspects of the contract register have been updated to satisfy the previous recommendation.
- Dispute management - contracts are developed to include Australian Standard Conditions of Contract which outline dispute resolution procedures

A summary table is also attached (refer Attachment 2) and will be used to provide updates on the implementation of the audit recommendations.

Recommendation
THAT THE AUDIT AND RISK COMMITTEE note the AFS Contract Management report and the reporting tool for providing updates on the implementation of the recommendations.
Support Attachments
1. Contract Management [11.2.1 - 22 pages]
2. Contract Management Action Plan Jan 23 [11.2.2 - 4 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.2 Building organisational capacity through its people

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 8 A consultative Council that represents and empowers its community

Strategy 8.1 Increase community trust in Council to make informed decisions with “no surprises”

Governance - 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.

11.3. Internal Audit Planning Documents

File Number	CM1819.030	Responsible Officer	Manager Business & Performance, Tony Cooper
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Purpose

To provide the Internal Audit Planning Documents for two upcoming audits for information.

Executive Summary

AFS and Mansfield Shire Council develop a list of internal audits that are carried out by AFS during the cycle of the internal audit contract. The list is adjusted from time to time in consultation between AFS, Mansfield Shire Council and other interested parties such as the Audit and Risk Committee.

Key Issues

AFS has provided the internal audit planning documents for the next two audits to be undertaken over the next six months.

The internal audit planning documents are attached for:

- Cyber Security Strategy and Governance
- Infrastructure Asset Management

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the Internal Audit Planning documents for the Cyber Security Strategy and Governance, and Infrastructure Asset Management audits.

Support Attachments

1. Internal Audit Planning Document Cyber Sec [11.3.1 - 8 pages]
2. Internal Audit Planning Document Infrastru [11.3.2 - 6 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 7 Financial sustainability and value for money

Strategy 7.1 Increase Council's financial resilience by utilising opportunities to derive own-source of funding income and optimising costs of delivering services

Theme 3: A Trusted, Effective and Efficient Council Strategic Objective 8 A consultative Council that represents and empowers its community

Strategy 8.1 Increase community trust in Council to make informed decisions with "no surprises"

Governance - 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.

12. 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.

12.1. VAGO Reports

File Number	E10025	Responsible Officer	Manager Business & Performance, Tony Cooper
Purpose			

VAGO has provided two reports for consideration and noting.

Executive Summary

VAGO have provided the following documents:

- Staus Report for December 2022
- [DRAFT] Audit Strategy Memorandum - For the financial year ending 30 June 2023

Key Issues

VAGO Staus Report for December 2022:

In May 2022, VAGO issued their report on Fraud control over Local Government Grants. The report contains 9 recommendations for all Victorian Councils about strengthening fraud controls and improving their guidance and training for grant-related fraud.

Council officers will review the report and develop responses to each recommendation.

Audit Strategy Memorandum - For the financial year ending 30 June 2023:

This report contains information for discussion in relation to the audit strategy memorandum (ASM) for the year ending 30 June 2023.

The ASM provides an overview of VAGO's planned approach to the annual audit of the financial report and performance statement of the Mansfield Shire Council. This document covers matters we believe to be significant in the context of our work.

Please note that VAGO and Mansfield are still reviewing the date of the final audit in September 2023.

Recommendation

THAT THE AUDIT AND RISK COMMITTEE note the VAGO Staus Report for December 2022 and the Audit Strategy Memorandum - for the financial year ending 30 June 2023.

Support Attachments

1. VAGO status report December 2022 [12.1.1 - 23 pages]
2. Audit Strategy Memorandum 30 June 2023 MSC Draft [12.1.2 - 25 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Not Applicable

Legal and Risk Implications

Not Applicable

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 6: Council possesses in-house and outsourced capability to meet community expectations

Strategy 6.1 Use and gain knowledge of our community to make good decisions

Governance - Disclosure of Conflicts of Interest

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

13. 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.

13.1. Procurement Exemptions

File Number	E5332	Responsible Officer	Depot Administration Officer, Kathy Stone
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Purpose

To provide details of any Procedural Exemptions that have occurred between 1 July 2022 to 31 December 2022.

Executive Summary

Council’s Procurement Policy provides specific circumstances under which exceptions to the policy are allowable.

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 to clearly demonstrate a procedural exemption exists.

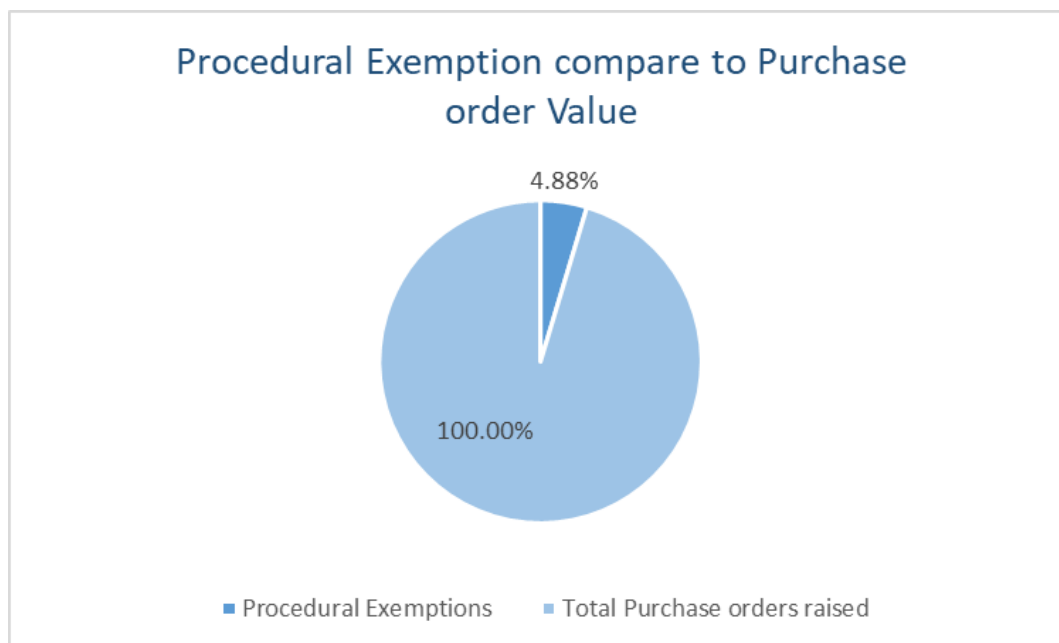
Key Issues

The following procedural exemptions have been authorised by the CEO since 1 July 2022:

Item	Date	Exemption Category	Value	Department	COVID-19 Related
VAGO	4/07/2022	Sole supplier or insufficient quotes	\$64,900.00	Business & Performance	No
Stocker Crew	5/08/2022	Support From Original Supplier	\$23,755.88	Field Services	No
Cental Vic Street Sweepers	3/10/2022	Advantageous time-limited conditions	\$66,000.00	Field Services	No

The procedural exemptions approved by the CEO are attached for the Committee’s information. The number of procedural exemptions for the last 6 months is three, or 4.88% of the total purchase order value.

Biannual STATS	Volume	Value
	Number	\$
Procedural exemptions	3	\$154,655
Total purchase orders raised	295	\$3,168,120



Recommendation

THAT THE AUDIT AND RISK COMMITTEE notes the Procedural Exemption Memorandums authorised by the Chief Executive Officer between 1 July 2022 and 31 December 2022.

Support Attachments

1. Procedural Exemption - Purchase of Second-hand Street Sweeper [13.1.1 - 2 pages]
2. Procedural Exemption - Annual External Financial Audit 2021/22 [13.1.2 - 2 pages]
3. Procedural Exemption - Replacement head for Noremat Optima M57t Long Reach Mower PT090 [13.1.3 - 2 pages]

Considerations and Implications of Recommendation

Sustainability Implications

Not Applicable

Community Engagement

Not Applicable

Collaboration

Not Applicable

Financial Impact

Exemptions to the general requirements of Council’s Procurement Policy may lead to additional costs to Council as they typically revolve around removing the competition requirements of the policy. However, the procedural exemptions process aims to mitigate this risk and minimise the number of purchases exempt from the policy.

Legal and Risk Implications

The procedural exemptions process allows for a controlled variation to standard procurement requirements. Procedural Exemptions approved by the CEO are considered to be compliant with policy.

Regional, State and National Plans and Policies

Not Applicable

Innovation and Continuous Improvement

Not Applicable

Alignment to Council Plan

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 7: Financial sustainability and value for money

Strategy 7.1: Increase Council's financial resilience by utilising opportunities to derive own-source of funding income and optimising costs of delivering services

Theme 3: A Trusted, Effective and Efficient Council

Strategic Objective 8: A consultative Council that represents and empowers its community

Strategy 8.1: Increase community trust in Council to make informed decisions with "no surprises"

Governance - 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.

14. Other Business

15. Next Meeting

The next meeting of the Audit and Risk Advisory Committee will be held 22 May 2023 at 2.30pm (Executive Management team to attend from 3.00pm).

16. Close of meeting