

**Murrindindi**  
Shire Council

MINUTES  
of the  
AUDIT ADVISORY COMMITTEE MEETING  
held on  
THURSDAY 12 DECEMBER 2013  
in the  
ALEXANDRA COUNCIL CHAMBERS  
commencing at  
3.00 pm

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**The Chief Executive Officer opened the meeting by introducing Michele Sheward who has joined the Audit Advisory Committee as an independent community member.**

The Committee was also advised that Cr M Rae was elected Mayor on 30 October 2013 and assumes the mayoral position (non voting) and the former Mayor, Cr J Walsh, assumes the position of a voting Councillor representative.

## 1. PRESENT/APOLOGIES

Remy Szpak (VAGO) and Mark Peters (HLB Mann Judd) both tendered an apology for being unable to attend the meeting.

**Both apologies were noted.**

***Present:***

Ian McKaskill (Chair)  
Robert Richards  
Michele Sheward  
Cr Margaret Rae (Mayor)  
Cr John Kennedy  
Cr John Walsh

***In attendance:***

Margaret Abbey, CEO  
Michael Chesworth, General Manager Corporate Services  
Andrew Bond, Manager Business Services  
Mark Holloway, H L B Mann Judd  
Stephen Mortensen, Management Accountant (Part time)

## 2. DECLARATIONS OF INTEREST

Nil.

## 3. CONFIRMATION OF MINUTES

➤ Minutes of Audit Advisory Committee Meeting held on 19 September 2013

**RESOLUTION:**

R Richards / Cr J Walsh

That the Minutes of the Audit Advisory Committee Meeting held on 19 September 2013 be confirmed.

**CARRIED**

#### 4. REVIEW OF AND BUSINESS ARISING FROM PREVIOUS MINUTES

##### 4.1 AUDIT COMMITTEE WORK PLAN

(Refer Encl 4.1 – Proposed Internal Audit Committee Annual Plan)

The Work Plan as amended in September was reviewed and several changes (including dates, corrections and rescheduled agenda items were recommended).

**RESOLUTION:**

R Richards / Cr J Walsh

That the amended Internal Audit Committee Annual Plan be amended and circulated prior to the next meeting.

**CARRIED**

##### 4.2 REVIEW OF INTERNAL AUDIT REPORTS AND MANAGEMENT RESPONSES.

###### 4.2.1 Audit Reports

(Refer Encl 4.2.1a - Follow-up on Recommendations from 2012/2013 Internal Audit Reports, 4.2.1b - Review of Service Planning, 4.2.1c - Review of Planning and Management Processes)

Mark Holloway presented the following Audit Reports.

- Audit Report – Follow-up on Recommendations from 2012/2013 Internal Audit Reports
- Audit Report – Review of Service Planning
- Audit Report – Review of Planning and Management Processes

**Cr M Rae acknowledged the progress made on Reviews and requested that completion dates be monitored.**

**RESOLUTION:**

Cr J Walsh / R Richards

That the following Audit reports be noted.

- Audit Report – Follow-up on Recommendations from 2012/2013 Internal Audit Reports
- Audit Report – Review of Service Planning
- Audit Report – Review of Planning and Management Processes

**CARRIED**

###### 4.2.2 Draft Strategic Internal Audit Plan 2014-2016

(Refer Encl 4.2.2 – Draft Strategic Internal Audit Plan 2014 – 2016)

Mark Holloway presented the Draft Strategic Internal Audit Plan for the next three years.

**Cr M Rae requested that full scopes for each area be presented and approved at the quarterly meeting prior to each review.**

**RESOLUTION:**

Cr J Walsh / M Sheward

That the Draft Strategic Internal Audit Plan 2014-2016 be accepted.

**CARRIED****4.3 AUDIT ADVISORY COMMITTEE SELF ASSESSMENT***(Refer Encl 4.3 Audit Advisory Committee Self Assessment 2013)*

The summary of self assessments (6) was reviewed.

Numerals on the summary indicated the number of responses. Not all respondents completed every line of the self assessment, so totals varied.

It was requested that the following actions

- Self Assessment items F(a) and G(a) be added to the Agenda each quarter
- Item G(c) be reviewed with the Charter and presented at the fourth quarterly meeting.
- Item A(g) be added to the Agenda
- Analysis of Internal Audit Self Assessment be provided in 2014.

**Noted.****4.4 APPOINTMENT OF A NEW AUDIT ADVISORY COMMITTEE MEMBER**

Please refer to the Chief Executive Officer's welcome at the top of page 3.

**4.5 AUDIT CHARTER REVIEW**

File No: 13/8127

*(Refer Encl 4.5 – Audit Committee Charter adopted 2013-01-21)*

The Internal Audit Committee Charter was last reviewed in 2012 and is listed on the Audit Advisory Committee Annual Plan 2013 for review in Quarter 4 (December). Following the 2012 review the following changes were made to the Charter by Council on recommendation from the Committee:

- The number of Independent members on the Audit Advisory Committee was increased to three
- The number of Councillors was increased to two (2 – voting) and the Mayor (or alternate – both nonvoting)
- Confirmation that an Independent member assumes the position of Chair.
- The minimum term of appointment for Independent members was specified being two (2) years with an option of a further one (1) year extension.
- The rotation of Independent members to be staggered to provide continuity and stability of membership.

The purpose of the review is for the Committee to consider whether the Charter adequately addresses the role and function of the Committee and to assess whether the Committee is

carrying out its responsibilities under the Charter. Such a review could result in recommended changes to the Charter or to the Committee's operations to assist it in meeting its Charter requirements.

**Noted.**

**With reference to the Self Assessment Item G(c), it was requested that the Charter be aligned to the Good Practice Guide and be presented to the next Audit Advisory Committee Meeting.**

**5. REPORTS**

**5.1 QUARTERLY FINANCIAL REPORT TO 30 SEPTEMBER 2013**

File No: 13/7568, 10/02/20

(Refer Encl 5.1- Quarterly Financial Report to 30 September 2013)

***Purpose:***

The report provides the quarterly financial report for the period ending 30 September 2013.

***Recommendation:***

**That the Audit Advisory Committee notes the Quarterly Financial Report to 30 September 2013.**

***Background:***

Financial governance is important for a Council's good governance because the consequences of failure can be very significant for a Council.

Councillors, sitting as Council, have an overall accountability for the Council's finances. This comes in two ways. Firstly, the council is required to prepare and periodically review its long term financial plan. This is called the Strategic Resource Plan and forms part of the Council Plan.

Secondly a Council must prepare and adopt the annual budget. The Council must also receive regular financial reporting. As a minimum a Council must receive a quarterly financial report which compared actual and budget revenues and expenses.

The format of the budget is prepared generally in accordance with both the financial regulations affecting local government and the best practice guide for reporting local government budgets.

At the end of the financial year, the draft Annual Financial Statements, comprising the Financial Report, Standard Statements and Performance Statement, are considered by the Audit Committee and presented to Council prior to them being submitted to the Auditor General.

It is important that the Annual Budget is framed within the Strategic Resource Plan and contributes to achieving the strategic objectives specified in the Council Plan.

To enable the progress of each to be monitored throughout the year, Council receives quarterly reports on the Annual Budget, the Council Plan activities, and the Capital Works Program.

***Council Plan/Strategies:***

This report, in relation to the Annual Budget and quarterly financial reporting, is consistent with the Council Plan 2013-17 Our Council goal which has a strategic objective to deliver visible leadership and advocacy for the community backed by a financially strong organisation. A key strategy objective is to administer sound financial management practices.

**Legal/Policy Issues:**

The *Local Government Act 1989* requires, under section 126, that a Council must prepare a Strategic Resource Plan for a period of four years.

The Act also sets out in section 127 that the Council must prepare a budget for each financial year.

Then, in section 138, the Act requires that quarterly financial reports must be presented to Council.

**Financial/Resources/Risk**

The financial governance of a Council is an important role for Councillors. The risk of poor financial management can have a significant impact upon the governance of the Council. The financial implications flowing from this quarterly financial review are outlined in this report.

**Discussion:****Annual Council Budget**

The Council Budget essentially comprises four components. Firstly it provides a description of the activities and initiatives to be funded in the Annual Budget and how these will contribute to achieving the strategic objectives that are specified in the Council Plan.

Secondly, it describes the various influences which have impacted upon the preparation of the annual Budget. These have included such things as Federal and State funding programs, such as Road to Recovery Allocations or costs such as the EPA levies.

Thirdly, it includes an analysis of the budget including the sources of revenue such as rates, user fees and grants as well as key expenditure categories.

Finally it includes an analysis of the cash flow and capital works statements along with the five Budgeted Standard Statements of:

- Budgeted Standard Income Statement
- Budgeted Standard Balance sheet
- Budgeted Standard Cash Flow Statement
- Budgeted Standard Capital Works Statement
- Budgeted Statement of Investment Reserves

These first four Standard Statements are replicated in the quarterly financial report that is presented to Council (*refer Encl 5.1 - Statements A – D*)

It is important to note that these Standard Statements are based upon public sector financial reporting, the key principles of which is that Council is required to account for the revenue in the year that it is received rather than when it is expended. As capital works projects and grant funded programs often extend over one financial year, then a principle of public sector reporting is also that carry forward adjustment need to be made.

**Quarterly Financial Report to 30 September 2013**

These four Statements for the quarter to 30 September 2013 are included in Encl 5.1.

The table below is a reconciliation between Council's Adopted Budget and enclosed Statements which include carry forward of unexpended projects from 2012-13.

At this stage only adjustments for carry forwards have been included in the revised budget. Council will be undertaking a complete mid-year review as at December 2013, which will incorporate all newly approved grant funded projects and all other known variances since

budget adoption, together with minor adjustments or reallocation to the works program to accommodate the final payment of the Murrindindi Assistance Package funding.

Reconciliation of Budget Adjustments - Sept 2013 Quarterly Review

	<b>Operating Result Surplus / (Deficit)</b>	<b>Capital Works Budgets</b>
Adopted Budget 2013/2014	38,567	(10,254,229)
Carry forward adjustments	(3,512,811)	(3,087,940)
Revised Budget 2013/2014	(3,474,244)	(13,342,169)

The original budget operating Surplus has been impacted by carry forward adjustments as discussed below. The resultant deficit should be considered in light of the 2012/13 period which shows an original budgeted operating surplus of \$1.27m while the actual operating surplus result for 2012/13 was \$6.28m. The turnaround of the current year's adopted surplus of \$39k to a deficit of \$3.5m should be understood with regard to the result of the previous year. An example of how this turnaround has occurred is the payment of the 2013/14 Grants Commission funds. In June 2013 the Federal Government opted to advance Councils 50% of the 2013/14 payment in 2012/13 year. This has resulted in \$2.3m being received in 2012/13 increasing the 2012/13 surplus and \$2.3m being reduced in the 2013/14 operating budget decreasing the 2013/14 budgeted surplus.

It should be noted that generally Local Government Income Statements report a surplus because the statement includes all of Council's income sources, but does not include all of Council's expenditure as Capital expenditure is reported via a separate Capital works Statement D.

As part of the September Review – an alternative view of the Income Statement – Statement A, has been provided showing Council's "underlying result" – which is the net surplus or deficit adjusted for capital grants, contribution to capital projects, and other once off adjustments. This is a measure of financial sustainability of a Council as it is not impacted by non recurring or once off items of income or expenditure which can often mask the operating result.

The Cash flow (Statement C) provides a more holistic picture and reports the important information on Council's cash inflows and outflows. Although there has been an adjustment in the operating budget of \$3.5m, from the *Net cash flow from operating activities* line in the Cash Flow Statement (a cash view of the operating statement) the variation between the original budget and revised budget is only \$1.0m. The bulk of this adjustment is in grants. The adjustment of \$2.3m relating to Grant Commission funding (as reported above) has been offset by carry forward of several grants not received in 2012-13 totalling \$480k and a further reduction in Trade & Other Receivables of \$647k due to the actual balance at 30 June 2013 being greater than forecast.

Carry forward adjustments are made only once each year as part of the first quarterly budget review. The carry forward adjustments reflect the fact that the original budget for 2013/14 was adopted on 26/6/2013 being compiled from information based on most accurate forecast possible for the 2012/13 actual financial outcome. In the intervening period between the preparation of the 2013/14 budget (around March/April) and the completion of the 2012/13 year, variations arise between the forecast figures and the actual end result. Where these variations are related to capital works or grant funded projects then these commitments must be recognised in the current financial year. Typically these adjustments arise as the result of a delay in completing a capital works project or due to the receipt of a grant in advance.



**Balance Sheet (Statement B)**

The Balance Sheet – Statement B as at 30 September 2013 shows a major year to date variance in Trade & Other Receivable of \$1.4m relating to outstanding claims for Natural Disaster Funded Projects being Bushfires \$328k and Storm Events \$1.06m. Meetings have been held with Vic Roads and the Department of Treasury and Finance to address this issue. The other major year to date variance of \$1.14m relates to Property Plant & Equipment which is explained and reconciled with reference to Statement D Capital Works.

The overall revised budget position maintains a higher level of cash as at 30 June 2014 of \$12.1m which is \$2.0m above the original budget for 2013/14 of \$10.1m. The bulk of this relates to the increased level of Reserves \$1.3m with movements detailed in Statement E Reconciliation of Non Discretionary Cash & Reserves, together with an increase of \$0.7m in discretionary cash. (Original Budget 2013/14 \$3.5m / Revised Budget \$4.2m).

This additional cash is partially due to better than forecast results for 2012-13 e.g. interest on investment which was \$105k greater than projected, and also the balance of unexpended capital works for 2012-13 not identified to be carried forward.

It has been identified that approximately \$426k of these funds relate to unspent Infrastructure Works and as part of the December 2013 Quarterly Review will be reviewed and if not required to meet funding requirements such as Roads to Recovery expenditure from own source revenue, will be transferred to an Infrastructure Reserve for future capital works.

**Non Discretionary Cash & Council Reserves (Statement E)**

Included as part of this report is an additional reconciliation flowing from the cash flow statement of Council's Non Discretionary Cash Flow requirements. This reconciliation lists all Council reserves together with funds held as Deposits or Trust – which are required to be refunded, and an allowance for provision of employee entitlements – being a nominal amount of 25% of Council Annual Leave Liability. This is then offset against the level of projected cash at year end.

The reconciliation has previously included Council Long Service Leave Liability as required by legislation, however with a change in legislation there is no longer a requirement to keep a separate bank account for this provision. The amount held in investment for this provision was used to repay Council's component of the Vision Superannuation Defined Benefits Unfunded Liability in 2012-13.

As part of the 2013/14 Budget and Council's 2013-2017 Long Term Financial Plan Council has made a commitment to re-establishing a cash backed proportion of this liability, to be at 25% of the current LSL Liability over a 4 year period, by 30 June 2017.

**Operating**

Overall the Income Statement reflects minimal variances in both operating revenue and operating expenditure, with several projects behind anticipated expenditure budgets.

The Year to Date Summary of the Income Statement for the period ending 30 September 2013 is provided in Table 1 as follows:

**Table 1 – Summary of Income Statement**

	YTD Budget	YTD Actual	Variance
	\$k	\$k	\$k
<b>Revenue</b>	18,850	19,462	<b>612</b>
<b>Expenses</b>	6,201	5,465	<b>736</b>
<b>Surplus</b>	<b>12,649</b>	<b>13,997</b>	<b>1,348</b>

The Year To Date (YTD) operating result at 30 September 2013 shows income up by \$612k and expenditure down \$736k generating a larger than expected YTD surplus of \$1.348m or 11% better than the budgeted surplus.

The key components comprising both Revenue and Expenses variances are summarised by category in Tables 2 and 3 as follows:

**Table 2 – Key Revenue component variance**

Variance		
\$k		
612	Unfavourable to budget	
Key Components	Type	Particulars
13	Contributions	Contributions for Hume Learning Apprenticeship \$3k and Alexandra Community Leisure Centre \$7k had incorrect YTD budgets profiles showing these contributions favourable – these YTD budgets have been adjusted.
109	Reimbursements	Reimbursement of legal expenses from debt recovery \$41k together with funding for Fire Service Property Levy costs \$61k make up the bulk of this favourable variance. In addition \$6k has been received for minor insurance claims.
21	Other Revenue	Lease rental for transmission towers \$11k and Caravan Parks \$7k have been received ahead of YTD budget expectations. In addition Council has received \$5k from unbudgeted lease revenue from Butter Factory.
337	Net Gain (loss) on disposal of property, infrastructure & equipment.	This favourable variance relates to the timing of the write out of carrying amount of assets sold. Invoices for sale of land and trade of motor vehicles were taken up in September, however as transactions were not completed until October the resulting write out of the carrying amount of these assets had not been processed at the reporting date 30 September.

**Table 3 – Key Expense component variance**

Variance		
\$k		
736	Favourable to Budget	
Key Components:	Type	Particulars
654	Materials & Services	<p>Favourable variance mainly relates to</p> <ul style="list-style-type: none"> <li>• maintenance of new and expanded assets \$227k,</li> <li>• Murrindindi Assistance package \$142k,</li> <li>• Infrastructure maintenance \$83k,</li> <li>• Facilities Maintenance \$60k,</li> <li>• Plant &amp; Fleet \$56k,</li> <li>• Aged and Disability \$47k and</li> <li>• Waste –Landfill (\$75k ) unfavourable</li> </ul> <p>These favourable variances are spread mainly across contractors \$255k and consultants \$230k. It should be noted these are year to date variances to budget and not forecast savings as most budgets are predicted to be expended by year end.</p>
14	Other Expenses	<p>With rate notices issued early September being later than initially anticipated, this had delayed the processing of abandonments \$8k and Commercial Garbage Waiver \$4k which were not processed until October 2013 – post the end of the Sept reporting period.</p>

**Capital**

As at 30 September 2013, Capital Works are (\$821k) above the year to date budget of \$1.319m. Statement D, as attached, indicates that across the asset categories, the largest variances are (\$481k) in Buildings and (\$319k) in Bridges.

**Table 4 – Summary of Capital Works completed (Financial)**

Asset Category	YTD Budget 30/09/2013 \$'000	Actuals 30/09/2013 \$'000	Variance YTD \$'000	Complete to YTD Budget %
Buildings	584	1,065	(481)	-82%
Plant & Machinery	116	121	(5)	-4%
Roads & Paths	210	207	3	2%
Bridges	245	563	(319)	-130%
Drainage	104	112	(8)	-8%
Heritage Assets	-	4	(4)	0%
Furniture & Equipment	60	67	(7)	-12%
Library Bookstock	-	1	(1)	0%
Works in Progress	-	-	-	0%
<b>Total Capital Works</b>	<b>1,319</b>	<b>2,141</b>	<b>(821)</b>	<b>-62%</b>

**Table 5 – Key Capital component variance**

Variance		
\$k		
-821	Favourable to Budget	
Key Components:	Type	Particulars
-481	Buildings	<p>Expenditure on buildings is running ahead of expectations with the major three items being</p> <ul style="list-style-type: none"> <li>• Marysville Community Centre car park \$219k,</li> <li>• Y Water Centre \$201k, and</li> <li>• Yea Swimming Pool \$31k.</li> </ul> <p>The remaining variations are a combination of minor variations across several projects.</p>
-319	Bridges	<p>Variance due to projects running ahead of scheduled YTD budgets</p> <ul style="list-style-type: none"> <li>• Allendale Road – Strath Creek \$109k</li> <li>• Toponga Bridge 1 \$34k</li> <li>• Toponga Bridge 2 \$51k</li> <li>• Big River Bridge \$69k</li> <li>• Breakaway Bridge \$56k</li> </ul>

With minimal Year to Date variance, the capital works program overall appears to be running along well as at 30 September 2013. The overall budget has been increased from \$10.254m to \$13.342m with \$3.088m carry forwards from unexpended capital work projects forecast to be completed by 30 June 2013. Further details by category can be found in Statement D.

### **Key Financial Ratios**

The Victorian Auditor General's Office (VAGO) prepares an annual report on a range of financial indicators for each Council. The Auditor General has recently forwarded his report which addresses three key indicators.

In 2006-2007 VAGO started publishing separate reports on the results of financial audits for the local government sector. It introduced a traffic light system for reporting on the financial sustainability risk of local Councils and also reporting on each Council individually. Each year VAGO has continued to report on a set of indicators that are outlined below and over that period VAGO has seen an overall improvement in these ratios.

The traffic light system comprises:

Red	High risk of short-term and immediate sustainability concerns
Yellow	Medium risk of long-term sustainability concerns
Green	Low risk of sustainability concerns

The relevant indicators are as follows:

**Liquidity**

Working Capital Ratio

VAGO Risk assessment criteria

2012	Risk	2013	Risk	2013	Risk	Risk
Actual		Actual		Mean		
2.34		3.29		2.56*		<div style="background-color: red; width: 10px; height: 10px; display: inline-block;"></div> High - Equal to or less than 1.0 <div style="background-color: yellow; width: 10px; height: 10px; display: inline-block;"></div> Medium - 1.0 - 1.5 <div style="background-color: green; width: 10px; height: 10px; display: inline-block;"></div> Low - More than 1.5

The ratio represents the amount of realisable assets required to cover short term liabilities. A ratio of one or more means there is more cash and liquid assets than short – term liabilities. This measures the ability to pay existing liabilities in the next 12 months and indicates that there are no immediate issues with repaying short-term liabilities as they fall due.

**Indebtedness**

Debt Exposure Ratio

VAGO Risk assessment criteria

2012	Risk	2013	Risk	2013	Risk	Risk
Actual		Actual		Mean		
27.25%		25.04%		26.83%*		<div style="background-color: red; width: 10px; height: 10px; display: inline-block;"></div> High - More than 60% <div style="background-color: yellow; width: 10px; height: 10px; display: inline-block;"></div> Medium - 40% - 60% <div style="background-color: green; width: 10px; height: 10px; display: inline-block;"></div> Low - 40% or less

The ratio indicates the percentage of debt to realisable assets and is a measure of Council’s solvency. It provides a comparison of non-current liabilities (mainly comprised of borrowings) to own-sourced revenue. The higher the percentage, the less able a Council is to cover non-current liabilities from the revenues that a Council generates itself. Own-sourced revenue is used rather than total revenue because this measure does not include capital grants that are usually tied to specific projects. A percentage of less than 40 indicates that there is no concern over the ability of a Council to repay debt from its own-sourced revenue.

**Self Financing**

Revenue Ratio

VAGO Risk assessment criteria

2012	Risk	2013	Risk	2013	Risk	Risk
Actual		Actual		Mean		
29.20%		33.52%		25.15%*		<div style="background-color: red; width: 10px; height: 10px; display: inline-block;"></div> High - Less than 10% <div style="background-color: yellow; width: 10px; height: 10px; display: inline-block;"></div> Medium - 10% - 20% <div style="background-color: green; width: 10px; height: 10px; display: inline-block;"></div> Low - 20% or more

\* Mean across small shire councils for the year ended 30 June 2013.

The ratio measures the ability to replace assets using cash generated by Councils operations. The higher the percentage, the more effectively this can be done.

This indicates that Council has an overall low risk in terms of its financial position, based on the VAGO assessment criteria and also has a more favourable rating relative to other small shire Councils. However, this does not negate the need for strong financial management nor support from the State Government in relation to the gifted and novated assets as these will have an

impact upon the future assessment of these indicators and Council's long term financial sustainability.

**Consultation:**

There has been no community consultation with respect to the preparation of this quarterly finance report.

**Conclusion:**

Operating performance for the September quarter has been largely in line with the total budget. Where revenue has not been achieved corresponding expenditure has not been spent. Council remains in a favourable cash position despite the challenges that it faces.

**RESOLUTION:**

Cr J Walsh / Cr J Kennedy

That the Audit Advisory Committee notes the Quarterly Financial Report to 30 September 2013.

**CARRIED**

## 5.2 RISK REGISTER

File No: 13/8130, 41/04/02

(Refer Encl 5.2 - Risk Register Report – to be emailed prior to the meeting)

**Purpose:**

The purpose of this report is to provide the Audit Committee with the quarterly Risk Register report which provides an update and progress on strategies for risk mitigation including those that remain outstanding.

**Recommendation:**

**That the Audit Advisory Committee notes and continues to support departmental level commitment to maintain the Risk Register.**

**Background:**

The Risk Management Coordinator maintains a Risk Register to identify and address existing or potential risks to Council's operations. This register is currently being maintained on Council's Authority database for a trial period.

The Risk Management Coordinator produces quarterly reports on current and outstanding risks and the strategies to mitigate these. The report facilitates manager's decision making regarding priority areas to address.

**Council Plan/Strategies:**

The Risk Register report is consistent with the 2013-2017 Council Plan Goal under the 'Our Council' Theme to provide strategic leadership and effective governance that supports the aspirations of our community.

**Legal/Policy Issues:**

Council is obliged under various statutes, standards and internal policy to document and assess and address risks to Council. The Risk Register and the audit committee are the key mechanisms to meeting these obligations.

The legal /policy framework and obligations are primarily driven by the following:

- Risk and Safety Policy

- Risk Management Strategy
- Occupational Health and Safety Act 2004
- AS/NZS ISO 31000:2009 Risk Management
- VAGO Fraud Prevention Strategies in Local Government

### **Financial/Resources/Risk**

Council commitment to addressing the Risk Register items will substantially reduce financial impacts to Council. However, the capacity of some departments to address some of the more systemic areas of risk requires sufficient resource allocation to undertake the actions required.

### **Discussion:**

The Risk Register is reviewed bi-annually with all department managers, and reported on a quarterly basis to track the progress and update various items.

The Risk Register identifies the number of risks documented for each department, the high risks and any items that have not been reviewed as at the end of December 2013. A breakdown by department is attached below.

Each item on the register is analysed by using our Risk Rating Matrix of assessing the Likelihood x Consequence of each risk so as to determine the rating of a particular item. Once this rating is determined the risk then has actions or controls implemented to reduce the risk to the minimum level possible within reasonable and practicable means.

The item then is reassessed using the matrix of Likelihood x Consequence, to identify any 'Residual Risk'. The Risk Management Coordinator works with department managers to focus on the areas of greatest risk as a priority.

In some instances the residual risk cannot be significantly reduced and will remain the same, even with controls in place. For example, the Human Resource and Risk Unit have four items that remain high; one being '**Driving long distances**', which was initially rated as 'High'. This item has controls in place such as a Driver safety policy, defensive driving training offered biennially to all staff, fleet management system and risk management reporting systems.

Despite these controls in place the residual risk remains at 'High' due to the long distances that our staff drive on a regular basis and the large geographic area of our municipality resulting in continued reports of Motor Vehicle Incidents.

The following table outlines the number of identified risk items by department, the number of "High" risk items and indicates the number where mitigation controls are not up to date.

<b>Breakdown of Risk Register Items</b>			
<b>Department</b>	<b>Items</b>	<b>High Risk Items</b>	<b>Overdue items</b>
Infrastructure Operations	21	0	0
Infrastructure Assets	37	3	0
Customer & Communication	11	0	0
Community Services	19	1	0
Business Services	27	17	0
Development & Environmental Services	15	1	0

Breakdown of Risk Register Items			
Department	Items	High Risk Items	Overdue items
Economic Development	5	0	0
Human Resource & Risk	18	4	0
<b>Total</b>	<b>153</b>	<b>26 -&gt; 17%</b>	

**Consultation:**

The Risk Register is a collaborative document maintained through continuous consultation with all stakeholders. The quarterly report is the consultation mechanism with Executive decision making to prioritise and enable implementation of critical risk mitigation strategies.

**Conclusion:**

It is recommended that the Audit committee note the positive developments in maintaining the Risk Register as a dynamic working documents and give consideration to resourcing the areas where risk mitigation controls are outstanding

**RESOLUTION:**

R Richards / M Sheward

That the Audit Advisory Committee:

- Notes and continues to support departmental level commitment to maintain the Risk Register.
- Supports ongoing development of a risk management framework and detailed reporting back to the Committee surrounding the status of the Risk Register.

**CARRIED**

### 5.3 QUARTERLY REPORT – ANNUAL LEAVE AND LONG SERVICE LEAVE

(Refer Encl 5.3a - Employee annual leave report in excess of 6 weeks and Encl 5.3b - Trend Graph and Encl 5.3c - Accrued Annual Leave compared to Benchmark of 4 weeks per EFT)

**Purpose:**

The purpose of this report is to provide the Audit Committee with an overview of the status of Council's excess annual leave and long service leave balances.

**Recommendation:**

**That the Audit Committee notes the report on accrued annual leave and long service leave balances.**

**Discussion:****Annual Leave**

All managers have access to a leave report that enables them to view excess leave for their staff. The Human Resources Unit (HR) reports bi-monthly to management on staff with leave in excess of 8 weeks. The Audit Committee has sought regular reports on leave balances in excess of 6 weeks.



As at 28 November 2013 there were 54 staff with leave in excess of 6 weeks, however the amount of leave available in this group has reduced during 2013 as indicated in the table below (reduction of 474 hours since September 2013).

The overall annual leave balance for all staff has increased by 307 hours, which would be anticipated at this time of year prior to the Christmas New Year period.

Previous quarter	# of staff with excess of 6 weeks	Available Hours for staff with excess of 6 weeks	Change in hours for staff with excess	All staff Hours Accrued	All hours +/- hours over previous quarter
Jan-13	50	11,351.49	-	23,974.19	-
May-13	59	13,633.43	2,281.94	24,593.41	619.22
Sep-13	54	12,895.88	-737.55	23,335.37	-1,258.04
Nov-13	54	12,422.06	-473.82	23,642.93	307.56

The total accrued hours is lower than the same time last year and the preceding 4 years, showing the gradual reduction trend continuing back to "pre-fire" levels, as shown in the following table, and in the attached trend graph. This is largely due to the reduction in staff, however it is noted that the leave accrual is marginally lower than the same time in December 2008 (pre fires).

Year	Hours Accrued	+/- over previous year
03/12/08	24,645.37	
02/12/09	27,113.71	2,468.34
01/12/10	30,354.30	3,240.59
30/11/11	29,210.88	-1,143.42
28/11/12	26,359.14	-2,851.74
28/11/13	23,642.93	-2,716.21

A reasonable benchmark that we should aim for is to be consistently at or below an average of 20 days (4 weeks) per EFT.

The tables in the attachment show the Staff by Department with Excess of 6 weeks annual leave (names removed for Privacy, but Managers have access to all names).

Note also:

1. Staff may have leave plans agreed with their Manager, but not yet documented in approved leave (therefore not reducing pending balances).
2. Staff without access to online leave approval, may have approved leave but the paper work is not entered until the leave is taken (also not reducing pending balances).
3. In areas such as Community Services staff with low workloads (eg part time 7 hours/week), many may have excess number of weeks leave, but once calculated as Full Time Equivalent weeks, the amount of time (liability) appears more manageable, and the number of staff with more than 6 FTE weeks reduces significantly.

Long Service Leave (LSL)

The LSL balance is managed by the Finance department which monitors the level of leave available, and maintains a budget to cover a proportion of the balance.

The following table provides a quarterly indication of the LSL accrued entitlement for the past 12 months, which shows an increase in our liability until April 2013, and then a reduction to the end of August, with a very similar figure in November.

Quarter	TOTAL LSL (Hours)	Change +/- hours	change in FTE weeks
01/07/12	53985.01		
01/10/12	54500.90	515.89	13.57605
24/12/12	54925.30	424.40	11.16842
03/04/13	57494.22	2568.92	67.60316
10/07/13	54884.17	-2610.05	-68.6855
21/08/13	54387.60	-496.57	-13.0676
28/11/13	54459.11	71.51	1.88

**Conclusion:**

The Coordinator Human Resources will continue to monitor and report on trends, and support managers to implement leave plans.

**RESOLUTION:**

Cr J Walsh / R Richards

That the Audit Committee notes the report on accrued annual leave and long service leave balances.

**CARRIED**

**6. GENERAL BUSINESS AND FUTURE PLANNING****6.1 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL**

(Refer Encl 6.1 – MSC Audit Committee Annual Report 2013)

Ian McKaskill spoke to this report.

**Noted.**

**6.1A VAGO 2012/2013 AUDIT REPORT TO PARLIAMENT**

The CEO advised that the report was presented to Parliament on 11 December 2013 and provided an update regarding the status of performance of Murrindindi Shire Council and noted that several other Councils were detailed in the report.

Performance Reporting Framework for 2014/2015 was discussed and how Murrindindi is preparing for this as part of the Budget/SRP planning process.

**6.2 MEETING DATES FOR 2014**

Currently Audit Advisory Committee meetings are held four times a year on a Thursday afternoon in the Alexandra Chambers. The following dates in 2014 are proposed:

Meeting Date	Venue	Time
Thursday 13 February 2014	Alexandra Chambers	3.00pm
Thursday 22 May 2014 (Budget) TBC	Alexandra Chambers	1.00pm
Thursday 11 September 2014 *	Alexandra Chambers	3.00pm
Thursday 11 December 2014	Alexandra Chambers	3.00pm

\* to consider 2013/ 2014 Financial Statements

**RESOLUTION:**

Cr J Kennedy / Cr J Walsh

That the meeting schedule be approved.

**CARRIED**

**7. NEXT MEETING**

Thursday 13 February 2014 at 3.00pm in the Alexandra Chambers.

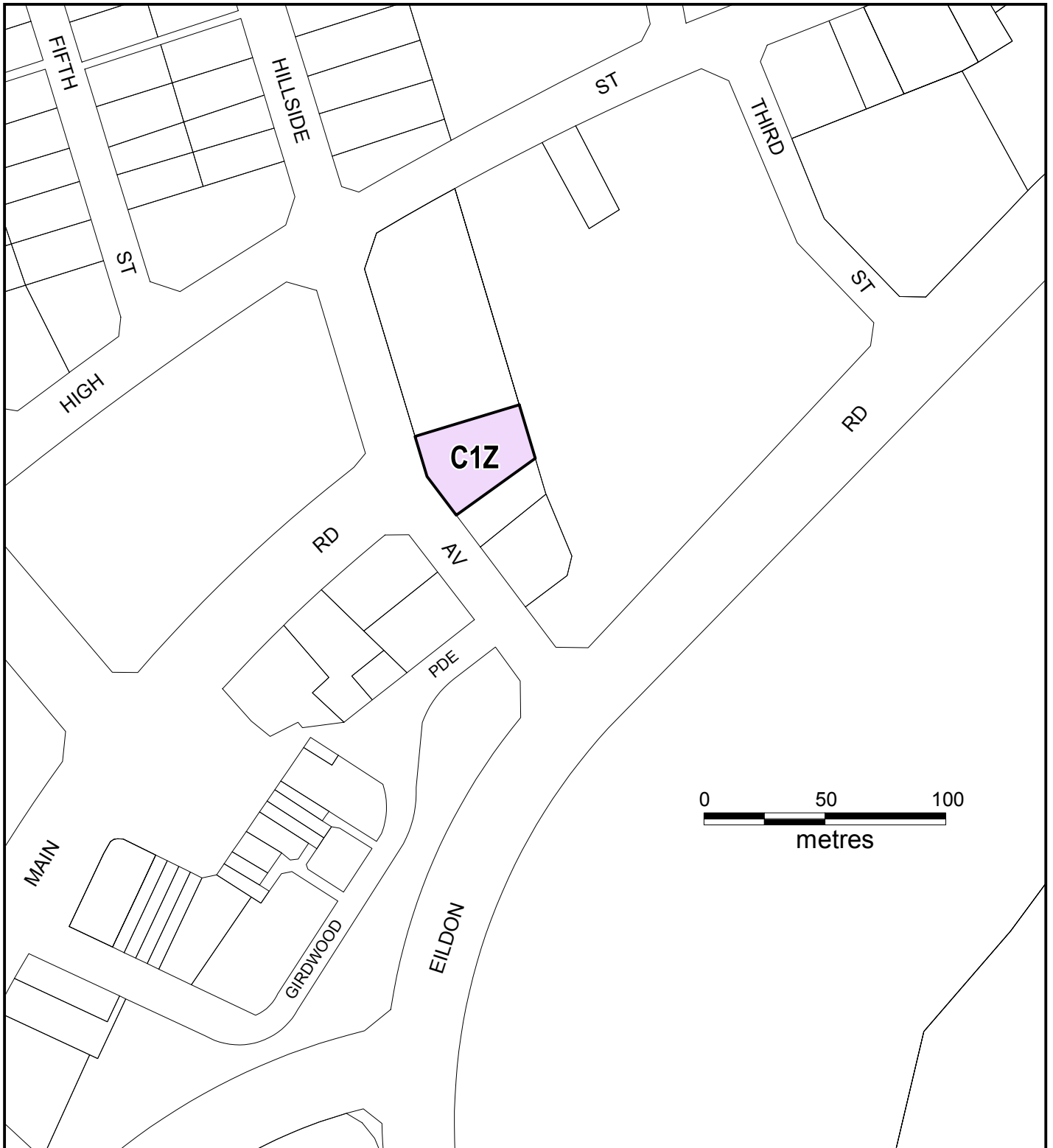
**There being no further items of Business, the Chairperson declared the meeting closed at 4.55 pm.**

**CONFIRMED THIS** \_\_\_\_\_

**CHAIRPERSON** \_\_\_\_\_

# MURRINDINDI PLANNING SCHEME

## LOCAL PROVISION

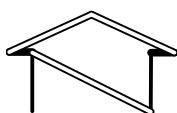


### LEGEND

**C1Z** COMMERCIAL 1 ZONE

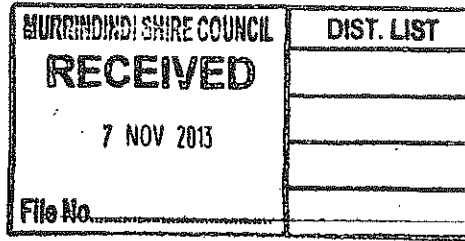
Part of Planning Scheme Map 15

## AMENDMENT C51



Ms Margaret Abbey  
Chief Executive Officer  
Murrindindi Shire Council  
Perkins Street  
Alexandra 3714.

October 31<sup>st</sup> 2013



Dear Margaret,

RE: Request for Dust Suppression Measures to be taken in Pendlebury/Wattle Street Alexandra

We reside on the corner of \_\_\_\_\_ Streets in Alexandra. We have lived here since July 2010. During this time the traffic using Wattle/Pendlebury Streets has increased dramatically. The signs erected to slow down the traffic seems to have had the opposite effect. There has been a vast increase in the number of vehicles and the variety eg. Large trucks with trailers, work vehicles, cars, ambulances and even Shire trucks using these Streets as a quick access to the local tip and to avoid we presume the main Street.

I had spoken to a member of Council last year voicing my concern. The reaction I received was nothing will happen. A traffic counting device was installed on the road to count the vehicles. The Council Staff Member said that using this device to count traffic using the Streets showed that there was not much traffic accessing this area. (When did you count the vehicles, between 9pm to 5am) We live the closest to the area of concern of any of our neighbours and even by keeping the house shut up there is dust everywhere. The dust takes away the appeal of the Street outlook across the hills.

Whilst the dust is a major concern, many people use this as a walking track around town. Cars speed up the Streets, some even without respect for those walking leaving them in a cloud of dust. There are children on bikes and people with animals also. We are witnesses to this as we walk most nights. The grass on the blocks here are overgrown at the moment, so you can't always see approaching traffic, only the dust. My other concern is that there could be an accident. There are children living in all Streets in this radius.

Could Council please Agenda this at their next meeting, as we feel that these Streets require sealing to assist with the dust issue. The speed at which some motorists travel is also of great concern. We are well aware of other complaints to the Shire Council with respect to the dust issue.

We eagerly await your reply.

Yours Sincerely

Alexandra 3714

**Title:** Councillor Reimbursement Policy  
**Type:** Council  
**File No:** SF/103  
**Document No:** 14/71  
**Date Adopted:** 26 November 2012  
**Next Review Date:** February 2017  
**Revision History:**

Date	Action	Who
November 2012	Reviewed Policy Adopted	Council
January 2014	Reviewed Policy Adopted	Council

### 1. Purpose

To establish the expense entitlements for a Councillor in relation to:

- reimbursement or pre payment of out of pocket expenses incurred while performing duties as a Councillor;
- support entitlements that will be provided to Councillors to allow them to effectively carry out their duties; and
- support available to Councillors for upgrading their skills during their term of office.

### 2. Rationale

This policy gives a broad overview of how Council can provide assistance to its Councillors in carrying out their functions. It cannot prescribe for every possible situation that may arise.

The *Local Government Act 1989* (Section 75) provides for the reimbursement of out of pocket expenses incurred while performing the duties as a Councillor.

In addition, Mayoral and Councillor allowances are provided separately to the reimbursement of expenses and the costs of facilities/resource support.

As well as legislation, there is an information guide issued by the Victorian Government that outlines the entitlements and support to be provided to Mayors and Councillors.

The basic test that will be applied to determine whether or not an expense is lawfully incurred is whether the expenditure is necessary because it is supplemental or incidental to or consequent on the exercise of Council functions. Where these criteria are satisfied and a Councillor has incurred an out of pocket expense they will be reimbursed by Council.

### 3. Scope

The scope of this policy includes any matter relating to the reimbursement of Councillor related expenses and Councillor allowances.

### 3.1 Mayoral and Councillor Allowances

Mayoral and Councillor allowances, including an amount equivalent to the superannuation guarantee under Commonwealth taxation legislation, are to be paid to the Councillors monthly in advance at the rate which will be determined at the annual Special Council meeting.

Council will provide Councillors within two weeks of the end of each financial year, a breakdown of allowances and reimbursements received during the previous financial year. It is important to note that the Mayoral and Councillor allowances are considered taxable incomes and that Council does not make any tax instalments (PAYG) on behalf of the Councillor. As such Councillors will need to seek independent advice from an Accountant / Financial Advisor in relation to their taxation requirements and not from officers.

### 3.2 Travel

Travelling expenses will be paid to Councillors at the rate specified by the Victorian Local Authorities Award 2001, under the following circumstances:

- To attend Ordinary and Special Council Meetings and meetings of Committees of Council.
- To attend formal briefing sessions and civic or ceremonial functions convened by the Council or Mayor.
- To attend meetings scheduled by Council or the Mayor.
- To attend meetings necessary for the Councillor to exercise a delegation given by Council.
- To attend a meeting, function or other official role attended as a representative of the Council or Mayor.
- To attend meetings of a group, organisation or Statutory Body to which the Councillor has been appointed Council delegate. The reimbursement by Council is to be diminished by however much the body pays travelling expenses directly.
- To attend to inspect a street, property or area (or to discuss with any person) any matter affecting or affected by the Council, and/or in order to carry out activities in the capacity of a Councillor.
- To attend meetings of any Council appointed committee or any incorporated charity or community organisation, as a representative of the Council.
- To attend meetings or to participate in delegations or deputations to which the Councillor has been appointed as a representative by Council, the Chief Executive Officer or Mayor.
- When Councillors are travelling interstate, the mode of transport is to be determined on the advice of the Chief Executive Officer based on the most cost effective form of transport.

Councillors can seek reimbursement of toll charges and car parking fees associated with attending meetings or functions on behalf of Council.

### 3.3 Remote Area Allowance

Council will pay the Remote Area Allowance in accordance with the Government Gazette of 29 March 2001. The allowance is for circumstances when a Councillor (including a Mayor) normally resides more than 50 kilometres by the shortest possible practicable road distance, from an ordinary, special or committee meeting of the Council or any municipal or community functions which have been authorised by Council resolution for the Councillor to attend.

A Councillor may decline to accept the Remote Area Allowance by advising the Chief Executive Officer in writing at any time.

### 3.4 Professional Development

Councillors may have the opportunity to attend conferences, training courses and other events. Where Councillors nominate to attend events they should provide details of the event, the benefit to Council of attendance and the cost of attendance.

Where domestic travel is undertaken and a Council vehicle is not available for use a Councillor may claim the cost of public transport or the use of their private vehicle to the event. Where interstate or overseas travel is undertaken the travel arrangements, including air fares and accommodation bookings, will be made by Council on behalf of the Councillor.

Councillors must ensure that:

- Any private travel associated with Council related travel is identified and paid for by the Councillor.
- They have any required passports, visas, travel insurance, vaccinations, etc.

Reasonable costs associated with attendance at conferences, training or other events, such as food and beverage cost, communication expenses (telephone, fax, internet) and the like, may be claimed. Councillors are responsible for any expenditure related to their partner attending a conference, training or other events with them, except in such cases where Council has invited a Councillor's partner to attend an event with the Councillor.

Where Councillors are paid a fee for presenting at a conference or other events the fee will be paid into Council's general revenue.

### 3.5 Family Care Expenses

- Expenses for bona fide child care services (for children being cared for up to the age of 14 years) will be paid or reimbursed by Council, if claimed, when a Councillor attends:
- Meetings of the Council or its Committees.
- Meetings, briefing sessions and civic or ceremonial functions convened by the Mayor, the Council or the Chief Executive Officer.
- Meetings arising as a result of a Councillor being appointed by the Council to an external body or committee except where the body itself reimburses relevant child care expenses incurred by the Councillor.
- A meeting, function, or other official role as a representative of the Mayor or Council.
- The offices, to discuss with the Mayor, other Councillors or Officers any matter relating to Council. This may relate to Ward or Committee responsibilities or areas of focus or specialisation.
- Conferences or study tours, training sessions and seminars in capacity as a Councillor.
- Other Civic related engagements where the payment of child care has been pre-approved by the Mayor.

Recognised child care expenses consist of reasonable hourly fees, agency booking fees (if applicable) and reasonable associated travelling expenses. Fees are generally payable per hour or part of an hour subject to any minimum period which is part of the care provider's usual terms.

Reasonable child care fees will be determined as not exceeding reasonable prevailing child care market rates. The Chief Executive Officer may determine reasonable market rates. Child care costs are not eligible for payment or reimbursement if paid to a person who normally or regularly lives with the Councillor, except where a live-in (professional) helper such as a nanny is required to work extra time at extra expenses because of the Councillor's duties.

Child care expense payment or reimbursement claims should be submitted to the Chief Executive Officer and must be accompanied by a receipt from the care provider showing the date and time care was provided and other details nominating the reasons child care was necessary. (e.g.: what Council function/meeting Councillor attended).



### 3.6 Communications Equipment

Councillors will be provided with the following equipment to allow them to effectively carry out their duties;

- I-Pad and internet connection
- Mobile phone

Councillors will be responsible for all personal related charges. If Council provided equipment cannot be effectively used, alternative equipment including the use of private equipment may be considered, provided that the use was approved prior to its installation.

Administrative support, including photocopying, for work directly related to the duties of office will be provided through the Chief Executive Officer's office.

### 3.7 Stationery

The Council shall, upon request, provide Councillors with standard stationery held or obtained generally for the organisation's requirements.

The stationery may include, but not necessarily be limited to: paper, business cards, writing implements, diaries, writing pads, memory sticks, envelopes and the like.

Requests for stationery should be made to the Executive Assistant to the Mayor and Chief Executive Officer.

### 3.8 Secretarial Services

Limited administrative support is available to Councillors for work directly related to the duties of the office. All support will be coordinated by the Executive Assistant to the Mayor and Chief Executive Officer.

### 3.9 Protective Clothing

The Council shall provide Councillors with protective clothing as required.

### 3.10 Meetings and Function Rooms

Subject to availability, meeting/function rooms owned and controlled by Council can be booked by Councillors, free of charge for meetings, interviews and other functions provided they are associated with Council business.

### 3.11 Procedures for Reimbursement of Councillor Expenses

When a Councillor requires reimbursement of monies expended whilst conducting Council business, provided such expenditure is deemed acceptable under the provisions of this policy, he/she should follow the procedure below.

- Obtain a receipt for any expenditure.
- Complete the Councillors' Expense Reimbursement Form.
- Attach the relevant receipt to the form and forward it to the Chief Executive Officer.
- The claim will be authorised by the appropriate officer.
- The claim will be processed through the Accounts Payable system.

### 3.12 Exclusions

Any expenses arising from a breach of road, traffic parking or other regulations or laws, will not be reimbursed or funded in any way by Council.

Claims for expenses, other than those included in the policy, will not be reimbursed, except when they are subject to a Council resolution.

Claims should be lodged monthly with the Chief Executive Officer.

## **4. Supporting Documents**

- Recognition and Support, The Victorian Government's Policy Statement on Local Government Mayoral and Councillor Allowances and Resources, April 2008.
- Mayor and Councillor Entitlements reimbursement of expenses and provision of resources and facilities support for Victorian Mayors and Councillors November 2008.

## **5. Related Policies**

Councillor Code of Conduct

## **6. Governance**

Implementation of this Policy will be monitored by the Chief Executive Officer.

## **7. Portfolio and/or Riding Councillor Input**

Council adopted this Policy at its Ordinary Meeting held on 23 November 2011. It was reviewed at the Ordinary meeting held on 26 November 2012 and revised at the Ordinary meeting held on 22 January 2014.

## **8. Responsible Officer**

Chief Executive Officer

## **9. Human Rights Charter**

This policy has been developed with consideration of the requirements under the Charter of Human Rights and Responsibilities.