



Surf Coast Shire
Audit and Risk Committee Agenda No. 62
19 May 2015, 9:00am

COMMITTEE MEMBERS

Cr Margot Smith (Mayor)
Cr Clive Goldsworthy
Brian Keane (Chair) Term expires 31/01/2016)
Melissa Field (Term expires 31/01/2016)
John Gavens (Term expires 27/01/2018)
Debra Russell (Term expires 27/01/2018)

IN ATTENDANCE

Keith Baillie – Chief Executive Officer
Sunil Bhalla – General Manager Governance & Infrastructure
John Brockway – Manager Finance
Wendy Hope – Acting Manager Governance & Risk (Apology)
Maureen White – Coordinator Risk Management and Legal Services
Avinesh Maharaj – Coordinator Governance & Procurement
Lisa Robinson – Executive Assistant Governance & Infrastructure
Scott Hartley (Grant Thornton)
Trai Moorthy (Grant Thornton)
Tim Loughnan (VAGO) (Apology)
Ivy Ly (VAGO) (Apology)

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1. Declaration of Conflicts of Interest

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	N/A

This item is to allow the opportunity for Audit and Risk Committee members to declare any conflicts of interest for noting in the minutes.

RECOMMENDATION: That the Audit and Risk Committee note that no conflict of interest declarations were made.	
MOVED: Brian Keane	SECONDED: Cr. Clive Goldsworthy

2. Apologies

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	N/A

This item is to note apologies for absence from Audit and Risk Committee Members and acknowledge non-attendance.

RECOMMENDATION:

That the Audit and Risk Committee receive apologies from Wendy Hope, Acting Manager Governance and Risk, Tim Loughnan (VAGO), Ivy Ly (VAGO) and Trai Moorthy (Grant Thornton).
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MOVED: Cr. Margot Smith

SECONDED: Cr. Clive Goldsworthy

3. Confirmation of Minutes

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	N/A

This item is to confirm the minutes of the previous meeting which were provided to the Audit and Risk Committee members for review.

RECOMMENDATION:

That the minutes of the Audit and Risk Committee meeting No. 61 held on Tuesday 17 February 2015 be accepted as a true and accurate record of the meeting.
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MOVED: Melissa Field

SECONDED: Cr. Clive Goldsworthy

4. Chief Executive Officer's Update

AUTHOR:	Keith Baillie	ENDORSED:	N/A
DEPARTMENT:	Office of the CEO	CHARTER REFERENCE:	N/A

Keith Baillie, Chief Executive Officer, will provide a general update for the information of Audit & Risk Committee members.

MEETING DISCUSSION:

Keith Baillie, Chief Executive Officer discussed the below:

Organisation Restructure

- Restructure now complete.
- Change management good with little difficulty.
- Moved from 4 to 3 Divisions.
- Utilised savings to create strategically important roles : Business Improvement and Program Management.
- Finance reporting to CEO for perhaps next 18 months as affirm practices and long term planning.

Budget Submissions

- At this stage there are 53 submissions of which 24 are presenting to Council.
- Pleasing level of involvement.
- All submissions are seeking further allocations, with none seeking lower rates.
- Some discussion about needs vs equity, which will be increasingly challenging following rate capping and the resultant reduced discretionary expenditure.

Infrastructure Priorities Community Engagement

- Conversation began with Council's commitment in September 2014 to issue Aquatic report for community consultation.
- Need to broaden discussion from Aquatic to the broader topic of all infrastructure priorities; Aquatic can then be assessed in that context.
- Session with Councillors today as to approach, with a plan to initiate process in late July.

Rate Capping

- Council lodged submission last Friday.
- Much discussion about what the cap will be.
- Biggest risk facing Council, with potential reduced revenue of \$750k cumulative per year (assuming a 2% reduction).
- Will significantly reduce discretionary expenditure.
- Business Improvement program critical to affirm all Council services, seek efficiencies and increase non-rate revenue sources.

Business Improvement Program

- Brendan Walsh now in place.
- Scope includes Efficiency Initiatives, Service Review and Non-Rate Revenue.
- Session with Councillors next week on principles, aiming to bring to June Council meeting.

Year End Financial Report

- Change in practice – has been a Monthly Finance Report to Council, except for June that was instead covered by Annual Report - will now do end of year Finance Report, at this stage to be presented to August Council meeting.

- Will also list for 8 September Audit Committee meeting.
- Overall, favourable to budget this year, next budget is a surplus, all needed for the year after given a higher anticipated capital works spend.

RECOMMENDATION:

That Audit and Risk Committee note the general update provided by Keith Baillie, Chief Executive Officer.

MOVED: Cr. Clive Goldsworthy

SECONDED: Cr. Margot Smith

5. Audit and Risk Committee Outstanding Issues & Actions

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.10.4

This item is designed to provide an update on the progress on actions items identified from previous Audit Reports and Audit and Risk Committee meetings.

As requested by the Committee the reports have been combined into one document. Items notified as completed at previous Committee meeting are shaded in red and will be removed from the report when the whole of that section has been completed.

Refer Appendix A: Outstanding Issues & Actions Report (D15/29830)

RECOMMENDATION: That the Audit and Risk Committee receive the Outstanding Issues & Actions Report and note the progress to date.	
MOVED: Brian Keane	SECONDED: Melissa Field

APPENDIX A – Outstanding Issues & Actions Report
(Trim Reference: F15/403 – D15/29830)

AUDIT & RISK COMMITTEE: OUTSTANDING ISSUES & ACTIONS REPORT

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
1.	AUDIT: Financial Audit – VAGO 30 June 2013	Form and content of rating strategy: Surf Coast should develop a more comprehensive rating strategy that considers the relevant factors for informed rating decisions. It should be supported with information that details the rationale for the proposed rate structure, which would include consideration of state imposed levies and special charge schemes.	–	A comprehensive Rating Strategy is being drafted by the Finance Department in conjunction with the 2014/15 budget. Officers are using comparative material from peer Councils to assist in obtaining the most inclusive strategy for use. This Strategy shall also incorporate feedback from the Council Policy Review Sub-committee as it relates to hardship (rate shock).	Action Target Date: Item Now Complete Responsible Officer: Manager Finance Action to Date: Item Now Complete – Council's draft rating strategy has been released for public exhibition alongside the draft budget and Council Plan.	89275
2.	AUDIT: Rates Revenue Review – Grant Thornton 20 May 2014	Rates Revenue Review: Any newly developed or updated procedure documents should be communicated to staff in a timely manner. All policies and procedures should also be reviewed regularly to ensure that they reflect current business practices and any changes required are updated in a timely manner. 1. Council to review the action date on below items of the Rates Revenue and provide an update to the Audit and Risk Committee.	Important	A set of work instructions will be developed as recommended.	Refer below.	95527 & 95524

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		2.1 (Absence of formally documented procedures) and;			<p>2.1. Action Target Date: Date modified from 30 October 2014 to 30 June 2015.</p> <p>Responsible Officer: Coordinator Revenue</p> <p>Action to Date: Currently in progress with direct daily tasks for Revenue Department with a view to also including a monthly timeline for Revenue specific activities ie Rates Due, Notice Production and Debt Recovery timeframes.</p>	
		2.2. (Delegations of authority need to be updated and criteria for deferral or waiver of rates to be defined)			<p>2.2. Action Target Date: Date modified from 30 October 2014 to June 2015.</p> <p>Responsible Officer: Coordinator Revenue</p> <p>Action to Date: Criteria for the waiver and deferral of rates has been completed, please see comment in Item 9 in reference to the delegations of authority.</p>	
		2. Council to include infringement withdrawal information in future monthly financial reports			PREVIOUSLY COMPLETED	

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		3. Council to review comment on page 163 of the Audit and Risk Committee Agenda - 20th May 2014 regarding Special Charges and GL Interface			3. Action Target Date: Item Now Complete Responsible Officer: Coordinator Revenue Action to Date: Item Now Complete	
3.	AUDIT: Rates Revenue Review – Grant Thornton 20 May 2014	Rates Revenue Review: Based on the above, it is our recommendation that Surf Coast revise their current Chart of Authorities to include delegations in relation to specific decisions noted above. It is recommended that the following authorities be included within the current Chart of Authorities. Surf Coast should also develop criteria that should be considered when evaluating applications/request to defer or waive rates and associated charges.	Important			
		1. Approval of credit notes and account adjustments;		1. Financial hardship is the sole criteria for approval of a request to waive and/or defer payment of rates. This is specified in Council's rates assistance policy. Additionally a waiver of rates must be approved by the	PREVIOUSLY COMPLETED	95529

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
				Council itself under the Local Government Act. It is up to an applicant to satisfy the delegate or Council and it is considered that the rates assistance policy is sufficient.		
		2. Approval of rate deferrals and payment plans; and		2. Chart of Authorities to be reviewed as recommended.	2. Action Target Date: 31 March 2015 Responsible Officer: Coordinator Financial Accounting Action to Date: See comment in item 9	
		3. Waiving of rates, legal fees and other expenses.		3. A management procedure or work instruction will be developed to provide guidance about the waiving of additional costs levied, i.e. interest and debt recovery charges.	3. Action Target Date: Date modified from December 2014 to June 2015. Responsible Officer: Coordinator Revenue Action to Date: In progress – work instructions are being developed.	
4.	AUDIT: <i>Rates Revenue Review – Grant Thornton</i> 20 May 2014	Australian Receivables Limited ('ARL') external collection agency: Surf Coast should formalise the arrangement with ARL. Further,	Minor	A tender will be issued for these services and new contract will be awarded to the selected supplier.	Action Target Date: 30 June 2015 Responsible Officer: Coordinator Revenue	95533

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		Surf Coast may wish to go to tender for the external collection agency services to gauge whether the current service provider is still the best option for the Council. The benefits of going to tender are that Surf Coast is able to see other external collection agencies services offered and ensure that they are obtaining the greatest value for money from their external collection agency.			Action to Date: In progress - discussions have taken place with Manager Contracts and Projects and tender documents are being created. Expected to be ready for tender process in June 2015.	
5.	AUDIT: Financial Controls Review – <i>Grant Thornton</i> 20 May 2014	<p>Policy in relation to key General Ledger processes prescribed by the Conceptual Accounting Framework (AASB standards): To ensure Surf Coast have an adequate framework in place to support staff perform process in a consistent, efficient and effective manner, it is recommended that management consider the following:</p> <ul style="list-style-type: none"> • Develop formal procedures that set out clear accountabilities and provide employees with guidance on appropriate protocols that should be undertaken for the key business processes. for the two (2) areas specifically reviewed, procedure requirements could potentially be captured in three key procedural documents as follows: 	Important	<p>Work instructions will be created to document the following processes as recommended, and will include pertinent information as suggested ie;</p> <ol style="list-style-type: none"> 1. Month end accounting 2. Special charge schemes 3. Infringement processing <p>It is considered that a chart of signatories is not necessary at this time due to the relatively small number of staff that are involved in these processes.</p>		95534

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		1. Monthly accounting procedures (standard and ad hoc journals, reconciliations, and changes to chart of accounts).			1. Action Target Date: Date modified from 30 June 2014 to 31 March 2015. Responsible Officer: Coordinator Financial Accounting/Coordinator Management Accounting Action to Date: Completed	
		2. Processing special charges (invoicing, receipting payments, follow up for overdue accounts). 3. Processing infringements (issuing infringement notices, receipting payments, follow up for overdue accounts, infringement withdrawals).			2. Action Target Date: Date modified from 30 June 2014 to 31 March 2015. Responsible Officer: Coordinator Revenue Action to Date Completed 3. Action Target Date: Date modified from June 2014 to March 2015. Responsible Officer: Coordinator Development Compliance & Local Laws Action to Date: Being finalised.	

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
					A draft policy has been completed and submitted for approval with Brydon King and if satisfactory passed onto Kate Sullivan for approval. The policy defines the requirements for the issue of Penalty Notices, receipting and follow up on unpaid notices. Confirmation of sign off of this policy will be confirmed next meeting.	
6.	AUDIT: Key Financial Controls Review – <i>Grant Thornton</i> 20 May 2014	Withdrawn infringements: 1. Review if practical an element of segregation should be added to the withdrawal process, such that all decisions to withdraw an infringement are reviewed and approved by a person separate to the individual who investigates/processes the withdrawal. This should be captured via a formal sign-off sheet, which indicates who was responsible for investigating, processing and approving the withdrawal.	Minor	1. All decisions to withdraw an infringement will be reviewed by an independent officer. The review may be carried out by any one of Team Leader Locals Laws, Coordinator Development Compliance & Local Laws, Manager Planning & Development and Director Planning & Environment. A form for this purpose will be designed and completed and stored in TRIM with the other documents relating to the withdrawal request.	PREVIOUSLY COMPLETED	95540 & 94528
		2. Monitoring In order to ensure transparency		2. A report containing summarised detail of all	PREVIOUSLY COMPLETED	95540 &

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		and oversight over the withdrawal process, Surf Coast should implement periodic monitoring and reporting over withdrawals by the Planning & Environment Division and more specifically the Local Laws Team. It is suggested that the Manager -Planning and Development and Director - Planning and Environment should independently review quarterly infringement withdrawal reports. These reports could detail: volume of withdrawals, percentage of withdrawals, and breakdown of the reasons for withdrawal. This process would assist to identify areas that require specific attention. A summarised version of these reports should also be prepared by the Director – Planning and Environment and presented to the Audit and Risk Committee on a quarterly basis, as additional oversight over the infringement withdrawal process.		withdrawals for the preceding quarter will be developed. This report will be provided to Manager Planning and Development and the Director Planning and Environment for review each quarter.		94528
		3. Reporting on infringement withdrawals would complement the infringement information already received by the Audit and Risk Committee. The original reports could also be enhanced to include detailed information on the		3. The Infringements Court is unable to provide payment plan information. The Court has indicated that payment plans are not standard arrangements and are based on the circumstances of each case, each infringement	3. Action Target Date: Date modified from 30 April 2014 to 31 March 2015. Responsible Officer: Coordinator Financial Accounting	94528

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		<p>To ensure all IT users are appropriate, periodic user reviews should be conducted, at a minimum annually. This process may require input from department managers, who can confirm whether user access profiles are aligned to their respective employee's roles and responsibilities. Based on this review, user access configuration is to be updated if there is a discrepancy with the exceptions reported above. A review should specifically focus on the users identified above who may have inappropriate user access and the Authority roles which have > 50 assigned users.</p> <p>This process will also identify any terminated employees that require user access to be disabled. All generic and system users that are identified through this process will need to be justified. Otherwise these profiles should also be disabled.</p>		<p>within Authority will be carried out by 31 May as recommended and a plan for periodic reviews in future will be developed.</p>	<p>31 May 2015</p> <p>Responsible Officer: Manager Information Management</p> <p>Action to Date: In progress.</p> <p>The checking of inactive user accounts is performed regularly. In most cases accounts remain active for 4-6, allowing for leave to lapse and documents to be electronically captured. In the case of casual staff, most Supervisors request these staff to stay on the system for future recall but this practice is discouraged unless there is a contract in place with the employee.</p> <p>The matching/checking of Authority rights is an intricate and complex task and supervisors are not always aware of the particular Authority modules required for their staff. IT determines this requirement by matching with previous staff in the role and on a request basis when staff realise they do not have the correct access.</p>	

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
					Since May 2014 completed Network Access forms have been requested for all staff who have changed positions or where their department has been restructured.	
8.	COMMITTEE: 20 May 2014 (Meeting No. 58)	Agenda Item 5.2: Internal Audit Fraud Framework: 1. Council to investigate an ethical culture survey and report back to the Audit & Risk Committee.	N/A	N/A	Action Target Date: Postponed from November 2014 to September 2015. Responsible Officer: Assigned to Manager People & Culture Action to Date: The BEST Employer, employee survey is scheduled to take place in July 2015.	95521
9.	COMMITTEE: 20 May 2014 (Meeting No. 58)	Agenda Item 7.1: Internal Audit Update – Grant Thornton: 1. Council to review the action date on items: (a) 2.1 - Develop a set of work instructions for a number of revenue procedures. Status: In progress to be completed by 30 June 2015 and; (b) 2.2 - revise the chart of authorities to include delegations	N/A	N/A	1. Action Target Date: 1. (a) Postponed from November 2014 to June 2015 (b) Item Now Complete Responsible Officer: Manager Finance Action to Date: (a) Chart of Authorities has been reviewed in consultation with Governance and Contracts	95524

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		in relation to specific revenue issues of the Rates Revenue Review and provide an update to the Audit and Risk Committee.			Managers. Additional authorities have been documented in relation to the issues raised in the audit report. New matrix has been developed to visually represent levels of delegation. Some other changes will be proposed to delegation levels to ensure consistency across the organisation. Revised COA will represent new organisational structure and will be presented to EMT in May 2015. (b) Item Now Complete – Development of criteria to be considered when evaluating applications to defer or waive rates and associated charges being documented in line with item 1(a)	
		2. Council to include infringement withdrawal information in future monthly financial reports.			PREVIOUSLY COMPLETED	
		3. Council to review comment on page 163 of the Audit and Risk Committee Agenda - 20th May 2014 regarding Special Charges and GL Interface.			3. Action Target Date: Postponed from November 2014 to 30 June 2015 – Software provider working on issue Responsible Officer:	

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
					Manager Finance Action to Date: See Comment in item 2	
10.	AUDIT: Capital Planning and Budgeting – Grant Thornton <i>11 November 2014</i>	Capital Works Planning Process: Review, finalise and formally adopt the Capital Works Planning Process procedure document that the Manager – Contracts & Capital Works is currently drafting. The procedures should set out clear accountabilities and provide employees with guidance on appropriate protocols that should be undertaken in relation to capital planning and budgeting. At a minimum, procedures should capture the following pertinent information: - Policy statement - Purpose - Scope - Responsibility (i.e. prepare, reviewer and authoriser) - Procedures for the following key process: i. Rolling forward and development of rolling 10 year Capital Works Program ii. Liaison with Finance for the development of the capital works budget iii. Preparation of business case	Important	Review, finalise and formally adopt the Capital Works Planning Process procedure document.	Action Target Date: Item Now Complete Responsible Officer: Manager Contracts and Capital Works Action to Date: Item Now Complete – Capital Works Planning Process has been reviewed and presented to the Asset Management Working Group at the 5 March 2015 meeting.	100811

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		<p>for new projects</p> <p>iiii. Evaluation of business cases by the Asset Category Working Groups</p> <p>iiiii. Ongoing monitoring and reporting of capital projects.</p> <ul style="list-style-type: none"> - Related documents and references - Policy administration information <p>Any newly developed or updated procedure documents should be communicated to staff in a timely manner. All policies and procedures should also be reviewed regularly to ensure that they reflect current business practices and any changes required are updated in a timely manner.</p>				
11.	AUDIT: Capital Planning and Budgeting – Grant Thornton <i>11 November 2014</i>	<p>Absence of a robust transparent assessment process for new projects:</p> <p>1. Review the project evaluation criteria to ensure that it reflects the strategic objectives of the Council. Consideration may be given to aligning the categories of the criteria with the themes of the Council Plan to demonstrate direct alignment.</p>	Important	1. Undertake Review of Project Evaluation Criteria.	<p>1. Action Target Date: June 2015</p> <p>Responsible Officer: Manager Contracts and Capital Works</p> <p>Action to Date: Review process commenced through investigation of other</p>	100815

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
		2. Ensure evidence of business case assessment by the Asset Category Working Groups are adequately maintained. This can be done through recording of meeting minutes or completion of an assessment form. Surf Coast should ensure that this requirement to maintain evidence of business case assessment should also be included in the Capital Works Planning Process procedure document.			Councils' processes. PREVIOUSLY COMPLETED	
12.	AUDIT: Capital Planning and Budgeting – Grant Thornton <i>11 November 2014</i>	Internal monitoring of projects: It is recommended that Surf Coast adopt consistent approach towards internal monitoring of projects. This requires Management to confirm the required procedures that should be undertaken by the Infrastructure Managers and ensure it is consistently applied by all.	Minor	Review procedures for Infrastructure Managers to monitor Capital Works Project Delivery. To be undertaken as part of the review of the Capital Works Planning Process procedure document.	Action Target Date: Item Now Complete Responsible Officer: Manager Contracts and Capital Works Action to Date: Item Now Complete – Capital Works Planning Process has been reviewed and presented to the Asset Management Working Group at the 5 March 2015 meeting.	100816
13.	COMMITTEE: <i>11 November</i>	Agenda Item 6.1: Enterprise Risk Management:	N/A			100792

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
	2014 (Meeting No. 60)	1. Serious Risk Reports to include a new commentary column 'Actions Since Last Audit & Risk Committee Meeting' to demonstrate any movement and progress.		1. Assigned to Coordinator Risk Management. Column included in risk report. Completed.	PREVIOUSLY COMPLETED	
		2. Risk No. 67 – Fatality, injury or significant fine to the organisation or an individual in not maintaining a safe work place so far as reasonably practicable – to be updated with actual controls (staged process) for Occupational Health & Safety.		2. Matt Connell, Manager People and Culture will attend the meeting to provide an update on this serious risk.	PREVIOUSLY COMPLETED	
		3. Section 6 – Risk Severity Across Business Unit – is to be removed from future reports.		3. Item removed from report.	PREVIOUSLY COMPLETED	
		4. Officers to consider including Anglesea Power Station risk reporting.		4. Risk Management Coordinator is working with Manager Environment and Community Safety to enter into risk register.	<p>Action Target Date: May 2015</p> <p>Responsible Officer: Coordinator Risk Management</p> <p>Action to Date: Following discussions with the Manager Environment and Community Safety and his coordinators, an advocacy role for Council to work with and advocate on behalf of the community will be included in</p>	

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
					the existing Bushfire risk..	
14.	COMMITTEE: 17 February 2015 (Meeting No. 61)	Agenda Item 5.1: Enterprise Risk Management: 1. Management to consider the Risk Framework and adopting a strategic approach to reporting and monitoring risk. 2. Council to identify draft top ten risks and prepare an action plan for presentation at the next Audit & Risk Committee meeting	N/A	Refer current actions / status.	1. Action Target Date: May 2015 - Item Now Complete Responsible Officer: Coordinator Risk Management Action to Date: Item Now Complete – The ERM Report will include status of Strategic Risks plus Serious Risks. 2. Action Target Date: May 2015 - Item Now Complete Responsible Officer: Coordinator Risk Management Action to Date: Item Now Complete – Top 10 Strategic risks have been presented and agreed by EMT. These risks will now be developed in consultation with appropriate Managers and GMs.	105449
15.	COMMITTEE: 17 February 2015	Agenda Item 6.1: Internal Auditor's Update (Grant	N/A	Refer current actions / status.	Action Target Date: Item Now Complete	105453

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
	(Meeting No. 61)	Thornton): That the Strategic Plan be recirculated to committee members.			Responsible Officer: Coordinator Governance & Business Improvement Action to Date: Item Now Complete – Strategic Plan included in the May 2015 ARC Agenda.	
16.	COMMITTEE: 17 February 2015 (Meeting No. 61)	Agenda Item 6.1: Internal Auditor's Update (Grant Thornton) Management to review the Information Technology General Control Audit Report and provide responses that identify process changes and an associated schedule for completion to all issues raised in the audit.	N/A	Refer current actions / status.	Action Target Date: Item is now complete Responsible Officer: Manager Information Management Action to Date: New management responses prepared and submitted to Auditors	105454
17.	COMMITTEE: 17 February 2015 (Meeting No. 61)	Agenda Item 6.2: Internal Audit Progress Report (Business Improvement): Internal Audit Plan and Status Update to be provided as part of the future agenda papers for the committee's information.	N/A	Refer current actions / status.	Action Target Date: Ongoing Responsible Officer: Coordinator Governance & Business Improvement Action to Date: In progress – As part of the restructure, the Business Improvement function has been incorporated into the Business Improvement Manager role reporting direct to the CEO. This position was advertised internally on 17 April 2015.	105456
18.	COMMITTEE:	Agenda Item 6.3:	N/A	Refer current actions / status.	Action Target Date: Item is	105457

	TYPE / DATE	ACTIONS RECOMMENDED	RISK RATING	MANAGEMENT RESPONSE	CURRENT ACTIONS / STATUS	CRM
	17 February 2015 (Meeting No. 61)	External Audit Update (Victorian Auditor General's Office): Management responses not currently included in the report to be distributed to committee members.			now complete Responsible Officer: Manager Finance Action to Date: Item Now Complete – Report included in Agenda for 19 May 2015 Committee Meeting.	

6. Presentation on Asset Management System

AUTHOR:	John Bertoldi	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Contracts & Capital Works	CHARTER REFERENCE:	9.5.1

John Bertoldi, Manager Contracts & Capital Works, provided a presentation on Council's Asset Management System.

MEETING DISCUSSION: It was noted that Council has an ongoing focus on asset renewal.	
RECOMMENDATION: That the Audit and Risk Committee note the contents of the presentation by John Bertoldi, Manager Contracts & Capital Works, on Council's Asset Management System.	
MOVED: Melissa Field	SECONDED: Brian Keane

7. Risk Management

7.1 Enterprise Risk Management

AUTHOR:	Maureen White	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.5.1, 9.5.2, 9.5.3

This item is to provide an update to Audit and Risk Committee members in relation to Risk Management. The Enterprise Risk Management Report for this meeting includes:

- Risk Matrix, Likelihood and Consequence Rating
- Serious Current Risks
- Heat Map - Current & Residual Rating
- Risk Severity Overall - Current & Residual Rating
- Risk by Category and Severity - Current & Residual Rating
- Risk Assessments – Serious Current & Residual Risks
- Risk Summary Table including Trending
- Risk Management
- Business Continuity
- Insurance
- Litigation
- Occupational Health & Safety

Refer Appendix B: Risk Management Executive Summary (Separate Attachment / Commercial in Confidence) (D15/35720)

MEETING DISCUSSION: Discussion held on linkages between Strategic Operational Risks. Some members felt that the linkages were unclear. It has been recognised that the Risk Management Framework and reporting is “work in progress”. The starting point is to further refine top ten strategic risks and seek Committee’s input into which of these should become Council’s focus. Strong reductions in public liability compensation claims noted.	
ACTION ITEMS: 1. Council to enter the ten strategic risks into the risk register. 2. Include definition of the consequence ratings.	
RECOMMENDATION: That the Audit and Risk Committee receive the Enterprise Risk Management Report.	
MOVED: Cr. Margot Smith	SECONDED: Melissa Field

APPENDIX B – Risk Management Executive Summary
(Separate Attachment / Commercial in Confidence)
(Trim Reference: F15/194 – D15/35720)

7.2 OHS Accreditation

AUTHOR:	Matt Connell	ENDORSED:	Sunil Bhalla
DEPARTMENT:	People & Culture	CHARTER REFERENCE:	9.5.1

- The recent workplace health and safety accreditation process has been successful and the independent auditor will be recommending Surf Coast Shire Council receives accreditation for Australian and New Zealand Standards - AS/NS:4801 as well as International Standard ISO:18001.
- There were no major non-conformities and five minor improvement suggestions. Details are in the attached report.
- This is an important step for Council as it affirms we are heading in right direction and making strong progress on our safety systems. Accreditation allows us to set a great example for our community, contractors and staff.
- The auditor visited 26 individual work groups over six days and in the auditor's words she was 'blown away' by how well our work groups displayed their understanding and knowledge of safe work practices.
- It is worth noting that very few Councils in Victoria have achieved this standard and we have done so using our internal team. Of course workplace health and safety remains a priority and our endeavours to improve our workplace will be ongoing.
- All WHS documentation including Council's overall WHS Policy were reviewed and updated in preparation for the accreditation audit.

Refer Appendix C: OHS Management System Audit Report (D15/39270) and;

ACTION ITEMS: 1. Report back the outcome of follow up visit to the November 2015 meeting. 2. Non-conformances identified by the Auditor to be reported to the November 2015 meeting.	
RECOMMENDATION: That the Audit and Risk Committee receive the OHS Management System Audit Report and notes and congratulates Council's achievement.	
MOVED: Cr. Margot Smith	SECONDED: Melissa Field



Melbourne

480 Princes Highway
Noble Park, VIC
Tel: (03) 9790 3400
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27th April 2015

Ross Williams
Coordinator Work Place Health and Safety
Surf Coast Shire
Torquay, Vic

**MANAGEMENT SYSTEM CERTIFICATION
STAGE 2 OHS AUDIT**

Dear Ross,

Please find enclosed our report as a result of the Certification audit for AS/NZS 4801 audit and BSOHS-AS 18001 standards carried at Surf Coast Shire office and facilities on 20th-27th April 2015. This audit brought to fruition the work undertaken by the WHS team subsequent to a Gap and also a Stage 1 audit. Certification is now recommended.

The next visit will be a surveillance visit planned for 26th-28th October 2015.

A tentative audit plan for the next visit is attached. We will confirm the above audit date one month prior to the activity.

Surf Coast Shire is to be congratulated on the outcomes of the certification audit.

Progress on the 5 minor non-conformances raised shall be assessed at the next visit.

Please thank all those who participated so positively in the audit. The recommendation for certification is a milestone for Surf Coast Shire.

If you have any queries, please do not hesitate to contact me on my mobile number 0407681680. Emails should be sent to cherie@startingpoint.com.au

Yours sincerely,

Cherie Forrester
Senior Auditor



Management System Certification Audit Summary Report

Organization:	Surf Coast Shire				
Address:	1 Merrijig Drive, Torquay, Victoria, 3228				
Standard(s):	4801:2001; 18001:2007		Accreditation Body(s): SGSSSC		
Representative:	Ross Williams				
Site(s) audited:	Torquay		Date(s) of audit(s):	20 th -24 th and 27 th April 2015	
EAC Code:	28, 36	NACE Code:	45.21; 75.1	Technical Area code:	OH1 and OH12
Effective No. of Personnel:	400		No. of Shifts:	1	
Lead auditor:	Cherie Forrester		Additional team member(s):	None	
Additional Attendees/Roles :	None				
This report is confidential and distribution is limited to the audit team, client representative and the SGS office.					

1. Audit objectives

The objectives of this audit were:

- to confirm that the management system conforms with all the requirements of the audit standard;
- to confirm that the organization has effectively implemented the planned management system;
- to confirm that the management system is capable of achieving the organization's policy objectives.

2. Scope of certification

Provision of a range of Community, Corporate, Infrastructure, Planning and Environment Services to the Surf Coast Shire.

Has this scope been amended as a result of this audit? ☐ Yes ☒ No

This is a multi-site audit and an Appendix listing all relevant sites and/or remote locations has been established (attached) and agreed with the client ☒ Yes ☐ No

3. Current audit findings and conclusions

The audit team conducted a process-based audit focusing on significant aspects/risks/objectives required by the standard(s). The audit methods used were interviews, observation of activities and review of documentation and records.



The structure of the audit was in accordance with the audit plan and audit planning matrix included as annexes to this summary report.

The auditor concludes that the organization ☒ has ☐ has not established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organization's policy and objectives.

Number of nonconformities identified: 0 Major 5 Minor

Therefore the audit team recommends that, based on the results of this audit and the system's demonstrated state of development and maturity, management system certification be:

☒ Granted / ☐ Continued / ☐ Withheld / ☐ Suspended until satisfactory corrective action is completed.

4. Previous Audit Results

The results of the last audit of this system have been reviewed, in particular to assure appropriate correction and corrective action has been implemented to address any nonconformity identified. This review has concluded that:

- ☒ Any nonconformity identified during previous audits has been corrected and the corrective action continues to be effective. (Refer to Section 6 for details)
- ☐ The management system has not adequately addressed nonconformity identified during previous audit activities and the specific issue has been re-defined in the nonconformity section of this report.

Critical Findings from Stage 1 audit (9 Critical and 14 Non-Critical) have largely been rectified.

✓ The SWMS is a key tool for HIRA and now meets the requirements of 18001.

'Other' is not yet described in WHS 13. Sources of Other WHS requirements have not been identified in the procedure. While 'Other' is defined in the Legal and Other procedure it has not been included in the commitment statement in the WHS Policy

Evaluation of Legal and Other compliance is absent from the required procedures although it is believed that this aspect is well covered by Risk and Governance and other Shire Departments. The procedure needs to provide direction to records of periodic evaluation. The procedure may provide coverage of the method of how the input from Legal/Other is used to establish, implement and maintain the management system. The Procedure needs to describe how currency of Legal and Other requirements is maintained.

Management of Change is raised as a critical finding as it is an important means of hazard identification. Addressing this will cover off on various clauses of the standards (particularly Pre-purchase Risk Assessment). A formalised procedure should draw together various separate processes such as Risk Assessment Pre Placement for HACCP employees; Motor Vehicle pre-purchase decisions; Tender Review; Plant Pre-Purchase Risk Assessment etc. Management of Change shall prompt operational controls and training.

✓ A consistent approach needs to be developed and documented in the training and competency procedure. WHS 20 has been started but must address all the clause requirements of 18001/4801 as well as refer to the processes captured by iLearn and Cambron. External training evaluation not yet supported with records of training effectiveness. NCR 03/V1 Minor



A description of the main elements of the OH&S management system and their interaction, and reference to related documents is absent from the OHS system procedures. *This is still in draft*

✓ The procedure for actual and potential non-conformity and for taking corrective action and preventive action needs further development. The PAN has been updated with selection of Non-conformance types. The Procedure is to clearly show what responses are Corrective and what are Preventive Action (Hold Tool box; Review SWMS with workers; Update procedure; Issue an Alert etc.)

One line in the Document Control procedure describes Records Control. The Trim database has mechanisms in records control in the View Pane Tab /Properties. (Access, Process Owner and Versions). An archiving procedure needs to be integrated with WHS. The procedure must address identification, storage, protection, retention and disposal of records. Requirements for records to remain legible, identifiable and traceable are not yet specified in a procedure. Electronic records are believed to be well managed and a document is believed to be in existence for backups and planned retrieval. *See NCR 02/V1 Minor*

The Executive Management Team is provided monthly reports on WHS performance by the People and Culture Directorate. A Management Review of the WHS management system to ensure its continuing suitability, adequacy and effectiveness has not been held. The input requirements have not all been met in the monthly report and output requirements are yet not required by the procedure or evidenced in EMT minutes. *See NCR 04/V1 Minor*

5. Audit Findings

The audit team conducted a process-based audit focusing on significant aspects/risks/objectives. The audit methods used were interviews, observation of activities and review of documentation and records.

The management system documentation demonstrated conformity with the requirements of the audit standard and provided sufficient structure to support implementation and maintenance of the management system. ☒ Yes ☐ No

The organization has demonstrated effective implementation and maintenance / improvement of its management system *and is capable of achieving its policy objectives.* ☒ Yes ☐ No

The organization has demonstrated the establishment and tracking of appropriate key performance objectives and targets and monitored progress towards their achievement. ☒ Yes ☐ No

The internal audit program has been fully implemented and demonstrates effectiveness as a tool for maintaining and improving the management system. ☒ Yes ☐ No

The management review process demonstrated capability to ensure the continuing suitability, adequacy and effectiveness of the management system. ☒ Yes ☐ No

Throughout the audit process, the management system demonstrated overall conformance with the requirements of the audit standard. ☒ Yes ☐ No

Certification claims are accurate and in accordance with SGS guidance and the organization is effectively controlling the use of certification documents and marks. ☐ N/A ☒ Yes ☐ No



6. Significant Audit Trails Followed

Summary

Surf Coast Shire WHS team have worked hard to address the critical findings of the Stage 1 audit. The few minor NCR's raised at this audit are related to the need to have more time to consolidate the documentation and to train others in the procedures. The auditor recommends certification to 18001/4801 standards.

Changes to the Management System since the Stage 1 Audit

Surf Coast Shire has a new CEO and a changed organisational structure where the corporate division have been dispersed to other divisions. A new GM Culture and Community has been appointed.

Senior Managers are involved in the internal audit program.

The WHS Policy was released after extensive review by various bodies.

The site audit program is being used effectively to train and reinforce the management system.

Relating to this Audit

The specific processes, activities and functions reviewed are detailed in the Audit Planning Matrix and the Audit Plan. In performing the audit, various audit trails and linkages were developed, including the following primary audit trails, followed throughout:

Overall the auditor found that the Safety Management System control was in keeping with the requirements of the 18001 and 4801 Standards and was appropriate to the nature and scale of operations in place.

OHS Policy, Objectives, Targets and Programs

The WHS Policy includes commitment to prevention of injury and ill health and continual improvement in OH&S management and OH&S performance. While commitment to complying with applicable legal requirements the policy omits commitment to a broad range of other requirements to which the organization subscribes that relate to its OH&S hazards. The policy provides a framework for setting and reviewing OH&S objectives.

The WHS Policy has been communicated to all persons working under the control of Surf Coast Shire through Shire Wire and the public web site. Annual review of the policy is anticipated and although the review date is not noted in the Document Control bar on the Policy.

Performance measures are listed in WHS Management Review procedure.

Objectives are measurable, consistent with the WHS policy, consistent with commitments to the prevention of injury and ill health, and consistent with commitment to compliance with applicable legal requirements and with other requirements to which the organization subscribes, and show continual improvement?

A traffic light approach has been added to the data report Executive Summary to EMT.

Significant Improvements related to incident reports over the last few months include the Docu Folders; Veridesk and Velida mops for cleaners.

Targets and timeframes have been removed from the Objectives Summary but plan to be reinstated.

Roles, Responsibility, Authority, Accountability

Position Descriptions are available to describe all roles.

At audit various people responded in different ways as to how they may access their position description.

- The Award cl 20.2 Victorian Local Authorities Award 2001 describes the requirements of position descriptions.
- The position description is to be reviewed annually.
- Performance Review and Development Policy HR 19 V3 describes the process of review.

Sample of PD's

- WHS Coordinator authorised 14/11/14
- Civil Works Coordinator 15/04/10
- Transfer Station Attendant 20/11/14 on going to part time.
- Waste Management Supervisor 05/03/13

There does not appear to be a requirement to review a PD within a specified timeframe. E.g. Every 3 years as a minimum. This would ensure all are reviewed with a current template and are maintained as current



The HR Policy may accommodate coverage of the good practise already in place with Objectives identified in Cambron and in the measurable outcome section of the PD and cascaded to each function and level.

Performance Appraisal Records for

- Waste Management Supervisor Mid-year 10/12/ 2014 and end of year expected June. Last annual review 20/06/14
- WHS Coordinator 24/12/14 last full review 03/06/14

Health Surveillance managed by WHS Records

Management Review Process and Records

The Business has been in the practise of holding a monthly Executive Management Team meeting. The WHS team report to the EMT with graphs supporting the objectives for WHS. The minutes of EMT indicate that the report is 'noted'. It would appear that while the EMT and Audit and Risk areas of the business need regular reports that in order to demonstrate all the required inputs and outputs the Management Review the process will need to be devolved to a Management Group below the EMT. **NCR 04/V1 Minor**

Document Control Procedure

WHS 28 07/04/15 has been revised but still does not set out clear requirements for Style guide, version, approval, amendment and re-approval of documents. A Corporate Guidance Document procedure is within TRIM and has some of the requirements. Different business units are using different protocols. TRIM versions are in conflict with controlled version. **NCR 01/V1 Minor**

There is considerable confusion around Document Control and records control with personnel treating the two as synonymous.

Records Control

The statements in WHS 28 are insufficient to meet the clause requirements. **NCR 02/V1 Minor**

Records Management Policy D13/41485 06/11/13 Review 06/11/2014 *Versions are in conflict in TRIM which updates the version every time when the person implementing the change is currently required to manually enter the version. E.g. TRIM says version 11 and document has version 2. Changes to the Records Policy are observed in Track Changes. (This to be described as a Document Amendment protocol)*

The archived versions are also available.

The policy basically meets the requirements of the standard.

Team Leader Records Management. PD 09/2012 has responsibilities, accountability and authority for Records Control

KPI's include:

- Manage the team; achieve daily ingoing/outgoing mail in a timely manner; quality of work performed; and there was awareness of safety related to manual handling; tripping hazards; ergonomics; suspicious mail etc.

File creation is managed by raising a CRM in Authority database. The process was described as:

- The Business Classification is selected from TRIM.
- The Request is submitted with a Request number e.g. #106506 – School Road Bellbrae Drainage
- Daily, the Team Leader checks submitted requests for files to be created.
- The Public Records Office procedures PRO 07/01 (Common Admin Functions) and 09/05 (LGA) govern retention and disposal and this is added to the file. Access and Notes are also updated. Related Documents are linked e.g. Contract and Quotation and design/ Construction file.
- The file is emailed to the File Requester along with a link to the TRIM number.

Timeliness of process was observed within the set 2 days.

TRIM Procedures related to Records Control *That require review and reference in a WHS procedure:*

- Records Disposal Policy D15/11431
- Records Management Policy D13/41485
- Records Management Security D15.11431
- Managing Records of Outsourced Activities D13/41482
- Pre Digitisation Plan D13/36988
- Post Digitisation Plan D 14/1892

See NCR 02/V1 Minor

Hazard Identification, Risk Assessment and Controls

PAN is the platform for Incident and Hazard and Enterprise Risk Register modules.

Coordinator Risk and Legal Services – assists identify risk and assists manage the Risk Plans. Trends are indicated for each business unit (divisions).

The Coordinator Risk and Legal Services also oversees insurances; public liability, compensation claims; public safety and the Business Continuity Plan

Enterprise Risk Register

Strategic Risks have been worked on with a report on Top 10 having been made to the EMT.

Recommendations are sought for the Top 10 list (Growth, Financial, Infrastructural Renewal, Organisational Culture; IT; Community Safety, Strategic Relationships).

The next phase is to refresh the Risk Register in accordance with the Strategic Risks.

67 Fatality, injury or significant fine was reviewed to establish – Assign Risk Owner, Risk Review; Treatment Plans; Timeframe for completion; (Achieve certification by 12/15); Reminders are embedded e.g. To undertake legislative review.

Incident Risk Register

Incident procedure WHS 9 Trim D14/15944 meets the requirements of the standard.

Hard copies of the Form 9.1 were available in all vehicle folders. Most operators are entering direct to PAN. WHS incidents are recorded directly to PAN but remote crews also have a hardcopy form in their vehicle folder.

The procedure addresses reportable incidents. The Notification Form is held within PAN

The Procedure WHS 9 could have added that after an incident a SWMS review may be held with all operators involved resigning the SWMS. Alerts and training may also be an outcome of incidents.

A key issue at Head office is the through traffic/car park east side.

Incidents were sampled at each interview and an overview was made with the WHS Coordinator.

- PAN # 706 Whacker plate hit leg; Immediate first aid; but long term action to buy ice packs – ice packs had been taken from PO # 80827 evidenced.
- PAN # 128 Car park Pedestrian / Traffic interface hazard. Short term is speed humps and Long term is to change TM Plan. This was raised in WHS Committee meeting December 2014 Action 2.14
- PAN # 618 27/11/14 report to WorkSafe that Flocon worker had hit LV wire under tennis court pavement. WorkSafe report evidenced # V01025000676L
- PAN # 642 By Laws officer cut hand when assisting farmer move sheep off road way. Stitches and notification to WorkSafe. Notification Form 070115-86 BH-DTC.

SWMS Management

The SWMS Form WHS 25.1 has been re-issued. All of the concerns from the Stage 1 audit have been addressed namely: Residual Risk; Hierarchy of Control, Legal Compliance and Responsible person. Additional changes on future SWMS versions may be legal compliance tailored to the tasks (not just generally to OHS Act and Regulations); Employer name on sign off section (to identify that contractors are reviewing the SWMS) and on-going hazard management through requiring addition to SWMS if there has been a change in process or after an incident. The section for team position or competency is diversely filled in and needs further refinement. The purpose of this section is to demonstrate that a range of skills and experience have been used as an input to review – e.g. Manager, Supervisor, HSR. It is not effective to



leave a blank or to insert See iLearn database.

Consultation, Communication and Participation

HSR Interviews

Various HSR's were reviewed throughout the audit. They all presented a confident and comprehensive understanding of their role.

In the Consultation procedure reference is made to The Act, however the HSR scope of responsibilities could be described so that new people know what the role entails and incumbents are reminded of their responsibilities.

Training for the role included:

- 5 day training WorkSafe accredited course at the Gordon in 2009.
- Refresher has been held.

Functions of the role include:

- Induction of new personnel.
- Attending meetings to raise and investigate hazards and review documentation
- Participating in risk assessments

Examples of Consultation – Glare issue north side of building. Heating in the building was resolved collaboratively. Incident reports raised # 473 0/03/2014

WHS meeting held in February 2015 at Winchelsea Depot. In the HSR's day book – Incident Reports related to car park; promotion of near miss reporting and Lone Worker Policy.

18/06/2015 is anticipated as next meeting date.

The Minutes template has Action, Assigned to, Completion date and Verified effectiveness.

HSR Area Report TRIM D15/27041 evidenced.

All HSR's reviewed (Youth Development Officer, Gym Coordinator, Sport and Rec Facilities Programs Manager) were very knowledgeable in their role as HSR.

Internal Audit

Procedure OHS 18 D 14/16364

The Audit Schedule currently indicates site audit planning rather than reference to all types of audits (external, housekeeping, system audits) *See NCR 05/V1 Minor*

The Document Master list has the Audit Frequency and next audit due. The years have not yet been added to the two yearly audit plan.

The System audits plan to use to use a copy of the procedure and the standard as an audit tool. For Site Audits a checklist has been prepared.

Site audits sampled included

- Children's Hub 14/04/15 In Pan the attachment report on Form 18.1
The observations are supported by photos e.g. Lawn edge K3 playground Hazard 7 was addressed with a maintenance contractor.
- Transfer Station Winchelsea 04/03/15

The section on Non-conformance/ Corrective & Preventive Action and PAN numbers are not being entered to the audit reports as yet.

The PAN Items and Action Plans related to the above were evidenced.

Health Surveillance

HSR has attended Mental Health First Aid and clause has been added to the EBA relating to Domestic Violence legislation. EAP (Employee Assistance Program) is a free counselling service for Shire personnel. This service has been promoted and a 7% increase in use was demonstrated in the last year. Information is available in Shire Wire and on the noticeboards.

Flu shots are being promoted for 29th April 2015.



Documented commitment to engage appropriate services for health surveillance should workers inadvertently encounter a banned substance could not be verified.

Competency, Awareness and Training

The Position Description is the primary statement of Mandatory Qualifications.

Sample –

- Team Leader Maintenance Winchelsea (DM) mandatory competencies are First Aid, Policies; CFA Minimum Skills training; Driver's License 15/11/09; Working at Heights; Traffic Controller 2014; Fundamental Supervisory Courses WHS (Scheduled 09/2015); Red Card 09/2010.
- Team Leader Tree Crew – Driver's license form, EWP, Chainsaw 01/2011, CPR, First Aid Level 02/14; 03/2015; Fire Awareness 07/14; Mental Health Awareness 01/14; TMP; 04/14.
- EEO Training internal Policy 05 Training undertaken by all personnel had on line sign off.
- SAFE Files Workplace Bullying has an assessment task associated. Just 5 people have not undertaken the training. People are encouraged and then a report to EMT is made. Outpost groups are trained in a group by Learning and development officer. E.g. Crossing Supervisors. A Refined search was demonstrated. Some of the candidates are on leave.

Training effectiveness

Fundamental Supervisory Training Feedback forms evidenced. A Summary Overview is presented with ratings.

The Learning and Development Officer has Train Small Groups and is undertaking a higher level course at the Australian Institute of Management.

No formal Evaluation of External Courses is in place. **NCR 03/V1 Minor**

Torquay Depot Tool Box

The two 'Tree crews' and Team Leader comprise the Vegetation Maintenance Group. Their weekly Tool Box meeting was documented on the template form and included:

- Activities for the week being 'uplifting' with ground and pole saw work.
- SWMS Review – merely reinforced care with vehicles
- Reinforced Pre Start Plant Checklist
- PAN Incidents – none to report
- Consultation was evident in relation to feedback on new vehicle folders, chainsaw pants, faulty grease gun, bolts needed on one vehicle, New flags for Traffic management needed and Storage and handling of TM signs.

Improvements to Tool box

- Actions from previous meetings
- Review SWMS should go through an actual SWMS – identifying each step, hazards associated, controls and any other steps the team wanted added.
- Under Incident discussion it is important for Tool Box to provide data *(Always relate an incident; even one from the media; to draw attention and provide evidence of on-going hazard management)*.
- Personnel to sign or initial against their typed name
- Safety Alerts from WorkSafe or other legal compliance
- Emergency Management reminder
- Weekly/monthly WHs focus
- Any PAN's to be raised from the meeting.
- *Suggest a checklist for the above items as prompts to the team leader to make reference.*

Winchelsea Depot



The essential elements of the WHS Policy were identified by Depot Staff and Manager as:

- Employer and Employee responsibility
- Communication/ consultation
- Continual improvement
- Legal compliance

The Depot participates in measurement of Incidents through PAN but also proactively avoids incidents through Maintenance Request system through the log book. PAN was demonstrated.

- Transferring of objectives to each function and level occurs through audits, Bimonthly Safety Forum Operations meeting whole of Engineering (band 4 and above) and the Plant Officer and HSR's. Minutes could have a legal compliance focus for the next quarter. 12 month Safety Plan is developed by the Safety Forum (evidenced).
- Winchelsea Depot Tool Box 08/04/15 had minimal notes and additional effort is to be encouraged.
- Civil Quarterly meeting 09/04/15
- Access/ and Use of Documents. Pan and Email; Shire wire; Authority – Traffic Control Approved Contractor (Tender, Vic Roads; Operator licenses; Sign on to Project Level) Storm Traffic is the provider.
- Purchasing Process was reviewed including:- Raising a Purchase Order in Authority was demonstrated for an approved supplier; pricing entered from price list from Service Contract #; Job being booked to etc. Approval levels have been set (Team Leader \$1000; Coordinator \$10,000 etc.) Uniform purchases – Australian Standards; (an example of 'Other' WHS requirements to which the business subscribes)

Other items reviewed included

- Pre plant use risk assessments
- SWMS in Site folder
- Shackles external check (11/2014)
- Enzed on site – Workshop team leader advised other people that Enzed were expected.
- Approved contractor card – Inducted.
- Drill – Wild Fire is perceived as main potential emergency
- Local Program – Tidy up and identify obsolete storage.
- Folder update for each vehicle and site.
- Master plan for Winchelsea site includes relocation of the wash bay and installation of a sliding gate.
- Noticeboard – comprehensively met all the requirements for legal and local WHS.
- Staff amenities have recently been refurbished.
- Plant Risk assessment for Wing Mower using Form 16.1 10/10/2014

Noticeboard – Communication- Winchelsea Depot

A high standard of compliance with the communication procedure was demonstrated at all sites. The depot had displayed the following:

- Recent March meeting WHS Minutes
- If you are injured poster
- Skin concerns
- Code Red days
- WHS Committee members
- Contact officers
- 'Feeling isolated' poster
- Issue Resolution
- Manual Handling
- Emergency phone numbers
- Injury hotspots (WorkSafe)
- Alert Trailer overturns



— Asbestos Water Pipe Management (WorkSafe)

Overall, the WHS Management System was well demonstrated at Winchelsea Depot leading to the conclusion that Training, Communication, Supervision, Resources, and support by management has been effective.

Winchelsea Road Crew

A long term project has been Murrel Street Realignment to match Vic Roads upgrade. Evidence of WHS conformity included:

- Geo scan Asset Location and Dial before you digs
- Permit for overhead power
- TMP (Storm) authorised by Site Supervisor
- Daily Pre-Start for Shire Excavator (evidenced).
- Supplier competencies for Storm included Supervisor license verified.
- SCS SWMS authorised by TM Team Leader.

Improvements include:

- While previous TM crew had reviewed and authorised SCS SWMS TM Operator Chelsea had not 'signed on'.
- Emergency Assembly area was not identified for 'site'.

Vehicle Asset Management

Asset # 370 IAQ5FU Reach Arm Mower – Manufacturers services – 50 hours; 250 hours; 600 hours, 900 hours etc.; No breakdown maintenance

Asset # 248 Flocon Truck YIP950 132618 Kms Next Service 137,000 Kms. 3 pages of maintenance

Asset # 314 Mower John Deere 1000 hours Due 1250 hours; Lots of maintenance; deck assembly; blade

Road crew vehicle ZQW030 63,500 Kms – last service at 50,000 km service; new windscreens

Lorne Transfer Station – tagged out for leaking ram; reported 16/03/15

Fleet Coordinator has LGA and Federal Government experience.

Fleet Five database is used to manage SCS fleet.

PAN database is used for incidents related to plant items.

Winchelsea Gym

The process for signing up a new gym client was reviewed including used of the Health Consultation Form; Contact details; Guided tour; sign up and development of an individual program.

- A recent innovation is the Swipe Card System bar code scanned to the Centreman database.
- The data contributes to the Gym Monthly Report e.g. March 2015 Report includes: Incidents; Memberships; Group fitness class attendance; Community programs (seniors); Marketing/ Promotion; Swipe cards; Quality Systems; Planning and Development- 8 Week Challenge – Health and Well Being and General demographics summary. The Report contributes to the Business Plan for the business unit.
- In terms of Programs the team identified a heightened awareness of the contribution of fitness in the elderly to fall prevention. Balance poses are also reinforced.
- Shire Wire – Policies & Procedures – New Gym Application. (Yet to be loaded to TRIM))
- Hazards identified were – tread mills; assisting person falling; medical condition; defibrillator; fire; no exits from gym – only entry point.
- Tool Box – weekly meeting notes are taken.

While likely emergency scenarios were identified a Practise Evacuation has not been held.

First Aid Level 2 First Aid and Defrib course are competencies held by the Gym Instructor.

Noticeboards and communication signage was well placed and informative.

Complaint is via the Grievance procedure, a copy of which was readily available.

HSR for the designated work group is the Sport and Rec Programs Manager. Examples of consultation



include – Gym Back board; Pool Project – tank cleaning.

At Gym – Scales – and equipment repair have been identified in WHS meetings.

A criteria in the WHS Policy were identified as – 'Protect people, public, then infrastructure'; 'Consultation'; and 'Safety is number 1'.

Winchelsea Pool

The Winchelsea Pool was closed for the winter season. The pool was being emptied.

The Pool Manager has qualifications in fitness including Cert 3 Fitness Class and Management Training. (Also manages Sports Facility Torquay)

During the open season, a Life Guard and a person with Aquatic Technical Operators Competency are employed. The chemical store is secure and only the trained operator is permitted to enter. Minor quantities are stored on site in 20 litre containers. The room is appropriately signed and bunding of chemicals is in place. MSDS was available for Hydrochloric acid.

Pool testing is undertaken twice each day. A Contractor undertakes periodic external checks and the shire undertakes a health inspection, annually.

A Contractor was on site at Winchelsea Pool to test fire extinguishers. Despite having attended the task at depot, pool and other facilities induction had not been held for Mathew Geerings (CFA)

During the open season a Weekly meeting is held. A Pre-Opening audit is also undertaken.

Emergency Management is described in an Operations Manual Version 1.0 27/11/14. Pool related scenarios; Life guard procedure; Hazardous Substance spill and Unwanted visitor are identified as potential emergencies.

A procedure for pool contamination is also available.

The Pool has a Life Saving Vic compliant manual and an independent audit by Life Saving Vic is held annually. The last audit requested improvements in signage and toilet lighting. Weekly reporting of stats relating to pool use and incidents occurs.

Winchelsea Transfer Station / Anglesea Transfer Station / Lorne Transfer Station

- The local facilities in each town have each been manned by the same operator for many years. Planning is evident at the sites with signage and a traffic plan (*not displayed*) in place. Drop off of corrosive substances such as in batteries is signed with the Class 8 sign. Specific drop off areas are in place for cardboard metal, TV's, Styrofoam, concrete, green waste and empty chemical and oil containers. All three Transfer Station attendants were extremely proactive in checking loads. The main legal compliance is to identify Prescribed Waste (asbestos, paint, lead) which must not be accepted. Contact slips are available to be given to drop off customers to provide them with contact details of the nearest prescribed Waste facility.
- Contract arrangements are held with recyclers such as Sims Metals. TV's are taken by a factory in Geelong that collects various metals in the TV's.
- The Transfer Station operators have all been provided with training such as Agsafe training on drum management; Asbestos training (2010); Back Hoe; Excavator; Manual Handling and First Aid.
- All transfer stations were using the same database, (iWay), to ascertain volume, type of material and charge rate.
- Various customers have payment arrangements with Surf Coast Shire. One off customers generally pay by cash. An invoice docket is printed for the customer. It has the initials of the Transfer Station Operator but the signature section was not authorised at any of the Transfer Stations.
- Just the Anglesea transfer station had a weighbridge. *Weighbridge calibration records not evidenced.*
- The data is collected at head office by IT and transferred to Finance for invoicing.
- Anglesea Transfer Station was the busiest of the three with a queue of up to four vehicles from 8.45-10.00am. Approximately 10 customers were observed. There was considerable angst in the early morning with drivers having to wait. Under a Quality standard certification the needs and expectations of clients would need to be ascertained. It is clear that Trades customers load up their vehicles last thing the night before, and cannot do any pickups till their trailer is emptied when the Transfer station opens at 9.00am (when they start work at 7.00). Cleanaway drivers have rounds to complete and a 9.00am opening time is understandably unacceptable. The opening time may be

causing undue stress on the Transfer station operator and may invite incidents.

- The Transfer stations are well supported with the Waste Management Officer reportedly calling into the stations regularly. The Waste Management officer attended all three Transfer Station audit sessions. The Contracts & Projects Coordinator and Engineer also made themselves available at Anglesea Transfer Station while meeting with Civil contractors – Ace who are constructing the new bays. Internal audits also see the WHS Coordinator and WHS Advisor supporting the Transfer Stations for continuous improvement.
- Maintenance of Transfer Station Equipment is requested on the Pre-Start checklist and excellent records were being retained. (Lorne Excavator hydraulics identified as leaking 16/03 – Unit was in the process of being repaired).
- Contractor Management was evidenced for Armitage Contractors; CFA and Ace Engineering. Induction records; authorisation of SWMS; a Site Safety Plan and meetings support diligence in on-going hazard management and consultation. All contractors appear to have a long standing relationship with Surf Coast shire.
- Common documents in use were Grievance Procedure; Daily log; Preventive/Corrective action form LF 012; Daily Inspection Checklist (to substantiate compliance with EPA license; Emergency Plan. Fire Code Red response and Notice Boards were compliant with required documents as well as requirements to which the Surf coast shire subscribes. (EAP).

Torquay Hub Evacuation Procedure

A newly installed duress alarm system was being tested after hours with all interested party team representatives. The well planned exercise went through corridor, toilet, room and garden audibility tests; as well as testing each area's duress button. Personnel had opportunity to experience what using the duress system meant for them. The exercise was capably assisted by the WHS Coordinator who took notes and assisted with the operational effectiveness of the keys to disarm the duress system. The process involving Barwon Security was revisited and the Chief Warden gained many insights into use of the system. An improvement observed was to use a calibration style sticker to prompt annual change to the head set batteries. The exercise gave all participants enhanced confidence in the Hub Emergency Management.

Lorne Visitors Centre

ATAP Certification Tourism Centre involves a three year audit. Improvements were business name display and protocol for Non-routine Disruption to Visitor Servicing Guidelines.

The Centre review

- Volunteer Induction – Receive Volunteer Pack and Checklist is completed.
- Operations Manual includes all functions of the visitor centre.
- Surf Coast Operations Manual evidenced.
- The OHS section includes HSR's (Tourism rep still needed); Incident Report Form 9.1; Manual Handling (office has been refurbished to reduce manual handling incidents; don't accept boxes over 10 kgs); Procedure for charging phones; Induction Checklist matches Operations manual.
- Emergency Management of external incidents could be a fire; traffic incident at roundabout or dealing with difficult people;
- Drill for Evacuation with scenario for Wye River. This lead to change of Assembly Area location. This involved volunteers 01/04/15; and previously 19/11/14 and a medical emergency was the scenario. The Centre has A Bushfire Communications Manual due to its location in a bushfire prone area.
- Code Red Day Instructions for Visitor Information Centres.
- Team leader has undertaken Warden Training, First Aid and has a Tourism Diploma; Shire training (Internal Activation) and Auslan training.
- Incident Reports – Manual Handling issue; blocked toilets recorded.
- Consultation – Volunteer Meeting monthly after hours; bi-monthly staff meeting; Staff Weekly Update Spread sheet is being trialled and all can contribute – Agenda items include New Retail; Maintenance, Administration; What's on; WHS; what's new behind the desk, Planned Burns; Closures.
- Hazard with outdoor power point Pan # 701

- Bin use by public has resulted in bins now fenced in.
- Complaints Visitor Feedback Form (Not a controlled document) also an electronic form from Surf Coast Shire web site.
- Internal audits 11/03/15 well documented and strongly supported by photos.

Anglesea Visitors Centre

The Centre is non-accredited and manned by volunteers. Rosters are made up at Torquay and resources are stocked from Torquay Centre. Every second month a Volunteers meeting is held. Famills meetings (18/03/15 National Park Camping and site inspections in Anglesea) are held on site for various tourist attractions. A Communications folder is maintained and volunteer on duty checks for updates at the start of shift.

The Policies and Procedures manual was reviewed. Document protocols are yet to be followed.

The Volunteer on duty described her induction (5 years ago). The meetings and Famills are a form of training. All volunteers have to have a National Police Check

Volunteer Appraisals are being planned. As this is documented in the manual dated 2010, activation of the process is encouraged. This may canvas improvement.

Consultation with Volunteers is currently via the meetings.

The Visitor centre is phoned daily by the Coordinator and the Staff call in at the Centre.

A diary is retained that records total numbers for the shift and is carried forward to the total at the end of month. Weather; volunteer name; and visitor's country of origin as well as reason for calling in at the centre is recorded.

The data is entered to a spread sheet. Accredited centres enter the data on the Vtick database.

To assist volunteers answer questions an Information folder is available.

An Emergency Plan is not in place and training on scenarios has not yet been held.

The volunteer had a clear perception of procedures to follow in a range of scenarios. The building is well designed with two exits, fire extinguisher and phone.

Internal audits picked up protruding windows for which tape was added.

Minutes of 17th Feb 2015 evidenced.

Aged and Family Services (HACC)

Positive Aging – Care Services

Community Care Workers (38) and Roster Administration (2) are managed by the business unit.

Position Description for Kerri Caspall was not readily available. It was reviewed after the restructure and at the time of the appointment. There appears to be positive use of PD through signing and review each year during the performance appraisal process however this could not be evidenced during the interview.

Community Care workers have one appraisal (Police Check; First Aid; Manual Handling and Optional training is requested).

Professional Development has included: – Skills in identifying needs in changing industries; Mental Health First Aid; CPR/First Aid; Anti-Bullying; 07/05/15 FST Recruitment and Selection).

Daily tasks include: – ensure roster is okay; create paperwork for appraisals; payroll; rosters; recruitment of care workers; calls from clients; develop new project for palm diary and deliver Care worker inductions;

A sample was selected from the fortnightly Roster – Lisa Clarke (Cert 3 Home Community Care; Cert 1V Aged Care; First Aid/CPR; Working with Children; WHS 5 day training).

- Lisa is rostered for assisted shopping; Home Care – make bed; laundry; vac top level; mop wet areas; clean bathroom; bench tops; general tasks and for today 'buddy up for trainee supervision'. Risk assessment of clients home occurs on initial request – e.g. access and egress; animals, smoking; Home Safety Checklist is applied.
Document control is file path (Risk Management Form /2013) undertaken for DG (home) in 2013.
The Carer Worker will have her time sheet authorised by the client.
- Care worker Janet is trained CPR updates; De-escalating Conflict; Cert 1V Home Community Care; all checks; insurances, license; start date 2007. 9.00-9.45 Personal care is provided 3 mornings / week; hair washing, showering; client mobility;



If an incident is raised on the Care Monitoring Sheet it is entered to PAN. The PAN incidents are tabled at the Quarterly meeting. Minutes evidenced 03/03/15.
Minutes have a WHS segment however the template could be aligned with the minutes template in TRIM.
Procedures manual for Community Care Workers on starting. Includes new WHS Policy; WHS 09 Incident procedure; Manual Handling procedure; WorkSafe References etc.
Common Care Standards Audits are held every 3 years. Improvement related to recording Police Checks for Volunteers. This is now managed by CareLink.

A high level of commitment to clients, diligence of record keeping and awareness of Care worker safety was observed.

Contract and Capital Works Facilities and Fleet

The Coordinator has experience in aircraft fitting and maintenance.

Today's activities involve – Meeting on site at Winchelsea Visitors Centre-Heritage listed building with WHS issues on entry way where the roadway has been re-aligned.

Building Renewal Program evidenced on Excel is generated from an Annual Building Condition Report. Timeframe and Costs are ascertained.

- Sample Anglesea Hall - floor replacement and refurbishment of paint and toilets. Building Condition Report 25/11/2014 found in TRIM has Index, Rating Guide, Summary Sheet, and Total Building Rating is 4.7.

Contractor Management

Work is tendered by contractors who have qualifications for Class 9 buildings; insurances and required documentation.

- Sample Cleaning Contract – for all Buildings. The sequence involves: Tender document with selection criteria; Submissions are reviewed using a Tender Evaluation matrix; Interviews; EMT and Council Approval; Successful/Unsuccessful Letters; Induction by WHS team. Once appointed, random checks are made of the adequacy of cleaning. Quarterly inspections with Contractor occur.
- Follow up on incidents reported at Anglesea toilet block. Cleaner appointed to cover all 4 toilet blocks with 5 cleans / day. Strategies include full time worker; hours of cleaning and cleaning times. Investigation has involved other Shires; consult with the cleaner, Contract has been upgraded to assist.

Contractor WHS 15 D13/172969 requires Contractors on Contracts Principal Owner is inducted. Procedure needs to state in accordance with Contractor Induction power point that the Contractor Company has inducted their workers to be sent to A SCS work place. To do this the Contractor is provided with the power point, Approved contractors cards and Training Register.

A CFA Contractor was on site at Winchelsea Pool to test fire extinguishers. Despite having attended the task at depot, pool and other facilities induction had not been held for Mathew Geerings (CFA). It is apparent that CFA have missed an Induction (*Maybe because the function of testing extinguishers has been outsourced by the contractor who has been trained. This has been raised as a non-conformance within PAN # 714*)

A Check is made before a job starts that the worker has their card.

A further check may be made through undertaking a Contractors Field Audit. E.g. Drapers 27/04/15 in Merrijig Dve, Torquay.

All these steps need to be added to WHS 15 D13/172969

Other documentation reviewed included Building Facilities Manual for Equipment; Health & Safety; Inspections; Test and Tag; Service Records, Compliance; Fault reports

Calibration – Thermographics of switch boards is the only calibration undertaken by the Facilities area.



Test and Tag Records D15/24578 by supplier NMJ Electrical on approved contractor.

Noise Metre Calibration Certificate 15/09/14 Certificate evidenced

Contracts & Projects

Sample: Winchelsea Drainage at the Eastern Reserve - Sporting ground doesn't drain well.

Design from Civil Consultants was evidenced.

Bill of Quantities extending over several years has been documented. Stage 1 is \$40,000 and does not require a full tender approach.

Request for Quotation on Tender Link; Read by two people; Assessment using Tender Evaluation matrix. (Price, Systems, Experience; Local; Financial capability).

RJ & CM Civil who were awarded the job are local members of the Footy Club and will volunteer labour.

Contractor Pre-Qualification Application WHS 15.1 shows evidence of checking certificates and licenses; First Aid; High Risk Work license; Heavy combination and SWMS.

Contractor management throughout the job will include Site meetings – start day; check site control; bunting to seal off for football practise sessions and some 'Drop in' style meetings.

Complaints and incidents will be directed to the Contract Manager or Sport & Rec Department.

Torquay Visitors Centre

The Coordinator has competencies in Travel, Tourism and Management. The Position Description was refreshed for the appointment 5 months ago. Accountabilities – regarding successful management of Visitor Information Centre and Museum.

Authorities refer to 3 direct reports and their performance. Goals were set in Cambron at the start of the role and included: – Recruit part time position for Surf World museum; Accreditation for museum, cross promotion; visit Lorne every 3 weeks etc

Work Plan April includes – Museum re-brand; Rip Curl Pro, Volunteer week function, Heritage Centre Report etc.

Documents in use included:

- Torquay Visitors Centre Operations Manual. Reviewed WHS component.
- Improvements from internal audit found exit signs needed to be updated; and housekeeping. The computer data rack above a work station is to be moved.
- Closed circuit TV usage described.
- Incidents have been only minor. PAN hazard was raised for concrete surf board in forecourt
- Management of volunteers evidenced spread sheet Anne S details verified started 03/2011.
- Another list has emergency contact details.
- Volunteer Roster for the month ahead found Anne S on Thursday afternoons.

Recruitment of volunteers involves interview and some shadowing with various experienced volunteers to see if the volunteer will enjoy the task. Induction is first day and the rostering alone occurs when the volunteer is confident.

National Volunteers Week – Recognition of service lunch – all volunteers from 4 visitor's centres- 90 volunteers went by bus if preferred for a lunch and speeches at Fairhaven Life Saving Club.

2015 all Surf Coast Shire will have lunch at a Torquay restaurant.

A training session is held annually for the Visitor Information Centre in July with 6 – 8 suppliers meeting the volunteers. The 2015 event will be at the Cumberland with lunch provided. Fammils assist reward and recognise e.g. Historical Society; Bus to Otway light house.

An evacuation drill has been held but scenario's in the future will include fire in the building; public nuisance or medical incident. Quarterly drills are anticipated.

Surf World Museum

The accreditation has meant that the Surf World Museum is believed to be the only surf museum in the world. The name is likely to become Australian National Surfing Museum. A graphic designer is working on a logo. The museum was briefly reviewed and facilities appear to be carefully laid out with respect to health



and safety. The coordinator was on leave so this was a partial audit.

Torquay Recreation Centre

The facilities/service involves Hire of 4 Community buses; 21 reserves with 121 bookable facilities. Centaman booking database is used.

As well as the annual WHS audit, Monthly audits are undertaken. The audit 19/03/15 raised the need for new chairs; manual handling training required and also evacuation sign replacement.

A separate drill was held for Occasional Care and the scenario was a fire drill. All the children were loaded into the purpose built wheeled evacuation 'unit' and taken to the assembly area. Pan #708 was raised.

An additional warden was identified to be required especially for Saturdays. Marking out of the car space that impeded emergency exit was undertaken immediately.

Forms in use and evidenced were:

- Casual Hire for non-regular use
- Applications for keys
- Bus bookings – Community Access Agreement identifying drivers etc. Then fill in bus Booking form.
- Conditions of Hire for all the facilities. Bond for casual bookings; users report damage. Cleaning contractor reports issues.
- Annual audits for risk.
- Touch football HIRA undertaken before implementation.
- Recreation reserves-Pre- match/ Pre-training inspection.
- Incident reports on Pan and two have been raised recently. (Car space and pool overhead glass)
- Meetings SCSRC 23/04/15 has OHS component.

Evidence of Consultation included:

Meeting with Anglesea Community Hall consultation lead to appointment of Community Liaison Officer.

Sport Group Feedback form disseminated twice yearly - Data is entered to spread sheet.

Over the counter feedback is also documented

A wide range of Meetings including Season Handover meetings between, say, Football/Cricket are held and meeting minutes are kept. E.g. 11/03/15 Quay Pavilion Meeting minutes

Torquay Children's Hub

Skills and competencies of the Team Leader Children's Programs and Community Development include Kindergarten teacher and extensive experience in LGAs. The Team Leader is undertaking a Masters in 'Employee Voice'.

The Team Leader role is to manage the Children's Hub. Other team leaders manage the individual programs.

In Cambron KPI's have been documented. These are reviewed every two weeks and again 6 monthly with updates entered into Cambron. Supervisor's comments are added progressively.

Documents and controls in use include:

- Early Years Strategy Plan has the Team Leader Children's Programs allocated to various Strategic Objectives. The document has to be signed off and will last for the next 3 years.
- Educational Care Services National Regulations. The Dept. Education & Training National Quality Framework – 7 key quality areas include Children's Health and Safety
- The Hub was assessed by DET in 2014 and received an 'Exceeding' grade meaning that the next audit will be in 3 years.
- The Quality Improvement Plan was evidenced for Vacation Care.
- The Kitchen space is registered through Shire Environmental Health.
- Staff meetings Feb Meeting reviewed Policies; Newsletters on the web site had Policy Review; Calendar Policy meetings fortnightly. Parent comment is sought.
- Current Policy Manual evidenced.

- Policy evidenced QA 7.2 Reviewed 31/03/15. Complaints are registered on the Dept. of Education and Training Portal.
- Survey monkey is used to canvas stakeholder input. 2013-14 surveys were evidence. Data is reported at team leaders meeting; and an improvement plan is then documented. Over 1000 families have given permission to be surveyed. Parents were 99% Excellent/Very good for Quality of space; Quality of the Equipment 98% Excellent/Very good.
- WHS Noticeboards – Tea room - information on the table e.g. Walking group Wed 5.15
- Staff well-being – morning teas, food swaps; lunch together etc. Integrated Hub is reflected in staff management. 'Good morning' each morning; and 'Good night' in the evening.
- Employee Assistance Program promoted at staff meeting.
- WHS audit was followed up during the audit. A contractor arrived to review need for 'grassed area' to pavement tripping hazard to be rectified. Other improvements had been entered to PAN.

Children's Programs and Community Development appears to be managed with a high level of passion and commitment to the well-being and safety of all interested parties.

Torquay Infrastructure Depot

The Depot was reviewed for WHS compliance. Worker amenities are outstanding with spacious offices and ample tearoom/amenities. Sheds are provided to house equipment and all areas looked as if care and consideration had been made. Appropriate signage was displayed and spill kits located adjacent to the minor quantities of fuel stored. Outside storage bays clearly demarcated types of road materials, fence posts, star pickets, road barriers etc.

An IBC containing diesel additive SCR did not have an MSDS displayed or any instructions for use. There was no calibration sticker on the pump.

Chains and slings and a small gantry crane used for lifting concrete cutting machines and vibrating plates were in test next due 11/15. Manual handling incidents had been designed out of work activities through the availability of trolleys. A new forklift was on site however licenses for Glynn Harney, Jason Earles, Glen Daniels and Tony Potter were not able to be found. As this is a five year license the prompt needs to be managed by SCS. The training was held in 2012 but licenses are not on file.

A brand new 'Boomer' Tractor with front bucket and super spreader has recently been purchased. Training from the supplier Swayne and McCabe had occurred prior to handover.

Glynn Harney and Jason Earles – Comprehensive personnel file with abundant training matched to job role.

Civil Works

The Coordinator Civil Works was interviewed. Authorities include managing the team. The Coordinator has accountabilities for maintenance and capital works.

The main legal compliance other than the OHS Act is the Road Management Act 2006.

Skills and experience for the job were clearly demonstrated and the Coordinator is studying Diploma of Management.

KPI's are documented in Cambron and include: inspections, capital works on time/ budget / CRM tasks; Zero incidents; investigation in a timely manner and 6 monthly reviews for team members. Cambron evidenced 2014 Tasks achieved included – Documenting a Private Works Policy; Conduct SWMS Review; Assist document the Operations Safety Plan; Timeframes for CRM's and WRR's etc.

WRR's

A dedicated inspector is assigned to schedule road inspections and maintenance in accordance with the Road Management Act.

A Fault Report is raised in WRR (Works Request Register).

Works scheduled were evidenced for crews lead by GH and DB.

Meetings held include – fortnightly Team Leaders and bi-monthly WHS Committee for Engineering Operations Safety Forum. 14/04/15

The agenda includes: Previous meeting actions; Incidents / PAN report from Riskware – 6 incidents tabled.



Plant meeting – 23/04/15 also evidenced.

Consultation on plant items is held with users; vehicle policy for fleet; 6 cubic metre tip truck being purchased – email 24/04/15 invite inspection prior to pick up.

Operational Safety Plan March had Audiometric Testing planned but to be held in May.

Tool Box topic – Plant Focus evidenced – internal training (*However this was dated 2011*)

Safety Focus scheduled for April 2015 Chemical Awareness Ross to be addressed in local group toolbox.

WHS audit 22/02/14 Finding – MSDS folder to be located in chemical store; appropriate signage in chemical store.

19/02/15 Crew site audit main issue was one operator had not signed onto SWMS.

Non-conformance was interpreted by the Coordinator as not meeting Road Management Act – Reported as WRRs that go over required timeframes. (98%) e.g. Grading of Cemetery Road Torquay. Coordinator level understood what a non-conformance would be. Examples provided included Wacker plate hit leg – ice pack supplier evaluation and Hitting a LV Wire etc.

Parks and Open Space Co-ordinator

KPI's completed in 2014 included:

- Consolidate parks maintenance supply contracts (Turf Care)
- Assist in review of safe systems of work.
- Safety Plan/month
- Deliver budget to within 2%. Last year Parks managed within .03 % through used of Authority database management.
- Develop a strategy for tree management
- Assist with Civic audit tool – asset management (replacement for WRR).
- Manage staff and contractors to comply with Cap ex (playground equipment etc.).

Cambron was expertly used to show how objectives are cascaded to each function and level e.g. Glenn Daniels. Cambron seemed less relevant to Parks Maintenance workers so a 'Monday Form for high priority reserves' was introduced. An Inspection and Priorities list has also been introduced to make Cambron more relevant.

Part of the review involves: 'Contribute to health and safety compliance'. In accordance with 18001 there could be a metric related to health & safety e.g. 100% attendance at Tool Box; Monthly Training sessions; or metric related to Team contribution to PAN.

Communication/Consultation – Tool Box meetings held 22/03/15 and 18/03/15. All Toolbox meeting minutes reviewed had sparse reference to anything other than process performance.

Availability of external Legal Compliance documents does not appear to have been proactively resourced by WHS team. Coordinator identified OHS Act and 2007 Regulations as well as Australian Standard AS 43732007 Pruning of Amenity Trees. SCS is a Licence holder with access code for SAI Global web site.

Consultation involves Council talking with Arborists Victoria and SCS regularly receives updates from this body.

Evidence of implementing the trees standard with others appears to be through negotiation and agreement with Powercorp to prune annually rather than on a 3 year cycle and not to use Skytrim unless approved by the Shire.

Non-conformance is understood as breach in legal compliance or policy.

Riskman does not appear to distinguish between a need for Improvement and a Non-conformance.

Patching Crew

The Flotruck was observed with a crew of two patching a rural road. The truck followed a due care procedure by driving to where a u turn could be safely made rather than reversing from a side road into the main road. Signage was erected to warn oncoming motorists of the work activity. The area to be treated was carefully cleaned and waste material collected. The emulsifying material was squirted onto the leading edge of the patch and the hole was filled with hot mix. Care was taken to discard mix that had 'gone cold'. The

whacker plate was manoeuvred as a two person task into position and used to tamp the material in the hole. The edge was carefully trimmed and shaped to assist durability. Appropriate hand and eye protection was worn throughout. The crew assured themselves that the auditor carried hearing protection. Workers warned each other of oncoming cars and care was taken to be well off the road when a car passed. The vehicle folder held MSDs for Diesel but not emulsifier and Hotmix. The SWMS was well documented and authorised by both workers. The Flotruck vehicle Prestart had been filled in for all days the vehicle had been used this week. (3).

One of the crew was an HSR for the Civil Works DWG and was able to respond to questions regarding consultation and WHS meetings.

The Civil Works were working with a high degree of safety and clearly had pride in the quality of their patching work.

Tree Crew

Two tree crews were working together on an 'uplifting' program in Winchelsea. They had a mulcher truck as well as a truck. The equipment was carefully stowed on the truck in appropriately shaped lockable storage lockers. Minimal fuel was held. The vehicle folder held MSDS for fuels carried. The SWMS for a range of tasks were available. All had been reviewed and authorised by the 5 crew interviewed. All crew members participated confidently in the audit. Responsibilities and authorities were evident within the group. While the groups HSR was on another job, the team were very conversant with requirements such as no trimming in the area of power line; distances required if they were near high or low voltage power. PPE work by the group demonstrated that WHS is resourced at the Shire. All had Tree fellers hard hats, ear muffs (with hygiene kit) special gloves with fitted cuff, chain saw pants, eye protection and hi vis. There was a high level of training within the group with all members having First Aid/CPR, and all with medium rigid licenses. For a certification audit, the knowledge and participation was exemplary.

The minimal observations were:

The Crew Leader needs to take charge of the personnel who have approached his work space.

Legal and other requirements

Procedure WHS 13.0 11/07/14 D 14/15956 covers the WHS component and briefly refers to the activities of the Governance and Risk business unit.

Periodic Evaluation is not fully covered as CI 4.5.2.1 in WHS 13 although it appears to be demonstrated. This needs to reference the day to day monitoring but also a long term evaluation through the audit program. An External Document hard copy references are retained as a WHS library but this is not referenced. Electronic library found in Legal Services and Legislation in TRIM need reference in both the Document Control procedure and the legal Compliance procedure.

WHS Audit Merrijig Drive-Ground floor

A 'housekeeping' audit was undertaken by the WHS advisor and an office HSR.

This comprehensive audit raised the following actions:

Numerous items had missed test and tag – e.g. fixed screens in board room; radio brought in from home; sundry computers.

The light in the upstairs plant room was not functional

Storage of records on floors, benches, walkways in the Planning Department would appear to require a rethink on work processes and records management in order to prevent tripping hazards or records damage.

Operational Controls

Purchasing Risk Assessment is described in WHS14.0 WHS Supplier Evaluation. SCS is aware that additional training will need to be held before records of risk assessments will be readily available.

First Aid

- WHS 8.0 describes the requirements
- The SCS resources First Aid for all working in high risk areas.
- Kits are suited to the application



- WHS 8.1 Designated First Aid List
- Consultation occurs over the contents of the kits and procedures
- WHS 8.2 First Aid Kit contents
- Defibrillators were evidenced at Gyms and at customer service centre Merrijig Drive.
- Evacuation First Aid kit is held at the Emergency Station and is taken to a drill.

Logo Use

Certification audit – Logo not in use as yet.

7. Nonconformities

Nonconformity	N° 01 of V1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department /	Document Control	Standard	18001:2007
Function:		Ref.:	CI 4.4.5
Document Ref.:		Issue / Rev.	
		Status:	
Details of Nonconformity:	Key requirements of Document Control required by the standard have not been described. <ul style="list-style-type: none"> — WHS 28 does not describe all the clause requirements — A Document titled Corporate Guidance Document 2011 describes many elements of Document Control but omits some clause requirements. — Across business units a variety of means of control, approval, and versioning are evident. — A template for Document Control is provided in WHS 28 but is not in wide use. — A conflict in versioning occurs between TRIM reference and version on the document 		

Actions to prevent recurrence: The Corporate Guidance Document 2011 will be reviewed against the 18001 clause requirements. WHS 28 will more fully reflect Document Control and refer to the Corporate document. Training of all business units in template use. The internal audit program will review the adequacy of adherence to the Document Control procedure.

Nonconformity	N° 02 of V1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department /	Records control	Standard	18001:2007
Function:		Ref.:	CI 4.5.4
Document Ref.:	WHS 28	Issue / Rev.	04/15
		Status:	
Details of Nonconformity:	Not all the clause requirements are met by the brief statement regarding records within WHS 28. <i>Many policies within the TRIM system (Records Security; Management; Outsourced records; Disposal) are not yet referenced in the WHS system).</i>		

Actions to prevent recurrence: Clear definition between Document and Records Control will be made (e.g. Separate procedures or headings with a Document and Records Control procedure). Confusion over the different requirements of Documents/ Records will be made through clearer procedures and training. The existing policies will be reviewed for adequacy to 18001 and referenced in the Records Control procedure.

Nonconformity	N° 03 of V1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department /	Training effectiveness	Standard	18001:2007



Function:		Ref.:	CI 4.4.2
Document Ref.:	Cambron database	Issue / Rev.:	As current
Status:			
Details of Nonconformity:	Surf Coast Shire undertakes a process to evaluate training effectiveness for internal training but the process doesn't extend to external training.		

Actions to prevent recurrence: The Summary Overview used for internal training will be considered for use as an external training evaluation form. Other records may be developed through the Appraisal Process and Meeting records.

Nonconformity	N° 04 of V1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department / Function:	Management Review	Standard	18001:2007
Document Ref.:	WHS 12	Ref.:	CI 4.6
	EMT Meeting 15/04/15	Issue / Rev.:	09/04/2015
	Audit and Risk Report 01/03/15	Status:	

Details of Nonconformity: While there is comprehensive reporting of some of the elements of the input clause, the records of the EMT meeting and the Audit and Risk Committee do not fulfil the requirement for outputs related to OHS Performance; Resources and other elements of the WHS Management System (Non-conformance, CAPA, Risk Assessments; Contractor Management, Training and Competency etc.). *It is evident that these outputs do occur, but not in the forum of the EMT Meeting. It is to be noted that with respect to the review and release of the WHS Policy the outputs of a subcommittee of the EMT were demonstrated.*

Actions to prevent recurrence: The requirements of the Management Review clause will be reviewed. While reporting to EMT and Audit and Risk are essential WHS 12 will be amended to show how reporting all the inputs leads to outputs listed.

Nonconformity	N° 05 of V1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department / Function:	Internal Audits	Standard	18001:2007
Document Ref.:	OHS 18	Ref.:	CI 4.5.5
		Issue / Rev.:	D14/16364
		Status:	

Details of Nonconformity: While excellent WHS audits of various areas of the business are providing considerable value to the continuous improvement and standards compliance audits of the System elements of the OHS standards have not yet been achieved.

Actions to prevent recurrence: Some elements of the systems clauses are being reviewed as part of the WHS Site Audits (Policy, legal compliance; Communication; etc) The clauses management review, Document Control, Records Control, Internal Audit Program; Corrective/Preventive; Incident Investigation etc. will be added to the Audit Schedule and audits achieved over the next cycle. The procedures and applicable clauses of the standard will be used as audit tools for a Systems audit. A summary report will be raised including review of actions from the previous audit and cross reference to PAN for corrective/Preventive actions raised.

Client Proposed Action to Address Minor Non-Conformances Raised at this Audit

The action plan for the Nonconformity identified is recorded above.



Nonconformity detailed here shall be addressed through the organization's corrective action process, in accordance with the relevant corrective action requirements of the audit standard(s), including actions to analyse the cause of the nonconformity and prevent recurrence, and complete records maintained.

- ☐ Corrective actions to address identified major nonconformities shall be carried out immediately **including a cause analysis**, and SGS notified of the actions taken within 30 days. An SGS auditor will perform a **follow up visit** within 90 days to confirm the actions taken, evaluate their effectiveness, and determine whether certification can be granted or continued.
- ☐ Corrective actions to address identified major nonconformities shall be carried out immediately **including a cause analysis**, and **records with supporting evidence sent to the SGS auditor** for close-out within 90 days.
- ☐ Corrective Actions to address identified minor non conformities **including a cause analysis**, shall be documented on a action plan and sent by the client to the auditor within 90 days for review. If the actions are deemed to be satisfactory they will be followed up at the next scheduled visit.
- ☒ Corrective Actions to address identified minor non-conformities **including a cause analysis**, have been detailed on an action plan and the intended action reviewed by the Auditor, deemed to be satisfactory and will be followed up at the next scheduled visit.
- ☐ Appropriate **cause analysis** and immediate **corrective and preventative** action taken in response to each non-conformance as required.

Note:- Initial, Re-certification and Extension audits – recommendation for certification cannot be made unless check box 4 is completed. For re-certification audits the time scales indicated may need to be reduced in order to ensure re-certification prior to expiry of current certification.

Note: At the next scheduled audit visit, the SGS audit team will follow up on *all* identified nonconformities to confirm the effectiveness of the corrective actions taken.

8. General Observations & Opportunities for Improvement

Positive outcomes of the audit

- The spreading of the diligence for WHS to a wider group of SCS personnel. A cultural shift in ownership of responsibility for WHS has started.
- The databases in use (PAN, iLean, TRIM and Cambron) are being used effectively as business management tools.
- The SCS resources training for all personnel in WHS and this is well evidenced.
- Effective processes for consultation are in place and this was particularly evidenced with the Tree Crew and civil Works employees. All levels of workers confidently participated in the audit.
- Management involvement in the audits – Managers were supporting the WHS team and area audited with their presence at the audit site.

Other observations and notes made during the audit were recorded by the Auditor for later review. They are not fully compliant to the requirements and intents of the Standard(s) assessed but at this point in time did not warrant the issue of a CAR and are identified for the continual improvement in compliance with certification:

1. The WHS policy commits to WHS Legislation but 'Other' is not described in the Policy'
2. Annual review of the WHS policy is anticipated although the review date is not noted in the Document Control bar on the Policy.
3. Targets and timeframes have been removed from the Objectives Summary but plan to be reinstated.
4. The process interaction diagram is in 'Draft' and needs completion before the next SGS audit.

5. All Toolbox meeting minutes reviewed had sparse reference to anything other than process performance. Suggested improvements to Tool box meetings
 - Actions from previous meeting (dated...) to be the first agenda item.
 - Review SWMS should go through an actual SWMS – identifying each step, hazards associated, controls and any other steps the team wanted added.
 - Under Incident discussion it is important for Tool Box to provide data related to whole of shire PAN incidents for the week – (NOT just that there were none from the tree crew).
 - Personnel to sign or initial against their typed name. Non- attendees to be emailed a copy.
 - Safety Alerts from WorkSafe or other legal compliance referenced each meeting.
 - Emergency Management reminder particularly for mobile crews (Choose a different scenario each meeting)
 - Weekly/monthly WHS focus
 - Any PAN's to be raised from the meeting.
 - *Suggest a checklist for the above items as prompts to the team leader to make reference and notes.*
6. A Minutes template could be developed to ensure that all important elements of meeting communications are met across the many meetings held (Attendees, Apologies, Actions from the previous meeting; Agenda items; Any Continuous Improvement Items; Any other items that may impact on the management system; Anticipated Next Meeting date). Minutes Community Care meetings have columns for discussion point and Action but do not have Date of Closed Action.
7. For Winchelsea Murrel Street Road Crew Improvements include:
 - While previous TM crew had reviewed and authorised SCS SWMS TM Operator Chelsea had not 'signed on'.
 - Emergency Assembly area was not identified for 'site'. E.g. Ute; Corner of street; parking bay
8. The Emergency Plan had not been tested for the Gymnasium. The Information Centre at Anglesea did not have an Emergency Plan displayed and Emergency training had not been held.
9. A Contractor was on site at Winchelsea Pool to test fire extinguishers. Despite having attended the task at depot, pool and other facilities induction had not been held for Mathew Geerings (CFA). It is apparent that CFA have missed an Induction (*Maybe because the function of testing extinguishers has been outsourced by the contractor who has been trained. This has been raised as a non-conformance within PAN # 714* All the steps need to be added to WHS 15 D13/172969
10. The Transfer Stations have clear traffic management arrangements. A TMP was not displayed in Site shed for each site. See PAN # 492
11. At the 3 Transfer Stations an invoice docket is printed for the drop off customer. It requires the Transfer Station Operator to authorise but the signature section was not authorised at any of the Transfer Stations.
12. Volunteer Appraisals are being planned. As this is documented in the manual dated 2010, activation of the process is encouraged. This may canvas improvement.
13. Additional changes on future SWMS versions may be legal compliance tailored to the tasks (not just general reference to OHS Act and Regulations); Employer (to identify that contractors are reviewing the SWMS) and on-going hazard management through requiring addition to SWMS if there has been a change in process or after an incident. The section for team position or competency is diversely filled in and needs further refinement. The purpose of this section is to demonstrate that a range of skills and experience have been used as an input to review – e.g. Manager, Supervisor, HSR. It is not



effective to insert see iLearn database.

14. Position Descriptions for personnel were not readily available for each individual interviewed. Consideration may be given to providing work instructions for how these may be accessed on Cambron database.
15. SWMS submitted by contractor awarded tender for Winchelsea Drainage at the Eastern Reserve were very basic (not having risk assessment, applying hierarchy of control, no legal reference and no assignment of responsibility). It is anticipated that SCS WHS Department will require contractors to use a more acceptable SWMS template in future.
16. Contribute to health and safety compliance is a KPI for all workers. In accordance with 18001 there could be a metric related to health & safety e.g. 100% attendance at Tool Box; Monthly Training sessions; or metric related to Team contribution to PAN.
17. Availability of external legal compliance documents does not appear to have been proactively resourced by WHS team. Coordinator identified OHS Act and 2007 Regulations as well as Australian Standard AS 43732007 Pruning of Amenity Trees. SCS is a Licence holder with access code for SAI Global web site.
18. An IBC containing diesel additive SCR did not have an MSDS displayed or any instructions for use. There was no calibration sticker on the dispensing pump.
19. The vehicle folder for the civil Works 'Patching crew' held MSDs for Diesel but not Emulsifier and Hotmix.
20. Documented commitment to engage appropriate services for health surveillance should workers inadvertently encounter a banned substance could not be verified.
21. The HR Policy needs to accommodate coverage of the good practise already in place with Objectives identified in Cambron and in the measurable outcome section of the PD and cascaded to each function and level.
22. The Procedure WHS 9 could have added that after an incident a SWMS review may be held with all operators involved resigning the SWMS. Alerts and training may also be an outcome of incidents.
23. Periodic Evaluation is not fully covered as CI 4.5.2.1 in WHS 13 although it appears to be demonstrated. This needs to reference the day to day monitoring but also a long term evaluation through the audit program.
24. An External Document hard copy references are retained as a WHS library but this is not referenced Electronic library found in Legal Services and Legislation in TRIM need reference in both the Document Control procedure and the Legal Compliance procedure.
25. A new forklift was on site however licenses for Glynn Hamey, Jason Earles, Glen Daniels and Tony Potter were not able to be found. As this is a five year license the prompt needs to be managed by SCS. The training was held in 2012 but licenses are not on file.
26. Purchasing Risk Assessment is described in WHS14.0 WHS Supplier Evaluation. SCS is aware that additional training will need to be held before records of risk assessments will be readily available.
27. Storage of records on floors, benches and walkways in the Planning Department would appear to



require a rethink on work processes and records management in order to prevent tripping hazards or records damage.

9. Opening and Closing Meeting Attendance Record

Name	Position	Opening	Closing
Cherie Forrester	SGS Lead Auditor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Chris Pike	GM Culture and Community	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Matt Connell	WHS Officer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ross Williams	WHS Coordinator	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Steve Turnely	Manager Culture and Community	Apology	<input checked="" type="checkbox"/>

7.3 Risk Management Policies & Procedures

AUTHOR:	Maureen White	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.5.5

This item is designed to allow Audit & Risk Committee members the opportunity to provide any comments on Council's Risk Management Policies and Procedures.

Refer Appendix D: SCS-021 Risk Management (D14/40427) and;

Appendix E: MPP-009 Business Continuity (D14/79344)

Appendix F: MPP-021 Code Red and Extreme Fire Danger (D14/79419) – This Policy & Procedure was recently fully reviewed, and adopted by EMT on 4 February 2015

ACTIONS ITEMS:

- | |
|--|
| <ol style="list-style-type: none">1. Council to provide soft copy of Appendix D via email to Committee members.2. Committee members to provide any suggestions to the General Manager Governance & Infrastructure |
|--|

RECOMMENDATION:

That the Audit and Risk Committee provide any suggestions relating to Council's Risk Management Policy to the General Manager Governance & Risk.
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MOVED: Cr. Clive Goldsworthy

SECONDED: Cr. Margot Smith

COUNCIL POLICY



Risk Management Policy	Document No:	SCS-021
	Approval Date:	24 June 2014
	Approved By:	Council
Responsible Officer: Director Corporate Services	Trim Reference:	D14/40427
Authorising Officer:	Chief Executive Officer	

1. Purpose

The Surf Coast Shire Council Risk Management Policy describes our commitment to and objectives around managing risks. It explains how responsibility for managing risks is distributed between officers and committees of the organisation. The policy is enacted through the Risk Management Framework, Risk Management Strategy, the Corporate Risk Management Program and various management system processes and procedures.

It acknowledges the moral, financial and legal responsibility to effectively manage risks and opportunities in all areas of operations. The purpose is to ensure the efficient and ethical use of resources and services used by rate-payers, residents, staff and visitors.

2. Scope

The Surf Coast Shire Council requires the development and provision of an effective risk management framework and process to mitigate potential negative outcomes and to better realise sustainable opportunities present in the organisation's operations. The Surf Coast Shire Council applies the risk management process as part of strategic planning to facilitate more effective problem solving, decision making and service delivery.

The **Surf Coast Shire Council**:

- recognises risk management as an integral part of good management practice and decision making;
- creates and maintains a risk management environment that enables Council to deliver high quality services and meet performance objectives in line with our principle of seeking continuous improvement;
- ensures resources and operational capabilities are identified and deployed responsibly and effectively. Resources include the staffing for the Risk Management Team and related work areas, computer-based systems, documentation, tools and access to external risk management specialists; and
- demonstrates the application of the risk management process of identifying, analysing, evaluating and treating risks, as detailed in the Risk Management Standard, AS/NZS ISO 31000:2009.

3. Application

This policy applies to all Councillors, employees, contractors, volunteers and Special Committees of the Surf Coast Shire Council.

4. Definitions

"Risk Management" is the coordinated activities to direct and control an organisation with regard to risk. It relates to all aspects of the organisation's operations and practice.

"Risk" is the effect of uncertainty on objectives. It is measured in terms of a combination of the likelihood of an event and its consequence.

5. Legislative Context

The Australian & New Zealand and International Risk Management Standard AS/NZS ISO 31000:2009.

6. Policy

It is the policy of the Surf Coast Shire Council that all work areas implement the Risk Management framework that provides an effective process for the identification, analysis and management of both negative and positive impacts on physical, social and economic capital. This will support sustainability and safeguard Councils assets, infrastructure, people, finances and reputation.

7. Procedure

- 7.1 The Chief Executive Officer has the ultimate responsibility for ensuring that risk is managed across the Council.
- 7.2 The Chief Executive Officer and Directors are responsible for monitoring the corporate implementation of the Risk Management Policy.
- 7.3 The Director Corporate, is the senior executive responsible for overseeing the development and maintenance of the Occupational Health and Safety culture, framework and systems throughout the Council.
- 7.4 The Manager Governance and Risk is the senior executive responsible for overseeing the development, facilitation and implementation of a risk management culture, framework, and strategy and corporate program, including training and awareness, monitoring corporate risk management performance and management reporting.
- 7.5 Directors are responsible for their division's risk management performance, including implementation of the Risk Management Strategy, ensuring appropriate resources for risk management actions are made available and ensuring effective monitoring, reviews and reporting are undertaken. This includes ensuring that their overall divisional risk profile entered by branch staff into the corporate risk module of PAN Software is reviewed, updated and approved quarterly.
- 7.6 The Audit and Risk Committee is responsible for reporting to the Executive Management Team and Council and reviewing management's approach to risk, in particular, risks associated with the core activities of Council. It also reviews Council's overall risk management plan, ensures that periodic assessments are undertaken, control measures are established and their effectiveness is monitored and reviewed.
- 7.7 The Internal Auditor is responsible for developing and conducting the internal audit plan, program and reviews across all operations. This includes the review of relevant risks across the business as identified in the risk module of PAN Software and other documentation, and assessing new risks as they may emerge through an audit. The Internal Auditor reports on findings and makes recommendations to management and the Audit and Risk Committee.
- 7.8 Each Manager is accountable for implementing the risk management policy through appropriate actions in his or her area of responsibility. This includes ensuring that their overall branch risk profile entered by staff into the corporate risk module of PAN Software is reviewed, updated and approved quarterly, and that reports are provided to Directors.
- 7.9 The Risk Coordinator is to provide assistance in the development, review and reporting of the risk profiles of all Directorates. and contribute through consultation to the development of the corporate Risk Management Strategy, related action plans and systems.
- 7.10 The Risk Coordinator will consult with management and staff to ensure that the reporting, updating and review of the branch risks within the risk module of PAN Software occurs and inform the Manager of Governance and Risk of modifications to the risk profile/plans during the year.
- 7.11 All employees and service providers are responsible for applying risk management practices in their area of work and ensuring that Surf Coast Shire Council management are aware of all types of risks associated with council's operations. This extends to recommending suitable plans to manage risks and obtaining appropriate approval prior to action.

8. Records

Not applicable

Records shall be retained for at least the period shown below.

Record	Retention/Disposal Responsibility	Retention Period	Location

9. Attachments

Nil

10. References

AS/NZS ISO 31000:2009 Risk management – Principles and guidelines

SA/SNZ HB 436:2013 Risk management guidelines-Companion to AS/NZS ISO 31000:2009

Surf Coast Shire Risk Management Strategy 2014

PAN Software Risk Module - Administration Guidelines

Fraud & Corruption Control Plan 2014 – 2017

IS-010 Records Management Policy

MANAGEMENT POLICY & PROCEDURE



Business Continuity	Document No:	MPP-009
	Approval Date:	1 March 2006
	Approved By:	EMT
	Review Date:	30 June 2016
Responsible Officer: Risk Management Coordinator	Trim No.:	D14/79344
Authorising Officer:	Chief Executive Officer	

6. Purpose

The objective of Business Continuity Management (BCM) is to ensure the timely resumption and delivery of essential business services and activities in the event of a major disruption to business by maintaining the key business resources required to support the delivery of those activities.

The provision of a business continuity plan will provide assurance that there are arrangements in place to support essential services and other operational activities when a business interruption event occurs.

7. Scope

The BCM has been designed to minimise the impact of a disruption to business activities which may impair Surf Coast Shire's ability to provide essential services to the community as required by the Local Government Act 1989, maintain critical business functions and deliver the objectives of the Council Plan.

8. Application

The BCM applies to all council officers, volunteers, emergency services and third party providers of goods and services and has links to the Municipal Emergency Management Plan, Pandemic Plan and the Heat Wave Plan.

9. Definitions

Activation	Process whereby all or a portion of a plan is put into effect.
Business Continuity	Business Continuity is the uninterrupted availability of all key resources supporting essential business functions.
Business Continuity Management	Business Continuity Management provides the availability of processes and resources in order to ensure the continued achievement of critical objectives e.g. essential services.
Business impact analysis (BIA)	Detailed risk analysis that examines the nature and extent of disruptions and the likelihood of the resulting consequences.
Crisis	Situation that is beyond the capacity of normal management structures and processes to deal with effectively.
Continuity Management Team	The Continuity Management Team will take control of any crisis impacting on the operational capacity of Council.
EMT	Executive Management Team.
Essential Service	Those functions that are essential for Council to maintain for legislative, safety or duty-of-care, fiscal or essential service reasons.
Event	Occurrence or change of a particular set of circumstances.
Maximum acceptable outage	Maximum period of time that an organization can tolerate the disruption of an essential service or critical business function.
MEMP	Municipal Emergency Management Plan.
Quick Reference Card	The 'Quick Reference Card' provides critical information during an emergency.
Resilience	Adaptive capacity of an organization in a complex and changing environment.
Risk	Effect of uncertainty on objectives.
RMC	Risk Management Committee
Workaround	A temporary method used to achieve or complete a task when the normal method is not working or available.

5. Business Continuity Management Policy

The ability to provide essential services to the community is a fundamental obligation of Council and is supported by the Chief Executive Officer and Leadership Group.

The Risk Management Committee will oversee the development, implementation and exercising of the business continuity management plan which will be underpinned with sound risk management processes as described in the Risk Management Strategy. Activities will be reported to the Executive Management Team and Audit Committee.

Surf Coast Shire Council recognizes that business continuity management will not prevent a disruption from occurring or predict the impact of an event, but it will support Council's effort to continue to provide essential services to the community and minimize the impact of the disruption until business conditions are restored.

The application of effective business continuity management will increase Council's resilience when a business disruption event occurs.

The Business Continuity Management Policy seeks to:

1. Demonstrate the leadership of the Executive Management Team by motivating and empowering employees to contribute to the ongoing effectiveness of the BCMS.
2. Deliver the objectives of the Council Plan and meet our legislative responsibilities.
3. Ensure the continuity of essential services to the community.
4. Allocate roles, responsibility and authority levels supported by the Executive Management Team.
5. Provide a consistent approach to BCM aligned to International and Australian Standards.
6. Integrate BCM within Council's Risk Management Framework, Municipal Emergency Management Plan, Pandemic Plan and other relevant plans or strategies.

6. Business Continuity Management Procedure

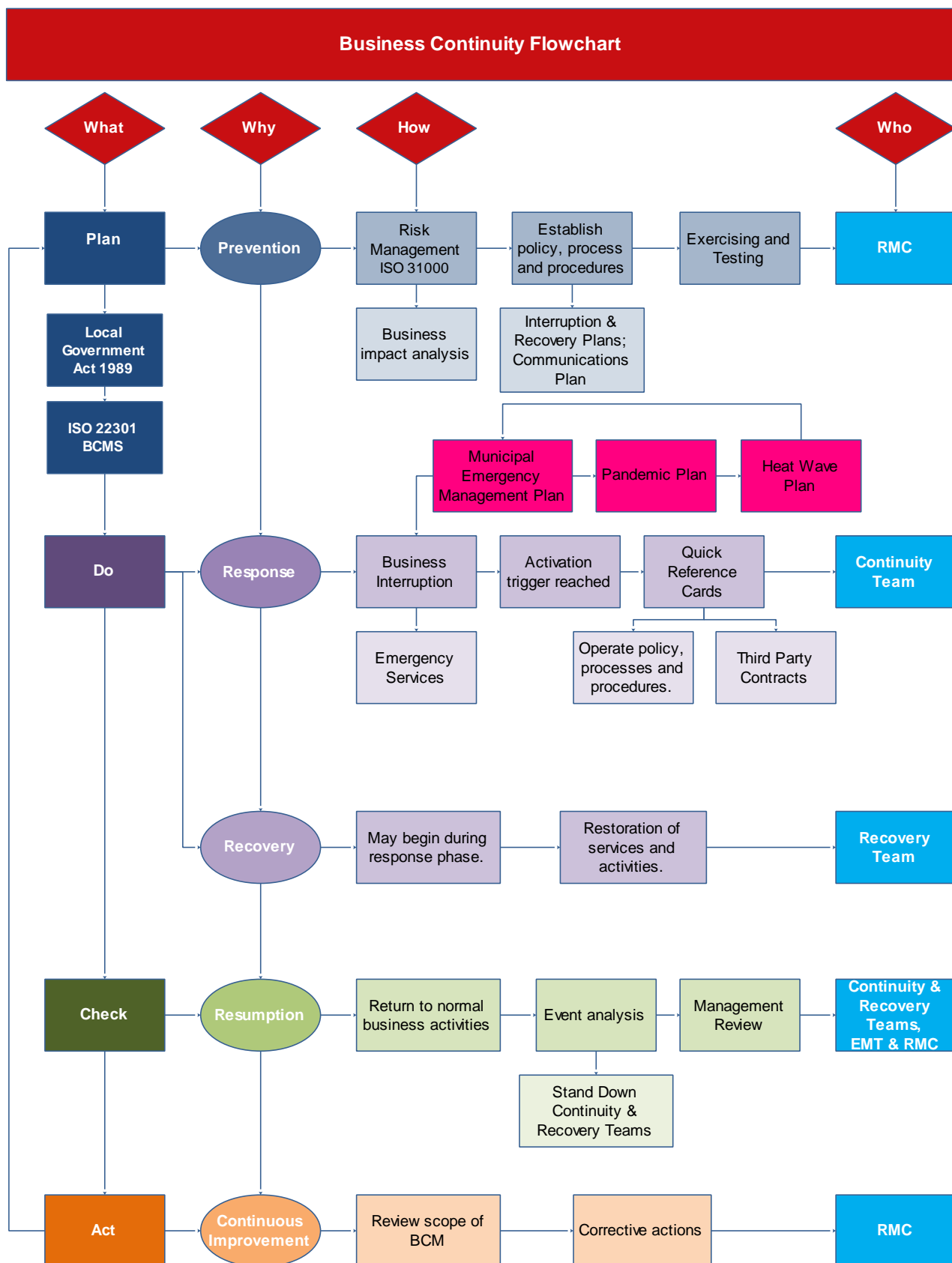
Business continuity is the uninterrupted availability of key resources supporting essential business functions or services where those functions are essential for Council to maintain for legislative, safety or duty-of-care, fiscal or essential service reasons. Surf Coast Shire Council provides a range of services to the community which are classified as an 'essential' service.

This procedure identifies a range of requirements to reduce the likelihood of a disruption event and to prepare for, respond to and recover from disruptive events when they occur.

This procedure outlines the process utilized in identifying, developing and implementing a range of plans for high risk areas where Council has deemed the provision of a service or function to be critical to the community or the organisation.

Business continuity planning is also linked to regional, state and federal responses to emergency events. One or more of Council's business continuity plans are likely to be activated if a Regional or State Emergency Management Plan is activated where the emergency might be a bush fire within Surf Coast Shire or a widespread pandemic.

The process is depicted in the flowchart below.



6.1 Prevention - Plan

Planning prevention strategies is as critical as being prepared for the response and recovery from business interruption events. This process supports the identification of business continuity risk, align to Council, Business and Strategic plans, provide clarity to decision making and the treatment and control of business continuity risk.

The following steps will prepare Council to respond to, recover from and reduce the business continuity risk but it will not eliminate 100% of the risk.

6.1.1 Risk Management

A risk assessment aimed at identifying Council's core business objectives and the critical business services and operations that support these objectives has been undertaken. A risk assessment should be undertaken by the Leadership Group bi-annually to ensure changes to Council, Business and Strategic plans and objectives are identified and included in current disruption or recovery plans or that new plans are created as appropriate. Refer sample business continuity matrix at attachment one.

Risk identification is followed by the treatment or control and monitoring of these risks. Business continuity risks will be maintained in the risk register with risk treatments monitored by the risk owner, the Risk Management Committee escalating to the Executive Management Team and the Audit Committee.

Outputs include:

- Risk priorities;
- Risk dependencies;
- Core business objectives; and
- Reporting requirements.

6.1.2 Business Impact Analysis

This step will assess the impact on the business if a service or operation becomes unavailable, what the critical 'trigger-point' is and if a disruption plan should be activated. At this stage resource requirements for each of the services or operations need to be identified. Alternate to standard work practices also need to be identified as IT services may not be available. Manual work-arounds must be developed where there are critical IT dependencies.

Outputs include:

- Activities identified that support essential services and critical business functions;
- Understanding the impact of a disruption over a period of time;
- Identifying the maximum outage period for a critical service or operation; and
- Identification of the resource requirements needed to provide a minimum service level.

6.1.3 Business Continuity Framework

The development of policies, procedures and other supporting documentation – for example Quick Reference Cards - will provide the framework to support Council in the event of a significant business interruption event.

While the policy statement is a commitment by Council to ensure the continued provision of essential services to the community this procedure will outline the steps in the development, implementation and continual improvement of the business continuity system.

Key documents in Council's Business Continuity Plan include 'Quick Reference Cards' (QRC), workarounds, resource requirements and a range of forms including the event log.

The QRC identify the key elements in response or recovery to a disruption such as:

- Continuity or Recovery Manager & Team – by position within the organisation
- Third Party contracts
- Resource requirements
- Activation Trigger
- Interruption guidelines

Outputs include:

- Development of Quick Reference Cards for Business Interruption; Recovery and Communications;
- Delegation of Authority; and
- Workarounds.

6.1.4 Training, Maintaining and Testing

Business continuity plans are only as valuable as the knowledge and understanding others have of the plans. Education and training for all staff will be key to a successful return to normal activities in particular for the Continuity Manager and Team.

Training will consist of induction and refresher training for risk and business continuity; business continuity training on the Quick Reference Cards.

Testing of the plans will help to identify gaps in advance of an actual interruption event. Testing will be done in multiple formats:

- Internal audit;
- Desktop practice;
- Emergency evacuation practice;
- Simulation; or
- Fully integrated test with internal teams and external emergency services.

The frequency of testing will be reflected by the risk associated with loss of service or operation.

A post-test review including all participants will be completed within two weeks of the test. The participants will review the results and evaluate the process to improve the systems in place. This process will support the maintenance and ongoing improvement of the system.

Outputs include:

- Continuity teams ready to respond to any event;
- Analysing and reporting all tests to the Risk Management Committee and Executive Management Team; and
- Process improvements.

6.2 Response & Recovery - Do

An interruption to a service may be either a reduction or cessation of a service or operation but it is the period of time the service or operation is unavailable that will determine whether the activation trigger is reached and the Business Continuity Plan is put into action.

An interruption may stem from an internal crisis such as the loss of the Civic Centre, delivered meals or waste collection. Council has identified a range of potential interruptions to business activities (see attachment two) requiring the development of interruption and recovery plans. They include:

1. Building access denied
2. Staff absenteeism
3. IT Communications

Council's Business Continuity Plan may also be activated due to external factors such as the activation of the Pandemic Plan or the Municipal Emergency Management Plan. The period of time the service or operation is unavailable will determine whether the activation trigger is reached and the Business Continuity Plan is put into action.

The activation trigger is recorded in each Business Interruption Quick Reference Card.

6.2.1 Business Interruption

The Continuity Manager on notification of the business interruption will advise the Continuity and Communications Teams to meet for an initial briefing. This may occur before the activation trigger has been reached and will provide the team an opportunity to perform a damage and impact assessment and activate the appropriate plan(s) early based on this assessment.

The Continuity Team may also identify additional activities which have not been addressed in the Quick Reference Cards.

The Continuity Team should begin their Event Logs and record all decisions made pre activation. All decisions must be recorded post activation.

The Mayor and the CEO will be notified by the Continuity Manager.

NOTE: All records will form part of the event analysis following the resumption of business activities. They may also be required for any Police investigation, Coroners Inquest, WorkSafe investigation, WorkCover claim or legal action which may result from the interruption event.

Outputs include:

- The immediate impact on the provision of essential services
- The outage period will be confirmed
- Recovery priorities for business operations will be identified
- The site will be secured consistent with emergency response activities
- Determine short/medium/long term consequences.

6.2.2 Activation

The maximum acceptable outage is determined by identifying the maximum period of time that Surf Coast Shire Council can tolerate the disruption of an essential service or critical business function.

The activation trigger is the point where all or a portion of the business continuity plan is put into effect – it is the point where operational activity or service provision will begin to fail without intervention. More than one plan can be activated at any time and may run in conjunction with emergency plans at a municipal, regional, state or federal level.

Each Quick Reference Card identifies the activation trigger however early intervention by the Continuity Team will prepare the team for a timely response and has the potential to reduce the impact of the business interruption.

The Communications Strategy will be activated.

Outputs include:

- Decisions will be recorded in the event log.
- The Communications Strategy will be activated
- Workarounds will be activated.
- Additional resource requirements will be identified.
- Changes to standard operating procedures will be identified and implemented
- Counselling or other HR support will be identified and implemented
- Third party contracts will be identified, contacted and apprised of the situation.

6.2.3 Continuity Team

Once a plan has been activated the Continuity Manager has delegated authority to make decisions on behalf of Surf Coast Shire. The delegation applies until business activities have been restored but is critical during the initial period of crisis.

Other specific roles are described in attachment three and are attached to job functions.

The Continuity Team will meet on a regular basis determined at the initial meeting. The Continuity Team should meet daily as a minimum until the impact of the crisis has been resolved.

The Continuity Teams will be guided by the Quick Reference Cards throughout both the crisis and recovery phases. The Quick Reference Cards are intended as a guide to support the Continuity Teams.

Outputs include:

- The Continuity Team has clear direction about the steps required to maintain essential services and business functions.
- The Continuity Team will address changes or road blocks in a timely fashion.
- The Recovery Team will begin planning the recovery process.

6.2.4 Restoration of Services

The recovery phase will commence before the initial crisis period is over and will run in conjunction with the business interruption plan. This phase will focus on the restoration (or continuation) of essential services and return to normal business activity.

The Continuity Team will determine the makeup of the Recovery Team.

The Recovery Team will plan and implement activities required to return to normal business activity. This phase may last from one day to more than one year if for example the Civic Centre had to be rebuilt.

The Recovery Team will oversee:

- The processing of insurance claim(s) - asset & public liability.
- The tender and purchase of goods and services.
- Funding of recovery activities.
- The restoration of records.

Outputs include:

- Restoration of IT communications.
- Alternate worksite(s) identified and made ready for business.
- Changes to services levels will be agreed.
- Register all business continuity documentation in TRIM.

6.3 Resumption - Check

The crisis is over and while some recovery activities may be ongoing Council has returned to business as usual.

6.3.1 Event Analysis

The final duty of the Continuity Team is to analyse the business interruption event, identify all the positive and negative outcomes. A report will be prepared for the Executive Management Team.

The Continuity Team should review:

- Scope of policy, procedures and plans.
- Communication plan.
- Availability of resources.
- Effectiveness of supply chain.
- Emergency response.
- Success of recovery – KPI's.
- Emergency control plans.
- Business continuity plans e.g. Quick Reference Cards.
- First aid.

Outputs include:

- Event analysis report.
- Corrective action recommendations.
- Changes to the risk register.

6.3.2 Management Review

The event analysis report will be presented to the Risk Management Committee and Executive Management Team for review. Event analysis is one component of the review process which will may also include:

- Scope of policy, procedures and plans.
- Internal and external audit reports.
- Changes in external and internal issues that are relevant to Surf Coast Shire.

Outputs include:

- Variations of the scope of the Business Continuity Management System.
- Updates to the risk management system.
- Modification of procedures and controls.
- Continuous improvement workplan.
- New risks added to the risk register including risk controls and risk owner.

6.4 Continuous Improvement - Act

Control measures identified in the Work plan will be monitored by the the Risk Management Committee with progress reports provided to the Executive Management Team and Audit Committee.

Documented information will be retained by the organization in TRIM. Documents will include, but is not limited to, the current versions of all policies, procedures, Quick Reference Cards, minutes of meetings, event logs, corrective actions and outcomes

Outputs include:

- Reports to the Executive Management Team and Audit Committee.

7. Records

Records shall be retained for at least the period shown below in TRIM – Council's record management system.

Record	Retention/Disposal Responsibility	Retention Period	Location
Policy & Procedure	PROS 07/01 18.2.1	Permanent	Electronic
Event Log & Event Records	PROS 07/01 18.2.1	Permanent	Paper / Electronic

8. Attachments

Attachment One: Risk Matrix for Business Interruption

Attachment Two: Business Interruption Risks

Attachment Three: Roles and Responsibilities

9. References

Local Government Act 1989

ISO 22301 Societal security – Business continuity management systems – Requirements

AS/NZS 5050/2010 Business continuity – Managing disruption-related risk

HB 221:2004 Business continuity management

Good Practice Guidelines 2010 – The Business Continuity Institute

HB 293:2006 Executive Guide to Business Continuity Management

ISO 31000:2009 Risk management – Principles and guidelines

AS 3745:2002 Emergency Control Organisations and Procedures for Buildings

Quick Reference Cards

IS-010 Records Management Policy

Attachment 1 – Risk Matrix for Business Interruption

Sample Only

Risk Matrix				Likelihood				
				(A) Rare	(B) Unlikely	(C) Possible	(D) Likely	(E) Almost Certain
				The event is not expected to occur.	The event may occur only in exceptional circumstances.	The event might occur at some time.	The event will probably occur at least once.	The event will occur in most circumstances.
				Once in 100 years.	Once in 50 years.	Once in 10 years	Once in 5 years	Annual or more frequently.
Consequence	Extreme	Business Interruption	Total system dysfunction. Total shut-down of operations. Unable to provide essential services.	15	19	22	24	25
	Critical	Business Interruption	All operational areas of a location or region compromised. Other locations/ regions may be affected. More than one BCP involved plus other plans.	10	14	15	21	23
	Major	Business Interruption	Disruption to at least one operational area within a location or region. Activation of BCP.	6	9	13	17	20
	Minor	Business Interruption	Some disruption manageable by altered operational routine.	3	5	8	12	16
	Insignificant	Business Interruption	No interruption to service.	1	2	4	7	11
How to use this risk matrix 1. What type of risk may occur? OHS, Financial, Reputation, Compliance, Business Interruption 2. What are the possible consequences of the risk? Insignificant, Minor, Major, Critical, Extreme 3. What is the likelihood of the risk occurring? Rare, Unlikely, Possible, Likely, Almost Certain 4. The risk rating is where likelihood and consequence intersect. The risk may need to be recorded in the risk register.				Note:	Immediate action required, senior management/Council will be involved.			
				Serious risk	Senior executive management attention needed and management responsibility specified. Record the risk in the risk register.			
				High risk	Manage by specific monitoring or response procedures. Record the risk in the risk register.			
				Medium risk	Manage by routine procedures, unlikely to need specific application of resources.			
				Low risk	Manage by routine procedures, unlikely to need specific application of resources.			

Attachment 2 – Business Interruption Risks

High impact business interruption events identified include:

	Business Interruption Risks	Business Interruption & Recovery Plans
1.	Building Access Denied - Council Offices	Complete
2.	IT Communications Computer Outage, Telecommunications Outage	Complete
3.	Major Staff Absence > 30%	Complete
4.	Supply Interruption Delivered Meals	Complete
5.	Waste Collection	Complete
6.	Service Interruption Personal Care	Complete
7.	Building Access Denied for Children's Care	Complete
8.	Swimming Pool Outage – summer	Workaround only - Complete
9.	Key Staff Absence	
10.	Natural Disaster e.g. Bushfire. Extreme Weather	A natural disaster may lead to the activation of multiple plans e.g. Building Access Denied, IT Communications, Major Staff Absence > 30%.
11.	Depot Access Denied	Complete
12.	Public Toilet Outage in High Visibility Location e.g. Bells Beach	Workaround only - Complete
13.	Mobile Phone Outage	Include as part of item 2 – IT Communications Complete
14.	Outage of Fuel Supply for Vehicles	Scheduled
15.	Major Financial Loss	
16.	Landfill Closure	Workaround only - Complete

Attachment 3 – Roles and Responsibilities

Continuity Manager

- Provide Leadership and direction.
- Ensure that Council continues to provide essential services to the community.
- Ensure that Council continues to meet its statutory obligations, as permitted under the circumstances.
- Work to the delegations as described.

Continuity Team

- Provide Leadership and direction in responding to the crisis and recovery.
- Ensure that Council continues to provide essential services to the community.
- Ensure that Council continues to meet its statutory obligations, as permitted under the circumstances.

Mayor

- Respond to media enquiries through the Communication Team, in conjunction with the CEO.

Chief Executive Officer

- Keep the Mayor and Councillors informed of the interruption and recovery efforts.
- Respond to media enquiries through the Communication Team, in conjunction with the Mayor.

Directors

- Liaise with the Continuity Manager to ensure normal operation is restored in a safe manner.
- Communicate the state of play to the organisation.

Managers and Coordinators

- Support the activities of the Continuity Team in responding to the demands of the crisis and the subsequent business recovery plan per their specific area of work or as directed.
- Meet Council's statutory obligations.

MERO

- Coordinate the implementation of the Municipal Emergency Management Plan and coordinate municipal resources in conjunction with the Continuity Team.

Communications

- Provide expert advice on wording for all media releases and official communiqués.
- Ensure that information provided to staff and contractors is consistent with that provided to the media
- Provide a contact point for all media enquiries.
- Keep relevant media outlets advised via a schedule of communication updates.
- Ensure other means to inform community are put in place as necessary.
- Provide a counter service to Shire residents, businesses and visitors to answer queries.
- Customer Request Management and for the lodgement and issue of documents, the payment of fees, rates and other charges.
- To respond to telephone enquiries and lodge Customer Request Management.

Information Services

- Provide PC and communication services.

Finance

- Provide payroll services and to arrange payment and information for staff.

Organisation Development

- Provide next-of-kin information and personal details for staff injured or killed in an emergency at work, and to provide up-to-date lists of staff by building, if required.
- Arrange counselling for staff, if required, through provision of EAP.
- Provide for the health and welfare of staff affected by the emergency.
- To address any industrial relations issues that may have arisen as a result of the emergency.
- Liaise with Council's insurer.
- Initiate workplace investigations.

APPENDIX F – MPP-021 Code Red and Extreme Fire Danger

(This Policy & Procedure was recently fully reviewed and adopted by EMT on 4 February 2015)

(Trim Reference: F12/1546 – D14/79419)

MANAGEMENT POLICY & PROCEDURE



Code Red and Extreme Fire Danger Preparedness	Document No:	MPP-021
	Approval Date:	February 2015
	Approved By:	EMT
	Review Date:	30 August 2016
	Trim No.:	D14/79419
Responsible Officer: Director Corporate		
Authorising Officer:	Chief Executive Officer	

1. Purpose

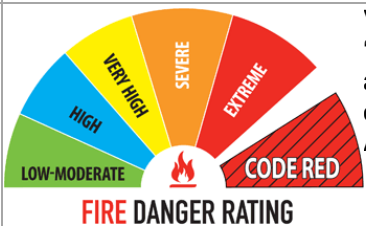
The purpose of this policy and procedure is to ensure the safety of staff on days with a Fire Danger Rating of Extreme or Code Red in the Surf Coast Shire.

2. Scope

This policy and procedure applies to all employees, Councillors, contractors and volunteers of Council during days with a Fire Danger Rating of Extreme or Code Red.

This policy and procedure outlines State Government requirements (including CFA advice) and Council's responses and responsibilities.

3. Definitions

FDR	Fire Danger Rating
BoM	Bureau of Meteorology
Emergency situation	Provision of an essential service due to an unexpected event eg bushfire, firefighting activities (grading).
Emergency Services	Includes Emergency Management Commissioner, CFA and Victoria Police.
Fire Danger Rating	 <p>Victorian Fire Danger Rating (FDR) scale. FDRs for 'Code Red' or 'Extreme' days will be issued in advance allowing Managers to plan work activities over the following two or three days. Please see Appendix 1 for further detail.</p>
Heat stress	Caused by working in hot conditions and can result in a number of adverse health effects ranging from discomfort to serious illness.
Heat illness	Includes skin rashes, dehydration, heat cramps, heat exhaustion and heat stroke.
Highest Risk Area	Includes the highest risk townships in Surf Coast Shire ie Bellbrae, Jan Juc, Aireys Inlet, Anglesea, Deans Marsh, Fairhaven and Lorne and travel between these townships. All forested and bushy areas within the Surf Coast Shire, particularly the Otway Ranges.
Highest Risk Times	Generally after 10am on days with a Fire Danger Rating of Extreme or Code Red.
Risk assessment	An assessment of the risks involved to determine the safest course of action to be carried out in advance by the Manager or their representative.
Total fire ban	Legal restrictions aimed at reducing activities that may start a fire setting out which activities can or cannot occur.

4. Policy

When the CFA declare an Extreme or Code Red day in the Central District, Council will seek formal advice from the CFA regarding the Fire Danger Rating for areas within the Surf Coast Shire. On days declared with a Fire Danger Rating of Extreme or Code Red within Surf Coast Shire, Council's priority is the safety of its employees, Councillors, contractors and volunteers. Surf Coast Shire contains a number of Highest Risk Areas which may mean that travel between or from these locations may limit staff's availability to provide services.

It is recognised that there is a likely disruption to some Council services due to this position and advice received from the Emergency Services. Every effort will be made to minimise the service disruption.

5. Procedure

5.1. General

- During the fire season, the Bureau of Meteorology (BoM) provides a daily outlook of the Fire Danger Index (FDI) by considering elements of predicted weather including temperature, relative humidity, wind speed and dryness of vegetation. When determining the fire danger rating, fire agencies consider a range of other factors such as:
 - the length of time the fire danger index has been elevated;
 - the extent of fire already in the landscape;
 - fuel and dryness; and
 - the likelihood of weather events such as lightning and grass fuel conditions.
- The declaration of the Fire Danger Rating is made in a district context and CFA have the ability to provide advice on variations within the district. Council will seek formal advice from the CFA regarding the Fire Danger Rating for areas within the Surf Coast Shire.
- Total Fire Ban days can occur on 'Code Red' or 'Extreme' fire danger days. Declared total fire ban days set out prescribed restrictions to minimise the risk of fire and must be followed.

5.2. Council's Response

5.2.1. Services Affected

- Council Services in all areas, except the Civic Offices, will not be provided on days declared as Code Red.
- Council Services in Highest Risk Areas during Highest Risk Times will not be provided on days declared as Extreme in the Surf Coast Shire.
- Council Services based in all other areas on days declared as an Extreme will be provided unless:
 - Staff required to provide these services have to travel through Highest Risk Areas at Highest Risk Times; or
 - Advice from Emergency Services is that it is unsafe to provide Council services.
- Council will ensure that a plan is in place to provide support for the most vulnerable clients of Council's Home Care Service.
- Council may provide support to the CFA in accordance with MPP-050 Deployment of Council Resources and Staff to a Fire Ground
- Response to other Emergencies will be considered on an individual basis by the relevant Director.
- Refer to Appendices 2 and 3 for tables setting out affected Council Services.

5.2.2. Management Responsibilities

- Managers will develop and regularly review their department's service delivery tables (See Appendices) and work instructions for affected services on days with a Fire Danger Rating of Extreme or Code Red in accordance with this Policy. Where Work Instructions have been developed these will consider and provide guidance on the following:
 - Availability of staff on days with a Fire Danger Rating of Extreme or Code Red
 - Instructions on Highest Risks Areas to avoid at Highest Risk Times
 - Important contacts in the event of an emergency
 - Services that will be affected(see Appendices 2 and 3 for a summary of internal and external services affected)
 - The need to advise CEO and Director in the case of impacted services.

- Discuss this Management Policy and Procedure with all staff at team meetings.
- Ensure that emergency contact details are available and are up to date.

5.2.3. Employee Responsibilities

- Plan your work activities with your Manager including the cancellation of travel in the Highest Risk Areas at Highest Risk Times.
- Follow the processes outlined in your department's Work Instructions and/or the service delivery tables attached to this policy (Appendices 2 and 3).
- Follow instructions provided by emergency services.
- Provide and update emergency contact details.
- In case of fire, remove yourself from immediate danger.
- Tune into the emergency radio frequency wherever possible (774 AM- ABC Radio).
- Employees travelling within the Shire are to take plenty of water to prevent heat stress/illness.
- Employees unable to attend work due to the fire danger must contact their Manager as soon as possible.
- Perform duties in a manner that does not represent an unacceptable level of risk to the health and safety of:
 - Themselves
 - Other employees, Councillors, contractors and volunteers
 - Council's customers or visitors
 - The wider community.

5.2.4. Communication

Ensure this Management Policy and Procedure and potential impacts to Council Services are communicated to the Community at the start of the fire danger period.

Decisions taken in accordance with this Management Policy and Procedure and which impact services will be communicated to Councillors and the Community, coordinated through the CEO's office.

5.3. Suspension of Work

Employees may be advised not to attend work on days with a Fire Danger Rating of Extreme or Code Red, or may be directed to undertake alternative duties at the discretion of their Manager. Employees will be compensated in line with normal work attendance when Council has made a decision not to operate services.

If an employee elects not to attend work on days with a Fire Danger Rating of Extreme or Code Red, leave will be taken as agreed with their Manager.

6. Records

Not applicable

7. References

Occupational Health and Safety (OHS) Act 2004
 Surf Coast Shire OHS Policy
 Country Fire Authority
 Department of Education and Early Childhood Development
 Country Fire Authority Act 1958 (Section 40)
 OHS22 Working in Seasonal Heat Policy
 MPP-050 Deployment of Council Resources and Staff to a Fire Ground.

Appendix 1

Fire Danger Ratings & Warnings – General Advice

Fire Danger Ratings

The Fire Danger Rating predicts how a fire would behave once started, including how difficult it would be to put out.

The higher the rating, the more dangerous the conditions.

The rating is your trigger to act, so to stay safe you need to stay aware of the Fire Danger Rating in your district.

During the fire season, the Fire Danger Rating will feature in weather forecasts and be broadcast on radio and TV and appear in some newspapers.

It can also be found on the CFA home page and on the [Department of Sustainability and Environment](#) and [Bureau of Meteorology](#) or by calling the [Victorian Bushfire Information Line](#) on 1800 240 667.

Code Red Days


Days of Code Red fire risk have the worst conditions for a bush or grass fire. Homes are not designed or constructed to withstand fires in these conditions.

Leaving a high risk area the night before a Code Red day occurs, or early in the day, is the safest option. Public schools must have a plan for Code Red days, which may involve closures. Parks and forests in areas with a declared Code Red are closed for public safety.


Fire Danger Ratings are forecast during a fire season based on weather and other environmental conditions and are provided for the following four days. A Code Red day is called one day beforehand.

On a Code Red day the safest place to be is away from high risk bushfire areas.

What do the ratings mean and what should you do?

Rating	What does it mean?	What should I do?
	<p>These are the worse conditions for a bush or grass fire.</p> <p>Homes are not designed or constructed to withstand fires in these conditions.</p> <p>The safest place to be is away from high risk bushfire areas.</p>	<p>Leaving high risk bushfire areas the night before or early in the day is your safest option - do not wait and see.</p> <p>Avoid forested areas, thick bush or long, dry grass.</p> <p>Know your trigger - make a decision about:</p> <ul style="list-style-type: none">when you will leavewhere you will gohow you will get therewhen you will returnwhat will you do if you cannot leave <p>Council staff - refer to your Business Unit's work instruction or service delivery tables (attached Appendices 2 and 3) for cancelled operations and changes to work activities. Refer to Council's Heat Policy.</p>



Rating	What does it mean?	What should I do?
	<p>Expect extremely hot, dry and windy conditions.</p> <p>If a fire starts and takes hold, it will be uncontrollable, unpredictable and fast moving. Spot fires will start, move quickly and come from many directions.</p> <p>Homes that are situated and constructed or modified to withstand a bushfire, that are well prepared and actively defended, may provide safety.</p> <p>You must be physically and mentally prepared to defend in these conditions.</p>	<p>Consider staying with your property only if you are prepared to the highest level. This means your home needs to be situated and constructed or modified to withstand a bushfire*, you are well prepared and you can actively defend your home if a fire starts</p> <p>If you are not prepared to the highest level, leaving high risk bushfire areas early in the day is your safest option</p> <p>Be aware of local conditions and seek information by listening to your emergency broadcasters, go to cfa.vic.gov.au or call the Victorian Bushfire Information Line on 1800 240 667.</p> <p>Council staff - refer to your Business Unit's work instruction or service delivery tables (attached Appendices 2 and 3) for cancelled operations and changes to work activities. Refer to Council's Heat Policy</p>
	<p>Expect hot, dry and possibly windy conditions.</p> <p>If a fire starts and takes hold, it may be uncontrollable.</p> <p>Well prepared homes that are actively defended can provide safety.</p> <p>You must be physically and mentally prepared to defend in these conditions.</p>	<p>Well prepared homes that are actively defended can provide safety - check your bushfire survival plan.</p> <p>If you are not prepared, leaving bushfire prone areas early in the day is your safest option.</p> <p>Be aware of local conditions and seek information by listening to your emergency broadcasters, go to cfa.vic.gov.au or call the Victorian Bushfire Information Line on 1800 240 667.</p> <p>Council staff - refer to Council's Heat Policy.</p>
	<p>If a fire starts, it can most likely be controlled in these conditions and homes can provide safety.</p> <p>Be aware of how fires can start and minimise the risk.</p> <p>Controlled burning off may occur in these conditions if it is safe - check to see if permits apply.</p>	<p>Check your bushfire survival plan.</p> <p>Monitor conditions.</p> <p>Action may be needed.</p> <p>Leave if necessary.</p>

Country Fire Authority Act 1958

Under Section 40 of the *Country Fire Authority Act 1958*, permits may be issued for essential work purposes on Total Fire Ban days.. Companies or businesses may apply for permits for essential works.

Permits may be issued for the following activities;

- Welding, cutting and/or grinding
- Heating and spreading of bitumen and like substances.

Appendix 2: External Service Provision on Code Red or Extreme Fire Danger Days

Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times	Code Red Fire Danger Rating - All Areas and Times
		Effect on service delivery	Effect on service delivery	Effect on service delivery
Aged and Family	Maternal & Child Health	Department of Education will notify all early years funded programs and provide instruction as per their emergency / bush fire plan. Program located / operating in locales that have a high FDR – may be directed not to operate.	Department of Education will notify all early years funded programs and provide instruction as per their emergency / bush fire plan. Staff travelling to areas classified as high FDR will be re-directed as per organisation policy in relation to work location.	Department of Education will notify all early years funded programs and provide instruction as per their emergency / bush fire plan. Staff travelling to areas classified as high FDR will be re-directed as per organisation policy in relation to work location.
	Occasional child care			
	Family Day Care			
	Vacation Care			
	3 year old program			
	Pre School			
	Delivered Meals	Revised delivery schedule – reduced use of volunteers.	No delivery of meals.	No delivery of meals.
	Home & Community Care services (home based)	Individual assessment – non essential services cancelled. Times of essential services adjusted as per emergency warning advice. Staff rosters adjusted – reduce travel required and reduce length of time CCW are away from a cool / safe venue.	Cancellation of all non - essential services and services in areas classified as high FDR. Clients advised to activate their own emergency plan.	All service cancelled – clients contacted in advance and advised to activate their emergency plans. NB; Essential Personal Care may be provided outside highest risk times in exceptional circumstances.
	Community Transport	Cancelled	Cancelled	Cancelled
	Senior Citizens centres	Committees advised to review program / activities – no non centre	Advised to close the building.	Advised to close the building.

Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas Effect on service delivery	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times Effect on service delivery	Code Red Fire Danger Rating - All Areas and Times Effect on service delivery
		based activities		
Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas Effect on service delivery	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times Effect on service delivery	Code Red Fire Danger Rating - All Areas and Times Effect on service delivery
Leisure and Wellbeing	Winchelsea Swimming Pool Winchelsea Health Club Surf Coast Sport and Recreation Centre (SCSRC) Indoor sport stadiums associated with schools Community bus hire	Open subject to staff availability and advice from Emergency Services Open subject to staff availability and advice from Emergency Services. Open subject to staff availability and advice from Emergency Services Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from Emergency Services Open subject to staff availability and advice from Emergency Services. Open subject to staff availability and advice from Emergency Services Open subject to staff availability and advice from Emergency Services	Cancelled. Cancelled. Cancelled. Cancelled /closed. All bookings cancelled

	Stribling S86 Committee for Reserve, Lorne	Torquay and Winchelsea operational, Cancel Lorne and Anglesea Open subject to staff availability and advice from Emergency Services.	Torquay and Winchelsea operational Cancel Lorne and Anglesea S 86 Liaison officer advised Stribling Reserve COM to cancel all bookings	All bookings cancelled
Community Relations	Arts and Culture	Open subject to staff availability and advice from Emergency Services	Closed	Closed
	Community engagement activities	Open subject to staff availability and advice from Emergency Services	Closed	Closed
	Council awareness raising events	May continue subject to staff availability and advice from Emergency Services	Closed	Closed
	Communications	Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from Emergency Services
	Customer Service	Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from Emergency Services
	Libraries – Fixed	Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from Emergency Services	Open subject to staff availability and advice from GRLC and Emergency Services
	Libraries - Mobile	Open subject to staff availability and advice from Emergency Services	Closed in conjunction with GRLC	Closed in conjunction with GRLC
Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas Effect on service delivery	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times Effect on service delivery	Code Red Fire Danger Rating - All Areas and Times Effect on service delivery
Planning and Development	Statutory Planning Services	Open at civic office in Torquay and onsite meetings and site inspections can occur outside high risk areas subject to staff availability and advice	Open at civic office in Torquay subject to staff availability and advice from Emergency Services and onsite meetings, site inspections and	Open at civic office in Torquay subject to staff availability and advice from Emergency Services and onsite meetings, site inspections and

	Strategic Planning	from Emergency Services. Open at civic office in Torquay and onsite meetings and site inspections can occur outside high risk areas subject to staff availability and advice from Emergency Services.	community engagement cancelled. Open at civic office in Torquay subject to staff availability and advice from Emergency Services and onsite meetings, site inspections and community engagement cancelled	community engagement cancelled. Open at civic office in Torquay subject to staff availability and advice from Emergency Services and onsite meetings, site inspections and community engagement cancelled.
	Development Compliance and Local Laws	Open at civic office in Torquay and onsite meetings and site inspections can occur outside high risk areas subject to staff availability and advice from Emergency Services.	Open at civic office in Torquay subject to staff availability and advice from Emergency Services and only essential site visits and patrols in Torquay.	Open at civic office in Torquay subject to staff availability and advice from Emergency Services and only essential site visits to occur in Torquay.
	Building Services	Open at civic office in Torquay and onsite meetings and site inspections can occur outside high risk subject to staff availability and advice from Emergency Services.	Open at civic office in Torquay subject to staff availability and advice from Emergency Services and onsite meetings, site inspections and community engagement cancelled.	Open at civic office in Torquay subject to staff availability and advice from Emergency Services and onsite meetings, site inspections and community engagement cancelled.
Environment & Community Safety	Food and other premises inspections	Off-site meetings/inspections outside of Torquay re-scheduled	Off-site meetings/inspections outside of Torquay re-scheduled	Off-site meetings/inspections outside of Torquay re-scheduled
	Immunisation Sessions	Afternoon sessions in Lorne and Anglesea cancelled	Afternoon sessions in Lorne and Anglesea cancelled	Afternoon sessions in Lorne and Anglesea cancelled
	Nuisance noise, odour, water & air quality investigations	Off-site meetings/inspections outside of Torquay re-scheduled	Off-site meetings/inspections outside of Torquay re-scheduled	Off-site meetings/inspections outside of Torquay re-scheduled
	Nature reserve, rural roads, estuary land management	All off-site meetings/inspections and contractors works re-scheduled	All off-site meetings/inspections and contractors works re-scheduled	All off-site meetings/inspections and contractors works re-scheduled
	Pest plant and animal programs	All off-site meetings/inspections and contractors works re-scheduled	All off-site meetings/inspections and contractors works re-scheduled	All off-site meetings/inspections and contractors works re-scheduled

	Fire prevention & emergency management	All off-site meetings/inspections and contractors works re-scheduled	All off-site meetings/inspections and contractors works re-scheduled	All off-site meetings/inspections and contractors works re-scheduled
	Sustainability/community stakeholder outreach	Off-site meetings/inspections outside of Torquay re-scheduled	Off-site meetings/inspections outside of Torquay re-scheduled	Off-site meetings/inspections outside of Torquay re-scheduled
Economic Development & Tourism	Lorne Visitor Centre Winchelsea Visitor Centre Anglesea Visitor Centre Torquay Visitor Centre Events where Council has issued permit. Business & Tourism Meetings	Possible closure &/ or reduced services pending conditions for Lorne, Winchelsea and Anglesea and staff availability Open pending conditions and available staff resources. May still run pending discussions with event holders and taking advice from CFA on conditions and location. On site meetings in bushfire prone areas cancelled	Closed Closed Closed Open pending conditions and available staff resources. May still run pending discussions with event holders and taking advice from CFA on conditions and location. On site meetings cancelled.	Closed Closed Closed Open pending conditions and available staff resources. May still run pending discussions with event holders and taking advice from CFA on conditions and location. On site meetings cancelled.
Engineering Operations	Maintenance/Construction of Parks and Open Space and Civil assets	Works outside of Torquay and Winchelsea to only occur before 10am. Post 10am all works to be confined to town boundaries of Torquay and Winchelsea.	No works	No works outside town boundaries of Torquay and Winchelsea.
Contracts & Capital Works	Building Maintenance Contract & Project Management	No routine works outside of town boundaries; Emergency works managed using local based Contractors No contractor/project meetings/inspections that require vehicles to travel off defined roads (sealed or unsealed).	No routine works outside of town boundaries; Emergency works managed using local based Contractors No contractor/project works	No routine works outside of town boundaries; Emergency works managed using local based Contractors No contractor/project works

Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas Effect on service delivery	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times Effect on service delivery	Code Red Fire Danger Rating - All Areas and Times Effect on service delivery
Engineering Services	Anglesea waste transfer station and landfill Lorne waste transfer station Winchelsea waste transfer station Kerbside waste collections and street litter bins. Road opening inspections, vehicle crossing inspections and subdivision inspections	 Open subject to staff availability and advice from Emergency Services Operate from 3am to 10am only Service provided but aim to reschedule if possible.	Open from 5am to 10am only Closed Operate from 3am to 10am only No service provided	Closed Closed No service provided No service provided
Governance & Risk	Council meetings Road Inspections (Insurance)	May be cancelled or relocated Only carried out where there is a danger to road users if not repaired.	Reschedule Only carried out in extreme cases where there is a danger to road users if not repaired.	Reschedule Only carried out in extreme cases where there is a danger to road users if not repaired.
People & Culture	HR – Interviews/ recruitment L&D – External training	Dependant on location – may reschedule Dependant on location – may reschedule	Cancel – will advise to reschedule Cancel – will advise to reschedule	Cancel – will advise to reschedule Cancel – will advise to reschedule
Information Management	No external services provided			
Finance	Street Numbering	No Street Numbering on Extreme or Code Red days	No Street Numbering on Extreme or Code Red days	No Street Numbering on Extreme or Code Red days

Appendix 3: Internal Service Provision on Code Red or Extreme Fire Danger Days

Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times	Code Red Fire Danger Rating - All Areas and Times
		Effect on service delivery	Effect on service delivery	Effect on service delivery
Aged and Family	Maternal & Child Health	Off-site meetings and home visits cancelled & re-schedule	Off-site meetings and home visits cancelled & re-schedule	Off-site meetings and home visits cancelled & re-schedule
	Early Years Program Coordination	Off-site meetings and home visits cancelled & re-schedule	Off-site meetings and home visits cancelled & re-schedule	Off-site meetings and home visits cancelled & re-schedule
	Youth Services	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule
	Assessment & Care Coordination	Off- site meetings and home visits cancelled and re-scheduled. Priorities reassigned to support need for additional contact with clients and off site staff.	Off- site meetings and home visits cancelled and re-scheduled. Priorities reassigned to support need for additional contact with clients and off site staff.	Off- site meetings and home visits cancelled and re-scheduled. Priorities reassigned to support need for additional contact with clients and off site staff.
	Service Coordination	May require some re assignment of tasks due to emergency management roles held by office based staff.	Staffing changes due to emergency management roles held by office based staff	Staffing changes due to emergency management roles held by office based staff
Leisure and Wellbeing	Recreation Planning	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule
	Community Group Support	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule
	Open Space Planning	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule
	Social Planning	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule	Off-site meetings cancelled & re-schedule
Community Relations	Communications	Priorities reassigned, some staffing changes depending on emergency requirements	Priorities reassigned, some staffing changes depending on emergency requirements	Priorities reassigned, some staffing changes depending on emergency requirements

Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times	Code Red Fire Danger Rating - All Areas and Times
		Effect on service delivery	Effect on service delivery	Effect on service delivery
	Customer Service Community Engagement Rural Access Arts and Culture	Priorities reassigned. Service can continue provided staff can attend Torquay office Internal advice and support can continue provided staff can attend Torquay office Service can continue provided staff can attend Torquay office Service can continue provided staff can attend Torquay office	Priorities reassigned. Service can continue provided staff can attend Torquay office Internal advice and support can continue provided staff can attend Torquay office Service can continue provided staff can attend Torquay office Service can continue provided staff can attend Torquay office	Priorities reassigned. Service can continue provided staff can attend Torquay office Internal advice and support can continue provided staff can attend Torquay office Service can continue provided staff can attend Torquay office Service can continue provided staff can attend Torquay office
Planning and Development	Site inspections and onsite meetings required for processing of planning permit applications, building inspections, planning enforcement, local laws or strategic planning site visits.	Reschedule	Reschedule	Reschedule
Environment & Community Safety	Nil			
Economic Development & Tourism	Nil			
Engineering Operations	Nil			
Contracts & Capital Works	Site inspections/audits.	No inspections/audits in high fire risk areas or requiring travel	No inspections/audits in high fire risk areas or requiring travel	No inspections/audits in high fire risk areas or requiring travel

Department/ Service Description	Service Description	Extreme Fire Danger Rating - All Areas Other than Highest Risk Areas	Extreme Fire Danger Rating - Highest Risk Areas during Highest Risk Times	Code Red Fire Danger Rating - All Areas and Times
		Effect on service delivery	Effect on service delivery	Effect on service delivery
		through high risk areas.	through high risk areas.	through high risk areas.
Engineering Services	Site inspections. Traffic counters	No inspections in high fire risk areas. No service to traffic counters in high fire risk areas.	No inspections to be undertaken. No service to traffic counters.	No inspections to be undertaken. No service to traffic counters.
Governance & Risk	Banking and courier service and delivery of agendas	Complete before 10am	Reschedule	Reschedule
	Council meetings	May be rescheduled or relocated	Reschedule	Reschedule
People & Culture	HR - Recruitment/interviews	Dependant on location – may reschedule	Not available	Not available
	WHS – Internal audits	Dependant on location – may reschedule	No travel - reschedule	No travel - reschedule
	L&D – training and inductions	Reschedule	Reschedule	Reschedule
Information Management	Sub Centre on-site support	Torquay only, other areas cancelled	Cancelled	Cancelled
Finance	Nil			

8. Audit Matters

8.1 Internal Auditors Update (Grant Thornton)

AUTHOR:	Avi Maharaj	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.2.3

Grant Thornton have provided a status update on internal audits and submitted their Draft 2015/16 Internal audit Plan for the Audit & Risk Committee's information.

Grant Thornton has also provided an Audit Report relating to Payroll including management responses and resubmitted the Information Technology General Controls (ITGC) Audit Report with updated management responses following the 17 February 2015 Audit & Risk Committee Meeting.

***Refer Appendix G: Internal Audit Status Report May 2015 (D15/39437) and;
Appendix H: Draft Internal Audit Plan for 3 Years Ending 30 June 2018 (D15/40270)
Appendix I: Payroll Audit Report (Including Management Responses) (D15/39438)
Appendix J: Information Technology General Control Audit Report – (Including Amended Management Responses) (D15/39288)***

MEETING DISCUSSION:

Strategy presented to the committee is in its second year of a three year plan. It was acknowledged that the 2015-2016 work program is unlikely to be completed. Best case would include four new audits as well as the HR audit carried over from 2014-2015. Concern was raised about the lack of alignment between the risk profile and the actual program for the coming year. (For example, OHS related risks rated high, but no audit plan in the foreseeable future.) Further discussion was held regarding giving consideration to audits that may be covered off by VAGO. There was some confusion in relation to previous plans whereby some audits were to be completed by Internal audit activity (in-house) versus contracted internal auditors.

Assurances sought from internal auditor that they were comfortable with the management responses where there wasn't agreement to the recommendation of the Payroll Audit Report.

Discussion was held regarding ensuring completion of actions.

ACTION ITEMS:

1. Internal auditor to meet with the Chair and General Manager Governance & Infrastructure to agree on a program, for presentation to the Committee at the next meeting.
2. Prior to commencing an audit, the scope is to be circulated via email to Committee members for comment.

RECOMMENDATION:

That the Audit and Risk Committee receive and note the Internal Audit Update.

MOVED: Melissa Field	SECONDED: Cr. Margot Smith
----------------------	----------------------------



Grant Thornton

An instinct for growth™

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19 May 2015

PRIVATE AND CONFIDENTIAL

Dear Audit and Risk Committee Members

INTERNAL AUDIT STATUS REPORT

We are pleased to present to the Audit and Risk Committee (Committee) of the Surf Coast Shire Council (Surf Coast) an update on the status of Internal Audit activities as at 19 May 2015. The purpose of this report is to summarise the work completed to date.

1. Status of Progress against FY2015 Internal Audit Plan

The progress against the Internal Audit Plan for FY2015 has been detailed below.

#	Review	July to Sept 2014	Oct to Dec 2014	Jan to Mar 2015	Apr to June 2015	July to Sept 2015
Financial						
1.1	Payroll				◆	
Operational						
2.1	Revenue Excluding Rates				■	
2.2	Human Resources					●*
Information Technology						
3.1	Information Technology General Controls (ITGC)		◆			
Follow Up Review						
4.1	FY 15 Follow Up Review				●	
◆	Complete	■	Review in Progress	★	Report in Draft	● Not yet started

*The timing of the Human Resources review has been deferred from May 2015 to July 2015 due to a limited number of People and Culture resources available during the original timing scheduled.

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Our Ref: Audit And Risk Committee - Internal Audit Status Report May 2015.Docx

2. Summary of Internal Audit Reports

Information Technology General Controls Review Revised Final Report

Based on feedback from the Audit Committee meeting in February 2015, management provided updated management responses and these have been included in the amended final report which has been provided for consideration.

Payroll Review Final Report

The primary objective of this engagement was to determine whether the processes and controls associated with the payroll function at Surf Coast are operating effectively and efficiently.

From the review and tests performed, it was concluded that Surf Coast's payroll framework **"requires improvement"**. Whilst fundamental controls are in place, there were areas for improvement identified that can further strengthen the current control environment.

Report Ref.	Description of Findings	Rating
2.1	Update and align policies and procedures	Important
2.2	Strengthen maintenance of employee masterfiles	Important
2.3	Enhance security of key payroll documents and systems	Important
2.4	Other minor exceptions	Minor
2.5	Automate manual tasks for process efficiency	Opportunity

Draft FY16 Internal Audit Planning

The Internal Audit Plan for FY2016-FY2018 has been drafted in consultation with Management and is provided for consideration by the Audit and Risk Committee.

I look forward to discussing the above internal audit activity and any other questions you may have at the upcoming Committee meeting.

Yours faithfully

GRANT THORNTON AUSTRALIA LIMITED



Scott Hartley
Managing Partner - Operational Advisory

Surf Coast Shire Council

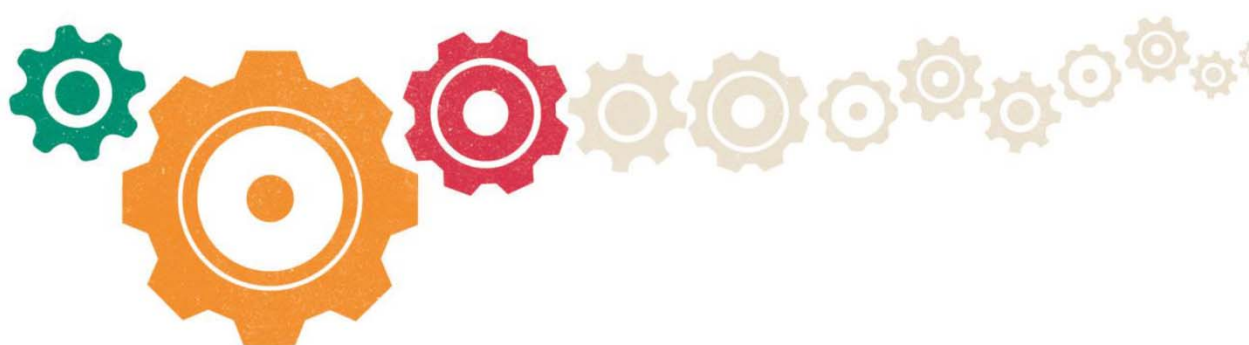
Strategic Internal Audit Plan for the Three Years Ending 30 June 2018

Draft for discussion



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1. Executive Summary

Grant Thornton is pleased to submit to Surf Coast Shire Council ('Surf Coast') the proposed Strategic Internal Audit Plan for the three years ending FY2018. The focus of this document is the Annual Internal Audit Plan for FY2016.

Goals & Objectives:

This strategic internal audit plan aims to articulate a program of internal audit activity for the next three years, with particular focus on the upcoming year. The reviews proposed have been selected strategically by adopting a risk based approach to the identification of key reviews that focus on your organisational risk profile.

The strategic internal audit plan therefore:

- Links activity to key organisational goals and risks through the application of a risk based planning approach and outlines the overall derivation process for the selection of reviews.
- Articulates proposed internal audit reviews in terms of the objectives, outcomes and timing for each review at a high level.
- Communicates the process and protocols required to facilitate an efficient and effective engagement.

This document requires acceptance by the Audit and Risk Committee prior to execution of the work planned within it.

Plan Development Approach

In order to develop a Strategic Internal Audit Plan that meets the objectives and outcomes previously outlined, a number of inputs have been used to identify key areas for review and the nature of those review points. This approach facilitates an Internal Audit plan that provides targeted and effective coverage of the key risks and issues being faced by your organisation.

The sources of input used in the development of this plan are outlined below:

- Discussion with the Executive Team;
- Discussion with the Audit Committee;
- Surf Coast's risk register;
- Experience and understanding of the organisation based past Internal Audit activity; and
- Focus on areas of greatest importance or concern and/or where the potential for improvement and risk of failure is greatest, including consideration of VAGO planned focus areas.



Alignment with Strategic and Operational Risks

Our plan is well integrated with your current organisational risk register/risk profile. Grant Thornton's proposed strategic internal audit plan supports your risk management process by providing internal audit coverage over key areas of risk that your organisation has identified. These reviews compliment other risk management activity that is in place; therefore not all key risk areas will include associated Internal Audit activity.

Updating the Plan in Future Years

This Plan will be reviewed and updated with Management each year, on a three year rolling basis, to ensure Internal Audit effort is directed in the appropriate areas. Once updated, the Plan will be presented to the Audit and Risk Committee annually. In addition, any changes proposed to the Plan during the year, will be submitted to Audit and Risk Committee for approval.

Delivery Approach

Grant Thornton's delivery approach aims to support the successful delivery of the internal audit function in a timely and efficient manner. A number of service delivery milestones have been set against the internal audit engagement lifecycle to facilitate the effective and efficient running of the internal audit function. Individual milestone KPI's have been set for Grant Thornton as well as Surf Coast and these are outlined within this document.

Performance Measurement

In line with Grant Thornton's philosophy of continuous improvement, a performance measurement protocol is proposed. It has a two tier approach whereby we intend to measure our performance at an individual project level and annually on an overall engagement level.

Fees

Grant Thornton fees, exclusive of goods and services tax ("GST"), will be calculated on the basis of the effort and technical skill set required on the Internal Audit Projects as agreed within the specific Terms of Reference for each review. Design of the procedures contained within each Terms of Reference will be based upon the nature of your specific requirements, the nature of the area of review and the agreed scope as determined through the application of Grant Thornton's Risk Transparency Evaluation model.

2. Summary of Surf Coast Internal Audit Reviews

A summary of Internal Audit reviews completed from FY11 to FY115 and the activity for FY16 to FY18:

Review	Prior Internal Audit Activity					Proposed Internal Audit Activity		
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
1. Financial								
Tender Process and Contract Management	■							
Accounts Payable Masterfile	■							
Fraud Control Framework	■							
Cash Management		■						
Rates Revenue				■				
Key Financial Controls				■				
Capital Planning & Budgeting				■				
Revenue excl. Rates					■			
Payroll (including data analytics)					■			
Accounts Payable (including data analytics)						■		
Purchasing Card Review (including credit cards)						■		
Developer Contribution Plans (DCP's)							■	
Financial Reporting								■

Review	Prior Internal Audit Activity					Proposed Internal Audit Activity		
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
2. Operational								
Community and Civic Precinct Business Care	■							
Risk Management Review/Framework	■							
Emergency Management Review				■				
HR and workplace practices					■			
Planning Legislative Compliance		■						
Asset Management Review			■			■		
Contract Management (including liaising with local service providers like Community Houses and Men's Shed's)						■		
Project Management and Delivery						■		
Community Engagement Review							■	
Service Delivery Standards and Implementation Review							■	
Building and Planning Permits								■
Waste Management								■
3. Governance								
Privacy and Records Management						■		
Risk Management and Governance						■		
Legislative Compliance Review							■	
Fraud Framework Review								■
4. Information Technology								
Data Interrogation of Property and Rates Database		■						
Business Continuity and Disaster Recovery Review		■					■	
IT Management Review			■					
IT General Controls					■			
Systems Vulnerability Assessment								■

3. Potential Reviews for Consideration – Strategic Annual Internal Audit Plan FY16-FY18

The table below represents the proposed Internal Audit activity for FY2016 to FY2018. The Plan will be reviewed on an annual basis and will be adjusted where appropriate and with approval by Management and the Audit and Risk Committee.

The risk number within the table is colour coded according to align with the rating per Surf Coast enterprise risk register: **Serious**, **High**, **Medium**, **Low**.

#	Review	Risk No. / VAGO focus	Alignment to Council Plan 2013-2017 Themes	Review Sponsor	FY2016	FY2017	FY2018
1. Financial							
1.1	Accounts Payable end-to-end review / Accounts Payable analytics A substandard accounts payable process could result in financial loss, fraud and reputational damage – all significant risks. This review would assess the system of internal controls supporting the accounts payable function or focus on data analytics techniques to identify fictitious suppliers and inappropriate transactions.	120, 124	Governance	TBA	■		
1.2	Purchasing Card Review (including credit cards) The security over credit and debit card transactions and data is a financial area of focus for VAGO in FY2016. The review would focus on reviewing the adequacy of the current process and controls in relation to purchasing and credit cards.	VAGO financial area of focus	Governance	TBA	■		
1.3	Developer Contribution Plans (DCP's) DCP was developed in 2010 in order to charge new developments for contributions towards planned infrastructure	N/A	Governance Infrastructure	TBA		■	



#	Review	Risk No. / VAGO focus	Alignment to Council Plan 2013-2017 Themes	Review Sponsor	FY2016	FY2017	FY2018
	projects. Given the program is now well established it is an appropriate time to evaluate the processes and controls surrounding the DCP process including the effectiveness of the program in meeting its objectives.						
1.4	Financial Reporting Currently considered a high risk area to the Council and trending upwards, a review of Financial Reporting processes and controls would provide comfort over the current process, to ensure effective financial management and compliance with relevant regulations.	123	Governance	TBA			■
2. Operational							
2.1	Asset Management Review Infrastructure, incorporating adequate asset management is one (1) of the key themes within the Council Plan 2013-2017. A review of the current asset management process, incorporating maintenance activities, would promote achievement of the Councils infrastructure objectives to ultimately meet the needs of the Surf Coast community.	35, 75, 71, 77, 119	Infrastructure	TBA			■
2.2	Contract Management (including liaising with local service providers like Community Houses and Men's Shed's) A contract management review would assess the current processes and controls surrounding the contract management process and controls to ensure Surf Coast are adequately protected and contractors are complying with their obligations	35, 66, 44	Communities Infrastructure	TBA			■
2.3	Project Management and Delivery The Council has undertaken a number of major projects recently, which has resulted in considerable expenditure, and a number of projects experiencing significant delays. This review could consider the end-to-end project management process, specifically including management against budget and expected timeframes.	56, 71	Communities Infrastructure	TBA			■



#	Review	Risk No. / VAGO focus	Alignment to Council Plan 2013-2017 Themes	Review Sponsor	FY2016	FY2017	FY2018
2.4	Community Engagement Review As a key theme from the Council Plan 2013-2017, community engagement is the foundation for establishing the council's priorities year on year. This review would focus on a few key engagement activities, looking at the objectives and processes, including how the community is actively engaged and how feedback obtained is incorporated to improve future experiences.	112, 56	Governance Communities	TBA		■	
2.5	Service Delivery Standards and Implementation Review Given the population growth expected in the coming years, it is important to ensure processes and controls related to Council's service delivery are operating effectively for the betterment of the community. Agreed services would be the focus of the review.	49, 56, 75, 89, 48	Governance Communities	TBA		■	
2.6	Building and planning permits As a result of forecast population increase, there has been considerable development within the Surf Coast region. This review would focus on both the application and enforcement process, to ensure issuance of permits is aligned with internal processes and to the council's planning scheme.	17	Development and Growth				■
2.7	Waste Management As a primary VAGO focus area, promoting robust internal processes and controls in relation to waste management is important. A waste management review is timely given environmental concerns and the recent renovations undertaken at the Anglesea Landfill facility.	113, 46 VAGO area of focus	Communities				■
3. Governance							
3.1	Risk Management and Governance An internal risk management review was recently undertaken in line with VAGO planned focus areas. A review would therefore independently verify the adequacy of current processes, including compliance against relevant legislative requirements and better practice frameworks.	83, 84, 85, 86	Governance		■		



#	Review	Risk No. / VAGO focus	Alignment to Council Plan 2013-2017 Themes	Review Sponsor	FY2016	FY2017	FY2018
3.2	Privacy and Records Management In line with VAGO's potential areas of interest, a review would examine compliance of Council with legislation and established better practice in relation to privacy and records management.	8, 61, 115, 116, 117 VAGO potential area of focus	Governance	TBA	■		
3.3	Legislative Compliance Review Review of Coast has processes in place to identify and manage compliance with legislative obligations. This review could also specifically assess Surf Coasts compliance with a few key legislative requirements, which the Council has concerns over.	8, 57, 44	Governance Communities	TBA		■	
3.4	Fraud Framework Review As a key risk for Surf Coast, a fraud review would assess the current processes and controls surrounding managing fraud and corruption, including an assessment of current fraud framework against better practice guidelines.	3, 74	Governance				■
4. Information Technology							
4.1	Business Continuity and Disaster Recovery Review Given the significant risk related to business continuity and disaster recovery, coupled with the recent business continuity exercise undertaken, it is timely to review these processes and controls surrounding BCP/DRP.	16, 26		TBA		■	
4.2	Systems Vulnerability Assessment This review will assess the adequacy of the controls in place to ensure the Surf Coast IT network, and thus the systems, application and data residing on this network, is adequately secured from common vulnerabilities.	55, 26		TBA			■
Management Activities							
	Audit Planning Development of a rolling three year strategic internal audit plan including a yearly assessment over the appropriateness of the plan.	N/A	N/A	N/A	N/A	N/A	N/A
	Audit Committee Preparation for and attendance	N/A	N/A	N/A	N/A	N/A	N/A

#	Review	Risk No. / VAGO focus	Alignment to Council Plan 2013-2017 Themes	Review Sponsor	FY2016	FY2017	FY2018
	of Audit and Risk Committee meetings by the Partner and Senior Manager.						
	Annual Management Ad hoc management time related to queries, etc.	N/A	N/A	N/A	N/A	N/A	N/A
	Annual Follow Ups Annual follow up review of previously reported Internal Audit findings to assess the status of management action plans.	N/A	N/A	N/A	N/A	N/A	N/A

4. Alignment with Strategic and Operational Risk

The following “assurance map” outlines your current significant and high risks and illustrates the actions that your organisation has planned against each item. Internal audit activity historically or proposed by Grant Thornton within this planning document is also indicated against each risk where applicable.

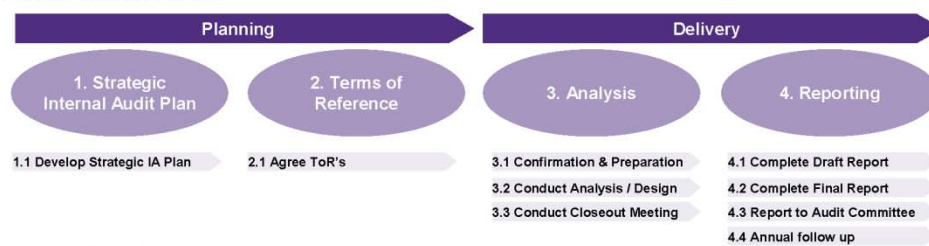
Risk Number	Risk Description	Residual Risk Rating	Assurance Activity	IA Plan (including FY15) Activity Reference
36	Extreme weather event - bushfire, flood, wind storm - which significantly damages infrastructure.	Serious	Emergency Management Review	FY2014
72	Winchelsea Common - lead shot contamination on public and private land causes public health and reputation impacts.	Serious	N/A	N/A
94	Preparation by Council and coastal Communities are not adequate for increased storm surges and sea level rise.	Serious	N/A	N/A
30	Branches and trees for which Council are responsible for fall.	High	N/A	N/A
67	Fatality, injury or significant fine to the organisation or an individual in not maintaining a safe work place so far as reasonable practicable.	High	N/A	N/A
7	Failure to submit Primary/Ordinary Returns of Interest.	High	N/A	N/A
16	Council's business continuity plan is unlikely to be effective in the event a significant business interruption event occurs.	High	Business Continuity and Disaster Recovery Review	FY2017 – 4.1
31	Impact underground (fibre, gas, electricity) or overhead (electricity) assets during construction works.	High	N/A	N/A
50	Injury to Community Care Workers due to the manual handling involved in undertaking the work tasks.	High	N/A	N/A
65	Emergency management procedures are not exercised, evaluated and developed to support employees during an emergency evacuation situation.	High	Emergency Management Review	FY2014
79	Failure to identify hazardous manual handling tasks	High	N/A	N/A
106	A pandemic event impacts on the health and wellbeing of the community.	High	N/A	N/A

Risk Number	Risk Description	Residual Risk Rating	Assurance Activity	IA Plan (including FY15) Activity Reference
113	An uncontrolled fire impacts on the Landfill and surrounding community.	High	Waste Management Review	FY2018 – 2.7
123	Financial reporting does not meet the Regulatory guidelines.	High	Financial Reporting Review	FY2018 – 1.4
98	Food poisoning incidents impact on the health and wellbeing of the community.	High	N/A	N/A

5. Delivery Approach

Grant Thornton's delivery approach aims to support and implement our internal audit plan in a timely and efficient manner. The key attributes outlined below are critical to this approach.

Engagement Lifecycle:



Process Overview:

1.1 Develop Strategic Audit Plan

- Key Steps:**
- Gather input from key stakeholders (e.g. Audit Committee, management, external auditors, etc.)
 - Review documentation (e.g. risk profile, risk register, prior Internal Audit activity, etc.)
 - Draft internal audit plan.
 - Submit final strategic internal audit plan to Audit Committee.
 - Audit and Risk Committee review & sign off.
- Timing:**
- Annual, prior to commencement of next audit year.
- Signoff:**
- Audit Committee.

2.1 Agree Terms of Reference

- Key Steps:**
- Gather input from Internal Audit Project Sponsor, Review Sponsor and other stakeholders as required.
 - Develop draft ToR's for all reviews planned for the upcoming audit year.
 - Sign off all ToR's for upcoming audit year.
 - Communicate dates to key stakeholders.
- Timing:**
- All ToR's prior to plan commencement.
- Signoff:**
- Internal Audit Project Sponsor sign off.

3.1 Confirmation & Preparation

- Key Steps:**
- Contact Internal Audit Review Sponsor and Internal Audit Review Sponsor prior to audit commencement.
 - Distribute ToR to key stakeholders.
 - Schedule meeting times.
 - Submit data request(s) if applicable.
 - Organise other logistics (e.g. meeting rooms, access passes, etc.)

- Timing:** • 1 month prior to commencement.
- Signoff:** • n/a

3.2 Conduct Analysis / Solution Design

- Key Steps:**
- Review current documentation.
 - Interviews/workshops with key stakeholders.
 - Document processes and controls.
 - Evaluate adequacy (design) of controls, including process 'walk throughs'.
 - Evaluate effectiveness (test operation) of controls (as per agreed scope).
 - Other data analysis.
- Timing:** • As per Terms of Reference.
- Signoff:** • n/a

3.3 Conduct Closeout Meeting

- Key Steps:**
- Communicate key findings to Internal Audit Review Sponsor and other key stakeholders as required.
 - Gather and integrate feedback as required.
- Timing:** • Last day of fieldwork (as per ToR).
- Signoff:** • Internal Audit Sponsor acknowledgement of fieldwork completion.

4.1 Complete Draft Report

- Key Steps:**
- Complete draft report and perform internal quality assurance processes.
 - Submit draft report to Internal Audit Sponsor and Internal Audit Review Sponsor for review and to propose management actions against recommendations.
 - Return draft report to GT with comments and proposed management actions.
- Timing:**
- Submit Draft: maximum of 2 weeks following completion of fieldwork.
 - Provide feedback/input: maximum of 1 week following submission of draft report.
- Signoff:** • n/a

4.2 Complete Final Report

- Key Steps:** • Finalise draft report.
- Timing:** • Submit final report 1 week following receipt of management comments (above).
- Signoff:** • Review completed - Internal Audit Project Sponsor.

4.3 Report To Audit and Risk Committee

- Key Steps:**
- Submit final reports completed during the period.
 - Submit overall internal audit function status report.
- Timing:**
- As per Audit and Risk Committee meeting dates.
 - Circulate Audit and Risk Committee papers 1 week prior to meeting.
- Signoff:** • Endorsement of internal audit findings and management actions.

4.4 Annual Follow-up

- Key Steps:**
- Review completion of management actions contained in reports delivered.
 - Submit follow-up status report to Audit Committee.
- Timing:** • End of financial year or as requested by Audit Committee.
- Signoff:** • Endorsement of management action status report.

Roles & Responsibilities:

The following diagram outlines the key internal audit stakeholders and their key roles and responsibilities.



Audit Lifecycle Milestones & KPI's:

A number of service delivery milestones have been set against the internal audit engagement lifecycle to facilitate the effective and efficient running of the internal audit function. Individual milestone KPI's have been set for Grant Thornton as well as Surf Coast and these are outlined below:

Lifecycle Phase:	Milestone:	Responsible:	KPI:
1. Strategic Internal Audit Plan	Submit draft strategic internal audit plan.	GT	June for FY16
	Sign off final strategic internal audit plan.	Audit and Risk Committee	June for FY16
2. Terms of Reference	Draft Terms of Reference for all upcoming reviews in the year.	GT	July
	Sign-off ToR's for all upcoming reviews in year.	Internal Audit Project Sponsor	July/August
3. Fieldwork	Confirm review dates with key stakeholders	Internal Audit Project Sponsor	2 Months prior to review commencement.
	Distribute ToR to key stakeholders.	Internal Audit Project Sponsor	1 Month prior to review commencement
	Schedule meeting times with key stakeholders.	GT	1 Month prior to review commencement
	Respond to submitted data request.	Internal Audit Review Sponsor	1 Week prior to commencement.
	Arrange space for internal audit team.	Internal Audit Review Sponsor	1 Week prior to commencement
	Facilitate initial kick-off meeting.	GT	Day 1 of fieldwork.
	Conduct close out meeting.	GT / Internal Audit Review Sponsor	Final Day of fieldwork
	Submit draft report to Internal Audit Project Sponsor	GT	2 Weeks following close out meeting.
4. Reporting	Review draft report and submit comments/feedback including management actions.	Internal Audit Project Sponsor	1 Week following submission of draft report
	Submit final report.	GT	1 Week following submission of management

Lifecycle Phase:	Milestone:	Responsible:	KPI:
			comments
	Acknowledge review completed.	Internal Audit Project Sponsor	Upon submission of final report.
	Issue review survey to Internal Audit Project Sponsor.	GT	On issue of final report.
	Submit status reporting and copies of reports to Audit Committee.	GT	1 week prior to Audit and Risk Committee meeting.
	Report to Audit Committee.	GT	Each Audit and Risk Committee Meeting
	Endorse review findings and management actions.	Audit Committee	Each Audit and Risk Committee Meeting
	Submit management action status report.	GT	June
	Conduct annual performance survey.	GT	June

Fees

Grant Thornton fees, exclusive of goods and services tax ("GST"), will be calculated on the basis of the effort and technical skill set required on the Internal Audit Projects as agreed within the specific Terms of Reference for each review. Design of the procedures contained within each Terms of Reference will be based upon the nature of your specific requirements, the nature of the area of review and the agreed scope as determined through the application of Grant Thornton's Risk Transparency Evaluation model.

The cost associated with each specific review will be articulated and authorised through the associated Terms of Reference document for that review. Grant Thornton's Risk Transparency Value Model will be used to ensure that each Terms of Reference is scoped specifically to meet the needs of your organisation per review area. The total expenditure on internal audit activity will therefore be dependent on:

- The nature and extent of reviews undertaken (e.g. number of interviews, meetings, workshops, testing, etc.) as defined through authorised terms of reference documentation.
- The use of specialist and senior resources to conduct particular audits that require such specialist knowledge.

The Internal Audit Project Sponsor has accountability to authorise the budget for each review.

Specific milestone KPI's have been set to support the effective and efficient scheduling of Grant Thornton resources. Deviation from agreed dates may result in additional fees being incurred and this will be brought to the attention of the Internal Audit Project Sponsor once identified.

Our fees will be adjusted annually (starting from July 2015) to reflect movements in the average weekly ordinary time earnings ('AWOTE').

Grant Thornton Performance Measurement

In line with Grant Thornton's philosophy of continuous improvement, a performance measurement protocol is proposed. It has a two tier approach whereby we intend to measure our performance at an individual project level and annually on an overall engagement level.

Internal Audit Project Survey

At the end of each project we will circulate to the Project Sponsor and other relevant stakeholders an electronic survey requesting feedback in relation to our performance. Our suggested survey is attached at Appendix A for your reference.

Annual Performance Survey

At the end of each financial year we will circulate a survey to all key Internal Audit stakeholders, including members of the Audit and Risk Committee to seek their views on our performance and areas for improvement. Our suggested survey is attached at Appendix B for your reference.

Appendix A: Internal Audit Project Survey

#	Question	Rating				
		5	4	3	2	1
1	I was given sufficient forewarning of the audit.					
2	The purpose and scope of the audit were developed and agreed prior to execution.					
3	The time spent was appropriate in relation to importance of risks associated with the areas reviewed and the complexity involved.					
4	The auditors' requests for information and workspace, etc, were reasonable.					
5	The assignment team met our expectations in relation to understanding the business and issues relevant to the assignment.					
6	The assignment team were sensitive to our circumstances, adequately considering business concerns and perspective.					
7	Communication of audit issues, results and status to me was timely and adequate.					
8	The close out meeting was informative, timely and focussed on key issues.					
9	The report was developed in a timely manner.					
10	Audit management was effective and provided oversight and a clear understanding of internal audit's purpose.					
11	The objective of the audit has been satisfactorily achieved.					
12	The report has been of benefit to me and has added value to my business.					
13	The time allocated/charged for this review was commensurate with the work performed.					

The rating criteria to be used for this survey are as follows:

5	Exceeded expectations (eg issues raised were relevant, and will also lead to cost savings, work completed within planned time frames, all contractual obligations met, etc)
4	Met all key review obligations (eg valid issues raised, adhered to main terms of contract etc)
3	Met most key review objectives as agreed in the Terms of Reference (eg issues relevant, etc)
2	Did not meet review objectives as detailed in the Terms of Reference (eg few issues raised, audit team hindrance other than help, etc)
1	Did not deliver in accordance with any agreed review objectives (eg no or little value added, little knowledge of business displayed, etc)

Appendix B: Annual Performance Survey

#	Question	Rating				
		5	4	3	2	1
1	The Strategic Internal Audit Plan adequately addresses areas of key audit risk and concerns.					
2	The Internal Audit team has performed reviews in accordance with the Strategic Internal Audit Plan.					
3	The Internal Audit team provides you with sufficient notice prior to each review occurring.					
4	The Internal Audit team clearly communicates the timing, objectives and scope of each audit.					
5	The Internal Audit team provides you with terms of references that addresses the project sponsors requirements.					
6	The Internal Audit team is professional in its communications with you.					
7	The level of co-operation and communication between the Internal Audit team and the project sponsors were appropriate.					
8	Project sponsors were kept appropriately informed of the observations and issues throughout the audits.					
9	The Internal Audit team demonstrates a good understanding of risks, controls, and the business of your organisation.					
10	The Internal Audit team has sufficient skills and experience to complete the reviews.					
11	The Internal Audit team has acted in a professional and courteous manner.					
12	The Internal Audit team executes each audit in an efficient manner with minimal disruption.					
13	The Internal Audit team makes sensible recommendations which provide realistic and workable solutions.					
14	Internal Audit reports are easy to read and understand, and are appropriately prioritised in accordance with observations.					
15	Internal Audit reports are provided to you in a timely manner.					
16	Grant Thornton understands the expectations of the Audit Committee.					
17	The level of communication between Grant Thornton and the Audit and Risk Committee is appropriate.					

The rating criteria to be used for this survey are as follows:

5	Exceeded expectations (e.g. issues raised were relevant, and will also lead to cost savings, work completed within planned time frames, all contractual obligations met, etc)
4	Met all key review obligations (e.g. valid issues raised, adhered to main terms of contract etc)
3	Met most key review objectives as agreed in the Terms of Reference (eg issues relevant, etc)
2	Did not meet review objectives as detailed in the Terms of Reference (eg few issues raised, audit team hindrance other than help, etc)
1	Did not deliver in accordance with any agreed review objectives (eg no or little value added, little knowledge of business displayed, etc)



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Our Ref: Surfcost\FY16 Strategic Internal Audit Plan_AC_080515.Docx

APPENDIX I – Payroll Audit Report (Including Management Responses)

(Trim Reference: F15/404 – D15/39438)

Surf Coast Shire Council

Internal Audit Report

Payroll Review

May 2015

Distribution:

Internal Audit Project Sponsor:
Internal Audit Review Sponsor:

Sunil Bhalla, Director Corporate
John Brockway, Manager Finance

Copies:

GT Client Partner:
GT Client Manager:

Scott Hartley, Partner
Trai Moorthy, Senior Manager



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1. Executive Summary

1.1 Introduction

As part of the Internal Audit services provided to the Surf Coast Shire ('Surf Coast') for the year ending 30 June 2015, Grant Thornton conducted a review of Surf Coast's payroll processes and controls.

As agreed with Surf Coast Management, Grant Thornton performed a review of the following payroll processes and controls:

- Policies, procedures and structure supporting the payroll function;
- Maintenance of the employee payroll master-file, including creations, amendments and terminations of employees;
- Calculations of salaries and wages, including leave loading, allowances and deductions;
- Processing of timesheets and fortnightly pay runs; and
- Payroll system access privileges and password control.

This project was conducted in accordance with the Institute of Internal Auditors International Professional Practices Framework (IPPF). This report is to be read in conjunction with the Terms of Reference (Extract) provided in Appendix B.

1.2 Background

Surf Coast Shire employs approximately 450 staff on fulltime, part time and casual basis. Pay-runs are processed fortnightly on Thursdays, and for any given cycle, there are approximately 400 employees who have worked during the period and thus receive payment. The payroll module of Authority is the primary application used for payroll processing.

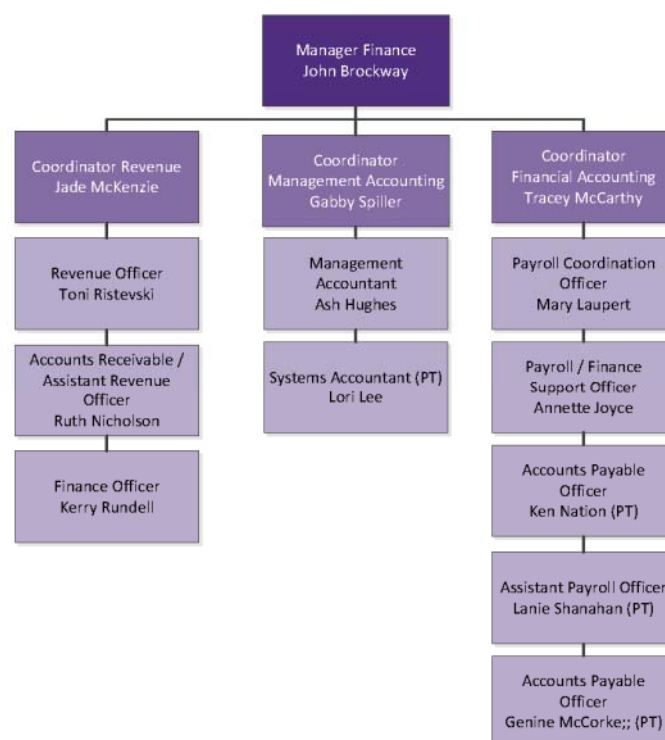
There are a number of remuneration structures which Surf Coast utilise i.e. applicable Enterprise Agreement, Victorian Local Authorities Awards, Victorian Early Childhood Teachers, Assistants Agreements, and banded contracts. In addition, the payroll process is partly influenced by employee's category as described below.

- **Indoor staff:** primarily work at Head Office and are employed on a salary basis with fixed hours. Exceptions to standard payroll (e.g. leave) are manually updated into the payroll system.
- **Outdoor staff:** relates to roads, parks and maintenance staff. They complete daily timesheets so that their time is charged against specific work orders. Timesheets are manually entered into the payroll system.
- **Homework:** staff who provide in-home services to in-need people within the community. Their work is based on set rosters maintained by the Community Services Team, within the Community Service application. The IT team uploads confirmed time worked from the application into Authority.

- **Casual staff:** all casual staff completes manual timesheets, which are entered into Authority by the Payroll Coordination Officer.

There are two (2) payment batches processed for each pay cycle, one for indoor staff and the second for all other staff. Depending on the pay period, the total expense for each cycle is approximately \$600,000 which equates to \$15,600,000 annual payroll spending.

The payroll function is a sub-section of the wider Finance team, and specifically sits under the direction of the Coordinator-Financial Accounting. Key payroll roles are the Payroll Coordination Officer and the Payroll/Finance Support Officer. This is illustrated in the following diagram.



1.3 Summary of Overall Performance

From the review and tests performed, it was concluded that Surf Coast's payroll framework "requires improvement". Whilst fundamental controls are in place, there were areas for improvement identified that can further strengthen the current control environment. Accordingly, we have highlighted five (5) such observations along with our suggested improvements for Management's consideration.

A summary of the key observations are:

- To further support the payroll function, Management should invest time in updating and aligning the key payroll policy and procedure documents. Considering the small payroll team, it is imperative that supporting documentation is up to date.

- As the key source of employee payroll details, it is important to apply robust controls surrounding the employee masterfile. From reviewing the masterfile, a number of masterfile handling processes require improvement. These processes should not operate in isolation but must be considered holistically. Inappropriate masterfile handling processes could potentially lead to errors and unauthorised changes for illegitimate payments. The security of key payroll documents and applications requires improvement to safeguard the integrity of all payroll related data.
- There was considerable reliance on manual processes and controls noted which, whilst does not have a significant impact on the effectiveness of the payroll function, does result in an inefficient and cumbersome process. Management should consider the long-term sustainability of the payroll function by reducing its heavy reliance on manual processes.

1.4 Summary of Findings

The table below summarises the five (5) findings from our review and are detailed further in *Section 2: Detailed Observations* for management's consideration.

Report Ref.	Description of Findings	Rating
2.1	Update and align policies and procedures	Important
2.2	Strengthen maintenance of employee masterfiles	Important
2.3	Enhance security of key payroll documents and systems	Important
2.4	Other minor exceptions	Minor
2.5	Automate manual tasks for process efficiency	Opportunity

1.5 Acknowledgements

We would like to thank the following persons for their considered input in assisting us in completing the review. Their assistance and cooperation was appreciated.

- John Brockway Manager Finance
- Neil McQuinn Manager Information Management
- Neil Gibson Information Technology
- Tracey McCarthy Coordinator - Financial Accounting
- Mary Laupert Payroll Coordination Officer
- Annette Joyce Payroll Support Officer
- Kerri Caspall Team Leader Community Services
- Meredith Kelly Infrastructure Administration Officer
- Gabby Spiller Coordinator - Management Accounting
- Ash Hughes Management Accountant
- Lori Lee Systems Accountant

2. Detailed Observations

The section below details our observations which were made during the review based on interviews with management, review of documentation and sample testing of relevant transactions. The details regarding the Observation Rating Criteria can be found at **Appendix C**.

2.1 Important: Update and align policies and procedures Observation

The payroll function is supported by various policies, procedures, work instructions and forms which formalise the key payroll processes and provide employees with assistance as and when required.

From reviewing these key documents, the following policies and procedures were found to be outdated, and/or have a review history that is inconsistent with best practice.

Document	Date last reviewed	Due for review	Observation
PY-001 Payroll Audit Checking Process	30/09/2008	27/11/2014 (every 6 years)	Per the revision history of the procedures, these documents were due for review in November 2014, which is approximately 6 years after approval date. The procedures have therefore not been updated in a timely manner. Furthermore, the revision history of six (6) years is not aligned to general practice guidelines. For operational procedures a review history of two (2) years is suggested.
PY-002 Payroll Processing	30/09/2008	27/11/2014 (every 6 years)	
HR-06 Personnel Records	February 2014	March 2017 (every 3 years)	These policies are due for review every three (3) years, which is not aligned to general practice guidelines. For operational procedures a review history of two (2) years is suggested.
HR-12 Excess Leave Policy	December 2013	January 2016 (every 3 years)	
MF-002 Management Form Summary of Actual Expenditure Incurred	16/01/2013	June 2014 (every 1.5 years)	The Form was due for review in June 2014, but this has not occurred.

In addition to the specific findings above, other more general observations are:

- In order for Outdoor employees to claim travel mileage, they are required to document the total mileage travelled on their timesheet for the fortnightly pay cycle. This is then approved by the employees' Manager. There is currently no field/s on the timesheet which requires details of the travel (i.e. to and from locations, purpose, date of travel) to be incorporated; therefore it is difficult for Managers and Payroll to determine the validity of the mileage claims. Further the process differs from the rest of the organisation that use a standard mileage claim form (Travel Claim Form)

- In comparing the user authorisations within CommBiz to delegations per the Chart of Authorities (section 13.1 electronic funds transfer approval for payroll), one (1) exception was noted whereby the Director – Corporate has payment authorisation in CommBiz that is not stated in the Chart of Authorities. As per the Chart of Authorities, none of the Directors have delegated authorities to approve payroll payments. Approval of payroll is limited to the Coordinator Financial Accounting and Manager Finance. It is recognised in reality that a third delegated authority may be required to cover periods of absences and the Director – Corporate may be an appropriate position.

Based on sample testing ten (10) pay runs, the corresponding CommBiz payments were all approved in line with the Chart of Authorities and none were in actuality authorised by the Director – Corporate. Further, the risk of unauthorised payments is mitigated as all CommBiz payments require dual authorisation.

Business Implications

Outdated policies, procedures, work instructions and forms mislead employees from the correct process resulting in errors and delays in payroll processing. Furthermore, inappropriate access to CommBiz exposes Surf Coast to the risk of unauthorised spend due to errors or fraud.

Suggested Improvements

It is recommended that Management:

- Review and update the policies, procedures and work instructions identified above i.e.:
 - PY-001 Payroll Audit Checking Process
 - PY-002 Payroll Processing
 - MF-002 Management Form Summary of Actual Expenditure Incurred
- Align review frequency of policies and procedures to general practice guidelines. For operational procedures a frequency of two (2) years is suggested.
- Develop a more structured approach to document review such that document owners are reminded prior to review date.
- Reiterate to the Outdoor employees, coordinators and management the importance of using the standard Travel Claim form that captures detailed information regarding travel mileage claims, to facilitate more expedient reviews by Managers and Payroll.
- Evaluate if the Director – Corporate should have delegated authority to approve payroll payments and update CommBiz or Chart of Authorities accordingly.

Management Response and Follow Up Action Required

Description of Action	Person and Position Responsible	Date for Completion
Management will review and update policies, procedures and work instructions by December 2015, with ongoing reviews to occur on a biannual basis.	Coordinator Financial Accounting	31 December 2015
As the area concerned (Waste Management) has a small number of staff that this recommendation relates too and the fact that the travel is a usual part of work activities, the Waste timesheet will be updated to incorporate the following for reimbursement of travel claims : to and from locations, purpose, date of travel	Coordinator Financial Accounting	30 May 2015
The chart of authorities will be updated to delegate authority for the Director – Governance & Corporate to approve payroll payments	Manager Finance	30 June 2015

2.2 Important: Strengthen maintenance of employee masterfiles

Observation

Surf Coast maintains an employee masterfile in Authority, which is considered the 'main' source of employee information which is used by the payroll department. It was advised that HR maintain a register of employee personal details for their own purposes. For the purpose of this review, the processes and controls related to the 'payroll' masterfile were considered in accordance with the scope of this engagement.

In reviewing the end-to-end masterfile maintenance process, the following were observed:

- Absence of formal procedures in relation to the payroll masterfile to capture key processes including: creation, termination and changes to employee records; and any periodic review or maintenance of the masterfile.
- There was an inconsistent approach to keying in personal details into the payroll masterfile. From reviewing ten (10) employee creations, eight (8) records did not contain the respective employee's contact numbers (home or mobile). Management have indicated that this is not a mandatory field, and is therefore updated on an ad hoc basis. The exceptions were:

No.	Name	Employee number	No.	Name	Employee Number
1	N Thompson	1464	5	K Hose	1544
2	A Millar	1526	6	C Rees	1568
3	K Mawdsley	1529	7	T Mildenhall	1575
4	J McDonald	1539	8	A Liddicut	1626

- Inadequate segregation between key payroll masterfile processes. The payroll team consist of two (2) permanent employees who can perform all payroll tasks. This therefore exposes Surf Coast to the possibility that one person is able to both update a masterfile record and subsequently process a payment for that same record, with minimal intervention.
- From discussions with Management, there have been instances where departed employees have returned to Surf Coast. Instead of reactivating the employee's original masterfile record, there were occasions where a new record was created, resulting in what appears to be a 'duplicate' within the database.

From the analytics performed, there were seven (7) duplicate records identified based on the criteria of name and bank details. Management have provided some explanation regarding these duplicates as included in the table below.

No.	Name	Employee number	Explanation
1	D Hopper	1145 1547	Permanent part time employee terminated on 01/01/2014, recommenced as a casual on 21/05/2014.
2	J Templar	1341 1515	Employed as a HR temp and was terminated on 30/09/2013, recommenced work as an administrator in the home care team on 25/09/2014.
3	J Schaap	1097 1549	Employee terminated on 27/03/2014, recommenced work on 12/06/2014 in a different position.
4	Employee name withheld for confidentiality purposes	1217 1556	Permanent part time employee terminated 20/05/2014; the 2 nd record was created to make an additional payment.

No.	Name	Employee number	Explanation
5	M Potter	1484	Employee in early years team, terminated on 12/02/2014, recommenced work as a casual on 01/07/2014.
		1554	
6	M Bates	1028	Terminated due to work-cover claim, second record is used to make work-cover payments only.
		1543	
7	S Beekmans	1397	Permanent full time employee terminated on 10/01/2014, recommenced as a casual on 28/01/2014.
		1535	

- Periodic reviews of the payroll masterfile are not performed to ensure records are current where employee details are correct and terminated employees have been deactivated from the system. Consequently, there were seven (7) duplicate employee records (see table above) and 22 dormant employee records. The dormant employees remained active on the payroll masterfile but have not been paid in the past twelve (12) months.

Management has indicated that the dormant employee records were of casual employees, Winchelsea swimming pool staff, school holiday program assistants, and casual kindergarten employees, all of whom work on an ad hoc basis.

No.	Employee number	No.	Employee Number
1	1188	12	1466
2	1193	13	1476
3	1313	14	1477
4	1330	15	1569
5	1335	16	1570
6	1373	17	1573
7	1382	18	1574
8	1410	19	1610
9	1416	20	1614
10	1457	21	1620
11	1458	22	1621

Business Implications

Less than robust controls over the management of the payroll masterfile expose Surf Coast to risk of errors and unauthorised changes that could directly lead to erroneous (duplicate) or fraudulent payments.

Suggested Improvement

To effectively manage Surf Coast's payroll masterfile, it is recommended that Management:

- Formally document the payroll masterfile process, including the creation, amendment and termination procedures, and available to all staff involved in the payroll process. The procedures should include the standard Surf Coast document administration table, as well as incorporating any recommendations to the masterfile management process as a result of this review.
- Develop a consistent structure for the data input on the payroll masterfile, considering the purpose of the payroll masterfile is to process employee pay and that employee's personal details are currently maintained on separate register maintained by HR.

- Implement a periodic payroll masterfile review process to verify the accuracy of data input. This should be completed by appropriate staff member independent of the Payroll team. Depending on the volume of updates to the payroll masterfile, this could occur on a sample basis, or only for data fields considered as 'high risk' including but not limited to amendments to banking details, pay rates / position changes, new employees and terminations. This should also be extended to verify employees that have been inactive for a substantial period of time, approximately twelve (12) months to consider seasonal employees.
- To align with better practice guidelines, Management should consider giving HR responsibility for maintenance of the payroll masterfile, provided the required user access can be enabled and resources available. This would ensure that one (1) team maintain responsibility for modifying employee data and improve segregation of duties within the payroll function.

Alternatively formalising roles and responsibilities within the Payroll and Finance team would ensure there is adequate segregation between key payroll tasks. Ideally, one person should take responsibility for updating the payroll masterfile and another responsible for payroll processing or key detective controls such as a periodic review of changes recommended above should undertaken more frequently. Given the small size of the team, contingency arrangements should be included in the event a Payroll team member is absent.

- Determine the correct process to follow for returning employees with regards to reactivating previous employee records or creating a new employee record.

Management Response and Follow Up Action Required

Description of Action	Person and Position Responsible	Date for Completion
Procedures will be expanded to incorporate the payroll masterfile process, including the creation, amendment and termination procedures	Coordinator Financial Accounting	31 December 2015
Payroll will no longer enter employee's contact numbers (home or mobile) as this information is kept within Human Resource records	Coordinator Financial Accounting	Completed
Currently management independent of the payroll process verify masterfile changes to the banking details, pay rates, position changes, new employees and terminations. In addition new reports will be developed to enable the periodic review of all Masterfile changes.	Coordinator Financial Accounting	30 September 2015
The payroll team consists of two team members, Management consider that the segregation of the tasks of updating the payroll masterfile and payroll processing as impractical in application due to the key dates these processes are required. The development of the above mentioned Masterfile change reports will be used as a key control	Coordinator Financial Accounting	30 September 2015
Procedures will be developed to document the process for returning employees	Coordinator Financial Accounting	31 December 2015

2.3 Important: Enhance security of key payroll documents and systems

Observation

Authority Payroll Module

All payroll-related processes (maintenance of payroll masterfile, timesheet input, payrun processing etc.) are undertaken using the payroll module of Authority. User access to Authority is assigned by applying 'three-tiers' where payroll functions (e.g. data entry) are assigned to roles, and subsequently roles assigned to users.

A review of users access to the payroll module identified a number of user with inappropriate access to the payroll module within Authority given the team is relatively small - five (5) members of the Finance team of which there are only three (3) dedicated Payroll Officers.

The table below outlines the payroll-related roles which have more than the expected five (5) users with entry, edit and processing access.

Role	Role No.	Function	No. of Users
PY_00	295	•Payroll	22
PY_04	186	<ul style="list-style-type: none"> •Time-sheet Control •Reports-leave •Outdoor RDO & Worksmart Balances •Personal Leave – Limit Exceed •On-line Leave Application Report •On-line Leave Batch Report •On-line Leave Summary •Excess Leave Listing 	12
PY_05	227	<ul style="list-style-type: none"> •Payroll Enquiry •Employee Names Enquiry 	18
PY_10	82	<ul style="list-style-type: none"> •Calculate Pay •Data Entry •Leave Granting Process •Employee Superannuation Adjustment 	8
PY_15	9	77 different functions assigned to role PY_15	9
PY_20	111	54 different functions assigned to role PY_20	9
PY_45	72	<ul style="list-style-type: none"> •Employee Kiosk Control •On-line Leave Application Parameters •Attendance Check Parameters •Work Flow Maintenance •Action Codes •Task Type Maintenance •Link Type •Message Text •Determination Codes 	8
PY_50	97	43 different functions assigned to role PY_50	8
PY_70	196	31 different functions assigned to role PY_70	8

EFT Payment File Security

When a pay-run is processed within Authority, EFT payment files are auto-generated and output to a default file location on the network (file location: *Network > 192.168.0.218 > auth > live > py4gm*). Despite having EFT payment files placed in restricted network folder, the current protection from unauthorised access and amendments is inadequate. EFT files are automatically saved to the default network drive and uploaded from the CommBiz banking platform for payment, as such direct access to the folder on the network is not deemed necessary. Access to the network folder has been provided to the (3) payroll team members as follows:

Name	Title	Control
Mary Laupert	Payroll Coordination Officer	Full Control
Lanie Shanahan	Assistant Payroll Officer	Full Control
Annette Joyce	Payroll / Finance Support Officer	Full Control

Management advised that in practice EFT files are uploaded onto CommBiz immediately after the file is generated and as such the exposure is limited to the duration between generating the file and uploading onto CommBiz. 'Full control' access was provided historically as a result of some issues encountered with uploading the EFT file to the banking platform. Management were uncertain of these issues were still current and users continued to require full access.

Further, these files were not encrypted to protect the confidentiality of the payment and employee information therein.

CommBiz Banking Platform Security

There are presently fifteen (15) active CommBiz users. From reviewing the CommBiz user roles, the segregation of duties between the Authoriser and Uploader roles are misaligned, allowing for two (2) users to directly import, process and authorise payments, albeit payment processing does require dual authorisation. The two (2) users are identified in the table below.

User ID	Name	Title	Conflicting roles assigned
100241348	Neil McQuinn	Manager Information Management	Import and authorise
101807808	Sunil Bhalla	Director Corporate	Import and authorise

However, from testing ten (10) payment transactions, it was observed that that the uploading of these EFT payments files have been segregated from the authorisation of their payments.

Business Implications

Inadequate security measures to maintain the integrity of payroll documents, files and information, exposes Surf Coast to the risk of payroll data manipulation and unauthorised payments.

Suggested Improvement

In view of the risks associated with payroll information, it is recommended that Management:

- Review current user access to the payroll module within Authority, with a view to granting access only to users who require this as part of their position description. All other users should be removed. Periodic user access reviews are also beneficial to ensure user access, a high risk area, is tightly controlled.
- Investigate and further restrict user access permissions for the EFT file location.

- Restrict the number of users with conflicted Import and Authoriser roles in CommBiz.

Management Response and Follow Up Action Required

Description of Action	Person and Position Responsible	Date for Completion
User access to the payroll module in authority will be reviewed on an annual basis.	Manager Information Systems	30 June 2015
Investigation into user access permissions has found that due to software requirements (Authority) staff require access to read and modify files. The modify access is required to overwrite existing files with the latest file for upload into Commbiz as the file is stored in the same location.		Complete
The users with conflicted import and authoriser roles in Commbiz have been changed to remove import functions.		Complete

2.4 Minor: Other minor exceptions

Observation

In relation to payroll processing, the following observations were made:

- To process reimbursements, Authority maintains master records for all deduction and allowance codes, which are assigned to an employee's pay data during payroll processing. The master record is updated as and when new codes are required to be set up, however there is no process to remove redundant allowance and deductions. As such, there are multiple codes which are no longer applicable and / or are not aligned with the relevant award. These codes could be mistakenly applied to an employee's payroll resulting in incorrect payment.
- In relation to the payroll processed on the 05/11/2014 there was a discrepancy between the total figure per Authority (\$178,175.38) and the total amount paid through CommBiz (\$161,883.58). Management have indicated that at the last minute an employee's termination payment was withheld from the payment within CommBiz (\$16,291.80), as the employee had not yet returned the property assigned to them. The adjusting entry in the subsequent payroll was verified and this course of action was authorised by the Manager - Finance. Whilst it is acknowledged that this was an exceptional circumstance, this is not a prudent approach and provides insufficient audit trail for the transaction. Management advised this course of action was taken due to the difficulty in having to re-process the pay-run in Authority and remove the withheld payment.
- There are no established business rules for processing out of cycle payments. At present these are made at the discretion of the Coordinator Financial Accounting, taking into consideration the nature of the transaction, e.g. missed pay due to late submission of timesheet, and the payment amount. Approval may be sought by the Manager - Finance or Director - Corporate if required.
- During the payroll fortnight, a number of exception reports are reviewed, to ensure the integrity of payroll data. Those being: pay rate changes, bank detail changes, pay rate which is different to standard rate. This process is considered a key control, to identify any payroll errors that were identified at the data input stage, therefore it is important that the structure of this process is adequate to identify all potential errors or variations. In comparing the current process against better practice, the following reporting gaps have been identified :
 - Current vs. prior period gross wage
 - Wages over a certain threshold – to identify high value payments
 - Excessive hours worked within a pay period (e.g. greater than 80 hours)

Business Implications

A less than robust payroll process could result in the errors in inputs, processes and outputs which if they remain overlooked can cause incorrect payments to employees.

Suggested Improvement

It is recommended that management:

- Undertake a full review of the master records for allowances and deductions, with a view to inactivating those which are currently not in use. A review of this nature should be undertaken periodically at managements discretion.
- In instances where certain transactions are identified to be withheld from payment, the prudent approach is to reject the payroll processed in Authority, and re-run the payroll excluding the identified transaction. This process ensures that the payroll processed figure reconciles with the

amount paid per CommBiz. If this is to occur on a regular basis, management may also wish to consider documenting a formal procedure for withholding payments from payroll and protocols including required approvals.

- There is an opportunity to formalise the process for out of cycle payments, by either creating a unique procedure, or expanding on a pre-existing payroll procedure document. Elements to consider when establishing business rules are the circumstances when out of cycle payments are allowed and authorisation responsibility.
- Further strengthen the fortnightly exception reporting process by considering the inclusion of the additional exception parameters identified in the observation above. In line with the standard exception report process, these should be reviewed and signed-off by the Coordinator Financial Accounting.

Management Response and Follow Up Action Required

Description of Action	Person and Position Responsible	Date for Completion
A review of the master records for allowances and deductions will be undertaken annually	Coordinator Financial Accounting	31 December 2015
Excluding a transaction from payment is an extraordinary occurrence. In this case the Finance Manager withheld final payment for an employee due to the non-return of Council property. Going forward, the payroll department will check that all Council property has been returned before processing final pays. A procedure will further be developed that requires the approval by the Finance Manager and the relevant General Manager for any changes to payments post payroll processing.	Coordinator Financial Accounting	31 December 2015
A procedure for out of cycle payments will be developed	Coordinator Financial Accounting	31 December 2015
Further reports will be developed : - Current v's prior period gross wages - Wages over thresholds Excessive hours	Coordinator Financial Accounting	31 December 2015

2.5 Opportunity: Automate manual tasks for process efficiency

Observation

Based on the work performed in this review and discussions with Management, the current payroll framework is heavily reliant on a number of manual processes. Whilst at present the processes have no fundamental control weakness, significant manual interventions can render the payroll process cumbersome, time consuming, and vulnerable to errors, delays and inefficiencies.

The key manual processes are:

- **Timesheets** – All Surf Coast employees are required to complete manual timesheets, including salaried staff, which requires sign-off by the employee's direct Manager as evidence of work performed and any exceptions such as leave taken during the period. Whilst it is recognised that timesheets provide a complete record of hours worked, there is considerable effort and time required to process a large volume of timesheet data. For example, there are approximately 40 Homecare workers with daily rosters, which require data input. The effort required each fortnight to process 400 timesheets is roughly (3) days. Also Surf Coast employs roughly 53 outdoor employees, each of whom completes a daily timesheets. On a fortnightly basis, the Infrastructure Administrator has to input 530 timesheets, which on average takes five (5) days to complete.
- **Leave applications** – Currently employees are required to complete manual leave application forms, which are approved by management and manually updated within Authority.
- **Expense reimbursement** – Reimbursement claims are processed through manual expense claim forms. Depending on the type of employee and the nature of the expense claim, expenses may be included in timesheets, or claimed using a separate reimbursements form. Again, the transaction data is manually entered into Authority.

As a result of manual processing based on the receipt of hardcopy documentation, there is a large amount of documentation which is required to be stored within the department including personnel files, timesheets, leave application forms, and payroll reports.

Suggested Improvement

It is recommended that Management consider automating manual tasks within the payroll function, with particular consideration to the manual tasks identified above. There are IT solutions available in the market that offers a consolidated payroll platform that could perform a number of these tasks, remove inefficient time spent processing transactions manually and allow for electronic maintenance of information.

IT projects present significant cost to any business; therefore Surf Coast should perform a cost and benefits analysis to determine if automation is a cost-effective action to be undertaken. The feasibility study should determine the appropriate structure, i.e. a consolidated solutions to capture all (if not most) manual tasks, or individual applications for each tasks. If automation is not feasible for Surf Coast at this time, Management should revisit this in 12-24 months' time or in line with other organisational changes moving forward.

Alternatively, Management may wish to consider necessity of using timesheets for permanent ('salaried') employee. Removing this reduces the overall effort required to check and process timesheets and other associated administrative tasks, leading to payroll processing efficiencies.

Management Response and Follow Up Action Required

Description of Action	Person and Position Responsible	Date for Completion
Civica have indicated they are currently developing work patterns for the payroll module. Once this enhancement is made it will provide opportunity for manual processes such as leave applications to be completed online by all staff.	Coordinator Financial Accounting	To be confirmed
Staff expense reimbursement is an infrequent occurrence, despite the system for reimbursement being manual it is considered by Management as adequate at this time.	Coordinator Financial Accounting	Complete

3. Statement of Responsibility

This report is prepared on the basis of the limitations set out below.

GRANT THORNTON AUSTRALIA LTD



Scott Hartley
PARTNER

May 2015

The matters raised in this report came to our attention during the course of our review, as a result of our testing performed. Testing is conducted on a sample basis, over a specific period of time, and our report therefore provides commentary regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our review is not a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Management should therefore not rely solely on our report to identify all weaknesses that may exist and potential instances of fraud.

Our comments should be read in the context of the scope of our work as detailed in the terms of reference. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Suggestions for improvement should be assessed by Surf Coast's Board and Management for their full commercial impact before they are implemented.

This report has been prepared solely for the use of Surf Coast's Audit Committee and Management and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Appendix A – Process Narrative

Payroll Governance

The payroll team, is a sub-section of the wider Finance team, and specifically sits under the direction of the Coordinator-Financial Accounting. Key payroll roles are the Payroll Coordination Officer and the Payroll/Finance Support Officer. To support the payroll function, there are also a number of policies, procedures and work instructions that are both organisation wide and process specific.

Employees

Surf Coast employs approximately 450 staff, across a variety of services. Employee's remuneration is determined based on the one of the following structures: Enterprise Agreement, Victorian Local Authorities Award, Victorian Early Childhood Teachers, Assistants Agreements, and banded contracts. The payroll process, including submission of timesheets differs depending on the employee type, which is summarised below.

- **Indoor staff:** primarily works at Head Office and are employed on a salary basis with fixed hours. An Excel spreadsheet is maintained by Payroll which details exceptions to normal pay e.g. annual leave taken. This data is then updated into Authority on an ad-hoc basis throughout the payroll fortnight.
- **Outdoor staff:** relates to roads, parks and maintenance staff. These employees complete daily timesheets, as their time must be charged to specific jobs. Timesheets are approved by a Supervisor and forwarded to Infrastructure Administration who manually enters into Authority.
- **Homecare:** relates to staff who provide in-home services to people within the community. There are set rosters which are communicated to Homecare employees. At the end of each service, the client authorises a form to validate that the service has been performed. This substantiates that employees' completed hours. The forms are returned to Community Services. On an ad-hoc basis throughout the payroll fortnight, the timesheet data is updated into the Homecare application. Information Technology (IT) runs data checks on the timesheet information from the Homecare application and uploads the payroll data into Authority.
- **Casual staff:** all casual staff completes manual timesheets, which are entered into Authority by the Payroll Coordination Officer.

Employee Payroll Masterfile

The payroll masterfile is used solely for the purpose of payroll processing, whereas the primary employee database is maintained by Human Resources (HR), and is the source of all personnel details. Any member of the payroll team can update the masterfile, with the division of work dependent on staff availability.

Creation of New Employees

When a new employee commences at Surf Coast, HR notifies Payroll via an email. This is a prompt for a member of the Payroll team to retrieve the hardcopy employee file from HR, including the staff member's contract and pay details. Per the letter of offer and other personnel information contained

within the folder, an employee record is created within the payroll module of Authority. Once completed, the employee file is returned to HR.

Changes to Payroll Masterfile

Changes to the payroll masterfile are requested through submitting a 'Change to Personal Details' form, EFT (banking details) form, or via email to a member of the Payroll team. Updates are not processed unless communicated in writing. If a change to an employee's job/pay classification is required, a new Letter of Offer is received from HR. The changes are updated by a member of the Payroll team on ad-hoc basis prior to the end of the pay period, ensuring that any updates that have an impact on payroll are processed before the payroll fortnight is closed.

Terminated Employees

HR sends an email to all departments notifying of terminations, including all relevant details (e.g. termination date). Payroll Coordination Officer determines when the final pay is to be made, as in some instances an off-cycle payment can be processed. A termination spreadsheet is completed, which contains the calculations of the final payment amount. This is reviewed and authorised by the Financial Accountant, before being manually keyed into Authority. Once the termination pay is processed, Authority prompts deactivation of the record within the masterfile and removal of the employee's system user access rights.

Payroll processing

The Payroll Check Sheet is used as a step-by-step approach to processing payroll, and once each step is completed, the responsible Payroll person is required to sign on the form as evidence of completion to tasks. The pay cycle is closed the Thursday preceding payroll, to allow sufficient time for data entry and processing. Employees are made aware of key payroll dates, so that all timesheets and other necessary forms are submitted on-time. Prior to posting, a number of data checks are performed to identify and correct any errors in the data. Surf Coast utilises exception reporting as the basis of data checks, and each report is verified against supporting documentation by the Payroll Coordination Officer. The Coordinator-Financial Accounting performs a secondary review and approves the reports.

The key exception reports include:

- Rates paid that are different from the standard rates; and
- Changes to employee bank details and pay rates.

Once data checks are complete, the payroll data is posted into Authority by the Payroll Coordination Officer. As a result the EFT bank file, including all payment details is automatically saved down to a pre-determined file location on Surf Coast's network drive. The EFT file is then uploaded to CommBiz. At this stage the Coordinator Financial Accounting performs a three-way match between pay edit listing, pre-pay net summary and the CommBiz upload file to ensure payment amounts are consistent. If approved, the payments are approved using a dual authorisation approach.

Out of cycle payments may be made in various instances, for example to process termination payments or missed pay due to late submission of timesheet. Based on the amount and reason for payment the Coordinator Financial Accounting will determine who is best placed to authorise. In some instance for larger payments the Director Corporate Services approval is sought.

Changes to employee details report

On a fortnightly basis, payroll masterfile exception reports are run to identify changes made to the masterfile. The reports are run for pay rate and bank details changes. The Payroll Coordination Officer

reviews the reports to ensure only valid changes were made. This report is also reviewed and signed-off by the Coordinator-Financial Accounting and then filed.

Reimbursements

Depending on the nature of reimbursements, reimbursements are either processed through payroll, the accounts payable function or via petty cash. Travel mileage claims are submitted via timesheets and thus are processed through the standard payroll process.

Monitoring and Reporting

The budget variance spreadsheet is the main tool used to monitor payroll spend on an on-going basis. Payroll budget is determined prior to the start of the new financial year and accounts for all employees and their current employment arrangements. If at any time throughout the year there are employment changes, e.g. terminations, changes to pay rates etc., the Management Accountant is notified and updates a revised forecast. Each month, the budget versus actuals are analysed by the Management Accountant and significant variances reported to Management, with corresponding explanations.

Appendix B – Terms of Reference (Extract)

Introduction

As part of the Internal Audit Services provided to the Surf Coast Shire ('Surf Coast') for the year ending 30 June 2015, Grant Thornton will be performing a review of Surf Coast's payroll processes and controls.

Surf Coast has approximately 300 staff employed on a full-time, part-time and casual basis. The majority of Council employees are employed under one of two Enterprise Bargaining Agreements, with the exception of Managers, Directors and the Chief Executive Officer who are on individual contracts.

Surf Coast utilise manual timesheets for the majority of employees that are processed by Payroll and resources within the Infrastructure department for the outdoor workers. The Payroll team consists of three (3) team members whom are responsible for processing timesheets and the pay run. The Coordinator Financial Accounting is responsible for management and oversight of the payroll function. The pay is run fortnightly with out of cycle pay runs processed on as needs basis.

Surf Coast uses the Payroll module of Authority payroll systems. A self-service function is available to employees to view pertinent payroll information.

This engagement will be conducted in accordance with the International Standards for the Professional Practice of Internal Audit.

This 'Terms of Reference' defines the audit objectives, scope, approach, deliverables, timetable and engagement team for this review.

Objectives and Key Review Steps

The primary objective of this engagement is to determine whether the processes and controls associated with the payroll function at Surf Coast are operating effectively and efficiently. This review includes a balanced assessment of control adequacy (control design) and control effectiveness (testing that the control is operating as intended).

The following table outlines the scope and key review activities for this engagement:

Key Business Process & Control Objective	Control Adequacy: (process review)	Control Effectiveness: (process testing)
<p>1 Review the structure and governance arrangements around payroll processes, including the following :</p> <ul style="list-style-type: none"> • Approved policies and procedures • Appropriateness of applicable financial delegations of authority • Clarity on the roles and responsibilities • Adequacy in the segregation of duties within the payroll function; and • Record keeping and access controls to systems and network folder where pertinent payroll information is maintained. 	<p>Discussion with key contacts Document review</p>	<p>-</p>
<p>2 Review the adequacy and effectiveness of controls in the management of the employee masterfile, including:</p> <ul style="list-style-type: none"> • Creation of new employees • Amendments to existing employee information in the masterfile, particularly bank account details • Deletion or deactivation of terminated employees • Periodic review of masterfile changes. 	<p>Discussion with key contacts Observation and walkthrough</p>	<p>Sample test:</p> <ul style="list-style-type: none"> • New employees • Amendments to employee information • Employee deletions/ deactivations
<p>3 Evaluate the adequacy and effectiveness of procedures and controls in processing timesheets and payroll calculations including:</p> <ul style="list-style-type: none"> • Accuracy and completeness of timesheet entry • Ascertain whether timesheets have been appropriately approved in line with policies and procedures • Accuracy of payroll calculations of: <ul style="list-style-type: none"> – Salary and wages – Superannuation contribution – Leave entitlements • Accuracy of termination calculations including: <ul style="list-style-type: none"> – Appropriate source data used in payment calculation – Processing and authorisation of termination and final payments. 	<p>Discussion with key contacts Observation and walkthrough</p>	<p>Sample testing of timesheets, payroll and termination calculations</p>
<p>4 Consider the appropriateness of current processes and controls for releasing payroll payments including:</p> <ul style="list-style-type: none"> • Generation and processing of payroll payment runs and EFT files • Review and verification undertaken prior to payment authorisation • Authorisation of payment runs and EFT files • Determining whether bank payment authorisations are aligned with Surf Coast's financial delegations of authority. 	<p>Discussion with key contacts Observation and walkthrough</p>	<p>Sample testing of payment runs</p>
<p>5 Assess the adequacy of employee reimbursements processes including:</p> <ul style="list-style-type: none"> • Ascertain if employee reimbursements comply with internal policies and procedures • Accuracy and completeness of processing of employee reimbursements • Review and approval of employee reimbursements. 	<p>Discussion with key contacts Observation and walkthrough Document review</p>	<p>Sample testing of employee reimbursements</p>

Key Business Process & Control Objective	Control Adequacy: (process review)	Control Effectiveness: (process testing)
<p>6 Review of payroll payment transactional data and employee reimbursements using IDEA data analytics to identify errors and anomalies, if any. The following tests will be carried out on the data set for the sample period:</p> <ul style="list-style-type: none"> • Check for duplicate payroll and employee reimbursement payment based on similar employee ID, employee name, and amount • Check for duplicate employees based on same bank accounts listed within the employee masterfile • Check for payroll payments paid to employees and/or bank accounts that are not listed in the employee masterfile • Check for payments to employees sharing the same bank accounts. 	-	Payroll and employee reimbursement payment data for the period July 2013 – October 2014.

Deliverables

The key deliverables from this project are as follows:

- Agreed terms of reference
- A final report presenting:
 - Observations and Findings
 - Business Implications
 - Suggested Improvements
 - Management Responses (including agreed actions, responsibilities and timing)

Acceptance

Sunil Bhalla, Director Corporate, on behalf of Surf Coast Shire Council, accepted the terms of reference for the Payroll Review.

Appendix C – Observation Rating Criteria

The methodology for rating internal audit observations has been depicted below

Overall Report Rating

To overall report rating is determined as follows:

Strong	Adequate	Requires Improvement	Inadequate
Assessment of Risk Associated with Present Environment			
Systems and processes exist and are adequate to manage the risk and management accountability has been assigned.	Acceptable exposure. Practices are balanced to risk. Minor deficiencies in the overall system of internal control may exist and errors/non-compliance with procedures are likely to be detected on a timely basis.	Exposure in the identified areas is unacceptable. Deviations from ethical and prudent business practices may not be detected on a timely basis or until after exposure has been realised.	Overall exposure is unacceptable. A high risk of material financial loss, impairment of operations or misrepresentation of financial/operational results exists.
Quality of the System of Internal Control			
No internal control deficiencies exist and internal controls have been adequately designed to mitigate any potential risk to Surf Coast Shire Council.	Critical internal control deficiencies do not exist, nor are there other deficiencies which warrant immediate attention by management. Control points and risks have been identified and implemented. Any audit observations relate to improvements in existing controls and suggestions for alternative or additional control procedures. The system of internal control, as designed and operated, provides reasonable assurance that objectives will be achieved.	Critical control deficiencies do not exist in the systems of internal control. Although the systems of internal control, as designed, meet minimum standards of internal control, audit observations include non-critical areas which are in need of improvement. Management is generally aware of the control points and risks and has implemented at least minimum controls. Some assurance exists that objectives will be achieved.	One or more critical control deficiencies exists which would have a significant adverse effect on financial performance, project delivery, contract management, reputation or management information and thus, warrant immediate attention by management. Minimum standards of internal controls have not been met. Other controls may be in need of improvement and additional controls may be necessary to manage risks.

Strong	Adequate	Requires Improvement	Inadequate
Policies and Procedures			
Policies and procedures have been established which meets all the requirements of the organisation. Staff have an excellent understanding of the policies and procedures. No instances of non-compliance noted during the review.	Policies and procedures have been established and were generally well communicated throughout the organisation. Some opportunities to improve the policies and procedures have been identified, however the impact on Surf Coast Shire Council is considered minimal. Activities performed are generally in compliance with established policies and procedures. Audit findings and recommendations may include several compliance exceptions; however, no significant exceptions exist.	Policies and procedures have been established but require further improvement in a number of areas and/or have not been communicated well throughout the organisation. Clear exceptions exist in compliance with established policies and procedures. Other exceptions may exist which require improved compliance to ensure the effectiveness of established controls.	Policies and procedures have not been established. More than one significant exception exists in compliance with established policies and procedures which heightens the risk that objectives will not be met.
Accuracy of Information			
Control procedures are adequate and effective to prevent inaccuracies in financial and operational information.	Inaccuracies and/or delays in information are not significant.	The functions are experiencing or have experienced information accuracy and/or timing problems; however, the effect is not significant.	Functions are experiencing or have experienced serious information accuracy and/or timing problems. Information is disorganised, unmanageable or contains numerous errors and omissions or is not provided to support effective decision making.

Individual Findings Ratings

To enable management to set priorities on their action plans findings are rated in accordance with the following categories based on our assessment of the importance of each finding:

Significant	Important	Minor
An issue that exposes Surf Coast Shire Council to an unacceptable level of risk, with a probability of resulting in exposure with significant asset or dollar loss.	An issue that exposes Surf Coast Shire Council to risk and requires improvement to prevent exposure to loss of assets or damage to Surf Coast Shire Council.	An issue, which if unresolved may expose Surf Coast Shire Council to risk or a recommendation that may be of benefit to Surf Coast Shire Council's control environment.

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APPENDIX J – INFORMATION TECHNOLOGY GENERAL CONTROL AUDIT REPORT
(Including Amended Management Responses)
(Trim Reference: F15/404 – D15/39288)

Surf Coast Shire Council

Internal Audit Report

Information Technology General Controls (ITGC) Review

May 2015

Distribution:

Internal Audit Project Sponsor: Sunil Bhalla, Director Corporate Services
Internal Audit Review Sponsor: Neil McQuinn, Manager Information Services

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GT Client Partner	Scott Hartley, Partner
GT Client Manager:	Trai Moorthy, Senior Manager
GT Review Manager:	Kate Forsyth, Senior Manager



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1. Executive Summary

1.1 Introduction

In accordance with Surf Coast Shire's ('Surf Coast') Strategic Annual Internal Audit Plan for the financial year ending 2015, Grant Thornton performed a review of the IT general control processes relating to user access management managed by the Surf Coast.

The objective of this review was to assess the internal controls supporting user access management to Surf Coast IT systems and to ensure these controls are designed and operating in accordance with current policies and procedures.

A broad range of IT systems and applications were considered for the purpose of this review:

- IT network (Novell and Active Directory)
- Authority (Finance & payroll system)
- Carelink (Aged Care client management system)
- TRIM (Document management system)
- ClassMon (Kindergarten management system)
- Cambron (Performance management system)
- Car Booking Management System (Car booking system)
- Building management system (including building access and CCTV cameras)
- Maternal ('MACHS') (Maternal Child Health Software)

This project was conducted in accordance with the Institute of Internal Auditors International Professional Practices Framework (IPPF).

This report is to be read in conjunction with the detailed Terms of Reference provided in Appendix A.

1.2 Background

The IT systems and core business applications used to deliver community services to the Surf Coast Shire are supported by an in-house Information Services ("IS") team.

The IS team provides support to the business in maintaining the IT infrastructure in addition to a number of core business applications. The IS team consists of two core functional teams – Information Technology ("IT") and Records Management ("RM"). The focus of this review considered the processes and controls managed by the IT team.

The focus of this review considered the user access management processes and controls operated by the Surf Coast to ensure the confidentiality and integrity of information contained in business applications that have been deemed by Management as either core business systems, or are systems accessing potentially sensitive information.

In addition to the processes and controls to manage user access to the systems and applications outlined below, the focus of this review also considered the key control activities for the following areas:

- Organisational structure of the IT team
- System authentication and password management
- Audit logging enabled within core systems and the associated monitoring procedures
- Documentation of IT operational policies and procedures relating to the three points above and user access management.

Consideration of other common IT general control areas will be considered during subsequent Internal Audit activities.

IT Infrastructure

The Surf Coast utilise a combination of Novell and Active Directory to manage access to the Surf Coast IT network; both of which were considered in the scope of this review. These two systems are supported by the IT team, consisting of four (4) dedicated team members.

The IT servers hosting business systems are virtualised and are also managed by the IT team. IT equipment, including business critical applications, are primarily hosted in the head office site, however there are some servers located at other shire offices.

Business Applications

A number of core business applications were considered in the scope of this review. The IT team does have some responsibility for user management for all the business applications, however in the case of some of these applications; responsibility is shared with the relevant business owner:

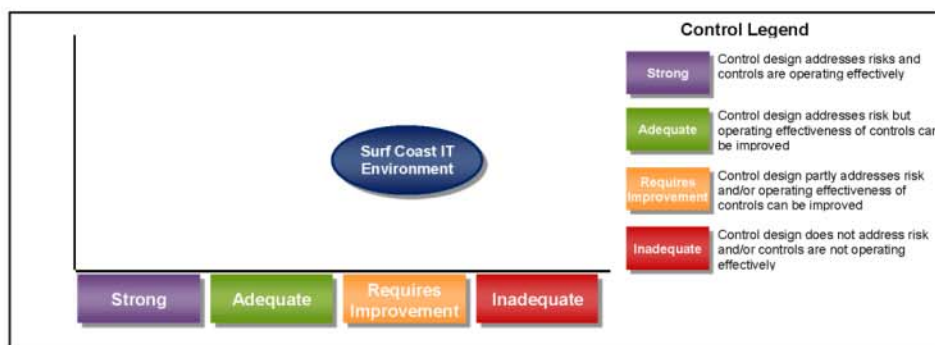
Application	Business Process	Responsibility – IT account management
Novell	Network authentication / Authority	IT team
Active Directory	Network authentication / file share	IT team
Authority	Finance and payroll	IT team
Carelink	Aged Care Client Management	IT team
TRIM	Document management	IT team
ClassMon	Kindergarten management	Kindergarten teachers at relevant site
Cambron	Performance Management	IT team – user account Organisational Development team – permissions
Car Booking system	Car booking management	Fleet Officer
BAS	Building Management System	IT team
Maternal – MACHS	Maternal Child Health management	IT team and Nurses at relevant site

Management have indicated there are plans to decommission the current MACHS and Car Booking System by mid-2015.

1.3 Summary of Overall Performance

From the review and tests performed, it was found that Surf Coast's IT general control process has been assessed as **Requires Improvement**.

A number of policy documents exist outlining the intent for security management for the Surf Coast. It was noted the implementation of these policies were not consistently applied in operation within the business and ICT teams.



Accordingly, we have highlighted eleven (11) such observations along with our suggested improvements for Management's consideration in the table below and further detailed in section 2.

Report Ref.	Description of Findings	Rating	<People>	<Process>	<System>
2.1	Redundant accounts with administrator privileges Privileged access was held to a number of applications that was no longer required and should be removed.	Significant		✓	
2.2	Inconsistent application of user management processes – New users The new user management process is not consistently applied. Insufficient information is provided to support the level of access granted to users.	Significant	✓	✓	
2.3	Inconsistent application of user management procedures – Terminated users The process to notify the ICT team of employee departures and the subsequent removal of their IT access does not follow a standard, consistent process.	Significant	✓	✓	
2.4	Lack of user access reviews Periodic review of user access to Surf Coast's IT systems is not carried out to ensure that access granted to users is reflective of their functional role in the organisation.	Significant	✓	✓	
2.5	Inconsistent application of user management procedures – Modified users The modification of user access is not consistently supported by a documented request of the permission changes required and the associated authorisation of these changes.	Moderate	✓	✓	
2.6	Inadequate password management Password requirements for core business systems do not reflect leading practice standards. Core applications do not require strong passwords to be used by IT users.	Moderate		✓	✓
2.7	Physical access to the server room Access to the server room is not adequately restricted to those individuals who require access for their functional role.	Moderate	✓	✓	
2.8	Reliance on core personnel There is significance experience with the Surf Coast and the IT systems within the ICT team. ICT team members should be cross skilled in the areas of support provided to the business.	Moderate	✓	✓	
2.9	Authority user access management Role based access has not been implemented in Authority.	Moderate		✓	✓
2.10	Lack of audit log management procedures There is limited and inconsistent audit logging procedures for core IT systems. There are no procedures to ensure logs that are retained are actively monitored.	Moderate		✓	✓

Report Ref.	Description of Findings	Rating	<People>	<Process>	<System>
2.11	Consistency of IT policies A number of policies are available on the Intranet relating to IT security. These policies should have owners assigned, be subject to regular review and be present a consistent message.	Minor		✓	

1.5 Limitations

Throughout the course of the review, there were some areas of the scope of this engagement that were unable to be performed due to the unavailability of documentation or system arrangements:

- The ClassMon application is not managed or maintained by IT and is located offsite at kindergartens. Access to the application is managed by the local team on the local machines located at the respective kindergarten. Internal Audit did note that the DEECD performed an independent assessment of Surf Coast's management of ClassMon (most recently in June 2014). Part of the assessment was to ensure that the relevant sections of the Education and Care Services National Law and Regulations were being upheld, which includes confidentiality and storage of records (s175) and (r181). Internal Audit did not perform a detailed review of this report.
- Due to system limitations, the password configuration for Carelink and MACHS was unable to be sighted and therefore assessed against the policy and leading practice standards.
- The Car Booking System and Cambron applications do not have inbuilt reporting functionality to enable the generation of user access reports. As such, detailed testing procedures were unable to be performed for these applications.

1.6 Acknowledgements

We would like to thank the following persons for their considered input in assisting us in completing the review. Their assistance and cooperation was appreciated.

- Neil McQuinn Manager Information Services
- Neil Gibson IT Coordinator
- John Chatterton Co-ordinator Facilities and Fleet
- Adam Devereux Human Resources Officer

2. Detailed Observations

The section below details our observations which were made during the review based on interviews with Management, review of documentation and sample testing of relevant transactions. The details of Rating Definitions can be found in Appendix B.

2.1 Redundant accounts with administrator privileges

Rating of audit finding: Significant

Background

Access to IT systems should be limited based on the principle of least privilege. As such, the access assigned to IT accounts should be granted based on the users' role and contain the minimum permissions necessary for that user to carry out their functional role.

Privileged access to IT systems is necessary to ensure systems operate effectively and can be effectively maintained. Administrator privileges within IT systems are generally required for two core purposes (a) to enable system processes to operate (i.e. service accounts) and (b) for IT support by technical team members.

Due to the elevated permissions associated with privileged access to IT systems and extent of damage that could be caused if these accounts are used erroneously or maliciously, the restriction and monitoring of use is of particular importance.

Observation

Surf Coast does not have a policy or procedure that deals explicitly with the management of privileged users to IT systems. All users are required to sign a network access agreement on commencement and provision of a network account that relates to appropriate use of Surf Coast IT equipment and data. There are no additional requirements for those users provided with administrator access.

Internal audit performed a review of the users with administrative access to the systems in scope (where user lists were available) to validate with Management if administrative access granted to users accurately reflects their functional role. The following exceptions were noted:

Novell

There was one (1) Novell account impacted:

Username	Last logon date	Service or User account
ferret	n/a	Service

Active Directory

There were three (3) Active Directory accounts impacted:

Username	Last logon date	Service or User account
Auth	08/10/2014 12:02	Service
authprog	27/07/2011 15:37	Service
User Ferret	16/09/2014 9:40	Service

Carelink

There were nineteen (19) Carelink accounts impacted:

Username	Last Login Date	Service or User account
auditor1	10/10/2013 13:15	User
auditor2	N/a	User
Cotter *	22/11/2013 10:36	User
Glowe *	28/07/2014 9:01	User
Jcock *	03/10/2014 11:43	User
Jmclean *	03/10/2014 8:58	User
Jtemplar *	03/10/2014 8:28	User
Kboxshall *	03/10/2014 7:54	User
Kcaspall *	03/10/2014 7:39	User
Kmawdsley *	02/10/2014 8:31	User
Mmanning *	01/10/2014 16:58	User
Mwirken *	17/09/2014 8:16	User
Ntaylor *	26/09/2014 7:49	User
Rstevens *	18/09/2014 15:31	User
Ssurdich *	03/10/2014 14:10	User
Tmawson *	02/10/2014 8:11	User
WACHERagedcare	N/a	User
WACHERnrg	N/a	User
Wnuttall *	03/10/2014 14:25	User

Management indicated those accounts denoted with a (*) in the table above, are owned by team members in the Aged Care department who required an administrative role in the system to perform certain functions (e.g. rostering) required for their roles. However due to the configuration of the system, in granting this access, these users have the ability to add, modify or delete users or records.

TRIM

There was one (1) TRIM account impacted:

Username	Last logon date	Service or User account
Awwflowsservice	n/a	Service

Cambron

There were eight (8) Cambron accounts impacted:

Username	Last logon date	Service or User account
admincg **	Not available	User
hradj **	Not available	User
mod **	Not available	User
admincg **	Not available	User
adminceo	Not available	User
admins1	Not available	User
admins2	Not available	User
Governance **	Not available	User

Management have subsequently disabled the user accounts denoted by (**) in the table above. This was verified by Internal Audit on 10 October 2014.

Car Booking System

Management indicated there is no reporting functionality available in the Car Booking System to generate a report of all users with general or administrator access to the application. As such, a detailed review and assessment of the users with administrator privileges to the Car Booking System was unable to be performed.

Management indicated the licensing agreement for the Car Booking System allows for five concurrent administrative users to the system. At the time of testing, it was identified there were more than five users with administrative access.

Building Management System and CCTV footage

Access to the server room hosting the Building Management System and CCTV footage, requires either swipe card access or access via a physical key. Access to these systems is managed via a generic user account, and the permissions assigned enable administrative access. The number of individuals with access to the server room, either via swipe card access or physical key access, extends beyond the users requiring access for their functional role.

Physical keys are managed by the Facilities and Fleet team, including those keys allowing access to the computer room. The “great grandmaster key” allows access to all doors, including the server room, is held by 54 individuals.

Swipe card access is managed by the IT team. Management have indicated that some users with access to the server room via a swipe card may not require access to the server room for their functional role, however have been granted access to enable audit logging of when they access

the server room (as they may hold a physical key to the room). There is no formal or periodic active monitoring of the computer room entry log performed. This log is retained to enable retrospective review as required.

Note: Management have indicated the user administration of the MACHS system is performed via a different program accessible only the ICT team.

Potential Business Implications

The risk of inappropriate or unauthorised activities is increased where access is not adequately restricted to individuals based on their functional role. The impact of this risk is significantly greater when the permissions assigned to users provide privileged access to IT systems.

The risk is further compounded when privileged access is granted via a generic account. Generic accounts present an inherent risk of unauthorised access due to the likely use and nature of shared passwords. Also, in the event of a security breach, the ability to identify the account owner accountable for the breach would be impaired.

Recommendation

Administrator or privileged access to IT systems should be restricted to a limited number of individuals who require such permissions to enable them to perform their functional role.

Management should review the users with privileged access to the IT systems as outlined above and ensure this access is in line with business requirements. If admin access is required, administrator access to systems should be granted to unique and named individuals.

Management should complement this activity with a regular, periodic review of admin access rights to ensure that access granted remains appropriate.

In addition, Management should consider establish an independent monitoring review of the activities undertaken by those users with privileged permissions. This may be most relevant for those systems, such as Carelink, where system limitations may prohibit the creation of multiple user groups to segregate the transactional activities from administrative activities in the system.

Management comments and actions	Person Responsible	Target Date
Staff with administrator access are being reviewed and these changes have been implemented.	Manager Information Services	Completed
Carelink – Two of the accounts could be deactivated (cotter, glowe), but the other user accounts do require maintenance of clients in their daily tasks which is only allowed with Administrator access privileges.		
We are currently working through the issues with contractors who require privileged access to a number of systems and servers due to the applications they support.	Manager Information Services	May 2015
Review of all Administrator accounts will be performed annually.	Manager Information Services	Completed/ Ongoing
Due to the low staffing of the IT department, the independent review will be performed by the Internal or External Auditors each year.	Manager Information Services	Completed

2.2 Inconsistent application of user management processes – New users

Rating of audit finding: Significant

Background

When a new employee commences at Surf Coast, their Department Manager completes and signs a Network Access Request Form ("NARF") which will include relevant information about the user such as their role and the IT access required.

The Department Manager is required to specify the IT systems the new user requires access to along with the permissions to be assigned to the user. The Manager generally details the access requirements by detailing a "like" user from which the user permissions should be modelled upon.

The ICT team is responsible for providing access to the network and a number of IT applications where required. Some applications such as ClassMon, Car booking system and Cambron are set up by the business.

Observation

Internal Audit selected a sample of 9 new employees whom were granted access to Surf Coast IT Systems during the twelve-month period ending October 2014.

Of these new employees, it was noted in five instances the Network Access Request Form ("NARF") did not contain sufficient information to support the level of access held by the new employee.

- The NARF did not specify the IT systems required by the new starter, or a "like" user to model the permissions assigned to the user. In addition to the default IT systems internal users are granted access to (Novell, Active Directory and TRIM), this user also holds access to the Authority application.
User(s) impacted: Gillian Hughes
- The NARF form prepared for one new employee specified the requirement for access to be granted to Authority, Carelink and TRIM; however the permissions required within these applications was not specified or approved.
User(s) impacted: Michelle Manning
- The requirement for access to Carelink was specified on the NARF form for one employee, however this access was also granted to the Authority application.
User(s) impacted: Kerrie Mawdsley
- A user agreement form was prepared by one new starter; however there was no supporting request and authorisation for IT access. In addition to the default IT systems, this user also holds access to the Authority application.
User(s) impacted: Damian Waight
- A "like" user was specified for one new employee; however the IT systems this user requires access to was not specified. The "like" user specified did not hold access to the systems granted to the new employee [Note: this like user did not cease employment during the period from 1 January 2013 to October 2014].

User(s) impacted: Valentina Whillock

Note: due to the unavailability of user access reports, testing procedures did not consider the ClassMon, Cambron and Car Booking System applications.

Potential Business Implications

The risk of inappropriate or unauthorised access is increased if access to the Surf Coast network and IT systems is not appropriately restricted to authorised individuals. Unauthorised access may compromise the confidentiality, integrity and availability of the information and systems.

Recommendation

Management should ensure new user management procedures and controls are applied correctly and consistently from the initial user access request through to the provisioning of user access.

The correct process should be re-enforced to Managers to ensure that user access requests contain sufficient information and authorisation to enable accurate provisioning of user accounts. Similarly, access to IT systems should only be granted to users based on an appropriately documented and authorised request.

As per Observation 2.4, a periodic user access review should be performed to ensure access granted remains appropriate and restricted to authorised users on an ongoing basis.

Management comments and actions	Person Responsible	Target Date
We have tightened up the process and procedure for New Network Access Request Forms.	Manager Information Services	Completed
In some cases the forms are not received in a timely manner. All managers have been briefed on their responsibilities in completing forms and IT staff will not process unless the form is completed correctly.	Manager Information Services	Completed
Changes to user rights are now being performed with the appropriate forms being completed.	Manager Information Services	Completed
Periodic reviews will be performed when possible considering staffing constraints, however at least annually.	Manager Information Services	Completed/Ongoing

2.3 Inconsistent application of user management processes – Terminated users

Rating of audit finding: Significant

Background

The ICT team is responsible for the removal of user access when an employee ceases employment with Surf Coast based on notification from the business. The notification received from the business may be provided by the employee's Manager or the Human Resources team and may be in the form of an email, Service Desk request or phone call.

As outlined in the Executive Summary there are some systems that are not managed by the ICT team and user management is performed by the business. In this case, the departing employees' Manager will notify this business owner of their departure.

Observation

Internal Audit selected a sample of 10 employee terminations during the 12 month period from the 1st October 2013 to establish the robustness of the control environment to ensure the ICT team is notified of employee departures and the subsequent removal of IT access.

During testing it was noted that the process in place to notify the ICT team of employee departures and the subsequent removal of their ICT access does not follow a standard and consistent process. In some instances a Service Desk ticket was sighted, however these tickets were initiated by the ICT team. More commonly an email is sent by the HR team to notify the business of the employee termination and an individual from the ICT team is cc-ed in the email.

A number of specific exceptions were noted during testing as outlined below:

- Two employees that have ceased employment with Surf Coast during August and September 2014 have active user accounts to the network and a number of applications. In both cases, their Novell and Active Directory accounts have been used subsequent to their cessation date. The Manager, Information Services indicated there were instances where user accounts remain active at the discretion of the business to enable access to the terminated employee's records. Evidence of business approval was not able to be sighted for these two users.
Impacted employees: John Potter (termination date: 14/08/2014), Jason Young (termination date: 19/09/2014)
- In one instance it was noted that a request had not been raised to notify the ICT team of the employees' departure. This employee holds an active account to the IT network via Active Directory. It was noted there is no record of this user logging into the Active Directory network. In addition, the employee does not hold access to the other systems in scope (Novell, Authority, Carelink, TRIM, Building Management System, MACHS).
Impacted employee: Jennifer Armato (termination date: 20/12/2013)
- Access to MACHS is held by one terminated employee for whom a request was raised via an email from HR to notify the IT team of their departure. This terminated employee does not hold access to the other systems in scope. Through discussion it was noted, due to system limitations, MACHS users remain active after employee termination for record keeping purposes. However it was noted this account had not

been disabled and the user holds “admin” access within the system.

Impacted employee: Gabrielle Staindl (termination date: 11/04/2014)

- The timeliness of notification to the ICT team could be enhanced. In one case, notification was received and a Service Desk ticket created more than one month following the employee’s termination date.

Impacted employee: Sally Papworth (termination date: 24/12/2013)

Potential Business Implications

Without a formalised and consistent process in place to manage the notification and removal of IT access from employees who no longer require access may lead to an increased risk to the confidentiality, integrity or availability of Surf Coast systems and data.

The likelihood of this risk materialising is greater where user accounts are available and actively used subsequent to a terminated employee’s departure date.

Recommendation

Management should consider strengthening the termination notification and IT access removal process. Consideration should be given to the most effective approach to notify the ICT team of employee departures to ensure all communications is not sent to one individual within the team. Thereby potentially resulting in single point reliance for the removal of user access rights.

In light of this, Management should consider rolling out the use of the Service Desk tool as the medium to request such changes. This will reduce the risk associated with a single point of reliance within the ICT team and will also enable the retention of a central store of all such requests.

The user removal procedures should be enhanced to ensure user access to all systems is removed in a timely manner upon notification of employee departure or a change in user requirements. If technical limitations prevent the ICT team from removing user accounts (such as within the MACHS application), these accounts should be disabled. If the system does not support the deactivation of accounts, the permissions assigned to the user account should be reduced to the least possible privilege, where possible this should be limited to read only access. Consideration should also be given to the relative risk and benefit associated with retaining the user account in the application.

The specific exceptions noted above should be reviewed and resolved:

- Removal of multiple access held by terminated employees John Potter and Jason Young. If this access is necessary, evidence of such authorisation from an appropriate level of Management should be gained and retained. This access should be revoked as operationally feasible.
- Removal of Active Directory access held by Jennifer Armato
- Deactivation of MACHS access held by Gabrielle Staindl, or, at a minimum, the reduction of access held by this user.

As per Observation 2.4, a periodic user access review should also be performed to ensure that access granted remains appropriate and restricted to authorised users on an ongoing basis.

Management comments and actions	Person Responsible	Target Date
<p>The notification to IT Support of terminated staff is inconsistent, especially for casual and contract staff. This is being addressed within the organisation. When the IT staff receive an email from People and Culture Department of an impending departure a Support task will be logged.</p> <p>The two employees identified have been deleted from the system.</p> <ul style="list-style-type: none"> - Jennifer Armato was a casual with one of our Kindergartens and did not start employment - Gabrielle Staindl was an Administrative Assistant and has been disabled in the system identified. <p>In the case of John Potter his login was required for Finance to complete a number of legislative requirements. Once the replacement staff applied for their own login for these government departments his login was removed.</p> <p>Jason Young's access was removed subsequent to the audit fieldwork.</p>	<p>Manager Information Services</p>	<p>Completed</p>
<p>IT Support utilise call logging software for most support requests.</p>	<p>Manager Information Services</p>	<p>Completed</p>
<p>The IT staff receive an email from People and Culture Department of an impending departure. There is a Departure checklist which must be signed by IT when access is normally removed; however this form is not always seen by IT Support. The People and Culture Department will ensure the IT section is completed when they receive form. In a number of instances Managers require staff to audit terminating staff emails etc. to ensure complete record keeping is achieved. During this time the account is disabled (not allowing log in rights) and no new emails would be delivered.</p>	<p>Manager Information Services</p>	<p>Completed</p>

2.4 Lack of user access reviews

Rating of audit finding: Significant

Background

Access to IT systems should be limited based on the principle of least privilege. A regular and periodic review of access to IT systems should be conducted to ensure the access assigned to users is effectively maintained and meets the principle of least privilege.

The “Access Control Policy” states that ‘system privileges granted to general users must be re-evaluated by Managers every twelve (12) months. Special access privileges must be reviewed every six months and signed off by the Manager Information Services. [...] Any anomalies should be referred immediately to the Manager Information Services.’

Observation

According to the Surf Coast policy, user access reviews should be performed every twelve months and more frequently for privileged users.

Currently no formal user access reviews are being performed by the business or ICT teams to ensure that access the Surf Coast IT systems remains appropriate. ICT Management has indicated reliance is placed on the user modification process for the systems managed by the ICT team, to ensure that access remains appropriate.

Potential Business Implications

Without effective user review controls in place, such as the periodic review of user access, control breakdowns in the creation, modification or removal of user access processes may be undetected for a prolonged period of time. This potentially leads to an increased risk of inappropriate or unauthorised access to the Surf Coast IT network, key systems and data. Unauthorised access may compromise the confidentiality, integrity and availability of the Surf Coast information and systems.

Recommendation

The “Access Control Policy” should be reflective of the intent of Management to periodically review user access to IT systems, including frequency and responsibility of such reviews. This Policy should drive the operational procedures adopted by the ICT and business teams to ensure the regular and periodic review of users.

The periodic user access reviews should be designed to ensure that all users of Surf Coast IT systems are (a) current employees and (b) the access granted to these user and accounts is reflective of their functional role in the organisation. Records should be maintained of the review performed, including evidence of the access reports reviewed, review and any modifications identified and approval.

The sensitivity of the data and information available to users should be considered when assessing the frequency of the user access review. It is recommended systems with sensitive data, such as ClassMon, Carelink or MACHS are reviewed on a more frequent basis to ensure the

confidentiality of such data.

Responsibility for the review of users should reside with the system owner, whether this is the Department Managers or the ICT team. Any exceptions should be recorded and rectified in a timely manner.

Management comments and actions	Person Responsible	Target Date
<p>The "Access Control Policy" will be reviewed in line with 2.11 below however a procedure for reviewing staff access will be developed.</p> <p>The availability of limited administration staff in this area will impact the ability to fully review every staff member regularly, although at a minimum it will be performed annually. The procedure will include that responsibility for the review of users should reside with the system owner, whether this is the Department Managers or the ICT team.</p> <p>Any exceptions should be recorded and rectified in a timely manner.</p>	Manager Information Systems	May 2015
<p>Only the authorised staff have access to the systems identified in the recommendation. With some of the applications identified IT Support do not allocate passwords however IT Support will investigate how to manage staff access through network security .</p>	Manager Information Systems	Completed

**2.5 Inconsistent application of user management processes –
Modified users**

Rating of audit finding: Moderate

Background

As employee functional roles change within the organisation their IT access requirements may change accordingly. When a user permission change is required, the process followed by Surf Coast requires the employee's manager to notify the ICT team of the change and the necessary permission changes required via email or a service desk request.

Observation

During the 12-month period under review, there were twelve internal movements. Through discussion with the Manager Information Services, it was noted not all internal movements would result in the need to modify IT access as was found in the case of two of the employees selected for testing. Internal Audit selected a sample of four of these internal movements to confirm that user access modifications, where required, were appropriately authorised.

In the two employee movements tested, a request was provided to the ICT team for their action. The request did not detail the nature of the permission changes required due to the change in the functional role. In one of these cases, an Executive Assistant had raised the request rather than the employees' Manager.

Potential Business Implications

There is an increased risk of inappropriate or unauthorised access if access to IT systems is not adequately restricted to the users required to carry out specific functions in the system and if the permissions assigned to these users adequately reflects their responsibilities within Surf Coast.

Recommendation

Management should ensure the user access modification management procedures and controls are applied correctly and consistently from the initial request for the modification of access through to the configuration of user access.

The correct process should be re-enforced to Managers to ensure that user access requests contain sufficient information and authorisation to enable accurate provisioning of user accounts. Similarly, access to IT systems should only be granted to users based on an appropriately documented and authorised request.

As per Observation 2.4, a periodic user access review should also be performed to ensure that access granted remains appropriate and restricted to authorised users on an ongoing basis.

Management comments and actions	Person Responsible	Target Date
Managers must submit the requesting change correctly and completely. All managers have been briefed on their responsibilities in completing forms and IT staff will not process unless the form is completed correctly.	Manager Information Systems	Completed

2.6 Inadequate password management

Rating of audit finding: Moderate

Background

Surf Coast has a formally documented "Password and Authentication Policy" which describes the authentication requirements for accessing the IT systems at Surf Coast.

Within the office environment, users authenticate to the Surf Coast network using their Novell credentials. These credentials are refreshed to Active Directory which is used to authenticate users accessing the network outside the office environment and enable the use of single sign on for a number of Surf Coast applications.

Single sign on is used to authenticate users to the following applications: Authority, Cambron, TRIM and the Car Pool system. A separate password is required to gain access to the Carelink and MACHS applications.

Observation

As outlined in the background, Surf Coast has defined the minimum password requirements to be configured in all Surf Coast IT systems in the "Password and Authentication Policy".

This Policy was reviewed by Internal Audit to establish the strength of the minimum password standards for the Surf Coast by comparing this to leading practice standards. The documented password policy applicable for Active Directory does not align with the Microsoft guidelines for password leading practices in relation to the following areas:

Parameter	Leading Practice	Surf Coast Password Policy
Minimum password length – general users	8 characters	5 characters
Minimum password length – system and system admin accounts	14 characters	10 characters
Password ageing	42 days	90 days
Password history	24 passwords	3 passwords
Account lock out threshold	20 attempts (assume: lock out duration requires admin reset)	5 incorrect attempts

Novell

The password settings configured in Novell drive the minimum password requirements for the Surf Coast network and a number of applications due to the use of single sign on and the synchronisation of passwords to Active Directory. With the exception of the duration of account lockout, the Novell password settings align with the Surf Coast password policy. However, could be enhanced to meet leading practice standards.

The Novell password settings also impact the strength of the password settings configured in Active Directory, Authority, Cambron, TRIM and the Car Pool System.

Carelink

There are no password restrictions configured within the Carelink application.

Management have indicated that user accounts to Carelink are initially set up by the ICT team and the password assigned to users is designed based on the password requirements configured in Novell. Users have the ability to change their password after their first log on which decreases the risk associated with a shared password, however does enable users to change their password without any restrictions and thus may be out of alignment with the policy.

Maternal Child Health System (MACHS)

Similar to Carelink, the MACHS application does not have password requirements configured in the application and upon user account creation the ICT team define a password that is in-line with the Novell password requirements. MACHS users are unable to change their usernames or passwords once provided by IT.

Due to privacy concerns, Internal Audit did not obtain the passwords of MACHS users, hence were unable to verify whether they aligned to Novell & Active Directory password configurations.

Building Management System and CCTV

The Building Management System ("BMS") and CCTV system are accessible only through physical access to the server room. The CCTV system is not password protected; therefore those with access to the server room have the ability to access the CCTV system and associated footage. Management have indicated password restrictions exist on the BMS and the password to this system is shared by the ICT team. The password settings in the BMS were not reviewed by Internal Audit.

Refer to Observation 2.7 for further details regarding access to the server room.

Note: the password settings in ClassMon were unable to be sighted and therefore have not been commented upon.

Potential Business Implications

Inadequate password settings increases the vulnerability of IT accounts to password cracking tools or other forms of unauthorised access attempts. This presents the risk of unauthorised access to Surf Coast's IT systems and applications and the potential misuse or manipulation of data.

Misuse of sensitive data that Surf Coast maintain within their systems, such as MACHS or Carelink, may also give rise to legal liabilities which may lead to an adverse financial impact or reputational damage.

Recommendation

Management should enhance their authentication protocols to bring this in-line with leading practice standards. It is recommended that:

- Management review the current “Password and Authentication Policy” in light of the leading best practice requirements with a view to enhance the strength of passwords used for within the Novell and other Surf Coast IT systems.
- Management should consider defining a dispensation and associated Management approval process should particular requirements of the policy not be able to be applied to particular systems in recognition of known system limitations. This dispensation process should consider the risk associated with allowing the dispensation and the compensating factors in place to ensure security to the system and associated data is maintained.
- Leading practice configuration settings should be applied unless there is a demonstrated business reason not to follow them (as per the dispensation process). The leading practice password settings should be configured at the group password policy level and applied to all users.
- The requirements of the “Password and Authentication Policy” should be re-enforced to all users, in particular upon the provision of user accounts to systems such as Carelink whereby users have the ability to update their password without the system requirement to embed strong password controls.
- Further details regarding the leading practice guidelines defined by Microsoft are available via the following site: <http://technet.microsoft.com/en-us/library/bb727065.aspx>
- Password parameters applied to ClassMon should be accessible, or provided to, Surf Coast to verify that these are consistent with documented requirements and are adequate for the protection of the system and data contained in the ClassMon system.

Management comments and actions	Person Responsible	Target Date
We have implemented a change to password authentication protocols.	Manager Information Services	Completed
User passwords have changed to 8 characters which must include at least one uppercase, one lowercase, one numeric, one special character. These passwords now expire at 60 days. The administrator password is now ten characters with the same criteria.	Manager Information Services	Completed
If as system is not able to provide the same level of password protection we will be applying Network security to the application directory it resides. Identification of these systems will be documented when the policy is updated as per 2.11 below.	Manager Information Services	June 2015
The actual Policy will be submitted as per 2.11 below however we have changed the rules and re-enforcement of the new authentication protocol has been distributed to all staff. With Carelink we are currently investigating the option to authenticate via Active Directory which has	Manager Information Services	June 2015

just become available but not tested.

With ClassMon we are investigating the option to place the software and data on a network share and control access through Active Directory as the software does not support good password policies.

Manager Information
Services

June 2015

2.7 Physical access to the server room

Rating of audit finding: Moderate

Background

Adequate physical and environmental controls in the server room are essential to ensure the confidentiality, integrity and availability of IT systems.

The IT equipment for the Surf Coast is located in the server room located on site at the Shire office. Access to the server room is restricted via RFID swipe card access or via the use of the physical master key.

Swipe card access is provided to all individuals who commence with the Surf Coast that are required to access the Shire offices in Torquay. Access granted to individuals does vary based on their role, with some individuals able to access the building between particular hours, or only access certain parts of the building. Access to the server room is restricted to those users granted access to the "all door" group within the building management system. The building management system records all RFID card activity, including entrance to the server room.

The Master Key operates all physical locks across the Council, including the computer room. The master key is held by a number of individuals and is managed by the Facilities team.

Observation

Access to the server room is granted to users that extend beyond those that require access to ensure the effective operation of the IT equipment, via swipe card access or the physical master key.

RFID swipe card access

Access to the server room via the RFID swipe card is managed by the Manager, Information Services. It was noted that a number of individuals have the ability to access to the server room via their swipe card that do not require this level of access for their functional role. The following exceptions were noted:

- Granted access via swipe card as user has access to the master key (as indicated by Management):

Name	Role
Lynda Turner	Hall Keeper
Glen Daniels	Outdoor Team Leader - On call 24/7
Christopher Cowl	Director, Infrastructure
John Chatterton	Co-ordinator Building
Phillip Anderson	Carpenter
Jason Eales	Outdoor Team Leader - On call 24/7
Graeme Giddings	Building Surveyor
John Bertoldi	Manager, Contracts and Capital
NMJ1 Electrician	Noel Junk

Deb Sharnhun	Hall Keeper
Craig Cleaner	Cleaner
Chris Cleaner	Cleaner
NMJ 3 Electrical	Noel Junk's staff
Rowena Frost	Co-ordinator, Recreations and Facilities
Dean Rogers	Outdoor Team Leader - On call 24/7
Stephen Wall	CEO
Glynn Harney	Outdoor Team Leader - On call 24/7
Kate Sullivan	Director, Planning & Environment
Chris Pike	Director, Community
Mark Millar	Local Laws
Daryl Cleaner	Cleaner

- Generic cards retained by Manager, Information Services

Name	Role
TECOM Master	Master swipe for the system
all areas Contractor	Retained by IT team and provided to IT Contractors as required
James Jennings	Replacement for broken card.
IT Contractor	Retained by IT team and provided to IT Contractors as required
Torquay Building	Builder. Card remains active

- Active cards no longer required:

Name	Role
Kade Freidberger	No longer current. Card remains active.
Sheryl Hobbs Cleaner	Previous cleaner. Card remains active and is retained by IT team.
IT Contractor	N/A
Dean Barker	No longer current. Card remains active.
Knight Shining #C3leaner	Cleaners. Card has been lost, remains active

Management have indicated that in some cases this is due to the individual having access to the server room via the master key and therefore, with swipe card access, their entry into the server room would be logged (assuming the swipe card is used to gain entry).

Master key access

There are 54 individuals with access to the master key for the Surf Coast Shire (referred to as the 'Great Grandmaster Key'). This key grants access not only to the server room at the head office, but will enable access to all doors within the Shire properties.

Management have indicated the extensive number of individuals with access to the master key is due to this key being the primary key to access a number of sites within the Surf Coast properties.

Based on discussion with the Manager, Information Services a number of employees are granted access to the server room via an RFID card that may not necessarily require access for their functional role. This RFID access has been granted as the employee can gain access to the server room via the master key. RFID access was granted so a log is generated and retained detailing when they do enter the server room. It was noted during a review of the master key access list, that not all these users do have access to the physical master key.

A regular, periodic review of users with access to the server room is not performed to ensure those individuals granted access are (a) current employees and (b) the level of physical access held is commensurate with their function role.

Potential Business Implications

The confidentiality, integrity and availability of Surf Coast information and resources may be compromised by inadequate physical and environmental management to the server room.

Deficient controls to physically secure the server room may lead to unauthorised or inappropriate access to Surf Coast resources. This access may result in malicious or accidental damage to Surf Coast resources.

Recommendation

Access to the server room should be adequately restricted to only those users who require access to the server room for their business purposes.

Management should review the existing list of employees/contractors with access to the server room via swipe card or master key access to ensure only appropriate employees have access. This review should be formalised, performed and documented on a regular and periodic basis. This review should not substitute the need to remove physical access to the building and sensitive areas of the buildings on an employee's termination from Surf Coast.

As Facilities Management indicated, Management should not use the master key as the primary key for operating a number of locks across Surf Coast locations. Management should consider having a separate key(s) to access the Surf Coast locations to prohibit the use of the same key for sensitive and non-sensitive areas. Whilst there will be some requirement for individuals to access the Surf Coast master key for security and safety purposes, this should not be widely distributed.

Management comments and actions	Person Responsible	Target Date
We have reviewed the appropriateness of staff having access to the server room and a number of employees no longer have access to the server room. The review will be performed annually, but justification to access these rooms will be strictly enforced to any staff that apply for access.	Manager Information Services	Completed May 2015
The key lock has been changed. The swipe card system will be completed once all computer access by contractors have been arranged at alternative sites.	Manager Information Services	May 2015
Only IT Staff, Building Management staff and on-call staff will be the only staff having access to the Server Room either by key or swipe card. This access will be logged.	Manager Information Services	May 2015
A change has been requested for the programming of the security system to omit the Server room from "all doors" option.		

2.8 Reliance on core personnel

Rating of audit finding: Moderate

Background

The IT environment for the Surf Coast is managed by the in-house ICT team led by the Manager Information Systems. This team of ten reports to the Director of Corporate Services and consists of a team of five focusing on records management and ICT support and delivery managed by a team of four.

This team has benefited from a very low turnover rate, with no turnover experienced in the ICT support team for the past five years.

Observation

The low turnover experienced by the Information Systems team has provided the Surf Coast with stable IT support team and has enabled the team to retain a significant amount of knowledge about the organisation including the IT systems and environment.

Within the ICT team, led by the Coordinator with over thirty years' experience with the Surf Coast, there are areas of specialisation. There has recently been effort made within the team to cross skill members of the team to encourage knowledge sharing. Management have indicated there are some areas, such as database management and application support, where heavy reliance is placed on one individual for this level of support. Alternatives are available, such as seeking support from third party providers; however these skills and knowledge are not adequately shared within the in-house team. This will impact operating costs if third party support is required on a more frequent or regular basis.

The ease in which this information can be shared and experience gained within the team could be supported with documented policies and procedures. As outlined in Observation 2.11, the Surf Coast have a number of policy documents available, however the clarity of these policy documents could be improved. Similarly, there are limited procedural documents available.

Potential Business Implications

Heavy reliance on the teams' retained knowledge and undocumented procedures increases the risk of loss of knowledge or effectiveness within the team should these individuals be unavailable.

Recommendation

As part of the improvement of policies and procedures as per the recommendation in Observation 2.11, consideration should be given to the operational procedures required to be formally documented to effectively share skills and knowledge amongst the team.

Management should further consider the most efficient and effective manners to share the skills and knowledge within the IT team to support consistent delivery of IT support should members of the team be unavailable.

Succession planning should be, or continue to be, considered at an organisation wide level and consideration given across all areas of the business. Management should consider how these activities compliment any existing succession planning activities undertaken across the organisation.

Management comments and actions	Person Responsible	Target Date
The IT Support unit has an extensive Procedure Manual list which has been documented. It is regularly added to and a review will be performed to ensure obsolete information is removed.	General Manager Governance and Infrastructure	June 2015
A staffing review of the Information Services is being performed at the moment; We are currently in the process of mapping of all skills and staff processes to ensure an overlap is achieved.	General Manager Governance and Infrastructure	June 2015
Following the above mapping process a plan will be developed for IT Support staffing for the future service provision.	General Manager Governance and Infrastructure	June 2015

2.9 Authority user access management

Rating of audit finding: Moderate

Background

The Authority application is the core application used by the Surf Coast for operations, finance and payroll functions.

This application is hosted and maintained by the in-house IT team with support provided by a third party provider.

Observation

The Authority application has been used by the Surf Coast for a number of users and is used across a range of functional areas. As such, there is a range of access available to users of the system.

User access management for Authority is supported by the ICT team, predominately by the ICT Coordinator. The ICT Coordinator was involved in the implementation of the Authority application and, as such, has seen the application change over time along with the use of the application within the business.

Role based user access management is commonly understood to be the most effective and efficient approach to manage user access within applications. Role based access operates on the principles that a range of permissions are assigned to a particular role (e.g. payroll management). Users are then granted access to a particular role within the application that is reflective of their functional role (e.g. Payroll Manager would be granted access to all the permissions required of someone in this role via the role of 'payroll management').

User access management within Authority was historically managed by assigning users with access to particular permissions as opposed to a role within the application. As such, this presents challenges to effectively and efficiently manage user access.

A new version of Authority has been released, and implemented at Surf Coast, that enables role based access to be used. This has not currently been rolled out across Surf Coast and users are currently configured in the application in a combination of role based access and permission based access permissions.

Potential Business Implications

Role based access enables an organisation to group individual users into assigned groups and map their job responsibilities to these groups or roles. Managing a limited number of roles is less complex than managing numerous individual users and presents a reduced risk to an organisation of incorrect permissions being granted to users.

A complex user access structure may lead to ineffective or inefficient user management practices, particularly when adopting the principle of least privilege to user accounts.

Recommendation

Management should investigate the ease and benefit associated with implementing role based access within the Authority application. In performing this assessment, consideration should be given to the heavy reliance currently placed on the ICT Coordinator who has spent a number of years with the Surf Coast supporting this application.

Management should consider defining common roles across the organisation and the access requirements within Authority of these roles. A mapping exercise should then be conducted to establish and document the Authority permissions required to be assigned to these roles. This activity should be undertaken following the principle of least privilege and formally documented to ensure the user security architecture is recorded and retained.

Management comments and actions	Person Responsible	Target Date
The task of changing the Authority user security structure is a significant and complex amount of work and will take a long time to clarify and migrate the existing rights and roles. We will have to consider extra resources to complete this task. Initially the first area to be revamped will be the financial applications modules.	Manager Information Systems	June 2015 for Financial systems others to follow by December 2015

2.10 Lack of audit log management procedures

Rating of audit finding: Moderate

Background

Audit logs can provide Management with information required to establish the activities undertaken on Surf Coast IT systems and by whom these activities were performed.

The IT systems at Surf Coast have varying levels of audit logging enabled, with some systems limited by the application and its' inability to capture audit logs.

Audit logs should be maintained for a period of time to allow monitoring and retrospective review of activity that has taken place to ensure that all Surf Coast's systems and applications are not being misused (i.e. unauthorised changes being made) or accessed by unauthorised users. Audit logs also assist in identifying the account responsible for performing a particular transaction or activity.

Audit logs should be independently reviewed on a periodic basis as per good practice recommendations.

Observation

There are no policies and procedures that define audit logging requirements of IT user activities within the Surf Coast IT network and systems.

Audit logging is not consistently enabled across all systems in scope at Surf Coast as outlined in the table below.

System	Nature of audit logging
Novell & AD	Audit logging within the office environment is not enabled. An audit log is retained of users logging into the network remotely.
Authority	User authentication audit log is retained (i.e. when users log in and out of the application). An audit log is maintained at the transaction level to record modification to transactions. This log does not consider the creation or deletion of records.
Carelink	Audit logs are not retained in the application.
Cambron	User authentication logging is enabled. Transactional logging is enabled to capture the account used to view records.
Fleet Management System	Authentication logs are not retained. Transaction logs are retained of current and future car bookings (and which swipe card has accessed the key cabinet).
Building Management System	There is no authentication logging (as users are not required to "log into" machine). Logs are retained of swipe card activities by user. CCTV footage is retained on the local machine stored in the server room.
Maternal	No audit logs are maintained to record authentication or transactions

Of the audit logs available and retained, there is no active monitoring of audit logs by the business or ICT teams.

Potential Business Implications

A lack of audit logging, and the retention and active monitoring of these logs, unusual or unauthorised events can take place without Management being aware. This increases the risk of errors/malicious activity going unnoticed, which could potentially lead to financial or reputational damage.

Recommendation

Management should formalise a risk based policy in regards to audit logging to specify Surf Coasts' position in relation to the sensitive events that the organisation will log and review. This should consider the nature, responsibility and frequency of the review of audit logs.

Consideration should be given to the independence of the review of audit logs. An independent review of logs on a periodic basis will aid Surf Coast Management in identifying unusual activity taking place objectively. There should be proper segregation of duties between those who administer system/network accounts and those who can access the log data and are responsible for the review of these logs.

Logs should record information such as who, what and when a transaction occurred. Audit logs should be maintained for each system for a specified period of time (i.e. what the business deems as appropriate) and retained in a secured location.

Management comments and actions	Person Responsible	Target Date
The formation of a policy will be associated with the comments in 2.11 below. Sensitive information logs are currently being reviewed fortnightly (e.g. Payroll). Consideration will be given to review logs which provide information of a sensitive or financial nature. We are limited to the logs available through vendor software.	Manager Information Management	December 2015
We are investigating software which monitors all logs and detects irregular behaviour and data breaches. However this may not be able to be applied to our Novell environment. The IT Support area is low in staff numbers and therefore segregation of duties is difficult to achieve.	Manager Information Management	December 2015

2.11 Consistency of IT policies

Rating of audit finding: Minor

Background

The Surf Coast Shire has a number of IT policy documents accessible on the intranet. Broadly there are two types of policies:

- Those developed by the Municipal Association of Victoria (“MAV”). These policies are provided to all local governments of Victoria which document standard ‘best practice’ policies.
- Information Services Policy and Procedure (“ISP”) documents that have been developed by a third party on behalf of the Surf Coast.

Observation

The policy and procedure documents consider a number of areas relevant to IT security and operational management. It was noted that the same topic may be considered in one or more policy documents and the content of these policies is not consistent between the documents. This is particularly relevant in the defining roles and responsibilities. There is no overarching policy in place to establish the intent of Surf Coast for these areas.

This is particularly evident between the MAV developed policies and the ISP documents. ICT Management has indicated these two document sources are relevant and current to the IT environment.

The policy documents developed by MAV are based on a standard template with a document history summary available. The document summary states the policy documents were scheduled for review in December 2013. Evidence is not available to demonstrate these policies have been formally reviewed and updated since this date or that these documents have been formally approved. The document history does not contain information relating to the document owner or the document version number.

The ISP policy documents have a similar document history as the MAV developed document, with details of the responsible officer and version number. However, details of the approval, review date and expiry date are not recorded for these documents.

Potential Business Implications

Inconsistent or outdated policies and procedures may lead to a break down in processes and the incorrect application of business controls. This may result in the inappropriate or inefficient use of systems and resources, and unauthorised access to data or disclosure of sensitive information.

Recommendation

Management should perform a review of the documented policies (and procedures where available) to ensure they are reflective of the intent of the organisation, internally consistent and able to be operationalised in the organisation.

Policies and procedures should be subject to a regular, scheduled periodic review to ensure the documents are reflective of the operating and IT environment. Records of this review should be retained including evidence of the approval by an appropriate level of Management.

Management comments and actions	Person Responsible	Target Date
With the introduction on the IS Steering Committee, one of the tasks it will perform is to review policies for recommendation to Executive Management Team all the IS Policies. This Steering Committee meets bi-monthly.	Manager Information Management	December 2015
All Surf Coast Shire Policies are normally reviewed every two years, which will be applied to the IS Policies.	Manager Information Management	December 2015

3. Statement of Responsibility

This report is prepared on the basis of the limitations set out below.

GRANT THORNTON AUSTRALIA LTD



Scott Hartley
PARTNER

05 February 2015

The matters raised in this report came to our attention during the course of our review, as a result of our testing performed. Testing is conducted on a sample basis, over a specific period of time, and our report therefore provides commentary regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that our report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our review is not a substitute for Management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Management should therefore not rely solely on our report to identify all weaknesses that may exist and potential instances of fraud.

Our comments should be read in the context of the scope of our work as detailed in the terms of reference. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Suggestions for improvement should be assessed by Surf Coast's Board and Management for their full commercial impact before they are implemented.

This report has been prepared solely for the use of Surf Coast's Audit Committee and Management and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Appendix A – Terms of Reference (Extract)

Objectives and Key Review Steps

The objective of this review is to assess the internal controls supporting user access management to Surf Coast IT systems. The purpose of this is to ensure these controls are designed and operating in accordance with current policies and procedures.

The approach to this review will include a balanced assessment of control adequacy (control design) and control effectiveness (testing that the control is operating as intended). The table below illustrates the activity that will be performed as part of this review.

Key Business Process & Control Objective:	Control Adequacy: (process review)	Control Effectiveness: (process testing)
1 Review the adequacy of approved IT operational policies and procedures of the following <ul style="list-style-type: none"> IT Security User access management 	Interview Document review	-
2 Review the IT organisation including: <ul style="list-style-type: none"> Structure of IT team Structure of subject matter expertise within the IT team 	Interview Document review	-
3 Review the adequacy and effectiveness of controls regarding user access for the systems in scope (below) including: <ul style="list-style-type: none"> The creation, removal and modification of user access. The appropriateness of privileged / administrator access. Periodic user access reviews Configuration of user password requirements. 	Interview Observation/ Process walkthrough	Sample based testing

Key Business Process & Control Objective:	Control Adequacy: (process review)	Control Effectiveness: (process testing)
4 Review the existence and extent of audit logging, and access to these logs, particularly in relation to: <ul style="list-style-type: none"> • User log on / log off • Transaction logging 	Interview Observation/ Process walkthrough	-

Systems in scope

The following systems will be considered in scope for the purposes of this review:

- IT network (Novell and Active Directory)
- Authority (Finance & payroll system)
- Carelink (Aged Care client management system)
- TRIM (Document management system)
- ClassMon (Kindergarten management system)
- Cambron (Performance Management system)
- Fleet management System (Car Booking System)
- Building management system (including building access and CCTV cameras)
- Maternal - Child Health Software

Acceptance

Sunil Bhalla, Director Corporate, on behalf of Surf Coast Shire Council, accepted the terms of reference for the Information Technology General Controls Review on 25/09/2014.

Appendix B – Rating Definitions

Overall Rating

Ratings awarded represent the conclusion of Audit based on the results of the audit of a process or an audit area. The control environment was rated using the following criteria.

Ratings	Definition
Strong	Control design addresses risks and controls are operating effectively.
Adequate	Control design addresses risk but operating effectiveness of controls can be improved.
Requires Improvement	Control design partly addresses risk and/or operating effectiveness of controls can be improved.
Inadequate	Control design does not address risk and/or controls are not operating effectively.

Individual Finding Rating

The following framework for audit ratings has been developed and agreed with Management for prioritising audit findings according to their relative significance depending on their impact to the process. The individual audit findings contained in the report have been discussed and rated with management.

Ratings	Definition
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.
Significant	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.
Minor	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.



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8.2 External Audit Update (Victorian Auditor General's Office)

AUTHOR:	John Brockway	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Finance	CHARTER REFERENCE:	9.2.3

This item is to provide an update to Audit and Risk Committee members following the recent External Audit conducted by the Victorian Auditor General's Office (VAGO).

The report excluding management comments was presented to the Audit & Risk Committee at its 17 February 2015 Audit & Risk Committee meeting. The updated report now includes management comments.

***Refer Appendix K: External Audit Update – VAGO Audit Strategy Year Ending 30 June 2015 (Including Management Comments) (D15/19248) and;
Appendix L: Interim Management Letter VAGO Year Ending 30 June 2015 (D15/40072)***

RECOMMENDATION: That the Audit and Risk Committee receive and note the VAGO External Audit Update – Audit Strategy Year Ending 30 June 2015 including management comments.	
MOVED: John Gavens	SECONDED: Cr. Clive Goldsworthy

APPENDIX K – External Audit Update – VAGO Audit Strategy Year Ending 30 June 2015
(Including Management Comments)
(Trim Reference: F14/1235 – D15/19248)



Victorian Auditor-General's Office

Surf Coast Shire Council
Audit Strategy
Year ending 30 June 2015

Our vision is to be a catalyst for continuous improvement in the accountability and performance of the public sector

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1 Purpose of this strategy

This strategy sets out our approach to the audit of the financial report and performance statement of Surf Coast Shire Council (Council) for the year ending 30 June 2015. This document forms the basis for discussion at the Audit and Risk Committee and is a key tool for discharging our responsibilities in relation to communicating with those charged with the governance of the Council.

2 Independence

The Auditor-General is an independent officer of the Victorian Parliament, appointed under legislation to examine, on behalf of Parliament and Victorian taxpayers, the management of resources within the public sector. The Auditor-General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor-General, his staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

3 Audit quality

Our audit is performed in accordance with the Australian Auditing Standards. These standards require us to establish and maintain policies and procedures that ensure the quality of the audit service we provide. The engagement leader is the key person responsible for the audit engagement and its performance, and should be the first point of contact if you have any concerns about the quality of this audit engagement.

A key priority for VAGO is to enhance our reputation for quality audits that are rigorous and well supported. To that end, we have created a new Standards and Quality team to focus on continuous improvement activities and quality across all aspects of the office.

4 Scope of the audit

The *Audit Act 1994* requires the Auditor-General to form an opinion on your financial report and performance statement and provide copies of the audit reports to you and the responsible minister.

Audit opinion on the financial report

When providing our audit opinion on your financial report:

- your financial report includes management prepared financial statements, notes comprising a summary of significant accounting policies and other explanatory information and accountable officer and principal accounting officer declarations.
- our opinion is whether or not the report presents fairly, in all material respects, the financial position of the Council as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

When undertaking the financial audit, section 3A of the *Audit Act 1994* requires the Auditor-General to also consider the issues of waste, probity and the prudent use of public resources.

Audit opinion on the performance statement

For the purposes of providing an audit opinion on your performance statement:

- your performance statement, includes indicators as specified in the *Local Government (Planning and Reporting) Regulations 2014* and
- our opinion is whether or not the statement presents fairly, in all material respects, in accordance with the *Local Government Act 1989* and associated regulations.

5 Conducting the audit

5.1 VAGO's approach to the audit

Our overall financial audit approach focuses our attention on areas where there is a greater risk of material misstatement of the financial report. We identify these areas in our audit planning process and then design and perform audit procedures to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement.

5.1.1 Audit planning

To plan the audit we had discussions with management and key members of the finance team. We have used these discussions together with other information to develop our understanding of your entity, its environment, its internal control framework and the events, transactions and processes that occurred during the year so far. Our understanding forms the basis for how we identify and assess risks of material misstatement to the financial report, whether by fraud or error, as well as designing appropriate audit responses to those risks.

Audit planning procedures continue throughout the course of the audit until the audit opinion is issued. Should we become aware of any additional significant risks which would impact the audit we will notify the Audit and Risk Committee as soon as practical.

5.1.2 Professional scepticism

We approach all our audits with a degree of professional scepticism as not only is this required by Australian Auditing Standards, and consequently the *Audit Act 1994*, it is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as '*an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence*'.

Professional scepticism is particularly relevant in areas that involve management assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

- overlooking unusual circumstances
- over generalising when drawing conclusions from observations
- using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.

5.1.3 Liaising with Internal Audit

To deliver the most effective audit approach and avoid duplication of effort, we take into account relevant internal audit work performed. We have received and reviewed a copy of the 2014–15 internal audit program. The extent of our planned reliance on internal audit will be guided by the quality and independence of the work performed, including adequacy of sample sizes, as well as the timing, availability of reports and completeness of supporting audit work papers.

Our current strategy will be to consider internal audit coverage in the following areas:

- Revenue excluding Rates
- Payroll and Accounts Payable Data Analytics
- IT General Controls

5.2 Relevant risks for the audit

5.2.1 Identifying and assessing risks of material misstatement

Based on our risk assessment procedures we have identified a number of pervasive and specific risks of material misstatement for the audit. Risks which we have assessed as posing a high risk of misstatement are summarised in the following table. We have also highlighted whether we consider the risk is due to fraud or error and whether it involves significant judgement or estimation by management. This information helps us determine our response to the risk which is outlined in Section 5.2.2.

Table: Summary of audit risks relating to the financial report

Risk		Fraud	Error	Significant judgements	Pervasive (P) or Specific (S)
1	Form and content of financial report		✓	✓	P
2	New accounting standards - AASB 10,11 and 12		✓	✓	P
3	Risk of fraud through management override of controls	✓			P
4	Fair value assessment and revaluation of non-current physical assets	✓	✓	✓	S
5	Revenue recognition	✓	✓	✓	S
6	Organisational change	✓	✓		S

5.2.2 Responding to risks of material misstatement

The table below provides additional detail about the risks summarised in Section 5.2.1 as well as outlining our audit response to those risks.

Table: Audit risks relating to the financial report

Risk condition	Audit area and consequence	Audit response
1. Form and content of financial report		
<p>The financial reporting requirements of the Australian accounting standards and <i>Local Government Act 1989</i> are extensive. The <i>Local Government (Finance and Reporting) Regulations 2004</i> sunset in 2014 and was replaced by the <i>Local Government (Planning and Reporting) Regulations 2014</i>. The updated regulations support recent amendments to the <i>Local Government Act 1989</i> and dictate how its associated provisions are applied. Regulations related to financial reporting include:</p> <ul style="list-style-type: none"> mandatory reporting in compliance with the Local Government Model Financial Report a statement of capital works included within the general purpose financial statements expanded note disclosures including a comparison of actual results against published budget. 	Accounting treatments or financial reporting disclosures in compliance with the Australian accounting standards and/or the <i>Local Government Act 1989</i> may be incorrect or insufficient.	We will review 'shell' accounts and the draft financial report against the requirements of the Australian Accounting standards and the <i>Local Government Act 1989</i> and associated regulations.
2. New accounting standards - AASB 10, 11 and 12		
<p>AASB 10, 11 and 12 have become applicable for not-for-profit entities for financial years commencing on or after 1 January 2014. AASB 10 Consolidated Financial Statements replaces sections of AASB 127 and changes the definition of control in</p>	The council does not assess the implication of the new standards in a timely manner and delays the preparation and audit of the financial report.	<p>We will:</p> <ul style="list-style-type: none"> review the council's assessment of its current/existing consolidation assumptions review the significant judgements

Risk condition	Audit area and consequence	Audit response
<p>relation to whether or not entities need to be consolidated.</p> <p>The assessment of control requires significant management judgements.</p> <p>AASB 11 Joint Arrangements replaces AASB 131 and reduces the number of classifications of these arrangements from 3 to 2 and removes the option to use proportional consolidation when accounting for joint ventures.</p> <p>AASB 12 Disclosures of Interests in Other Entities requires extensive new disclosures about the judgements made in relation to determining control.</p>	<p>The council applies unreasonable judgements that may erroneously omit or include entities in the consolidation process.</p>	<p>used to determine whether an entity is controlled or not, and</p> <ul style="list-style-type: none"> review the disclosures relating to the key judgements.
3. Risk of fraud through management override of controls		
<p>There is a risk of fraud due to management override of controls.</p> <p>While the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p>	<p>Assertions, account balances and operating results may be materially misstated.</p>	<p>We will assess the processes in place to prevent and detect fraud. ASA 240 imposes specific audit procedures, including:</p> <ul style="list-style-type: none"> testing the appropriateness of journal entries and other adjustments made in preparing the financial report reviewing accounting estimates for biases, and reviewing significant unusual transactions.
4. Fair value assessment and revaluation of non-current physical assets		
<p>Non-current physical assets represent a material component of the total assets of the Council.</p> <p>Land and buildings due to be revalued in the current year have an opening balance of \$154.3m.</p> <p>The valuation of non-current physical assets is highly complex, involves management judgement, relies on a valuation expert, and various assumptions underpin the methodology applied to determine fair value. Valuations may be inaccurate due to the judgement and complexities associated with applying <i>AASB 13 Fair Value Measurement</i>.</p>	<p>The financial report may include a material misstatement if the valuation is not performed in line with appropriate methodology and/or based on sound assumptions and judgements.</p> <p>Fair value measurements and disclosures may be incorrect or insufficient.</p>	<p>We will:</p> <ul style="list-style-type: none"> review management's fair value assessment within the context of AASB13 review the valuer's report to evaluate the appropriateness of the methodology and assumptions adopted and the overall reasonableness of the valuation review the appropriateness and accuracy of the adjustments processed. assess the adequacy of disclosures with respect to non-financial assets recorded at fair value given the requirements of AASB 13.
5. Revenue recognition		
<p>Application of revenue recognition policies may use assumptions and require exercise of management judgement. These include:</p> <ul style="list-style-type: none"> rates determined by different categories being applied to valuations of individual properties user fees recognised when goods or services have been provided. an assessment of the recognition criteria for grants in line with accounting standards. 	<p>Revenue may be materially misstated due to the failure to correctly recognise and measure it in accordance with accounting standards.</p>	<p>We will:</p> <ul style="list-style-type: none"> review and assess the systems and process of revenue capture and recording for each material revenue stream test the operating effectiveness of key controls perform cut-off procedures assess whether treatment of revenue is consistent with AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.

Risk condition	Audit area and consequence	Audit response
6. Organisational change		
Changes occurred in key management personnel, in particular, the appointment of a new Chief Executive Officer and movement of directors.	These changes may impact established monitoring and oversight controls, hence impacting the control environment surrounding the preparation and presentation of the financial statements.	We will review operational changes to council and consider any impact on the preparation of the financial report and audit process.

5.2.3 Audit risks relating to the performance statement

The following table summarises the key audit risks relating to the Performance Statement and our audit procedures in relation to each risk.

Table: Audit risks relating to the performance statement

Risk condition	Consequence	Audit procedure
Performance statement		
<p><i>The Local Government Amendment (Performance Reporting and Accountability) Act 2014</i> and associated regulations set out the new mandatory performance reporting framework applicable from 1 July 2014 onwards.</p> <p>The performance statement contains financial and non-financial information. While councils have a mature environment in place to provide assurance around financial performance information, the environment for reporting non-financial performance information about services and outcomes has not historically been as robust.</p>	<p>The performance statement may not be prepared in accordance with legislative requirements.</p> <p>Inadequate systems may generate incomplete or inaccurate information that can result in a material misstatement in the performance statement.</p> <p>A lack of quality assurance over the preparation of the performance statement may also result in material misstatements.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the systems in place to capture the financial and non-financial data if no systems are in place, we will determine the adequacy of the records used for compiling performance statement information and the soundness of data compiled verify the calculation of reported figures, and review the performance statement for compliance with legislative requirements.

5.2.4 Risk from fraud, irregularities or regulatory non-compliance

The council, chief executive officer and senior management have responsibility for maintaining internal controls that prevent or detect fraud or error, and assuring regulatory compliance. The Audit and Risk Committee and VAGO should be informed by management of any actual or suspected fraud or material errors.

We are not responsible for preventing or detecting fraud. However, we are required to consider the risk of material misstatement due to fraud when performing our risk assessments.

The *Audit Act 1994* requires us to notify the Independent Broad-based Anti-corruption Commission (IBAC) where we become aware of any matter that appears to involve corrupt conduct by a public official. If we need to notify IBAC, this will override the existing confidentiality provisions in the *Audit Act 1994*.

Aside from the required standard risk due to management override of controls (as detailed in Section 5.2.2), we did not identify any further areas of material fraud risk or exposure, or regulatory non-compliance.

5.2.5 Other areas of audit focus

In addition to the audit responses to specific financial report risks outlined in Section 5.2.2, we include the following areas of focus in all of our financial statement audits.

Waste, probity and financial prudence

In forming an opinion on the financial report, consistent with the *Audit Act 1994* Section 3A (2), we consider waste, probity and financial prudence in relation to the management and application of public resources.

If we identify issues relating to waste, probity and financial prudence they will be reported to the governing body and management and may also be included in a report to Parliament.

Accounting policies

It is important that those charged with governance understand the accounting policies used by management in the preparation of the financial report. As indicated in Section 5.2, a small number of new or revised Australian Accounting Standards are expected to impact the accounting policies used in the preparation of the 2014–15 financial report.

At this time, we are not aware of any other accounting policy changes or any policies which we would consider inappropriate for the circumstances of the entity.

5.3 Planned audit testing of material components

5.3.1 Overview of audit testing

The table below provides an overview of our risk assessment and planned approach for each of your council's material financial statement components. The planned audit approach, which is based on the most effective balance of internal controls testing and substantive audit procedures, may change to respond to new or emerging risks arising during the audit. Where we have indicated that we plan to place reliance on controls, we need to gather evidence as to their operating effectiveness.

Table: Planned approach

Material component As per 2013-14 audited financial statements (\$ million)	Inherent risk assessment (H/M/L)	Controls reliance (Yes/No)	Internal audit Considered (Yes/No)	Planned reliance on substantive audit procedures (H/M/L)
Income (\$66.0m)				
Rates and charges (\$40.1m)	M	Yes	No	L
User fees and fines (\$7.6m)	M	Yes	Yes (1)	L
Contributions (\$8.4m)	L	No	Yes (1)	L
Grants (\$9.0m)	L	No	Yes (1)	L
Expenditure (\$62.9m)				
Employee costs (\$22.6m)	M	Yes	Yes (2)	L
Materials and services (\$21.6m)	M	Yes	Yes (2)	L
Depreciation and amortisation (\$9.4m)	M	No	No	M
Other expenses (\$8.0m)	L	No	No	L
Assets (\$407.8m)				
Cash and cash equivalents (\$14.7m)	H	Yes	No	H
Other financial assets (\$3.5m)	M	Yes	No	M
Trade and other receivables (\$3.7m)	L	No	No	L
Property, infrastructure, plant and equipment (\$384.4m)	H	Yes	No	M
Liabilities (\$41.6m)				
Trade and other payables (\$4.3m)	L	No	No	L
Provisions (\$19.4m)	M	No	No	M
Interest-bearing loans and borrowings (\$16.6m)	L	No	No	L

Material component As per 2013-14 audited financial statements (\$ million)	Inherent risk assessment (H/M/L)	Controls reliance (Yes/No)	Internal audit Considered (Yes/No)	Planned reliance on substantive audit procedures (H/M/L)
Equity (\$366.3m)				
Accumulated surplus (\$186.1m)	L	No	No	L
Asset revaluation reserve (\$178.5m)	L	No	No	L
Notes to the accounts				
Related parties	M	No	No	M
Commitments and contingencies	M	No	No	M
Financial instruments	L	No	No	L
Fair value disclosures	L	No	No	L
Statement of Capital Works	M	No	No	M

(1) Internal audit report: 'Revenue excl. Rates'

(2) Internal audit report: 'Payroll and Accounts Payable Data Analytics'

5.3.2 Internal controls

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting.

The Councillors are responsible for developing and maintaining the internal control framework to enable:

- preparation of accurate financial records and other information
- timely and reliable external and internal reporting
- appropriate safeguarding of assets
- prevention or detection and correction of errors and other irregularities.

The annual financial audit enables the Auditor-General to form an opinion on an entity's financial report. An integral part of this, and a requirement of Australian Auditing Standard 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, is to assess the adequacy of an entity's internal control framework and governance processes related to its financial reporting. While this understanding has a significant impact on our audit strategy, our audit of your financial report is not designed to assess, nor do we provide an opinion on, the effectiveness of internal controls.

We focus on the internal controls relating to financial reporting and assess whether your entity has managed the risk that the financial statements will not be complete and accurate. Poor controls diminish management's ability to achieve the entity's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures we gained an understanding of the following components of internal control:

- control environment
- risk assessment procedures
- information systems
- control activities
- monitoring procedures.

Our preliminary assessment of the internal control framework determined that the internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. As such, we plan to place reliance on the key internal controls relating to the material components in Section 5.3.1 to support our audit opinion. However, the following control weaknesses and opportunities to improve the control environment were observed during our planning visit.

Table: Weaknesses in the design and implementation of controls

Observation	Risk rating	Exposure to entity	Comment by management
1. Self-approval of purchase orders/purchases by staff within their own delegation			
Current practices permit staff with delegated authority to self-approve their own purchases within their limit.	High	<p>Assertions, account balances and operating results may be materially misstated.</p> <p>Inappropriate purchases may go undetected.</p> <p>Capital project variations may not have appropriate levels of scrutiny and transparency.</p> <p>Expenditure on hospitality and travel may not be appropriate.</p>	<p>Recommendation: Management should require all purchases to undergo independent approval or review.</p> <p>Management comment: <i>Delegation for purchase order authority is granted via the Chart of Authorities.</i></p> <p>Due to its relatively small size, Council does not have dedicated purchasing officers or a dedicated procurement department, so each department raise their own purchase orders and authorise orders up to the limit of their delegation.</p> <p>Management will create an exception report to list any self-approved purchase orders. This will be reviewed by the Finance manager on a regular basis.</p> <p>Management will also investigate new purchase requisition module being developed by Council's software provider which may provide opportunities to Council in regards to risk mitigation.</p> <p>Responsible officer: John Brockway</p> <p>Action date: 30 June 2015</p>
2. Limited segregation of duties for updating expenditure delegation limits in the system			
Currently, a finance staff member assists with accounts payable, accounts receivable and updating expenditure delegation limits of other users within the finance system.	Moderate	There is the potential for the staff member to create their own delegation limit and approve inappropriate purchases through accounts payable.	<p>Recommendation: Segregation of duties should be implemented between access to the accounts payable functions and updating expenditure delegation limits.</p> <p>Management comment: Due to the size of the finance department the opportunity to segregate duties is very low. Our Finance officer also acts as relief accounts payable and accounts receivable officer.</p> <p>Management will</p> <ul style="list-style-type: none"> • Create a system report that will identify all changes to expenditure delegation, however, if this is ineffective due to size of transaction list, • Review the structure of the finance department with the aim of redeployment of either relief functions or delegation functions to ensure segregation of duties. <p>Responsible officer: John Brockway</p> <p>Action date: 30 June 2015</p>

Observation	Risk rating	Exposure to entity	Comment by management
3. Approval of variances between purchase orders and invoices			
After a purchase order has been approved, the finance system allows for a variation up to 10% on the subsequent invoice without further approval. When this threshold is exceeded, the variation requires further approval. Currently there is no dollar value limit to trigger variations.	Low	Variations on large purchase orders can result in significant additional expenditure being incurred without authorisation. Variations may not be subject to an appropriate level of scrutiny.	<p>Recommendation: Management should determine a dollar value threshold for variations between purchase orders and invoices that triggers additional independent approval. All variations above the limit should be independently approved.</p> <p>Management comment: Management has confirmed that the system allows for a % and \$ variance combination. Management will institute a minimum dollar amount for purchase order variances in conjunction with the minimum % variance rule.</p> <p>Responsible officer: John Brockway</p> <p>Action date: 30 June 2015</p>
4. Delegations policy not updated in line with new practices			
The current delegation policy does not include the remittance of the Fire Services Levy. This transaction does not fall under the existing transaction types with delegation. In addition, the Coordinator of Management Accounting has access to approve bank EFT payments but is not included in the delegation policy. Management are in the process of updating the delegation policy.	Low	Transactions may not be appropriately authorised.	<p>Recommendation: As part of the delegation policy review, management should include the remittance of the Fire Services Levy and review the requirement for the Coordinator of Management Accounting to approve bank EFT payments.</p> <p>Management comment: Review of the delegations policy is in progress, and will account for these new practices.</p> <p>Responsible officer: John Brockway</p> <p>Action date: 30 June 2015</p>
5. Independent review of rates refunds and supporting documentation			
The rates team process rates refunds where a customer has overpaid their account. The refund is sent directly into accounts payable for remittance. Currently, there is no formal review or approval of rates refund journals raised by the rates team. We noted these transactions did not always have supporting documentation attached to verify the payment.	Moderate	Rates refunds may be not be appropriately authorised.	<p>Recommendation: Refunds related to rates should be appropriately reviewed and have supporting documentation.</p> <p>Management comment: A formal process has been implemented whereby the rates refunds will be duly approved and the supporting documentation attached.</p> <p>Responsible officer: John Brockway</p> <p>Action date: Complete</p> <p>Further audit comment: We will review the updated process and verify the existence of the controls at the next audit visit.</p>

Information and Communications Technology Controls Report 2013–14

In October 2014 the Auditor-General tabled his inaugural *Information and Communications Technology Controls Report 2013–14*. The report summarises the results of our audit of public sector entities' ICT general controls as part of the 2013–14 audits. This report aims to provide extra insight and visibility of VAGO's ICT-related findings, and also wider trends that may not be covered in reports we give to an entity's management. We recommend the council reviews the key themes identified through the ICT audits for opportunities to improve the internal controls around ICT.

Sector-wide reviews of internal controls

We examine and test the internal controls operating over the most significant and high-risk balances each year. Other internal controls are assessed each year, but tested less frequently. Coordinating our audit coverage of internal controls across entities enables us to identify, draw out and report on systemic issues within the Local Government sector.

Section 16 of the *Audit Act 1994* empowers the Auditor-General to report to Parliament on the results of audits, including the results of our reviews of internal controls related to the financial reporting responsibilities of the Local Government sector.

The areas of focus for reporting to Parliament on the 2015 year include:

- management of employee leave
- controls and security over credit and debit card transactions and data

We intend to report the results of these reviews in our report to Parliament entitled *Local Government: Results of the 2014–15 audits* scheduled for tabling in November 2015.

5.3.3 Management representations

As part of our evidence gathering procedures and consistent with the Australian auditing standards, we will request explicit management representations relating to a number of matters. The management representation letter will need to be signed at the date of certification of the financial report.

5.4 Materiality, audit adjustments and unadjusted differences

Our audit work is planned to provide reasonable, rather than absolute assurance, that the financial report is free from material misstatement. A matter is considered material if its omission or misstatement could, individually or collectively, influence the economic decisions of users taken on the basis of the financial report.

Assessing materiality is a matter of professional judgement and includes consideration of the nature and amount of the misstatement and our perception of the financial information needs of the users of the financial report. In this context, it is reasonable for us to assume that users:

- have a reasonable knowledge of business, economic activities and accounts
- have a willingness to study the information in the financial report with reasonable diligence
- understand that financial statements are prepared, presented and audited to levels of materiality
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events
- will make reasonable economic decisions on the basis of the information in the financial report.

The concept of materiality is applied in both planning and performing the audit and in evaluating the effect of identified misstatements (and uncorrected misstatements, if any) on the audit of the financial report. When applying planning and performance materiality we will make judgements about the size of misstatements that will be considered material. These judgements provide a basis for:

- determining the nature, timing and extent of risk assessment procedures

- identifying and assessing the risk of material misstatement
- determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We may identify amounts that we believe should be recorded differently in the financial report. In accordance with ASA 450 *Evaluation of Misstatements Identified during the Audit*, we shall communicate on a timely basis all misstatements, other than those that are clearly trivial (1), accumulated during the audit with the appropriate level of management. Further, to promote better practice in financial reporting and public accountability we will request that all misstatements, other than those that are clearly trivial, are corrected in the financial report.

We will provide management with a summary of all audit identified differences in our closing report.

6 Audit administration

6.1 Engagement team and how to contact us

We have structured our team to achieve an appropriate skill and experience mix on the audit. The main team members on this audit include:

Name	Position	Role	Contact
Financial audit			
Tim Loughnan	Signing officer and sector director	Sign audit opinion.	✉ tim.loughnan@audit.vic.gov.au ☎ 8601 7086 📠 0408 227 917
Jan-Michael Perez	Engagement leader	Client relationship manager. Responsible for the audit engagement and its performance.	✉ jan-michael.perez@audit.vic.gov.au ☎ 8601 7151
Rowan Jennion	Team leader	Manages overall conduct of the audit. Directs and supervises audit team. Main contact for operational audit matters.	✉ rowan.jennion@audit.vic.gov.au ☎ 8601 7192

(1) 'Clearly trivial' is not another expression for 'not material.' Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality determined in accordance with ASA 320, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial. (ASA 450, paragraph A2.)

6.2 Key milestones

For an orderly audit and to assist the Council achieve its financial reporting targets, planned audit visits and deliverables have been agreed with management in line with the following important dates.

Table: Key deliverables

Deliverable	Date	Responsibility
Before balance date		
Draft audit strategy circulated and discussed at the Audit and Risk Committee meeting	Feb 2015	VAGO
Audit strategy issued	by end Feb 2015	VAGO
Interim audit visits <ul style="list-style-type: none"> controls testing 	7 Apr 2015	Council/VAGO
Interim audit management letter issued	by 31 May 2015	VAGO
'Shell' accounts submitted for audit	by 31 May 2015	Council
'Shell' accounts cleared by audit	by 30 Jun 2015	VAGO
After balance date		
Draft financial report submitted to audit after being subjected to internal quality assurance	14 Aug 2015	Council
Balance sheet reconciliations and year end supporting schedules completed and available for audit	17 Aug 2015	Council
Draft performance statement, with supporting schedules, submitted to audit after being subjected to an internal quality assurance	17 Aug 2015	Council
Closing report and final management letter issued	by 30 Sep 2015	VAGO
Audit clearance at Audit and Risk Committee	by 30 Sep 2015	VAGO
Financial report, performance statement and management representation letter signed	by 30 Sep 2015*	Council
Audit opinion signed	by 30 Sep 2015*	VAGO
Annual Report – printer's proof to be provided to audit	TBD	Council/VAGO

* Dates are subject to Council resolution

6.3 Audit fee estimate

Section 10 of the *Audit Act 1994* requires the Auditor-General to charge an amount which is sufficient to defray the reasonable costs and expenses incurred in conducting an audit of the financial statements and performance statement of an entity.

The estimated audit fee for the year ending 30 June 2015 was determined in light of the expected level and range of resources applied to the audit, commensurate with the audit risks and complexity of the assignment.

Changes to the audit strategy, such as the identification of other significant issues which impact on the nature and extent of planned audit procedures, have the potential to increase the audit fee. Other matters that may have an impact on our fees include:

- key milestones not being met
- council's accounting records which support the financial report do not meet appropriate standards or not provided on a timely basis
- standard and timeliness of internal audit work not meeting our planning requirements
- limited availability of key council staff.

We will discuss with management anticipated variations of our fee at the earliest opportunity.

Our audit fee, based on our planned audit approach, is \$33,000 excluding GST (prior year \$32,000 excluding GST). A further, yet to be determined, charge will be made for our work on the 2014-15 performance statement, now being compiled under recently enacted legislation. These audit fees will be billed progressively based on work completed.

Audit of acquittals (for example: Roads to Recovery), if applicable, have been excluded in the audit fee estimate. A fee of \$1,100 (\$1,000 excluding GST) will be applied for each acquittal.

6.4 Client feedback

VAGO is committed to obtaining and responding to feedback received on audits conducted and the recommendations made. This process is facilitated through a Client Feedback Questionnaire to be provided to you after the completion of the audit.

7 Reports to Parliament

The *Constitution Act 1975* and the *Audit Act 1994* provide complete discretion for the Auditor-General to report to Parliament on findings arising from audits VAGO or its service providers' conducts.

The *Audit Act 1994* prohibits the Auditor-General from including in an audit report any information that would prejudice any criminal investigation or proceeding, or any IBAC or Victorian Inspectorate investigation. If at any stage prior to the report being published you become aware of any such investigation or proceeding in relation to this audit or associated report to Parliament, please notify us immediately.

7.1 Results of 2013–14 financial audits

This report presents the results of our financial audits of 103 entities within the Local Government sector comprising 79 councils, 11 regional library corporations and 13 associated entities. It provides a detailed analysis of council financial reporting, performance reporting, financial results, financial sustainability of councils and internal controls over the management of creditors, community grants and Councillor discretionary funds. It informs Parliament about significant issues arising from the audits and complements the assurance provided through individual audit opinions included in the entities' annual reports.

7.2 Results of 2014–15 financial audits

The results of the annual financial statement audit will be acquitted to Parliament in the *Local Government: Results of the 2014–15 Audits* scheduled for tabling in November 2015. References to Council in the proposed report will be subject to the procedural fairness checks as outlined in Section 16 of the *Audit Act 1994*.

7.3 Performance audits

VAGO conducts performance audits to provide independent assurance to Parliament and the community that funds appropriated for particular activities are spent wisely and in accordance with Parliament's expectations. A performance audit report provides an independent assessment of the area of public sector activity audited and aims to be a catalyst for continuous improvement in the accountability and performance of the public sector.

Our performance audit program is outlined in the Annual Plan posted on the publications section of our website <www.audit.vic.gov.au>.

The table below outlines the performance audits planned in consultation with the Public Accounts and Estimates Committee for tabling in 2014–15.

Table: Performance Audits

Title	Objective	Proposed tabling date
Audits tabled		
Managing Landfill	The audit assessed whether the Environment Protection Authority (EPA) and local councils, as landfill owners, are complying with their responsibilities for the construction, operation and management of municipal landfills. It examined EPA's administration of the regulatory framework and four councils' operation and management of both active and closed landfills and their compliance with the regulatory framework requirements.	September 2014 (tabled)
Effectiveness of Support for Local Government	Local Government Victoria (LGV) and the Municipal Association of Victoria (MAV) provide important support to the 79 councils to both assist them to carry out their duties and obligations and facilitate more efficient and effective council operations. Such support activities may include the provision of advice, guidance and services such as training. This audit assesses whether the support contributes to the achievement the intended outcomes and value for money within this sector.	February 2015 (tabled)
Audits in Progress		
Digital Dashboard: Status Review of ICT Projects and Initiatives	A number of VAGO performance audits and Ombudsman reports over the last decade have shown significant weaknesses in the planning and implementation of ICT projects in the Victorian public sector, which often incur substantial delays and cost overruns. In addition to examining performance, this audit will focus on identifying the quantum of spending on ICT investments across the Victorian public sector. This audit is intended as a continuous review project with a series of reports to be tabled in Parliament within up to three financial years.	April 2015

8 Acknowledgments

We thank you for the assistance provided by management and staff in particular, the Finance Manager and Coordinator Financial Accounting, during the planning of our financial audit.



Victorian Auditor-General's Office

Surf Coast Shire Council
Interim management letter
Year ending 30 June 2015

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1 Executive Summary

1.1 Purpose of the management letter

The purpose of this management letter is to bring to your attention matters arising from the interim phase of the financial report audit of the Surf Coast Shire Council (Council) for the year ending 30 June 2015.

As explained in the audit strategy issued in March 2015, the financial report audit is designed to enable the Auditor-General to express an opinion on the annual financial report and whilst the audit considered internal controls relevant to the preparation of the financial report, the audit does not express an opinion on the effectiveness of those controls.

1.2 Scope of work performed

In accordance with our planned audit approach, the interim audit phase included examination of financial processes and systems supporting the following material components of the financial statements:

- Rates Revenue
- Accounts Payable
- Payroll
- Fixed Assets
- Cash.

The work conducted was not a comprehensive audit of all systems and processes and was not designed to uncover all deficiencies, breaches and irregularities in those systems and processes. Inherent limitations in any management process and system of internal control may mean that errors or irregularities might occur and not be detected.

We have scheduled additional audit procedures for these key components during the final audit phase.

1.3 Summary of findings

We observed deficiencies in the design and implementation of controls or other significant matters relevant to the financial reporting process during the interim phase of the audit. Prompt attention to these matters will assist the entity to mitigate the risk of misstatement in the financial statements presented for final audit.

The ratings provided in this report reflect our assessment of the likelihood and degree of a misstatement occurring due to the identified deficiency relating to:

- financial reporting, and
- effective and efficient operations, including issues of probity, waste and compliance with applicable laws.

Appendix A explains the basis for the criteria used to determine ratings and includes a timetable for corrective action.

1.3.1 Current year findings

The following table is a summary of the issues arising from the interim phase of the financial report audit. For further details of each issue, including management's responses, refer to section 2.

Issue reference	Description of finding	Rating			
		Extreme	High	Medium	Low
Identified during interim audit:					
2.1	Incompatible user functions within AP, rates and payroll modules			X	
Raised in the audit strategy:					
2.2	Self-approval of purchase orders/purchases by staff within their own delegation		X		
2.3	Limited segregation of duties for updating expenditure delegation limits in the system			X	
2.4	Approval of variances between purchase orders and invoices				X
2.5	Delegations policy not updated in line with new practices				X
2.6	Independent review of rates refunds and supporting documentation			X	
	Total		1	3	2

1.3.2 Prior year findings

The following table is a summary of issues arising from previous audits and the status of remediation activities. For further details of each issue refer to section 3.

Issue reference	Description of finding	Risk rating	Issues raised	Status
3.1	Supplier masterfile amendments	Medium	2014	Open
3.2	Aged creditors reporting	Medium	2012	Open
3.3	Generation of leave report retrospectively	Medium	2014	Open
3.4	Terminated employees included in employee provision	Medium	2014	Open
3.5	Creditor management policy	Low	2014	Open

1.4 Management acceptance

All findings have been discussed with management. Action plans have been developed by management to address each recommendation.

2 Detailed findings and recommendations

This section outlines the observation, implication, recommendation and management comments and action plans for each audit finding.

2.1 Incompatible user functions within AP, rates and payroll modules

Rating: Medium

2.1.1 Observation

Audit identified limited segregation of duties when comparing staff user access in the finance system, against manual internal controls and duties they performed.

Payroll module

Two management accountants had access to the payroll module to change employee details in the masterfile. As part of the payrun processing, they also review and sign-off the Changes to Pay Rates report which identifies all changes since the last pay cycle.

The financial accountant and finance manager had access to the payroll module to change employee details in the masterfile. As part of the payrun processing, they also authorise the payroll payment.

Accounts Payable module

The financial accountant and management accountant had access to change vendor details in the masterfile. As part of the accounts payable processing and payment, they also perform the payment authorisation.

Rates module

Three staff members had full user access within the rates module. Full user access includes the ability to change the rate in the dollar. This level of access was not required to perform their duties.

Subsequent to the audit enquires, management have taken steps to remove system access that is not required or reduces segregation of duties.

2.1.2 Implication

Inappropriate system access levels increases the risk of fraud and the likelihood that errors go undetected.

2.1.3 Recommendation

Management should perform a periodic review to ensure users of the finance system have appropriate levels of access and all users are current.

2.1.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

1 May 2015

Management comment and action plan:

Management will perform a periodic review to ensure users on the finance system have appropriate levels of access and all users are current. In some situations employees such as the systems accountant, management accountant, and IT staff require access in order to run system query reports and maintain linked systems such as work orders, purchase orders, and online leave. Management will also review whether read-only access is available to these masterfiles.

2.2 Self-approval of purchase orders/purchases by staff within their own delegation

Rating: High

Raised in the audit strategy

2.2.1 Observation

Current practices permit staff with delegated authority to self-approve their own purchases within their limit.

2.2.2 Implication

Assertions, account balances and operating results may be materially misstated.

Inappropriate purchases may go undetected.

Capital project variations may not have appropriate levels of scrutiny and transparency.

Expenditure on hospitality and travel may not be appropriate.

2.2.3 Recommendation

Management should require all purchases to undergo independent approval or review.

2.2.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Management comment and action plan:

Delegation for purchase order authority is granted via the Chart of Authorities.

Due to its relatively small size, Council does not have dedicated purchasing officers or a dedicated procurement department, so each department raise their own purchase orders and authorise orders up to the limit of their delegation.

Management will create an exception report to list any self-approved purchase orders. This will be reviewed by the Finance manager on a regular basis.

Management will also investigate new purchase requisition module being developed by Council's software provider which may provide opportunities to Council in regards to risk mitigation.

2.3 Limited segregation of duties for updating expenditure delegation limits in the system

Rating: Medium

Raised in the audit strategy

2.3.1 Observation

Currently, a finance staff member assists with accounts payable, accounts receivable and updating expenditure delegation limits of other users within the finance system.

2.3.2 Implication

There is the potential for the staff member to create their own delegation limit and approve inappropriate purchases through accounts payable.

2.3.3 Recommendation

Segregation of duties should be implemented to separate the two functions. The staff member with access to the accounts payable functions should not have the ability to update expenditure delegation limits.

2.3.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Management comment and action plan:

Due to the size of the finance department the opportunity to segregate duties is very low. Our Finance officer also acts as relief accounts payable and accounts receivable officer.

Management will

- Create a system report that will identify all changes to expenditure delegation, however, if this is ineffective due to size of transaction list,
- Review the structure of the finance department with the aim of redeployment of either relief functions or delegation functions to ensure segregation of duties.

2.4 Approval of variances between purchase orders and invoices

Rating: Low

Raised in the audit strategy

2.4.1 Observation

After a purchase order has been approved, the finance system allows a variation up to 10% on the subsequent invoice without further approval. When this threshold is exceeded, the variation requires further approval. Currently there is no dollar value limit to trigger variations.

2.4.2 Implication

Variations on large purchase orders can result in significant additional expenditure being incurred without authorisation.

Variations may not be subject to an appropriate level of scrutiny.

2.4.3 Recommendation

Management should determine a dollar value threshold for variations between purchase orders and invoices that triggers additional independent approval.

All variations above the limit should be independently approved.

2.4.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Management comment and action plan:

Management has confirmed that the system allows for a % and \$ variance combination. Management will institute a minimum dollar amount for purchase order variances in conjunction with the minimum % variance rule.

2.5 Delegations policy not updated in line with new practices

Rating: Low

Raised in the audit strategy

2.5.1 Observation

The current delegation policy does not include the remittance of the Fire Services Levy. This transaction does not fall under the existing transaction types with delegation.

In addition, the Coordinator of Management Accounting has access to approve bank EFT payments but is not included in the delegation policy. Management are in the process of updating the delegation policy.

2.5.2 Implication

Transactions may not be appropriately authorised.

2.5.3 Recommendation

As part of the delegation policy review, management should include the remittance of the Fire Services Levy and review the requirement for the Coordinator of Management Accounting to approve bank EFT payments.

2.5.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Management comment and action plan:

Review of the delegations policy is in progress, and will account for these new practices.

2.6 Independent review of rates refunds and supporting documentation

Rating: Medium

Raised in the audit strategy

2.6.1 Observation

The rates team process rates refunds where a customer has overpaid their account. The refund is sent directly into accounts payable for remittance.

Currently, there is no formal review or approval of rates refund journals raised by the rates team. We noted these transactions did not always have supporting documentation attached to verify the payment.

2.6.2 Implication

Rates refunds may be not be appropriately authorised.

2.6.3 Recommendation

Refunds related to rates should be appropriately reviewed and have supporting documentation.

2.6.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

Complete

Management comment and action plan:

A formal process has been implemented whereby the rates refunds will be duly approved and the supporting documentation attached.

3 Prior period issues

This section outlines the current status of management actions to address the audit recommendation from the prior period audit.

3.1 Supplier masterfile amendments (2014)

Rating: Medium

Status: Open

3.1.1 Observation

During the visit in May 2014, audit noted that a supplier masterfile amendments report had not been generated for the current financial year. It is best practice for this to be completed periodically and reviewed by someone independent of the accounts payable function.

As employee reimbursements are run through this process it becomes increasingly important that masterfile amendments are monitored, if not part of the pay run process as a preventative measure but at least periodically as a detective measure against misappropriation of funds through bank account number alterations.

It was noted during expenditure control testing that not every supplier added during the financial year had been approved by the appropriate form. Given the number of exceptions, we are unable to regard this as an effective control.

3.1.2 Implication

In the absence of the review of masterfile amendments, there is an increased risk in unauthorised suppliers being set up in the system and funds subsequently processed to them.

Employee reimbursement and expenditure not requiring a purchase order could be used to misappropriate Council funds by changing bank account details to that of an employee who has access to make changes to the card file of employees (within the Accounts Payable module).

3.1.3 Recommendation

All new suppliers/creditors that have a permanent card file (i.e. not "Non-Creditors") are approved via the appropriate form prior to creation in the system.

The masterfile amendments report should be generated on monthly basis (at a minimum) and bear evidence of independent review.

3.1.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Updated management comment:

Management has implemented a "Creditor Bank Account Change" report, which is reviewed by the Coordinator Financial Accounting on a fortnightly basis, and a "New or Changed Creditor Masterfile" report that is supplied with each creditor payment run and reviewed by the Coordinator Financial Accounting. - Action Completed.

3.1.5 Current status of management action plan

Status: Open

Audit Comment:

When initially documenting and verifying controls in January 2015, audit noted that there was no masterfile changes report produced and independently reviewed.

We will verify the new change reports and controls at the next audit visit.

3.2 Aged creditors reporting (2012)

Rating: Medium

Status: Open

3.2.1 Observation

An error was noted in the generation of the aged creditors report in that it does not correctly extract data. It appears that there is no linking of payments to corresponding invoices. Effectively, credit balances appear in later aged periods and in subsequent earlier aged periods, a corresponding debit balance appears.

3.2.2 Implication

This distorts the totals in the ageing profile and renders an ageing analysis ineffective. Thus accounts payable cannot effectively monitor their outstanding creditors.

3.2.3 Recommendation

Council will need to configure the aged creditors report so that it can match invoices with payments and rectify the effectiveness of such a report.

3.2.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Updated management comment and action plan:

Aged creditors report was not run at 30 June 2014 due to staffing issues, but was run soon after. Management will ensure the Aged Creditors report is run at close of business on 30 June 2015.

3.2.5 Current status of management action plan

Status: Open

Audit Comment:

An aged creditors report can be created at a point in time but not retrospectively. We will liaise with management prior to the upcoming year end audit to emphasise the importance of an accurate aged creditors report. We will perform specific tests to verify this does not impact the financial statements.

3.3 Generation of leave report retrospectively (2014)

Rating: Medium

Status: Open

3.3.1 Observation

While completing testing over both the long service leave and annual leave provision, it was discovered that the report used to calculate both provisions was as at mid-August not the 30 June 2014 year-end date. Further to this, there is no way to retrospectively generate the report again within the system. In this instance, there was an immaterial overstatement of employee provisions.

3.3.2 Implication

Not being able to create reports retrospectively runs the risk of a material misstatement occurring in the future.

3.3.3 Recommendation

It is recommended that Council contact the software developer to assess the ability to retrospectively create report. Failing this, Council should stress the importance of running and saving the reports as at balance date.

3.3.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Updated management comment and action plan:

Leave report was not run at 30 June 2014 due to staffing issues. Management will ensure the Leave reports are run in line with the last payroll for the financial year - at the latest 30 June each year.

3.3.5 Current status of management action plan

Status: Open

Audit Comment:

We will liaise with management prior to the upcoming year end audit to emphasise the importance of a leave liability report being generated as at 30 June 2015. We will perform specific tests over the report at year end.

3.4 Terminated employees included in employee provision (2014)

Rating: Medium

Status: Open

3.4.1 Observation

During testing of the annual leave provision as at 30 June 2014, out of a sample of 15, audit randomly selected an employee who was terminated in July 2013. At the request of audit, it was found that a further 3 terminated employees were included in the leave liability report used. The result of this was immaterial to the financial statements.

3.4.2 Implication

In future, there is a risk of material misstatement occurring.

3.4.3 Recommendation

Council should contact the software developers to resolve the issue of terminated staff members appearing on the reports. In the interim, a manual check should be occurring every fortnight during the pay run to ensure no terminated staff are included.

3.4.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2015

Updated management comment and action plan:

Management have reviewed the leave liability reporting process to ensure terminated employees will not be included in future reports - Action Completed.

3.4.5 Current status of management action plan

Status: Open

Audit Comment:

We will liaise with management prior to the upcoming year end audit to emphasise the importance of employee provision calculations excluding terminated employees. We will perform specific tests over the report at year end.

3.5 Creditor management policy (2014)

Rating: Low

Status: Open

3.5.1 Observation

It was noted that Council does not have a policy that covers creditor management.

3.5.2 Implication

There may be inconsistent processes and application of internal controls which can lead to an increased risk of fraud or error. The treatment of creditors may not be in line with Council requirements or expectations.

3.5.3 Recommendation

Council should adopt a policy that covers at least the following:

- Objectives and reference to requirements,
- Specification of maximum number of days within which Council needs to settle invoices,
- Requirements for dealing with suppliers terms of trade,
- Outline authorisation and approval arrangements,
- Outline staff responsibilities,
- Detail reporting frequency and accountability,
- Consideration of terms of trade and payments.

3.5.4 Management comments and action plan

Recommendation accepted: ☒ Yes ☐ No

Responsible officer:

John Brockway

Implementation date:

30 June 2016

Updated management comment and action plan:

Management will prepare a creditor management policy by 30 June 2016.

3.5.5 Current status of management action plan

Status: Open

Audit Comment:

We will review the policy when implemented.

Appendix A – Rating definitions

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity, propriety and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

We may include extreme, high or moderate rated issues in our reports to Parliament on the results of financial statement audits.

Table: Rating definitions and management action

Rating	Definition	Management action required
Extreme	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation, or • a misstatement in the financial report that is likely to occur but is not expected to be material, or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>

8.3 Performance Audit Reports – External Bodies

AUTHOR:	Avi Maharaj	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.9.2

This item is designed to provide an update to Audit and Risk Committee members on various Performance Audit Reports conducted by external bodies. Full copies of reports can be located via the navigating to the relevant websites.

December 2014

IBAC: Review of Protected Disclosure Procedures

In 2014, the Independent Broad-based Anti-corruption Commission (IBAC) conducted an online survey reviewing the procedures established and implemented by government and local government agencies following the introduction of the *Protected Disclosure Act 2012* (the PD Act).

The objective of the review was to highlight whether public bodies had met the requirements of section 59(4) of the PD Act by ensuring that their procedures were readily available to the public and their employees.

One hundred and fourteen (114) public bodies, including universities and TAFE colleges, water corporations, public hospitals and health care services, local councils and statutory authorities took part in this survey.

As an online survey, all public bodies selected were required to complete the survey and provide a copy of their procedures to IBAC for review. There was a very high (94%) response rate to the survey – only seven organisations did not complete it. This included three of the 15 selected public bodies and four of the 79 Victorian local councils. All 20 departments and administrative offices completed the survey and the four organisations that can receive disclosures did not respond. Given the high rate of return, this provides a good representative sample of the views of the organisations for the purposes of the review. The review team also used a checklist to ensure each procedure document was assessed consistently.

Of the 114 organisations reviewed, 88 organisations met the requirements by developing and implementing protected disclosure procedures that were consistent with the PD Act, PD Regulations and IBAC guidelines. The review found that 26 organisations had not met the requirements because:

- The organisation had not developed a protected disclosure procedure (seven organisations)
- The organisation's procedure contained substantially incorrect information about the organisation's roles and responsibilities under the PD Act
- The organisation's procedure did not include essential information about the PD Act and its operation.

All departments and administrative offices had procedures in place. All (including Surf Coast Shire) but four local councils had procedures in place. Of the selected public bodies, one of each of the TAFE's, hospitals and public sector bodies, had no procedures in place. The water corporations and universities all had procedures in place.

The IBAC review team had assessed organisations' compliance of the PD Act by considering whether:

- The procedure was easy to read and understand for a range of different potential users and
- The procedure could be easily located on the organisation's website, or their intranet.

In relation to the first issue, the review team found that the majority of the procedures were able to be read and understood by potential users, but there were some common problems that occurred with both the procedures that had met the requirements of the Act and those that had not. There problems were:

- Difficulties in explaining the complex requirements of the PD Act for making and assessing a protected disclosure in simple terms and
- Confusion as to who the procedures were directed to – potential disclosers or protected disclosure coordinators (PD coordinators) and welfare officers.

In relation to the second issue, very few procedures were able to be located easily on organisations' websites. Using the term "protected disclosure" to search for information usually resulted in finding relevant information, but this is not a common term in the community, compared to the use of the terms "whistleblowing" and "whistle-blower". The review found that only those organisations that had addressed both of these two issues were able to ensure that their procedures were readily available to members of the public.

As there is no penalty under the PD Act for failure to have procedures in place within six months of the introduction of the Act, organisations (seven in total) that do not have procedures are depriving their own staff and members of the public that would assist them to make a disclosure – and thus potentially receive protection under the PD Act. It is therefore suggested that these organisation be required to establish these procedures by **31 March 2015**.

The 19 organisations with procedures in place that are inconsistent with the legislation or IBAC guidelines will be able to achieve consistency by amending their existing procedures by either removing or amending incorrect information and including the required missing information. There are some good practice models in relation to each type of procedure that these organisations could use.

All organisations would benefit from reviewing their procedures in light of the issues raised in the report. All organisation should consider whether their procedures can be simplified or made more user-friendly, and should ensure that their procedures are made readily available, particularly to members of the public.

Council Comment:

Surf Coast Shire Council is compliant in terms of this IBAC Review as there were no issues identified for Council. Council is currently reviewing its Protected Disclosure Policy, Procedures and flowcharts to make it informative and at the same time user friendly for both its employees and members of the public. A slight issue with one link being wrongly named was identified and corrected as a result of these audit findings.

Ombudsman Victoria: Councils and complaints – A report on current practice and issues and practice guide

This enquiry was launched in 2014 when the Ombudsman Victoria (OV) identified that one of the main causes of complaints against local councils was the way those councils dealt with complaints. All too often complaints were seen as a nuisance, or provoked a defensive, bureaucratic or unhelpful response. Yet complaints are one of the most valuable sources of data available to councils. They represent free feedback about services and, if used effectively, are catalysts for service improvement. Good complaint handling increases confidence in public administration. On the other hand, mishandled complaints can carry a high potential cost – both financial and reputational for council.

From the other side, councils often approach OV seeking information about their performance in relation to complaint handling and how this performance compares with other councils. The OV has also developed a *Good Practice Guide* – a practical tool that would assist councils in their complaint handling practices. To ensure that it addressed all the known issues faced by LG, the OV carried out a survey of all 79 councils and consulted a wide range of people and organisations in the LG sector. From the responses received a draft Guide was developed and circulated to all councils for comment.

Overall however there was strong support for the Guide, which many councils commented would assist them and add consistency to the way they dealt with complaints. The OV is grateful for the support provided by councils during the enquiry, and anticipate that the *Good Practice Guide* will serve as a useful resource for the local government sector for years to come.

It recommended two changes to legislation that would benefit the public and the sector: to include a definition of complaint, consistent with the national standard, and to require councils to have an internal review function in their dealing with complaints. Both have been adopted elsewhere in Australia and the latter has increased accountability and reduced the number of substantiated complaints.

The main aim of the Guide is for councils to engage better with their public and learn from their complaints. The long-term effect should also be fewer legitimate grievances about councils going across to the OV. The report is of the opinion that only time will determine the success of both these objectives and whether they have been met.

Council Comment:

Surf Coast Shire Council is compliant in terms of the Ombudsman Report as there were no issues identified for Council. Council has a Complaints Handling Procedure on its website and is currently developing a policy for complaints against Councillors from employees and the general public.

VAGO: Additional School Costs for Families (2014–15:14)

Background:

The audit assessed whether DET and government schools were managing parent education costs economically, efficiently and effectively and in accordance with legislation and policies. It examined funding for the delivery of free instruction, departmental oversight of school approaches to parent payments and parent payment policies and practices.

The audit found that parent's payments vary significantly from school to school and in some cases, parents are being charged for items that should be free. While parent payments have become critical to the operation of government schools, DET has little understanding of what an efficient and economical school looks like. It is therefore poorly positioned to shape decisions made by the Commonwealth and state governments about funding for schools.

Council Comment:

Report does not relate directly to local government.

VAGO: Responses to 2012–13 Performance Audit Recommendations (2014–15:15)

Background:

The objective of this audit was to determine the extent of agency response to, and monitoring of, VAGO performance audit recommendations, focusing on recommendations from the 2012–13 audits. The audit included 47 public sector agencies, with 214 recommendations and 411 specific actions.

The audit found that public sector agencies were responding to, and monitoring progress against, VAGO performance audit recommendations. Agencies fully accept the majority, 94 per cent, of the actions recommended by performance audits. In September 2014, agencies reported having completed, or substantially completed, 71 per cent of the recommended actions – an encouraging result indicating the value of performance audit recommendations in driving change.

There is room for improvement in agency approaches to monitoring performance audit recommendations. A minority, 15 per cent, of agencies do not have their audit committee or board monitoring progress against performance audit recommendations. Twenty-eight per cent of agencies monitor progress half-yearly or less frequently. Only four agencies report that they verify management progress reports. The quality of many agency reports submitted to VAGO suggests that those responsible for monitoring progress should apply a greater level of scrutiny.

This is the first of a series of reports that VAGO will publish annually focusing on agency responses to recommendations from prior audits.

Council Comment:

This report does not directly relate to the Surf Coast Shire Council, however, The main point of the report is to gauge responsiveness of entities to Performance Audit recommendations from the 2012-13 audit cycle. The audited agencies include state government departments and other Local Government entities, and did focus on organisational sustainability of small councils and rating practices in Local Government, so the report is worth noting.

VAGO: Water Entities: Results of the 2013–14 Audits (2014–15:16)

Background:

The audit summarised the results of our financial audits of 20 entities, comprising 19 water entities and one controlled entity. The report informed Parliament about significant issues arising from the audits of financial and performance reports and complements the assurance provided through audit opinions included in the respective entities' annual reports.

The audit highlighted some key financial challenges and risks for the water entities, including repaying growing debt and continuing to meet ongoing financial obligations to the state, such as

taxes and levies. It also highlighted significant increases in total water and sewerage charges by the three metropolitan water retailers in 2013–14.

Council Comment:

Report does not relate directly to local government.

VAGO: Portfolio Departments and Associated Entities: Results of the 2013–14 Audits (2014–15:17)

Background:

The report presents the results of the 2013–14 financial audits of the nine portfolio departments and 201 associated entities, including the alpine resort management boards.

The report highlights that portfolio departments had not resolved 47 high or medium risk-rated control weaknesses identified during the 2012–13 financial year audits, or earlier. This lack of timely resolution means that the control frameworks in place at the portfolio departments are not as effective as they could be.

The report further reviews the prudential oversight of the state's insurance agencies, which could be strengthened if the Department of Treasury and Finance appointed a prudential auditor to provide independent assurance about each insurance agency's compliance with the Prudential Insurance Standards for Victorian Government insurance agencies.

The report also comments on the Auditor-General's eroding legislative mandate to review public expenditure on Public Private Partnerships. Commentary is facilitated on the operation of internal audit at portfolio departments, certain categories of infringements and provides a status update of significant state projects.

Council Comment:

Report does not relate directly to local government.

VAGO: Public Hospitals: Results of the 2013–14 Audits (2014–15:18)

Background:

This report summarises the results of the financial audits of 110 entities within the public hospital sector, comprising 87 public hospitals and the 23 associated entities. It informs Parliament about significant issues arising from the 2013–14 financial audits and complements the assurance provided through audit opinions included in the entities' annual reports. The report further looks at public hospital financial results, financial sustainability and targeted areas of internal controls related to internal audit and asset maintenance functions.

Parliament can have confidence in the 2013–14 financial statements of the 87 public hospitals, and their 23 associated entities, as all were given unmodified audit opinions.

It is to be noted that public hospitals continue to face challenges in delivering quality health services to the public due to increasing demand, an ageing population, and limited funding streams. The audit's overall assessment of public hospitals at 30 June 2014 indicated that many had significant financial sustainability risks that needed addressing.

These financial sustainability risks have been highlighted in previous reports from VAGO on public hospitals, which have consistently shown that the current funding model has resulted in a clear mismatch between public hospital boards' responsibilities for the sustainable management

and provision of services, and the boards' ability to control the funding; they receive to enable them to do this.

Council Comment:

Report does not relate directly to local government.

VAGO: Efficiency and Effectiveness of Hospital Services: High-value Equipment (2014–15:19)

Background:

This audit examined the efficiency and cost-effectiveness of managing high-value Computed Tomography (CT) and Magnetic Resonance (MR) scanners in public hospitals. It found that these imaging services were not managed economically, efficiently or effectively across Victoria.

The cost-effectiveness of delivering CT and MR imaging services varied widely across health services. Some CT and MR imaging services operate at a profit while others incur losses in the millions each year. In its central procurement role, Health Purchasing Victoria could assist health services to achieve the best value when purchasing CT and MR imaging services.

Health services are currently unable to compare their CT and MR scanner economy and efficiency with that of other health services. This makes it difficult for health services, and the Department of Health and Human Services as the manager of Victoria's health system, to know whether this costly imaging equipment is being used efficiently.

Council Comment:

Report does not relate directly to local government.

VAGO: Effectiveness of Support for Local Government (2014–15:20)

Background:

This audit assessed the effectiveness, efficiency and economy of the support provided to councils by Local Government Victoria LGV and the Municipal Association of Victoria (MAV). Support included any activity undertaken to assist councils to carry out their duties and obligations to the community, and to facilitate more efficient and effective council operations.

LGV supports local councils to ensure they are responsive, accountable and efficient, and that they comply with the Local Government Act 1989. MAV advocates for local government interests, builds the capacity of councils, initiates policy development and advice, supports councillors and promotes the role of local government.

Both LGV and MAV have established methods for identifying council support needs. However, except in a few instances, neither is able to demonstrate whether their support activities were contributing to the effective and efficient operation of councils. LGV and MAV have worked together to deliver a number of council support initiatives, but there is future scope to formalise how they will work together in the future.

Legislative and broader governance arrangements have compromised the effectiveness, efficiency and economy of support to councils. MAV is not subject to the range of legislation that applies to many other public sector entities. Weaknesses in MAV's procurement practices have also brought into question MAV's support activities it provides councils with value for money. While MAV has some external accountability requirements, there has been little or no independent scrutiny of its activities. MAV has committed to address the identified gaps in their governance identified through this audit.

Council Comment:

Council works with Municipal Association of Victoria (MAV) and Local Government Victoria (LGV) and is committed to actioning any recommendations identified towards improving Council's overall governance, financial and performance compliance.

VAGO: Local Government: Results of the 2013–14 Audits (2014–15:21)**Background:**

This audit highlights the results of our financial audits of 103 entities, comprising 79 local councils, 11 regional library corporations and 13 associated entities. It also addresses financial and performance reporting, financial sustainability risks and the management of grants and creditors.

Parliament can have confidence in the local government sector financial reports and standard statements as all were given unmodified audit opinions for 2013–14. Four councils did not meet the legislated time frame for finalising their financial report and standard statement. Each was granted an extension.

The sector generated a net profit before income tax of \$923.6 million, a decrease of \$306.4 million. The reduced surplus was largely attributed to the Commonwealth Government's announcement in its May Budget that it would not pay grants in advance.

The report highlights some key financial challenges for the local government sector, including:

- delivering quality services to their community
- maintaining their existing assets
- funding future capital works by effectively prioritising spending
- determining sustainable rates for the services provided in light of the government's proposed rate capping policy effective from 2016–17.

Local councils continue to face the challenges of delivering quality services to their community, maintaining their existing assets and funding future capital works. To do this effectively, local councils need to effectively prioritise spending and determine sustainable rates for services provided within the government's proposed rate capping policy, effective from 2016–17.

Twenty-one local councils reported underlying operating deficits in 2013–14 (eight in 2012–13).

A key reason for this change was the Commonwealth Government's decision not to pay financial assistance grants in advance. Had the grants continued to be paid in advance, only 12 councils would have reported underlying operating deficits.

Further, as the Commonwealth Government has also paused indexation of financial assistance grants over the next three years, this will challenge all local councils, particularly shire councils. The changed timing of financial assistance grants in 2013–14 has had a greater impact on small and large shire councils, as they have a greater reliance on Commonwealth grant funding to support their operations. Future operating results should not be similarly adversely impacted as the new timing of grant payments will have been in place for the entire year.

This year has also seen an increase in financial sustainability risks, with five local councils assessed as high risk in 2013–14 compared to two in 2012–13. Three out of the five local councils with a high financial sustainability risk were in part due to delays in accessing borrowings via the Local Government Funding Vehicle (LGFV). Local councils had anticipated that

longer-term debt would be available prior to year end to enable them to refinance some short-term debt sooner.

The LGFV was established by the Municipal Association of Victoria to provide longer-term debt financing for local councils, and originated as a result of the \$406 million shortfall in defined benefit superannuation plans in 2011–12. A total of \$240 million was borrowed by 30 local councils. These borrowings require interest only repayments until maturity of the debt in five or seven years. This means the total interest paid will be higher than they would have paid had the principal been gradually reduced over the term of the loan. There is also a risk that local councils will not have the funds available to fully repay the loan when the debt matures.

The report also highlights that improvements can be made both to creditor and grant management policies and practices. In particular, attention is required to strengthen the processes around community grants issued by local councils. This requires a structured program to be in place to effectively and efficiently administer the distribution of grants, including an overarching grants administration policy and procedure, and recording of any conflicts of interest by assessment panel members.

VAGO made the following recommendations in Appendix 6 – internal controls,

Recommendations:

That local councils:

1. Through audit committees, implement appropriate monitoring mechanisms to ensure our audit findings are addressed by management on a timely basis
2. Review and update their policies and procedures on creditors to include all key elements incorporated in better practice creditor management frameworks
3. Review and update their policies and procedures on grants management to include all better practice elements incorporated in the effective grant management frameworks. –

Council Comment:

1. Surf Coast Shire Response - Council reports audit actions and progress to every Audit and Risk Committee meeting.
2. Surf Coast Shire Response - Council will review and update creditor policies and procedures to ensure they align with better practice creditor management frameworks.
3. Surf Coast Shire Response - Management will review and update grants management policies and procedures to ensure they align with better practice creditor management frameworks.

There are other recommendations about continuously improving financial controls which Council will continue to pursue.

March 2015

IBAC: A review of integrity frameworks in six Victorian councils.

With a total expenditure of around \$7.12 billion in Victoria and having responsibilities for planning, infrastructure and community services, it is important Victorian councils actively seek to prevent corruption.

An “integrity framework” is defined as the instruments, processes, structure and conditions required to foster integrity and prevent corruption in public organisations.

IBAC's Local Government Integrity Framework Project explored the corruption prevention measures in place at six councils. IBAC conducted targeted consultations with a selection of councils by undertaking surveys of senior managers and staff, and interviews with selected staff members. IBAC used the information from consultations along with the observed practices to build a picture of the councils' integrity frameworks.

The paper highlighted both good practices and possible areas for improvement to help councils strengthen their individual integrity frameworks.

Key findings

Risk management

Half of the councils involved in the project have adopted risk assessment models that are integrated into budget and/or business planning processes. While there are business management advantages of integration, corruption risks may not always be identified as impediments to achieving operational objectives. As such, it is important to ensure corruption risks are not forgotten in the process. Overall, councils are quite good at identifying and rating risks. However, councils could do more to implement and actively monitor the effectiveness of controls (eg conducting audits and implementing recommendations).

Conflicts of interest: A large proportion of senior managers and staff at the councils involved in this project rated conflicts of interest as a medium- or high-risk issue; suggesting councils have a good awareness of the concept.

Procurement: Procurement-related issues were generally considered to be low-risk issues by both senior managers and staff. The risk was reduced to some extent by control mechanisms, such as minimising cash handling where possible, applying strict quotation and tendering procedures and aggregating the organisation's spending.

Misuse of resources: A number of councils have used technology to minimise opportunities to access, copy and transfer information for illegitimate reasons. With assets, the greatest risks often relate to lower-value items – these are often more readily available and involve minimal oversight, making them easier to misuse without detection, albeit with less impact on a case-by-case basis.

Governance

Documented guidance, sound leadership, education and information for both staff and the public must complement each other in order to support the other risk management and detection elements of a council's integrity framework.

Codes of conduct: Codes of conduct are a key mechanism used to govern council's behavioural expectations of staff. The guidance in those codes could be reinforced with a statement of council's intolerance for corruption and details of the penalties for breaching the code.

Leadership: CEOs varied in the balance of their approach to leadership, with some placing greater emphasis on values and organisational culture while others favoured the development and enforcement of controls. Neither culture nor controls should be pursued to the exclusion of the other.

Public information: At present the councils involved in this project are doing little to broadcast their intolerance of misconduct and corruption.

Staff education: A number of councils noted that continual education that reinforces formal training embed key messages within the fabric of the organisation. However, councils could do more to raise awareness of protected disclosure procedures and fraud and corruption policies, and requirements around reporting secondary employment.

Detection

Suspected corruption was most often detected by work colleagues, which highlights the importance of implementing clear and effective protected disclosure procedures and creating a safe reporting environment.

Reporting: In response to the staff survey, the majority of respondents (65 per cent) said they would report suspected corrupt conduct, however, eight per cent said they would not and the remaining 26 per cent said they did not know if they would report it.

Auditing: The role of audit committees has shifted from purely financial considerations to broader governance issues. All six councils had medium-term audit plans, some of which address corruption risks.

Conclusion

This review of the risk-management, governance and corruption detection measures in place in the sample of councils highlights the good work that is being undertaken in the local government sector.

This includes:

- the various corruption controls councils have implemented
- initiatives adopted by CEOs to nurture a strong ethical culture and emphasise the importance of integrity through the enforcement of controls and
- councils' willingness to explore new reporting and advice options, recognising the value that staff provide to a council in bringing corruption risks and instances of suspected corruption to the attention of management.

Instances of good practices highlighted as a result of this review should prompt discussion about existing practices, controls and governance to help councils develop strategies that will enhance their integrity frameworks within their specific circumstances.

Areas for improvement

It is important councils maintain sight of corruption risks, particularly in risk-assessment models that are incorporated into business processes and focus on impediments to achieving operational objectives. Perhaps more importantly, once risks are identified, appropriate controls must be implemented and actively monitored to ensure risks are being managed effectively.

Other areas for improvement included possible refinement of management's approach to leadership to ensure there is an appropriate balance between developing a values-based organisational culture and enforcing relevant controls, recognising that neither should be pursued to the exclusion of the other.

Councils could do much more to broadcast their intolerance of misconduct and corruption. Key statements of ethical practice could also be tailored to ensure relevant stakeholders understand council's position on corruption-related issues such as gifts, bribes and conflicts of interest, making it clear that council will not tolerate corrupt activities.

In order to encourage reports of suspected corruption, management must reassure employees

they will not be penalised and they do not need hard evidence to make a report, and take appropriate action in response to reports that are made.

Council Comment:

Council has a Code of Conduct for both its Councillors and Staff and is currently developing a separate Code of Conduct for volunteers. There is a Fraud Policy in place which works together with Council's adopted 2014-17 Fraud and Corruption Control Plan (FCCP), which is annually reviewed in line with the identified fraud risks.

Council is currently developing tailored training for all its Councillors and employees on Fraud and Corruption, to supplement the fact that these topics are discussed during the induction process.

VAGO: Managing Regulator Performance in the Health Portfolio (2014–15:22)

Background:

This audit assessed how well four selected regulators, the Department of Health & Human Services (DHHS) in its portfolio oversight role, and the Department of Treasury and Finance (DTF) in its whole-of-government role, have contributed to improved regulatory performance in the health portfolio.

The audit found that regulatory practices within the health portfolio are at a low level of maturity because:

- regulators have not taken a systematic, risk-based approach and do not fully understand the impact of their regulatory activities
- DHHS has not effectively overseen and supported health regulators
- DTF has not applied government's Statement of Expectations policy in a way that has helped address these gaps and weaknesses.

The recommendations are designed to address these shortfalls. Health portfolio regulators need to improve their performance by addressing the specific weaknesses identified in the audit but progress will be severely limited without more effective oversight and support from DHHS and DTF to help them do this.

Council Comment:

Report does not relate directly to local government.

VAGO: Education Transitions (2014–15:23)

Background:

This audit assessed whether the Department of Education and Training (DET), government schools and early childhood education and care providers are effectively supporting children to transition into Prep and from primary to secondary school.

The audit found that DET has improved access to high-quality kindergarten programs and has developed a comprehensive, well-researched framework to support early-years transitions. These actions have contributed to improved outcomes for children transitioning into Prep. However, DET does not have a similar strategy or framework for managing middle-years transitions and despite some pockets of improvement, engagement and academic outcomes continue to decline as children move into secondary school.

In an environment where schools have high levels of autonomy, DET needs to provide strong

leadership, including sound guidance, appropriate support and effective monitoring of schools. It does not consistently do so.

Despite this, there are many examples of good practice among schools and early childhood education providers. These include innovative curriculum and teaching approaches, joint professional development forums with school and early childhood teachers, and schools that set and monitored academic achievement targets for transitioning students.

System-wide change is required if consistent long-term gains are to be made, and if issues such as the uneven impact of transitions on male and female students are to be resolved. The report recommends a range of simple cost effective steps that DET could take to better support schools to improve middle-years transitions, and highlights some of the examples of better practice found in audited schools.

Council Comment:

This report does not directly relate to Councils, however, for the Committee's information as part of Council's funding agreement with the Department of Education and Training Council's Kindergarten Teachers provide a transition report for each child.

The report provides a shared understanding between early childhood services and schools about what is important for children and their families during the transition from kindergarten.

VAGO: Emergency Service Response Times (2014–15:24)

Background:

The audit assessed how accountable emergency service organisations and the Departments of Health & Human Services (DHHS) and Justice & Regulation (DJR) are for their response time performance.

The audit found that while response time performance has been largely stable across the last three years, multiple problems with emergency response time measures, targets and data prevent Parliament and the public from holding agencies fully to account.

Response time targets are outdated or not based on evidence or a clear rationale; agencies were often unable to explain the basis for their target times to arrive at an emergency. Reporting the percentage of cases that meet a target lacking evidence or rationale fails to describe agency performance in any meaningful way. Response time measures do not cover the full range of emergency responses. Some agencies exclude significant numbers of emergency responses, while others include lesser priority responses.

Despite some weaknesses in how response time data is recorded and reported, public reports accurately represent actual performance in most instances. However, external reports do not have enough information to allow readers to understand response time performance. DHHS and DJR have not appropriately reviewed response time measures to identify and address these issues.

Although response times are a relevant part of performance measurement frameworks for emergency service delivery, they are not appropriate stand-alone measures for overall emergency service performance, and should be considered alongside information on outcomes, service quality, efficiency and cost effectiveness.

Council Comment:

Report does not relate directly to local government as Councils are not emergency services responders.

April 2015**Essential Services Commission: Local Government Rates Capping and Variation Framework – Consultation Paper**

In January 2015, the Essential Services Commission (ESC) of Victoria received terms of reference to consider and report on the development of a state-wide capping and variation framework for council rates. The ESC was required to undertake the review and complete it by October 2015 for implementation in 2016-17

The ESC have worked with the sector previously, having undertaken an extensive and in-depth consultation process in 2010, when we developed a local government services reporting framework. Similarly, for this review, the ESC will be consulting extensively with all interested parties, recognising the significance the final framework will have for local government and the Victorian community.

Its focus will be on developing an effective framework for capping rates which includes a credible variation process for councils that can clearly demonstrate their need to go above capped increases. While the ESC is very mindful of the need for simplicity when designing the framework, they are also determined that the framework does not inadvertently or partially shift responsibility for rate-setting from councils to the Commission. Councils are responsible for the services they provide and therefore the rates they levy and the legacies they leave. The framework will clearly place the onus on councils to demonstrate that their rates are being set in line with the services they provide to their communities and in line with the long-term interests of their ratepayers.

This consultation paper is the first formal step in the consultation process. To facilitate as much engagement as possible, the ESC have presented the issues using a straightforward format of six questions and answers, covering:

- What the ESC is required to do?
- Why is it important to get it right?
- What are some of the key issues?
- What is the approach undertaken by the ESC?
- What are the relevant questions for the review?
- What are our next steps (including how to make a submission)?

Review Process and Activity Timing

Submissions to the Consultation Paper close on 15 May 2015.

Council Comment:

Council will be meeting to discuss this Consultation Paper at Council briefings on the 5 and 12 May 2015, before providing a submission, and finally receive the submission at the Council meeting in May.

VAGO: Digital Dashboard: Status Review of ICT Projects and Initiatives (2014–15:25)**Background:**

This audit examined whether Victorian public sector agencies and entities are appropriately planning, managing and implementing selected ICT projects in terms of time, cost, benefits realisation and governance. It also looked into how much was spent on ICT across the Victorian public sector for the period 2011–12 to 2013–14.

This audit provides a status review of selected public sector information and communications technology (ICT) projects and initiatives. In addition to examining performance, the audit focused on identifying how much is spent on ICT investments across the Victorian public sector. Increasing transparency through this audit will potentially make it harder for underperforming projects to go unnoticed, and easier for the government to focus effort on the projects where it is most needed.

This report presents findings and conclusions on the first phase of the audit, in which agencies and entities were required to attest and certify the information they provided on their ICT projects and expenditure. A systematic audit on the accuracy of this data was not within the scope of this first audit phase.

In future years and as part of this audit, VAGO will undertake a rolling program of more focused examinations of selected ICT projects. Projects will be selected on the basis of cost, scope and impact, as well as extent of delay and/or deviation from the initial project approvals.

Council Comment:

Surf Coast Shire Council provided its data for the periods 2011-12 and 2013-14 for ICT projects and yearly overall ICT expenditure. The Council only reported on one ICT Project that met the criteria, which was Asset Management Implementation.

Overall the report was critical of the lack of central reporting and monitoring of ICT projects by government to ensure projects were limited to budgets and time allocated in the initial business cases. A number of large government departments were identified as examples of inadequate management in this regard. The report identified the top three ICT projects and ICT spenders in each government sector which displayed the significant level of expenditure previously under estimated by government sources.

Surf Coast Shire Council was not identified in the report.

VAGO: Palliative Care (2014–15:26)**Background:**

This audit assessed whether Victorians with a terminal illness have access to high-quality palliative care that is timely, coordinated, and responsive to their needs and wishes. The audit examined the policies and procedures of the Department of Health & Human Services (DHHS) and four health services.

The audit found that despite establishing a clear and ambitious agenda for the palliative care sector, DHHS has more work to do to streamline its monitoring and reporting processes to better understand gaps and achievements. In recent years, access to rural and after-hours services has improved. However, some metropolitan community palliative care services are struggling to cope with demand and more support is needed for carers and families.

DHHS has a major role to play in guiding the sector through a period of continued change and

growth.

The audit findings and recommendations will help DHHS and health services to build on recent achievements and respond to future challenges with a flexible and efficient palliative care system.

Council Comment:

Report does not relate directly to local government.

RECOMMENDATION:

That the Audit and Risk Committee receive and note Council Comments on the Performance Audit Reports from various external bodies.

MOVED: Cr. Clive Goldsworthy

SECONDED: Cr. Margot Smith

8.4 Review of Internal Audit Function

AUTHOR:	Avi Maharaj	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.2.4

As part of the Committee's annual assessment of performance, this survey is designed to review, evaluate and communicate the level of services and the assurance achieved through the internal audit function. This survey is provided through Grant Thornton as the internal audit service provider for Council and the objective is to determine if the services provided have met the expectations of the Audit and Risk Committee.

Refer Appendix M: Internal Audit Annual Performance Survey - Grant Thornton (D15/39170)

MEETING DISCUSSION: The Committee felt that the performance survey did not meet the needs of the Committee as it covered both Management and Committee perspectives.	
ACTION ITEMS: Council to discuss with Auditors and create two surveys, one for the Committee and one for Management. The Committee survey to be emailed to Members for completion and returned to Grant Thornton. Results of both surveys are to be tabled at the next meeting.	
RECOMMENDATION: That the Audit and Risk Committee note the Internal Audit Annual Performance Survey and take action above.	
MOVED: Cr Smith	SECONDED: Cr Goldsworthy



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Annual Performance Survey

#	Question	Rating				
		5	4	3	2	1
1	The Strategic Internal Audit Plan adequately addresses areas of key audit risk and concerns.					
2	The Internal Audit team has performed reviews in accordance with the Strategic Internal Audit Plan.					
3	The Internal Audit team provides you with sufficient notice prior to each review occurring.					
4	The Internal Audit team clearly communicates the timing, objectives and scope of each audit.					
5	The Internal Audit team provides you with terms of references that addresses the project sponsors requirements.					
6	The Internal Audit team is professional in its communications with you.					
7	The level of co-operation and communication between the Internal Audit team and the project sponsors were appropriate.					
8	Project sponsors were kept appropriately informed of the observations and issues throughout the audits.					
9	The Internal Audit team demonstrates a good understanding of risks, controls, and the business of your organisation.					
10	The Internal Audit team has sufficient skills and experience to complete the reviews.					
11	The Internal Audit team has acted in a professional and courteous manner.					
12	The Internal Audit team executes each audit in an efficient manner with minimal disruption.					
13	The Internal Audit team makes sensible recommendations which provide realistic and workable solutions.					
14	Internal Audit reports are easy to read and understand, and are appropriately prioritised in accordance with observations.					
15	Internal Audit reports are provided to you in a timely manner.					
16	Grant Thornton understands the expectations of the Audit Committee.					
17	The level of communication between Grant Thornton and the Audit Committee is appropriate.					

The rating criteria to be used for this survey are as follows:

5	Exceeded expectations (e.g. issues raised were relevant, and will also lead to cost savings, work completed within planned time frames, all contractual obligations met, etc)
4	Met all key review obligations (e.g. valid issues raised, adhered to main terms of contract etc)
3	Met most key review objectives as agreed in the Terms of Reference (eg issues relevant, etc)
2	Did not meet review objectives as detailed in the Terms of Reference (eg few issues raised, audit team hindrance other than help, etc)
1	Did not deliver in accordance with any agreed review objectives (eg no or little value added, little knowledge of business displayed, etc)

9. Financial Matters

9.1 Monthly Finance Report – March 2015

AUTHOR:	John Brockway	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Finance	CHARTER REFERENCE:	9.1.1, 9.1.2, 9.1.3, 9.1.4, 9.4.2

An executive summary, financial analysis, capital works and new initiatives performance summary, financial position analysis and consolidated financial statements are included for the quarter ending 31 March 2015. The report also contains a revised budget forecasts as at 31 March 2015 for the year ending 30 June 2015 and an analysis of the significant year-to-date variations that are ahead or behind the revised forecast outcome.

The key financial results are as follows:

Year to date measure	Value (\$m)	Commentary
Operating Result	19.0	In line with forecast
Capital Works expenditure	8.9	In line with forecast
New Initiatives expenditure	0.9	\$0.1m behind forecast
Net Assets & Total Equity	385.2	\$0.2m ahead of forecast
Cash & Investments (including long term investments)	23.9	\$1.7m behind forecast

Council remains in a sound financial position.

Refer Appendix N: Financial Report – March 2015 (D15/29156)

MEETING DISCUSSION: The CEO noted that two new appendices (appendix F and G) have been added to the Financial Reports to address genuine unallocated funds and to advise that all budget transfers are to go through Chambers.	
ACTION ITEM: Council to provide explanation on the large variance in the Creditors.	
RECOMMENDATION: That the Audit and Risk Committee receive and note the March 2015 Monthly Financial Report.	
MOVED: Cr. Margot Smith	SECONDED: Debra Russell

March 2015

Monthly Financial Report

Surf Coast Shire Council



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1. Executive Summary

1.1 Overview

	Forecast YTD Mar-15	Actual YTD Mar-15	Indicator
Rates Collected	74.7%	74.0%	
Income Statement Operating Surplus	\$18.743m	\$18.967m	
Cash and Investments	\$25.676m	\$23.945m	
Sundry Debtors		\$0.551m	
Special Charge Scheme Debtors		\$0.413m	
Infringement Debtors		\$0.921m	
Borrowings	\$16.295m	\$16.295m	
Balance Sheet Working Capital	354%	425%	
Total Operating Revenue	\$59.164m	\$59.036m	
Total Operating Expenditure	\$40.421m	\$40.069m	
Capital Revenue	\$3.190m	\$3.219m	
Total Capital Works	\$8.833m	\$8.852m	
New Initiatives Revenue	\$0.442m	\$0.452m	
New Initiatives Expenditure	\$1.025m	\$0.947m	

Indicator Legend

	No action required
	Requires active monitoring
	Immediate action required

1.2 Operating performance

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Operating							
Revenue	54,728	54,603	125 F		57,132	58,073	941 F
Expenditure	(39,933)	(40,285)	352 F		(59,532)	(59,659)	(127) U
Underlying surplus/(deficit) from operations	14,795	14,318	477 F		(2,400)	(1,586)	814 F
Capital							
Capital Grants	3,147	3,119	28 F		2,244	3,996	1,752 F
Special Charge Revenue	161	161	-		148	161	13 F
Contributions	47	46	1 F		-	72	72 F
Asset writeoffs	(136)	(136)	-		(1,409)	(1,409)	-
Developer contributions	868	650	218 F		1,387	1,049	(338) U
Gain(loss) on disposal of assets	85	585	(500) U		586	775	189 F
Granted assets	-	-	-		2,902	2,902	(1) U
Net surplus (deficit)	18,967	18,743	224 F		3,458	5,961	2,503 F

The year to date operating surplus is \$18,967,000 which is \$224,000 ahead of forecast.

The full year operating surplus is \$5,961,000, which is \$2,503,000 higher than the adopted budget.

This variance is mainly due to:

- Capital grants carried forward from last year \$1,014,000, including Lorne Visitor Information Centre \$500,000, Anglesea Landfill Cell 3 Liner (stage A) \$250,000, and Mount Moriac Reserve master plan (stage 1) \$80,000.
- Higher operating revenue due to increased enrolments for family day care services \$87,000.
- Higher gain on disposal of assets due to sale of land carried forward from last year \$500,000 offset by accounting for written down value of sale \$430,000.
- Lower expensed capital works \$673,000.

Partially offsetting this variance was:

- Special projects carried forward from last year \$336,000, including the Growing Winchelsea place making strategy \$124,000, home and community care heatwave preparation \$26,000, and planning for the Torquay North Children's services hub \$25,000
- Higher operating expenditure due to increased enrolments for family day care services \$87,000 (offsetting the higher revenue above)

1.3 Capital works and new initiatives performance

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Total capital works	8,852	8,833	19 U		15,192	15,781	589 U
Total new initiatives	947	1,025	(78) F		1,910	2,402	492 U

The year to date capital works program is \$8,852,000 which is \$19,000 ahead of forecast.

The full year capital works program is \$15,781,000, which is \$589,000 higher than the adopted budget. This variance is mainly due to:

- Carried forward capital works from last year, including the Great Ocean Road Heritage Centre \$141,000, Airleys Inlet skate park upgrade \$120,000, Aurora Crescent pedestrian bridge \$70,000, Information technology equipment \$68,000, and Whites Beach master plan implementation \$50,000
- Additional projects for 2014/15, including Spring Creek critical links projects \$617,000, Black Spots program \$162,000, Anglesea Transfer Station gatehouse replacement \$138,000, the 2nd oval at the Torquay North Community and Civic Precinct \$100,000, the Gherang Gravel Pits site remediation \$95,000 and increased budget for the Eastern Land reserve purchase \$150,000.

Partially offsetting this variance was:

- Projects with a reduced scope of works, including the Playground Strategy Implementation \$353,000, and the Anglesea Cell 3 Liner (stage B) \$207,000
- Carried forward capital works to next year, including CCP Playzone Banyul \$364,000, South Beach Road, Surf Coast Highway intersection \$385,000 and Jan Juc Creek Daylighting \$304,000.

The year to date new initiatives is \$947,000 which is \$78,000 behind forecast.

The full year new initiatives program is \$2,402,000, which is \$492,000 higher than the adopted budget. This variance is mainly due to:

- Carried forward new initiatives from last year, including the Municipal Emergency Resourcing Program \$95,000 and Great Ocean Road Vegetation management \$60,000
- Additional projects for 2014/15, including the Growing Winchelsea place making strategy \$125,000
- Projects with increased budgets including Surf Lifesaving clubs policy development \$75,000; Municipal Emergency Resourcing Program \$54,000 and Open Space Strategy Review \$30,000

Partially offsetting this variance was:

- Carried forwards new initiatives to next year, including Regional Motor Cycle Facility \$90,000 and VASP adaption plan and risk register \$45,000
- Projects with reduced scope of works, including VASP adaption plan and risk register \$20,000

1.4 Financial position

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Cash and cash equivalents	22,445	24,176	(1,731) U		16,176	17,132	956 F
Net current assets (working capital)	27,739	27,402	337 F		4,448	8,253	3,805 F
Net assets and total equity	385,230	385,005	225 F		378,876	381,180	2,304 F

The financial position as at 31 March 2015 shows a cash balance of \$22,445,000, which is \$1,731,000 behind forecast. Net assets and total equity is \$385,230,000, which is \$225,000 ahead of forecast.

The full year cash and cash equivalents balance is \$17,134,000, which is \$958,000 higher than budget.

The full year net assets and total equity as at 30 June 2015 is \$381,180,000, which is \$2,304,000 higher than the adopted budget. This is mainly due to:

- Higher cash and cash equivalents \$956,000, mainly due to higher revenue from government grants and payments \$1,005,000, proceeds from the sale of Council owned land \$620,000, lower payments to suppliers \$935,000, partially offset by higher payments to for property, plant and equipment \$762,000, and lower receipts from customers \$1,080,000.
- Higher land held for resale \$430,000 due to land sales carried forward from last year
- Higher non-current provisions \$608,000 mainly due to a higher opening balance as at 01 July 2014 than budgeted.
- Lower trade and other payables due to lower opening balance as at 01 July 2014 reflecting the deferral of land purchases awaiting Council approval.
- Lower Property, Plant and Equipment due to lower opening balance as at 01 July 2014.

2. Financial Analysis

2.1 Operating performance

2.1.1 Operating revenue

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Revenues						
Rates and charges	42,819	42,761	58 F	42,535	42,761	226 F
Operating grants	5,286	5,259	27 F	6,486	6,960	474 F
Capital grants	3,147	3,119	28 F	2,244	3,996	1,752 F
Contributions	2,031	1,823	208 F	2,533	2,589	56 F
Interest	549	535	14 F	823	741	(82) U
User charges	4,652	4,638	14 F	5,683	5,767	84 F
Statutory fees	467	444	23 F	608	537	(71) U
Total operating revenue	58,951	58,579	372 F	60,911	63,350	2,439 F
Net gain (loss) on disposal of property infrastructure, plant and equipment	85	585	(500) U	586	775	189 F
Granted assets	-	-	-	2,902	2,902	-
Total revenue	59,036	59,164	(128) U	64,400	67,028	2,628 F

2.1.2 Major operating revenue variances

	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Rates and Charges		58	226
Rates	P		254
Rates General	P	89	201
Rates Commercial/Tourism	P		61
Vacant Land Rate	P	(54)	(89)
Operating Grants		27	474
Jan Juc Kindergarten	P		134
Municipal Emergency Resourcing Program	T		54
Victorian Adaption & Sustainability Partnership	P		(60)
Capital Grants		28	1,752
Lorne Visitor Centre extension	LR		557
Mount Moriac Res Master Plan - Stage 1	LR		65
Anglesea Cell 3 Liner - Stage A	LR		500
Anglesea Football Pavilion Redevelopment	LR		100
Torquay North Community Precinct Soccer Pitch	P		100
Anglesea Transfer Station Upgrade Stg 2	P		200
CCP Playzone Banyul	T		(150)
Torq Nth Early Learning Centre Design	P		(220)
Spring Creek Pathway	P		450
Black Spot Projects	P		162
Anglesea Bowling Club Synthetic Green	P		50
Contributions / Grants		208	56
Contributions & Recoupments	LR		409
Family Day Care Services	P		63
Surf Lifesaving clubs policy development	P		75
Torquay Jan Juc Developer Contributions Plan	P	215	(341)
Interest		14	(82)
Interest Charges Debtors	P		(64)
User Charges		14	84
Internal Tipping Fees Revenue	T	97	(106)
Kindergarten Program Fees	T		153
Visitor Information Centre/Surfworld Museum Sales	T		51
Sundry Fees & Charges	P		(79)
Debt Collection	T	56	
Statutory Fees		23	(71)
Net gain (loss) on disposal of property infrastructure, plant and equipment		(500)	189
Proceeds from Sale of Heavy Plant	P	(122)	(59)
Proceeds from Sale of Light Fleet	T		(99)
Proceeds from Sale of Land and Buildings	LR	(343)	620
Asset Sales Proceeds	T		163
WDV of Heavy Plant Sold	P		70
WDV of Light Fleet Sold	T		93
WDV of Land Sold	LR		(431)
WDV of Plant & Equipment	T		(200)

Note: Var T = Timing P = Permanent R = Rollover 2015/16 LR = Rollover from 2013/14

2.1.3 Operating expenses

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Expenses							
Employee benefits	17,478	17,601	(123) F		24,231	23,942	(289) F
Materials and services	13,699	13,902	(203) F		23,563	24,017	454 U
Bad and doubtful debts	69	69	- F		62	69	7 U
Finance costs	861	861	- F		1,159	1,150	(9) F
Depreciation	7,826	7,852	(26) F		10,516	10,480	(36) F
Asset write offs	136	136	- F		1,409	1,409	- F
Total operating expenses	40,069	40,421	(352) F		60,940	61,067	127 U

2.1.4 Major operating expense variances

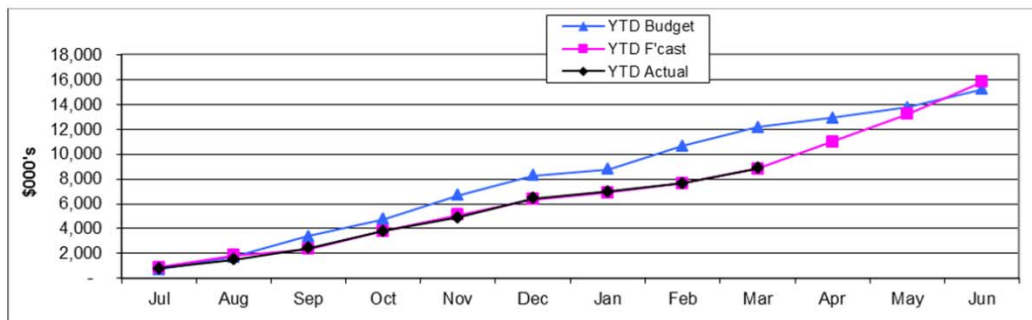
	Var	YTD (unfav) \$'000's	FY (unfav) \$'000's
Employee Benefits		123	289
Wages and Oncosts	T	120	
Wages	P		162
Wages OT	T		81
Apprenticeships / Traineeships	T		76
Oncost Recovery	T		(64)
Materials & Services		203	(454)
Expenses Capital Works	P		673
Contract Labour	P		(334)
Contract Services	P		(192)
Tendered Contract Services	T	102	(130)
Consultants - General	LR	57	(186)
Consultants - Accounting / Audit	P		(96)
Consultants - Legal	T		(97)
Grants / Contributions	T		73
Miscellaneous	LR		(87)

Note: Var T = Timing P = Permanent R = Rollover 2015/16 LR = Rollover from 2013/14

2.2 Capital works performance

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000	
Capital works								
Information Technology	309	334	(25) F		340	358	18	U
Roads and Streets Special Projects	387	380	7 U		400	431	31	U
Parks and Reserves Special Projects	25	25	-		60	60	-	
Asset Preservation	2,689	2,675	15 U		3,670	3,674	4	U
Community Buildings	715	712	3 U		1,624	1,793	169	U
Gravel Pits	95	95	-		-	95	95	U
Drainage	44	44	-		250	312	62	U
Recreation Facilities	1,293	1,313	(20) F		2,369	2,742	373	U
Special Capex Projects	6	6	-		445	464	19	U
Transport	1,340	1,325	15 U		2,928	2,684	(244)	F
Waste Management	1,107	1,083	24 U		1,716	1,718	2	U
Infrastructure Development Special Projects	58	58	1 U		-	58	58	U
Fleet Replacement	784	784	-		1,391	1,391	-	
Total capital works	8,852	8,833	19 U		15,192	15,780	588	U

2.2.1 Capital works YTD & budget expenditure cumulative



Capital Projects - not subject to special charge schemes	Adopted Budget \$'000	Revised Forecast \$'000	YTD Actual \$'000
Completed or expected to be delivered in 2014/15	13,568	14,943	8,536
May not be delivered in 2014/15	930	468	54
Will not be delivered in 2014/15 or to be carried forward to 2015/16	470	138	35

Capital Projects - subject to special charge schemes	Adopted Budget \$'000	Revised Forecast \$'000	YTD Actual \$'000
Completed or expected to be delivered in 2014/15	224	231	227
May not be delivered in 2014/15	-	-	-
Will not be delivered in 2014/15 or to be carried forward to 2015/16	-	-	-

Major capital works variances

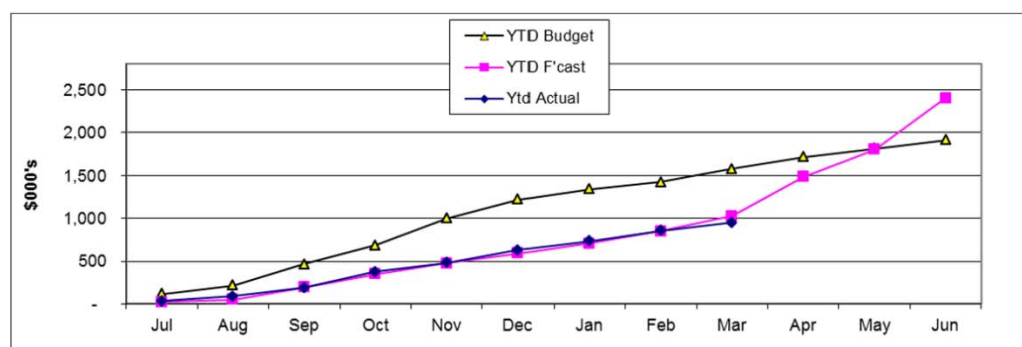
	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Information Technology		(25)	18
Roads & Streets Special Projects		7	31
Asset Preservation		15	4
Playground Equipment Renewal			(58)
Community Buildings		3	169
CCP Standby Generator	P		(200)
Mt Moriac Depot rehabilitation	P		54
Great Ocean Road Heritage Centre	LR		(154)
Mt Moriac Reserve Pavillion Redevelopment	P		(80)
Torq Nth Early Learning Centre Design	P		400
Gravel Pits			95
Gherang Gravel Pits - Site clean up	LR		(95)
Drainage			62
Jan Juc Creek Daylighting	T		(70)
Recreation Facilities		(20)	373
Community & Civic Precinct Recreation Facilities	P		138
Open Space & Build Future Project Design			50
Playground Strategy Implementation	P		374
Aireys Inlet Skate Park Upgrade	P		(144)
Torquay Spring Creek Reserve - Aurora Cr	LR		(70)
Community & Civic Precinct Playzone Banyul	R		200
Merrans Nature Res land purch & design	P		64
Spring Valley Play Space & Car Park	P		(334)
Spring Creeek fishing platforms	P		(105)
Spring Creek Rec Reserve Play Space	P		(136)
Spring Creek design and ancillary works	P		(95)
Spring Creek Pathway	P		62
CCP Grenville Oval	P		(100)
Special Projects			19
Transport		15	(244)
Aireys Inlet Painkalac Creek Pathway	P		60
Pollocksford Rd Widening - South	P		575
Lorne Swing Bridge pathway			65
Pollocksford Rd Widening - North	P		(622)
South Beach Rd/Surfcoast Hwy Intersectio	R		385
Black Spot Projects	P		(162)
Waste Management		24	2
Anglesea Transfer Station Gatehouse Repl	P		(111)
Anglesea Cell 3 Liner - stage B	R		93
Anglesea Transfer Station Upgrade Stage 2	P	(67)	(135)
Anglesea Groundwater Bore Installation	P		50
Infrastructure Development Special Projects		(1)	58
Shopping Centre Refurbishment Program	T		(58)

Note: Var T = Timing P = Permanent R = Rollover 2015/16 LR = Rollover from 2013/14

2.3 New Initiatives expenditure performance

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000		Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000	
New Initiatives								
Corporate	13	15	(2) F		36	37	1	U
Planning & Environment	547	578	(31) F		1,167	1,534	367	U
Community	365	373	(8) F		628	748	120	U
Infrastructure	21	59	(38) F		80	83	3	U
Total new initiatives	947	1,025	(78) F		1,910	2,402	492	U

2.3.1 New initiatives YTD & budget cumulative



New Initiatives	Adopted Budget \$'000	Revised Forecast \$'000	YTD Actual \$'000
Completed or expected to be delivered in 2014/15	1,711	2,302	936
May not be delivered in 2014/15	25	25	10
Will not be delivered in 2014/15 or to be carried forward to 2015/16	174	75	1

2.3.2 Major new initiatives variances

	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Planning & Environment		31	(367)
Planning & Development		19	(211)
Great Ocean Road Vegetation Management P	LR		(60)
Growing Winchelsea Placemaking Strategy	LR		(123)
Spring Creek Urban Growth Area	P		(36)
Aireys to Easter View Struc Plan review	P		(45)
Environment & Community Safety		8	(94)
Climate Change Action Program	P		44
Municipal Emergency Resourcing Program	P		(149)
Grass Tree Park Restoration Works	P		(22)
VASP Adaption Plan & Risk Register	R		65
Economic Development		5	(59)
Tourism strategy and marketing	P		50
Market Sounding Torquay	P		(20)
ANSM Rebrand Project	P		(20)
Community		8	(120)
Leisure and Wellbeing		4	55
Regional Motor Cycle Facility Contrib	R		90
Surf Lifesaving clubs policy development	P		(75)
Open space strategy review	P		(30)
Aireys Inlet community resrv feasibility	P		20
Aged & Family Services		5	(103)
HACC Bushfire Heatwave Preparation	P		(26)
Torquay North Family & Childrens Hub Planning	LR		(25)
HACC Cafe Style Support	P		(29)
Infrastructure Total		38	(3)
Torquay NW Stormwater MasterPlan	T	30	

Note: Var T = Timing P = Permanent R = Rollover to 2015/16 LR = Rollover from 2013/14

2.4 Financial Position

2.4.1 Major balance sheet YTD variances

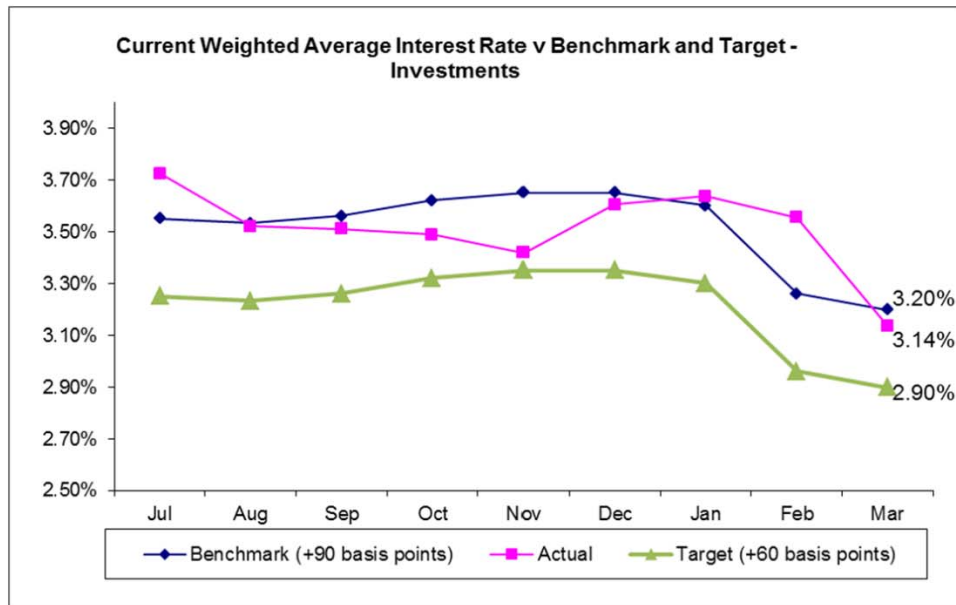
	Var	YTD (unfav) \$000's	FY (unfav) \$000's
Current Assets		(1,904)	2,799
Cash & Cash Equivalents	P	(1,731)	958
Trade and Other Receivables	P	(173)	1,414
Land Held for Resale	P		430
Non Current Assets		(114)	(1,310)
Trade and Other Receivables	T	(165)	1,314
Property Plant & Equipment, Infrastructure	P	51	(2,634)
Current Liabilities		2,242	(1,007)
Trade and Other Payables	P	2,248	(923)
Interest Bearing Liabilities	P		(208)
Trust Funds and Deposits	P		169
Non Current Liabilities		2	864
Provisions	P		608
Interest Bearing Liabilities	P		256
Equity		225	1,631
Accumulated Surplus	P	(78)	1,904
Assets Revaluation Reserve	P		(655)
Other Reserves	P	303	382

Note: Var T = Timing P = Permanent

2.4.2 Cash and Investments (including long term investments)

Available Funds:	\$000's
Total Investments	23,819
Cash at Bank and cash on hand	126
Total Cash and Investments	23,945

Represented by:	
Legislative Reserve	
Main Drainage	216
Open Space Development	1,402
Aireys Inlet Aged Units	337
Total Legislative Reserves	1,955
Policy Reserves	
Waste Reserve	4,832
Plant Replacement Reserve	982
Developer Contribution Reserve (DCP)	3,701
Gherang Gravel Pits Reserve	1,226
Asset Development Reserve	60
Total Policy Reserves	10,801
Unrestricted Cash and Investments	11,189
Total Cash and Investments	23,945



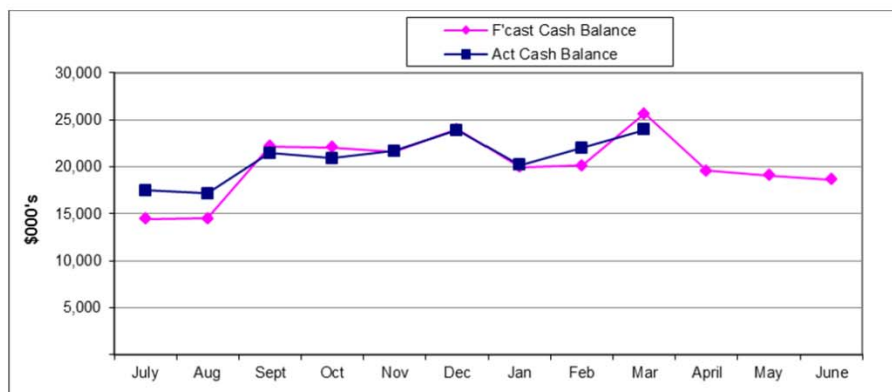
Current

Weighted Interest Rate is the weighted average interest rate of investments at the end of each month.

The **Benchmark** is calculated using BBSW 90 days + 90bps (Bank Bill Swap Rate for 90 days as published by the Reserve Bank plus 90 basis points).

The **Target** is calculated using BBSW 90 days + 60bps.

Interest Rate Update: at its meeting on Tuesday 7 April the Reserve Bank of Australia maintained official interest rates @ 2.25%. The term deposit market remains flat in the wake of weak economic data and consumer sentiment. The latest NAB Wealth Survey (<http://business.nab.com.au/economic-commentary>) shows that the most popular investment choice for consumers in the current market is to pay off debt. The downstream effect of this is that banking institutions will be holding more cash and appetite for deposits will remain low.



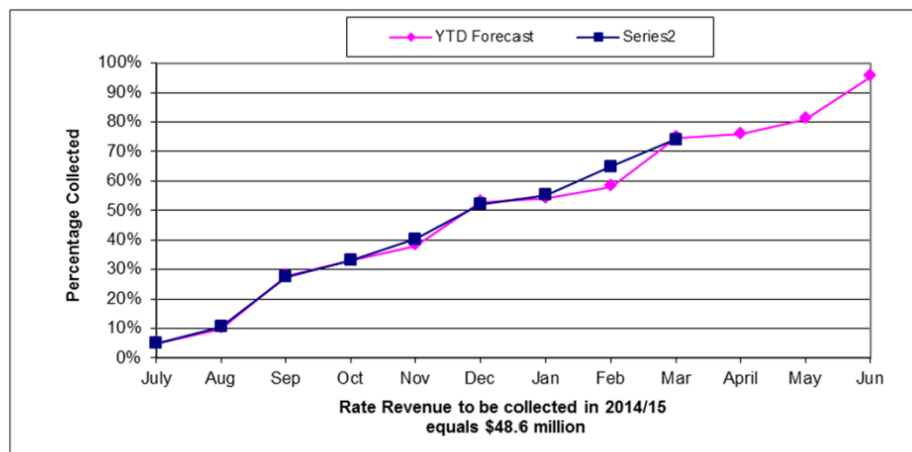
2.4.3 Rates and Charges Collection

Rates collection as at 31 March 2015

Current Rates Outstanding	2014/15 \$000's
Balance brought forward (including interest) - Arrears	1,758
General rates, municipal and garbage charges	42,478
Fire Services Property Levy (collected on behalf of State Revenue Office)	4,327
Supplementary assessments	415
Interest	123
Less pensioner rebates	(507)
To be collected	48,594
Collected	(35,978)
Percentage collected to date	74%
Balance outstanding	12,616
Forecast balance outstanding at 30 June 2015	2,000

Note: \$1,191,000 (68%) of the arrears at the beginning of the year has been subsequently collected.

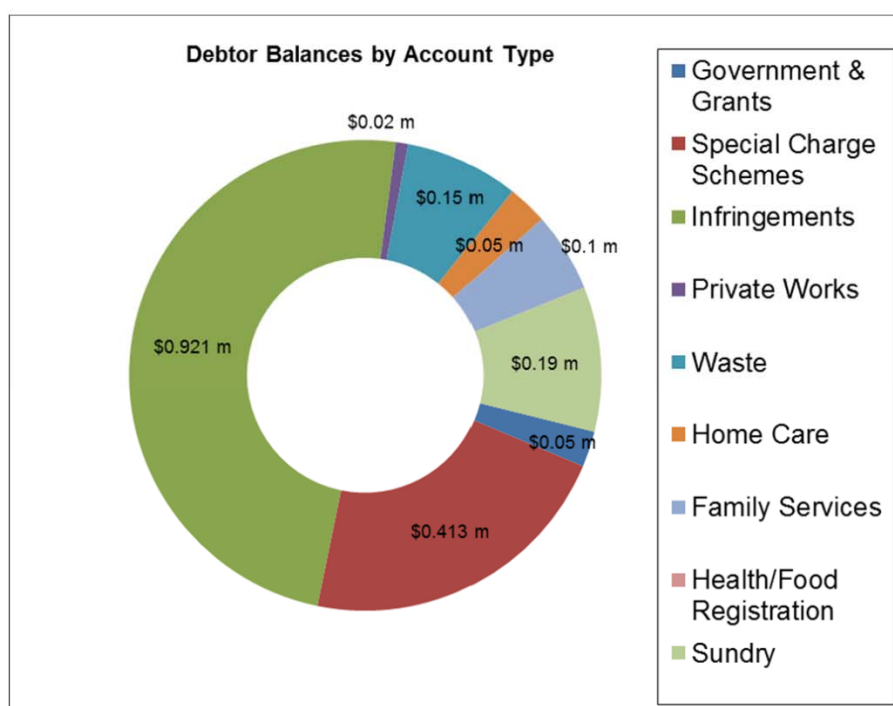
Actual & budget rates received percentage



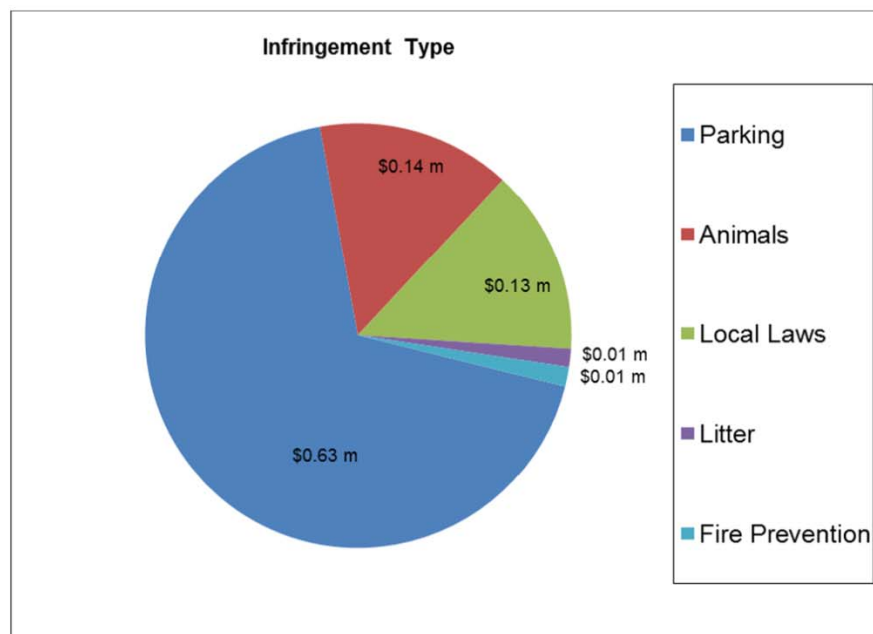
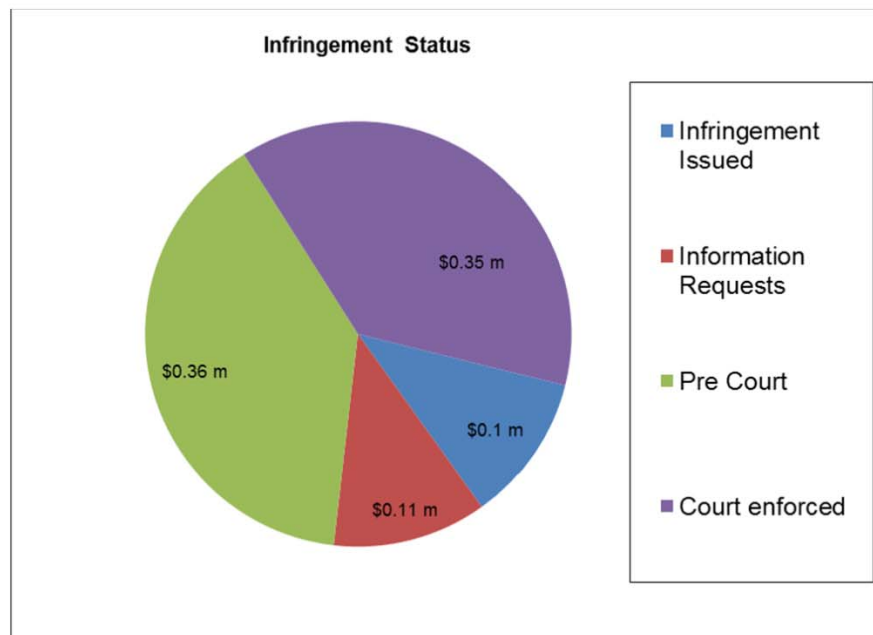
2.4.4 Non Rate Debtors and Infringements

An aged trial balance of debtors at month end is summarised below:

Category	February 2015 \$'000	March 2015 \$'000
Current	444	369
>30 days	159	97
>60 days	32	4
>90 days	64	80
Sundry Debtors	699	551
Special Charge Scheme Debtors	424	413
Infringement Debtors	922	921
Total	2,045	1,885

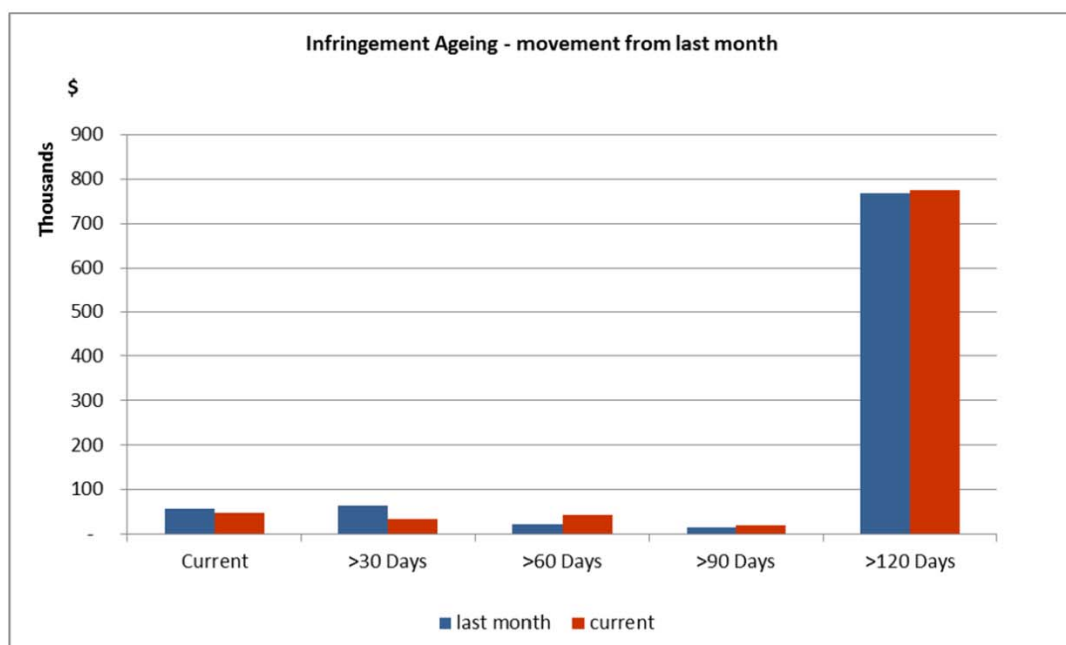
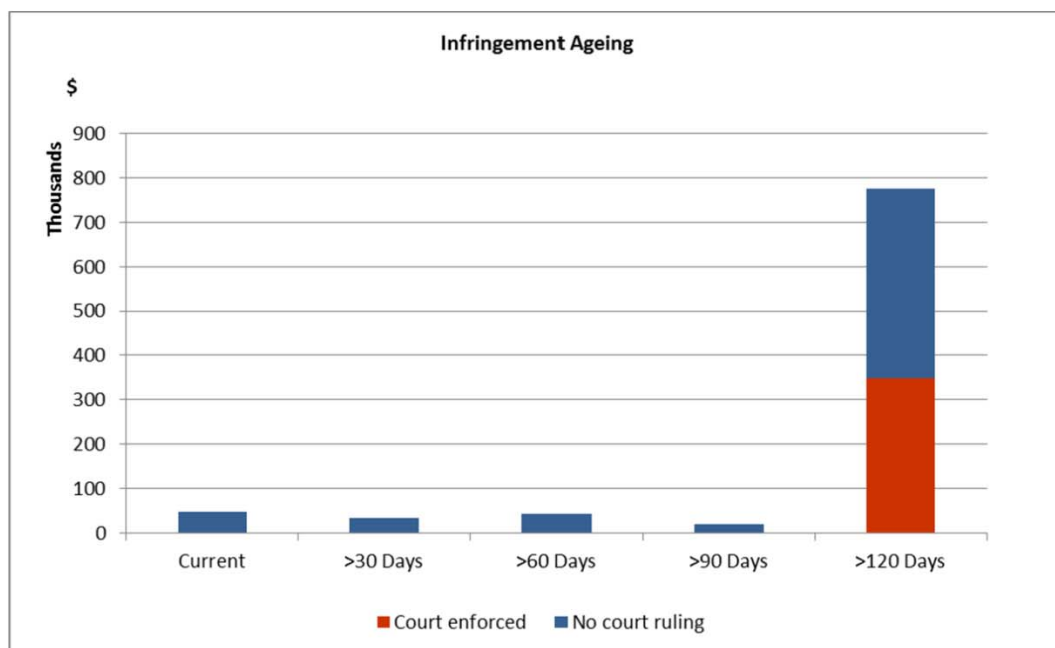


Infringement Debtors



There have been 331 infringement notices withdrawn year to date at a value of \$40,000. 321 of the withdrawn notices relate to parking infringements, and 10 relate to animal infringements.

A total of 4,487 infringement notices have been issued year to date at a value of \$508,424. Council budgeted \$532,000 in infringement revenue for 2014/15.

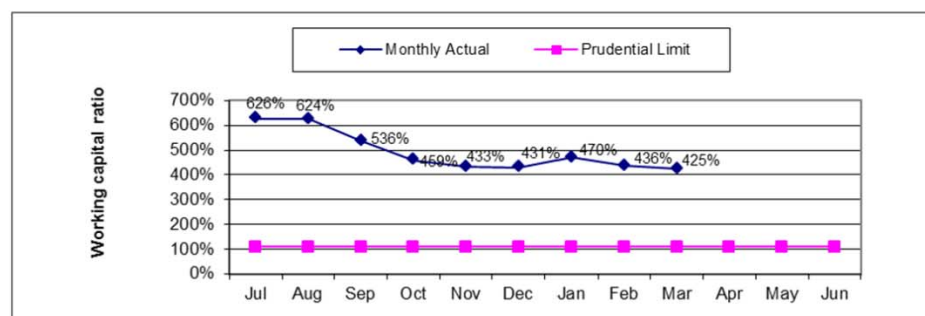


Note: Infringements >120 Days with no court ruling may be due to:

- Court capacity to process cases
- Information requests from courts/customers
- Summons preparation in progress
- Information requests sent to Vic Roads awaiting reply

2.4.5 Working Capital

	March YTD Actual \$'000	March YTD Forecast \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Prudential limit
Current assets	36,282	38,186	19,486	22,285	
Current liabilities	8,543	10,785	15,039	14,032	
Net current assets	27,739	27,402	4,448	8,253	
Working capital ratio	425%	354%	130%	159%	110%

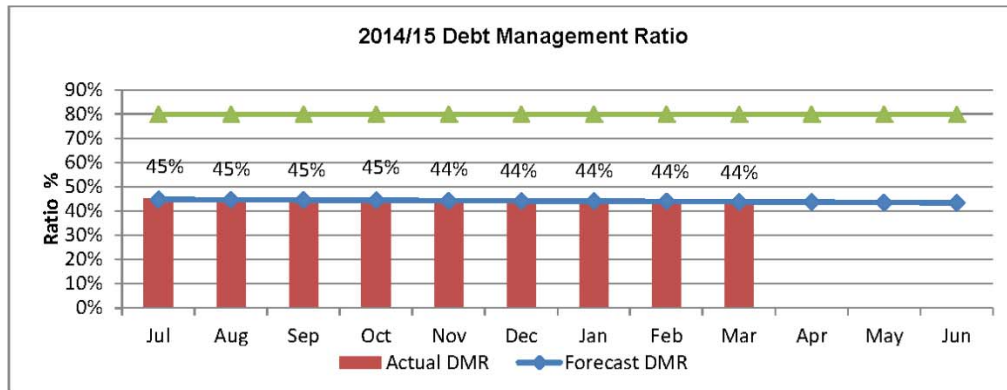


Prudential limit:

Working capital ratio (Current Assets/Current Liabilities) 110%

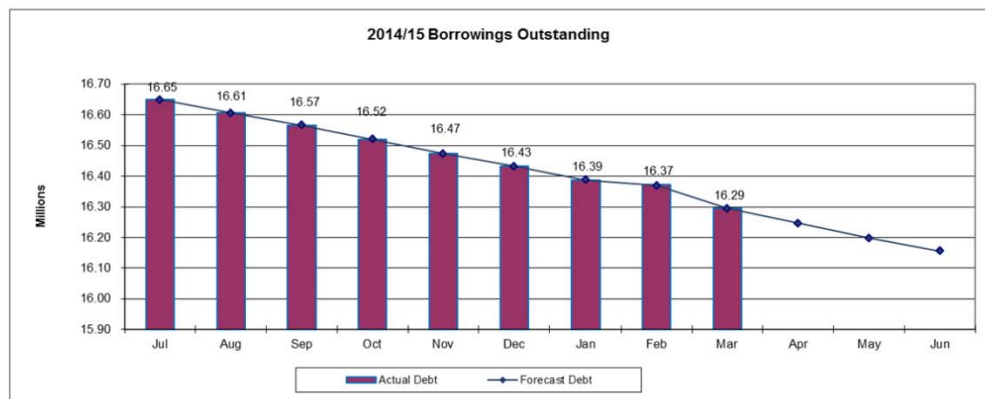
2.4.6 Borrowings

	YTD Actual \$'000	YTD Forecast \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Prudential limit
Debt management ratio (Total Debt/Rate Rev)	44%	44%	44%	43%	80%
Debt commitment ratio (Principal & Int/Rate Rev)	4.58%	4.58%	4.61%	4.57%	N/A
Debt servicing ratio (Loan Int/Total Rev)	1.82%	1.82%	1.90%	1.82%	5%



Loan Details

Loan ID	Principal \$m	Loan Term	Maturity Date	Balance \$m	Interest Details
Loan 1	7.00	20 years	21/06/2030	6.14	Fixed - 10 years @ 7.49%, 10 years @ 7.15%
Loan 2	5.26	20 years	29/06/2031	4.76	Fixed - 10 years @ 7.31%, 10 years @ 7.15%
Loan 3	5.87	20 years	29/12/2013	5.34	Fixed - 10 years @ 6.31%, option to repay or refinance on 29/12/2021
Loan 4	0.08	10 years	31/05/2021	0.05	Fixed - 10 years @ 6.50%
				<u>16.29</u>	



2.4.7 Financial Sustainability Indicators

Indicator	VAGO Target	Budget 2014/15	Forecast 2014/15	Var to VAGO Target	Trend over next 3 years
Self Financing % ¹	> 20%	20%	21%	-	Consistent
Indebtedness % ²	< 40%	53%	54%	U	Favourable
Adjusted Indebtedness % ^{2a}	< 40%	-	44%	U	Favourable
Capital Replacement ³ (5 years to June 14)	> 1.5	2.1	2.1	F	Unfavourable
Renewal Gap ⁴ (5 years to June 14)	> 1.0	0.8	0.8	U	Consistent
Underlying Result % ⁵ (5 years to June 14)	> 0%	5%	5%	F	Favourable
Liquidity ⁶ (5 years to June 14)	>1.5	1.3	1.6	F	Favourable

1. Self Financing

Self Financing indicates if Council is generating sufficient operating cash flows to invest in asset renewal and repay debt that may have been incurred in the past, by comparing net operating cash flows to underlying revenue. *This is an annual measure (calculated over 12 months)*

2. Indebtedness

Indebtedness is a measure to indicate if Council is overly reliant on debt to fund capital programs, by comparing non-current liabilities to own-source revenue. This indicator should be reviewed in conjunction with available working capital. The non current liabilities number reported for Council is inflated by \$9.2m of provisions held for landfill rehabilitation, of which \$6.0m is cash backed. *This is an annual measure (calculated over 12 months)*

2. Adjusted Indebtedness

The Adjusted Indebtedness measure reflects the above ratio excluding the cash reserves held for landfill rehabilitation.

3. Capital Replacement

Capital replacement (also known as "Investment Gap") indicates whether Council is replacing assets at a rate consistent with their consumption by comparing the rate of spending on assets to depreciation. *This is an annual measure, but reported as a rolling average to show long term trend Over the previous 5 year period.*

4. Renewal Gap

The Renewal Gap indicates whether Council has been maintaining existing assets at a consistent rate by comparing renewal and upgrade expenditure to depreciation. *This is an annual measure, but reported as a rolling average to show long term trend Over the previous 5 year period.*

5. Underlying Result

The Underlying Result indicates whether Council is generating enough revenue to cover operating costs (including the cost of replacing assets, and is reflected in the depreciation expense) by comparing an adjusted net surplus to total underlying revenue. *This is an annual measure, but reported as a rolling average to show long term trend Over the previous 5 year period.*

6. Liquidity

Liquidity measures the ability to pay existing liabilities in the next 12 months *This is an annual measure (calculated over 12 months)*

Comments: The Capital Replacement indicator is forecast to remain above the VAGO target in 2013/14 and decrease below the target by 2015/16 based on the ten year Capital Works Program. This is mainly due to the significant level of spending on new infrastructure in the five years prior to 2014/15. The Indebtedness ratio has increased above the VAGO target due to recognition of future liability to rehabilitate the landfill at Anglesea to EPA standards. Council has forecast the scope of the rehabilitation project and subsequently increased the provision by \$4.6 million in 2013/14

3. Appendix A Financial Statements

SURF COAST SHIRE

Income Statement

For the 9 months ended 31 March 2015

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Revenues from ordinary activities						
Rates and charges	42,819	42,761	58	42,535	42,761	226
Operating grants	5,286	5,259	27	6,486	6,960	474
Capital grants	3,147	3,119	28	2,244	3,996	1,752
Contributions	2,031	1,823	208	2,533	2,589	56
Interest	549	535	14	823	741	(82)
User charges	4,652	4,638	14	5,683	5,767	84
Statutory fees	467	444	23	608	537	(71)
Total revenues	58,951	58,579	372	60,911	63,351	2,440
Expenses from ordinary activities						
Employee benefits	17,478	17,601	123	24,231	23,942	(289)
Materials and services	13,699	13,902	203	23,563	24,017	454
Bad and doubtful debts	69	69	-	62	69	7
Finance costs	861	861	-	1,159	1,150	(9)
Depreciation	7,826	7,852	26	10,516	10,480	(36)
Asset write offs	136	136	-	1,409	1,409	-
Landfill rehabilitation works	-	-	-	-	-	-
Total expenses	40,069	40,421	352	60,940	61,067	127
Net gain (loss) on disposal of property infrastructure, plant and equipment	85	585	(500)	586	775	189
Granted assets	-	-	-	2,902	2,902	-
Net surplus/(deficit)	18,967	18,743	224	3,458	5,961	2,503

SURF COAST SHIRE

Balance Sheet

As at 31 March 2015

	March YTD Actual \$'000	March YTD Forecast \$'000	March YTD Variance \$'000	Adopted Budget \$'000	Revised Forecast \$'000	Full Year Variance \$'000
Current assets						
Cash & cash equivalents	22,445	24,176	(1,731)	16,176	17,134	958
Trade and other receivables	13,104	13,277	(173)	3,004	4,418	1,414
Inventories	303	303	-	306	303	(3)
Land held for resale	430	430	-	-	430	430
Total current assets	36,282	38,186	(1,904)	19,486	22,285	2,799
Non current assets						
Trade and other receivables	415	580	(165)	460	1,774	1,314
Investments	1,500	1,500	-	1,500	1,500	-
Property plant & equipment, infrastructure	385,147	385,096	51	398,294	396,334	(1,960)
Investment in library	589	589	-	580	589	9
Total non current assets	387,651	387,765	(114)	400,834	400,197	(637)
Total assets	423,933	425,951	(2,018)	420,320	422,481	2,161
Current liabilities						
Trade and other payables	1,910	4,158	2,248	5,409	4,486	(923)
Provisions	4,793	4,771	(22)	7,808	7,763	(45)
Interest bearing liabilities	730	730	-	792	584	(208)
Trust funds and deposits	1,110	1,126	16	1,030	1,199	169
Total current liabilities	8,543	10,785	2,242	15,039	14,032	(1,007)
Non current liabilities						
Trade and other payables	-	-	-	-	-	-
Provisions	14,594	14,596	2	11,096	11,704	608
Interest bearing liabilities	15,565	15,565	-	15,309	15,565	256
Total non current liabilities	30,159	30,161	2	26,405	27,269	864
Total liabilities	38,702	40,946	2,244	41,444	41,301	(143)
Net assets	385,230	385,005	225	378,876	381,180	2,304
Equity						
Accumulated surplus	193,972	194,388	(416)	178,071	180,648	2,577
Assets revaluation reserve	178,488	178,488	-	188,100	187,445	(655)
Other reserves	12,770	12,129	641	12,705	13,087	382
Total equity	385,230	385,005	225	378,876	381,180	2,304

SURF COAST SHIRE
Cash Flow Statement
For the 9 months ended 31 March 2015

	<i>March YTD Actual \$'000</i>	<i>March YTD Forecast \$'000</i>	<i>March YTD Variance \$'000</i>	<i>Adopted Budget \$'000</i>	<i>Revised Forecast \$'000</i>	<i>Full Year Variance \$'000</i>
Cash flow from operating activities						
Receipts from customers	40,285	40,156	129	51,487	50,407	(1,080)
Payments to suppliers	(16,165)	(14,121)	(2,044)	(25,118)	(24,183)	935
Payments to employees	(17,502)	(17,601)	99	(23,667)	(23,568)	99
	6,618	8,434	(1,816)	2,702	2,657	(46)
Interest received	549	535	14	823	741	(82)
Government receipts	8,455	7,888	567	8,863	9,868	1,005
Net cash inflow/ (outflow) from operating activities	15,622	16,857	(1,235)	12,388	13,266	877
Cash Flows from investing activities						
Payments for property, plant, equipment & infrastructure	(8,852)	(8,833)	(19)	(11,947)	(12,709)	(762)
Proceeds from sale of property, plant & equipment	285	747	(462)	912	1,532	620
Net cash inflow/ (outflow) from investing activities	(8,567)	(8,086)	(481)	(11,035)	(11,177)	(142)
Cash flows from financing activities						
Deposits received/refunded	(89)	(73)	(16)	-	-	-
Debt servicing	(861)	(861)	-	(1,159)	(1,150)	9
Proceeds from interest bearing loans and borrowings	-	-	-	-	-	-
Repayment of interest bearing loans and borrowings	(403)	(403)	-	(542)	(549)	-
Net cash inflow/ (outflow) from financing activities	(1,353)	(1,337)	(16)	(1,701)	(1,699)	-
Net increase (decrease) in cash held	5,702	7,433	(1,731)	(348)	389	737
Cash at the beginning of the period	16,743	16,743	-	16,524	16,743	219
Cash at the end of the period	22,445	24,176	(1,731)	16,176	17,132	956

Appendix B Capital Expenditure

Status	Projects	Adopted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
—	IT Capital Works Program					
—	IT Equipment Purchases	340,000	358,787	308,945	25%	Program underway will go through to June 2015
—	Roads & Streets					
—	Pavement Crack Sealing	20,000	19,834	19,834	100%	Works Completed
—	Intersection Sealing	30,000	31,810	33,173	100%	Complete
—	Kerb & Channel Renewal	80,000	123,413	127,570	100%	Complete
—	Bridge Renewal	80,000	80,000	42,287	55%	Program underway. Expect to be completed April 2015
—	Tree Trimming Pre-Reseal	80,000	80,200	75,162	95%	Works underway, to be completed by end of May 2015
—	Footpath Renewal	80,000	66,180	66,180	100%	Completed
—	Stairways & Retaining Structures Renewal	30,000	30,000	22,601	75%	Expect to be completed June 2015
—	Parks & Reserves					
—	Oval Renewal	60,000	60,000	24,944	25%	Quote accepted. Expect completion May 2015
—	Asset Preservation					
—	Unsealed Road Renewal	900,000	870,000	626,824	75%	Expect to be completed April 2015
—	Sealed Road Renewal	1,375,000	1,358,848	1,189,347	90%	Works underway. Expect to be completed May 2015
—	Road Safety Program	230,000	230,000	86,216	35%	Program underway. Expect to be completed June 2015
—	Bus Shelter Program	20,000	20,000	0	0%	Program underway. Expect to be completed May 2015
—	Building Renewal	500,000	520,381	456,808	90%	Program underway. Expect to be completed June 2015
—	Park Furniture Renewal	200,000	200,000	79,478	40%	Program underway. Expect to be completed June 2015
—	Playground Equipment Renewal	0	58,373	58,373	100%	Program completed.
—	Tennis/Netball Courts Renewal	40,000	41,201	3,553	50%	Works complete. Payment has been withheld as rectification works to be undertaken. Expect to be completed May 2015
—	Fencing Renewal	50,000	40,000	28,117	70%	Program underway. Expect to be completed June 2015
—	Street Lighting Renewal	15,000	15,000	8,420	55%	Program underway. Expect to be completed May 2015
—	Drainage Renewal Program	200,000	186,187	102,128	55%	Program underway. Expect to be completed June 2015
—	Nature Reserve Renewal	30,000	30,000	18,114	60%	Program underway. Expect to be completed June 2015
—	Bike Park Renewal	25,000	25,000	8,733	30%	Program underway. Expect to be completed May 2015
—	Sports Lighting Renewal	25,000	11,964	11,964	100%	Completed
—	Irrigation System Renewal	60,000	67,000	11,314	20%	Program underway. Expect to be completed April 2015
—	Periodic Capex					
—	Replacement of Heavy Plant	911,000	911,000	462,181	50%	Replacement program progressing as scheduled. Expect to be completed June 2015
—	Replacement of Light Fleet	480,000	480,000	321,786	70%	Replacement program to be completed June 2015
—	Community Buildings					
—	Shopping Centre Refurbishment Program	0	57,513	58,352	100%	Complete
—	Building Facility Signage	20,000	20,000	10,910	55%	Program commenced. Expect to be completed May 2015
—	Mt Moriac Depot Rehabilitation - Stage 1	300,000	246,346	146,203	60%	Removal of contamination underway. Site to be prepared for sale in 2015/2016. Expect to be completed June 2015
—	Great Ocean Road Heritage Centre	100,000	253,697	253,697	100%	Complete
—	Mt Moriac Res Pavillion Redevelopment	0	80,037	80,037	100%	Project completed.
—	Anglesea Kindergarten Design	0	40,000	7,150	40%	Design to be completed in April 2015. Contract to be advertised in May 2015.
—	Office Furniture	0	4,060	5,154	70%	Additional item on order. To be completed April 2015
●	Eastern Reserve Land Purchase	465,000	615,000	0	0%	
●	Torquay Depot - Stage 2	0	64	64	100%	Project completed.
●	Bellbrae Old Tennis Club Toilet	5,000	9,000	6,520	70%	Toilet purchased. Works to be completed by end of May 2015
●	Anglesea Bowls Club Upgrade	25,000	0	0	0%	Rollover to 2015-16
●	Sale of Land - Kooronga Place, Torquay	0	15,072	4,871	70%	Settlement expected in April
●	Winchelsea VIC Entrance Modifications	0	25,000	1,450	5%	Works to commence April 2015. Expect to be completed May 2015
●	Lorne Mens Shed	90,000	90,000	2,340	5%	Scope and costs being reviewed. Expect to be completed June 2015 but may be rolled over.
●	Torquay Price St Precinct Plan Implement	30,000	45,909	18,465	40%	Shed ordered. Installation expected for completion April 2015. Landscaping works to be undertaken in May 2015
●	Surf Coast Sport & Recreation Centre	39,000	39,000	827	0%	Expect to be completed May 2015
●	Torquay Early Learning Centre Design	550,000	150,000	0	0%	Awaiting confirmation on funding model. Design process to commence in April/May 2015 and continue into 2015/16
●	CCP Standby Generator	0	200,000	184,417	95%	Generator installation completed. Minor outstanding
●	Gravel Pits					
●	Gherang Gravel Pits - Site Remediation	0	94,830	94,830	100%	Project completed.

Status	Projects	Adopted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
	Drainage					
—	Anglesea Catchment Upgrade	0	13,495	13,495	100%	Complete
—	West Coast Business Park Drainage Works	93,000	93,000	0	0%	Legal agreement being finalised. Agreement expected to be signed May 2015
—	Torquay Catchment Upgrade (Fisher St) - Stage 1	0	276	276	100%	Project completed.
—	Dickens Road Flood Mitigation	80,000	58,275	8,275	5%	Roadside drainage and culvert works to be undertaken in May 2015.
—	Surfworld/Skatepark Catchment	77,000	77,000	0	0%	Design finalised and works to commence in May 2015.
	Recreation Facilities					
—	Torquay Deep Creek Master Plan	0	10,000	8,828	96%	Program underway. Expect to be completed May 2015
—	Community & Civic Precinct Recreation Facilities	139,611	1,449	1,449	100%	Project completed.
—	Open Space & Build Future Project Design	140,000	90,000	11,914	15%	Program underway. Expect to be completed June 2015
—	Playground Strategy Implementation	642,325	268,665	197,532	65%	Works completed at Bellbrae, Quay, Sarabande & Newling Reserve. Expect to be completed June 2015
—	Whites Beach Master Plan - Stage 2	0	47,355	43,903	95%	Physical works completed, notice board to be installed May 2015
—	Aireys Inlet Skate Park Upgrade	0	143,675	143,599	100%	Completed
—	Surf Coast Shire Town Parks Upgrade	130,000	169,982	43,750	20%	Whites Beach completed. Anglesea Lions Park work to be undertaken May/June. Planning for Bob Pettitt works to commence.
—	Lorne Stribling Reserve Drainage and Oval	0	13,636	13,636	100%	Project completed.
—	Bridge over Spring Creek to Aurora Cr	130,000	200,000	60,500	50%	Bridge has been installed. Awaiting decking. Works to be completed April 2015.
—	Jan Juc Bob Pettitt Reserve BMX Pump Track	10,000	10,000	0	0%	Planning for project to commence. Expect completion June 2015.
—	Moggs Creek Reserve Boardwalk improvement	0	32,856	32,856	100%	Complete
—	Connemara Riding Club showjumping arena	20,000	63,366	63,366	100%	Complete
—	Deep Creek linear reserve upgrade	10,000	0	0	0%	Transferred to Deep Creek Master Plan
—	Community & Civic Precinct Soccer Pitch	0	1,441	1,441	100%	Project completed.
—	Community & Civic Precinct Playzone Banyul	300,000	100,000	56,958	60%	Design and consultation underway. Construction to commence 2015/16.
—	Torquay Aurora Cres picnic area upgrade	43,000	0	0	100%	Reallocated to Aurora Cres Carpark & picnic Area.
—	Merrans Nature Res land purch & design	70,000	6,000	0	0%	To commence May 2015.
—	The Quay 1/2 court Basketball Court	15,000	15,000	2,067	15%	To be completed April 2015.
—	Newling Reserve Landscaping	8,000	8,000	0	0%	To commence April 2015.
—	Stribling Reserve Terraces	15,000	13,500	0	0%	Design underway. To be completed May 2015
—	Shared Path on Surf Coast Hwy at CCP	17,019	5,000	1,720	35%	Design has commenced. Design expect to be completed April 2015
—	Grass Tree Park Upgrade	22,000	0	0	0%	\$22,000 moved across to Env Unit 03158.8480.
—	Spring Valley Play Space & Car Park	0	333,700	16,266	5%	Design being finalised. Expect to be completed June 2015
—	Spring Creek fishing platforms	0	105,000	13,469	15%	Awaiting cultural heritage approval. Expect to be completed June 2015
—	Spring Creek Rec Reserve Play Space	0	135,500	11,348	0%	Design being finalised. Expect to be completed May 2015
—	Spring Creek design and ancillary works	0	95,362	43,470	45%	Program commenced. Expect to be completed June 2015
—	Bowman track sealing	156,608	146,608	131,101	98%	Works substantially completed. Minor outstanding works to be completed by June 2015.
—	Spring Creek Pathway	500,000	437,837	365,092	90%	Main scope complete. Minor outstanding works to be completed by June 2015.
—	Aurora Cres Carpark and Picnic Area	0	42,100	0	5%	Concept design completed & works to commence and be completed April 2015
—	Modewarre Avenue of Honour Restoration	0	17,333	0	0%	Works underway, to be completed April 2015
—	Community & Civic Precinct Grenville Oval	0	100,000	9,756	10%	Not yet started, this is a project for the next financial year - 2015/16.
—	Jan Juc Creek Daylighting	0	70,000	21,468	30%	Design only - preliminary design complete, Cultural Heritage approval being sought. Expect to be completed by June 2015.
—	Anglesea Bowling Club Synthetic Green	0	50,000	0	0%	Scope being finalised. Expected delivery May / June 2015
—	Winchelsea Walk of Honour	0	38,182	12,000	0%	Community consultation underway. Project to be completed February 2016.
	Special Projects					
—	Asset Management Information System	0	19,305	2,370	10%	Implementation to be completed by May 2015
—	Winchelsea Land Purchase (Gladman St)	400,000	400,000	3,500	2%	Negotiations are continuing. May not be completed.
—	Torquay Town Entrance Masterplan	20,000	20,000	0	0%	Scope being finalised. Expect to be completed May 2015
—	Surf Coast Shire Entrance Signs	25,000	25,000	0	0%	Works to commence April 2015.

Status	Projects	Adopted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
	Transport					
●	Aireys Inlet Fairhaven Link	0	1,115	1,115	100%	Project completed.
●	Pathway Ancillary Program	19,000	28,000	6,772	25%	Program underway. Expect to be completed May 2015
●	Bicycle Lanes Program	10,000	10,000	0	0%	To commence May 2015.
●	Transport & Drainage Future Project Design	150,000	140,000	35,525	25%	Design contracts underway. Expect to be completed May 2015
●	Aireys Inlet Painkalac Creek Pathway	60,000	0	0	0%	On hold pending outcome of Aireys Inlet Oval.
●	Pollocksford Rd Widening - South	575,000	0	0	5%	Tenders received considerably above budget. Will now be delivered by Civil Operations. Expect to be completed April 2015. (Budget reallocated to 9462)
●	Anglesea Riverbank Toilet Block Pathway	15,000	0	0	0%	Design complete. Awaiting DEPI approval. Rollover to 2015/2016.
●	Lorne Swing Bridge pathway	65,000	0	0	0%	Works dependant on VicRoads and Great Ocean Road works. Rollover to 2015/2016.
●	Pollocksford Rd Widening - North	598,000	1,219,940	541,418	20%	Stage 1 completed. Stage 2 works underway. Expect to be completed May 2015
●	Murrell & Gosney St Intersection upgrade	270,000	270,000	125,074	60%	Works underway. Expect to be completed April 2015
●	Horseshoe Bend Rd Widening Stage 3c	175,000	170,000	170,000	100%	Completed
●	Horseshoe Bend & Quay Roundabout Widening	283,657	303,657	175,353	60%	Stage 1 Completed. Stage 2 to commence May. Expect to be completed June 2015
●	Bike Lane Design at Spring Creek - GOR	28,366	68,366	6,536	10%	Design has commenced. Expect to be completed April 2015
●	South Beach Rd/Surfcoast Hwy Intersectio	384,667	0	0	0%	On hold awaiting advice from Vicroads.
●	Surfcoast Hwy/Beach Rd intersection upgrade	70,000	50,000	24,648	50%	Design only. To be completed May 2015
●	Disability Car Park Improvements	0	30,000	9,908	33%	Expect to be completed May 2015
●	Black Spot Projects	0	161,900	3,320	5%	Design being finalised. Expect to be completed June 2015
●	GOR Service Rd Upgrade at Elkiington Rd	0	0	12,293		
	Waste Management					
●	Anglesea Transfer Station Upgrade	0	660	660	100%	Project completed.
●	Torquay Transfer Station Design	45,000	0	0	100%	Funds reallocated to Anglesea Transfer Station Gatehouse
●	Bellbrae Primary School Traffic Management	0	0	1,036	200%	
●	Anglesea Transfer Station Gatehouse Replacement	0	111,141	111,141	100%	Complete
●	Anglesea Cell 3 Liner - stage B	815,925	722,865	720,091	100%	Works complete. Awaiting EPA approval
●	Anglesea Transfer Station Upgrade Stage 2	545,000	680,000	165,188	25%	Works underway. Expect to be completed June 2015
●	Anglesea Transfer Station Roof Design	45,000	25,000	0	0%	Quotes received. Expect to be completed May 2015
●	Anglesea Land Fill Liner Over Original Cell	90,000	74,221	58,890	50%	Design complete. Awaiting auditor sign off. Expect to be completed May 2015.
●	Anglesea Groundwater Bore Installation	110,000	60,000	32,025	100%	Complete
●	Lorne Transfer Station Power/Solar Install	22,500	10,595	10,595	100%	Complete
●	Winchelsea Transfer Station Power/Solar Install	22,500	8,682	8,682	100%	Complete
●	Anglesea Transfer Station Resale Shed Awning	20,000	25,000	130	0%	Finalising quotes. Expect to be completed May 2015
	Sub Total	14,968,178	15,549,746	8,625,144		
CAPITAL EXPENDITURE SUBJECT TO SPECIAL CHARGE SCHEMES						
Status	Projects	Adopted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
●	Pearse Road Construction Aireys Inlet	224,000	215,890	226,344	100%	Completed
●	Torquay Precinct Pathways	0	5,000	496	10%	Special Charge Scheme declared 24 February 2015.
	Sub Total	224,000	230,890	226,840		
Total		15,192,178	15,780,636	8,851,984		

Legend

- Project completed or on target to be delivered in 2014/15
- Project may not be delivered in 2014/15
- Project not being delivered or carried forward to 2015/16

Appendix C New Initiatives

NEW INITIATIVES EXPENDITURE						
Status	Projects	Adapted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
	Corporate Services					
	People and Culture					
●	Employee Health & Wellbeing program	9,500	9,500	7,250	75%	Programs booked for Dec 14 and May 14
●	Leadership Development Program	0	0	634		Program Commenced
	Governance & Risk					
●	InfoCouncil Software	26,000	27,890	5,259	40%	Project postponed until compatibility issues with TRIM resolved. Expected before end of 2014/15 financial year.
	Planning and Environment					
	Economic Development					
●	Surf Lifesaving clubs policy development	15,000	90,000	47,531	40%	Commenced and will be completed June 2015
●	Land Development - Thompson Valley	25,000	25,000	0	0%	Still awaiting confirmation of funding. New State Gov't may delay response to March
●	Torquay central business area	50,000	50,000	0	0%	Still awaiting confirmation of funding. New State Gov't may delay response to March
●	Support Small Business Day	0	6,000	5,974	100%	Program has been completed
●	Regional Victoria Living Expo	10,000	10,000	1,351	15%	Expo is in April 2015
●	Surf Industry Impact Analysis	0	19,212	19,212	100%	Final report received and reported to Council in January 2015
●	Bolt Blower Invitational Surf Contest	5,000	5,000	0	0%	Event is in March 2015
●	Torquay Town Ctr Xmas Decorations	5,000	5,000	5,000	100%	Project has been completed. Decorations in place
●	Gilbert St Revitalisation	20,000	26,575	30,812	100%	Complete
●	Tourism strategy and marketing	50,000	0	0	0%	To commence in March 2015
●	Torquay VIC & Surf World Refurbishment	120,000	120,000	1,500	0%	Design being finalised. Advertising for tenders in April. Expect to be completed June 2015
	Tourism					
●	Tourism Operations Modernisation & Asset Renew	0	18,490	11,520	90%	Final design of refurbishment to be received.
●	Asian Cup Pre-Competition Training Camp	40,000	45,130	46,348	80%	Program ongoing
●	Duke Exhibition	0	10,000	1,131	20%	Current Exhibition, to finish June 2015
●	Market Sounding Torquay	0	20,000	0	0%	
●	ANSM Rebrand Project	0	20,000	0	0%	
●	Instrument of Delegation Review Tourism Board	0	10,000	0	0%	
	Planning & Development					
●	PS Amend Review Flood & Land sub flood	10,000	15,000	300	0%	To commence April 2015
●	Anglesea SU25 Urban Design Guidelines	12,000	0	0	0%	To commence April 2015
●	PS Amend Winchelsea Dev. Contribution Plan	10,000	0	0	0%	Project completed funds reallocated to Spring Creek
●	PS Amend Torquay Residential Zones	10,000	0	0	100%	Project completed funds reallocated to Spring Creek & Rural Environment
●	Rural Environment Assets Review	10,000	18,931	225	0%	To commence April 2015
●	Anglesea Great Ocean Road Study	10,000	10,000	0	0%	Amendment to go on Exhibition March/April
●	PS Amend 134-235 Austin St Winchelsea	0	0	218	100%	Completed
●	PS Amend Implement Aireys Inlet parking management plan	10,000	0	0	100%	Planning amendment not required funds reallocated to Aireys to Eastern View Structure Plan
●	Growing Winchelsea Placemaking Strategy	0	123,482	87,851	60%	To be completed in May 2015
●	Parking Overlay Torquay	0	12,000	3,741	10%	Has been exhibited, & panel hearing conduct - awaiting panel report
●	Bells Beach Hinterland	0	12,000	0	0%	Awaiting completion of Coastal Management Plan before beginning
●	Implement Bushfire Review Policy	10,000	10,000	344	0%	To go on exhibition in March 2015
●	Torquay Town Centre Car Parking Survey	17,000	0	0	0%	Project will not be reviewed until 2015-16
●	Spring Creek Urban Growth Area	17,000	52,500	255	5%	Project commenced, 2 year project
●	4 Yr Planning Scheme Review	17,000	0	0	100%	Completed in house
●	Heritage Study	17,000	0	0	0%	Funds reallocated to Parking overlay Torquay
●	Aireys to Easter View Struc Plan review	17,000	61,500	20,658	15%	Vision and principles to Council in April 2015
●	CustomerService focus review - stat plan	50,000	50,000	22,287	40%	In progress
●	Hendy Main Road Rezoning TP188	0	0	326		Currently on exhibition

NEW INITIATIVES EXPENDITURE						
Status	Projects	Adopted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
	Environment & Community Safety					
●	Fire Access Roads Subsidy Scheme (FARSS)	40,000	25,300	0	5%	Completed
●	FARSS Council Works	0	9,700	10,775	5%	Well underway, project to be completed by June 2015
●	Sustainability & Climate Change	77,000	33,166	3,841	10%	Well underway, project to be finished by June 30th
●	Township Fire Plug Renewal	15,000	15,000	7,088	20%	Program ongoing
●	Painkalac Creek Reserve	15,607	17,042	9,412	20%	Finalisation of last years program. New program to commence second quarter next year
●	Fairylands Reserve	12,536	14,079	950	10%	Grant funds - portion likely to be a rollover 15/16
●	Coastal Tender Deep Creek Restoration	0	2,909	0	0%	Grant funds - portion likely to be a rollover 15/16
●	Natural Disaster Resilience Grants Scheme	0	10,000	0	5%	Well underway, project to be completed by June 2015
●	Estuary Management Plan Review	5,000	5,000	5,219	100%	Completed
●	Municipal Emergency Resourcing Program	186,019	335,419	159,989	35%	Program ongoing
●	Vulnerable People in Emergencies Program	0	14,510	3,203	20%	Staff education sessions regarding preparing of the effects of heatwave for vulnerable people have been delivered. Community sessions will be delivered over the next several months
●	Grass Tree Park Restoration Works	0	22,000	15,207	20%	To be completed by June 2015
●	Roadside Weeds and Pests Management Program	21,220	21,220	11,760	50%	Commenced October 2014
●	Great Ocean Road Vegetation Management	0	60,303	7,180	15%	Grant funds - portion likely to be a rollover 15/16
●	Shire buildings solar power feasibility	10,000	0	0	100%	Funds reallocated to 8548
●	Winchelsea gun/go kart clubs relocation	0	10,000	0	5%	On hold until March 2015
●	Winchelsea Common Plains Tender	34,040	24,844	10,261	5%	Grant funds - portion likely to be a rollover 15/16
●	Support for Solar Power Projects	20,000	20,000	853	5%	Grant funds - portion likely to be a rollover 15/16
●	Support for Local Food Programs	20,000	30,000	10,517	20%	Underway
●	Environment & Rural Advisory Panel	20,000	20,000	14,192	50%	Underway
●	RACV S'water Harvest Agreement Licence	0	5,187	0	0%	To commence April 2015
●	VASP Adaption Plan & Risk Register	65,000	0	0	0%	Program has been deferred to next year
	Planning and Development Executive					
	Community					
	Open Space					
●	Priority Master Plan Development	2,361	1,556	109	5%	Project commenced
●	Open space strategy review	30,000	60,000	53,820	100%	Project underway - Issues and Opportunities paper will go out on public exhibition from early March until late April.
●	Bells Beach Master Plan & Management Plan	100,000	100,000	36,903	25%	Visioning component has completed, now reviewing the Master plan
●	Bells Beach Master Plan Community Engagement	10,000	19,153	729	5%	Program ongoing for Masterplan development
	Leisure & Wellbeing					
●	National Youth Week	2,000	2,000	132	5%	To be run over Easter Period
●	Regional Motor Cycle Facility Contribution	100,000	10,000	0	0%	Expect to be paid March 2015
●	Community Building Initiatives - Lorne	0	0	0	0%	This project is the same as Planning for Community buildings in SCS. Duplication of comment.
●	Improving Liveability for Older People	0	5,261	0	0%	Program completed
●	Bells Beach Master Plan Community Visioning	19,700	14,500	14,837	100%	Program completed, the Vision has been adopted by Council, however, the Masterplan is under development
●	Transport Innovations	0	5,547	6,455	0%	To be completed June 2015
●	Lorne performing arts festival	25,000	25,000	25,000	100%	Program completed
●	Aireys Inlet community resrv feasibility	20,000	0	0	0%	This project will be incorporated into the Aireys Inlet Eastern view structure plan
●	Torquay hockey venue feasibility	0	0	182	0%	Project nearing completion
●	Review Aquatic Ctr feasibility study	25,000	25,000	9,869	0%	Council briefing held in February. As budget preparation is underway, Council resolved to hold all community engagement for this project until the budget has been approved.
●	Coastal Printz - Graffiti Prevent/Remove	0	3,035	3,061	90%	Project completed
●	Modewarre CC Cricket Pitch Cover	2,500	2,500	0	0%	To commence following the cricket season - post April 2015
●	Mt Moriac Horse Arena Surface	5,000	5,000	0	0%	To commence early 2015
●	Eastern Reserve Electronic Scoreboard	5,000	5,000	0	0%	Commenced and expected to be completed in 2015
●	Lighthouse Literary Fest Website	5,000	5,000	0	0%	To commence early next year
●	Trick or Treat Festival Winchelsea	8,500	8,500	8,500	100%	Project completed

NEW INITIATIVES EXPENDITURE						
Status	Projects	Adopted Budget 30 Jun 15	Revised Forecast 30 Jun 15	YTD Actual 31 Mar 15	YTD % Physical Completion 31 Mar 15	Comments
●	Bus to Hub Program Winchelsea	9,000	9,000	9,000	0%	A letter of agreement has been provided to the Growing Winchelsea Inc. group and an acquittal of the grant is expected once the program proceeds. The program extends to Anglesea this year.
●	Aireys Inlet Open Mic Festival	15,000	18,636	18,636	100%	Completed
●	Winchelsea Golf Club Water Storage	15,000	15,000	5,000	33%	Program Commenced
●	Anglesea Primary School Stadium Toilets	19,000	19,000	0	0%	This project hasn't progressed as yet. Discussions with the school are occurring about shared use of the Stadium.
●	Planning for community buildings in SCS	30,000	30,000	8,389	15%	Commenced, to be completed May 2015
	Aged and Family Services					
●	Kindergarten Universal Access to 15 Hours	18,755	0	0	0%	Funds reallocated to 8530
●	HACC Heatwave Bushfire Preparation	13,768	39,746	10,663	15%	Work commenced to be completed April 2015
●	HACC Minor Capital	53,950	69,340	2,122	25%	Project underway with the pilot of mobile rostering to commence in the first quarter of 2015. Expect full roll out over the remainder of 2015
●	Seniors Festival	0	1,139	1,482	100%	Completed October 2014
●	Service Improvement Initiative for Kindergartens	0	3,491	3,491	100%	Policy review completed.
●	Torquay North Family & Childrens Hub Planning	0	25,000	25,900	75%	Due diligence into PPP option reported to January Council meeting. Further investigation on alternative funding options has been commenced and will be reported to March Council meeting
●	Early Years Strategy Review	0	18,755	8,349	25%	Project underway with the draft plan to be presented to Council in Mid 2015
●	Youth Services Planning & Activities	20,000	18,469	4,668	25%	Program ongoing
●	Health and Wellbeing Plan Implementation	50,000	51,243	14,457	15%	Project officer commencing Dec 2014. Implementation plan developed for roll out over the first half of 2015
●	HACC Cafe Style Support	0	28,817	3,822	10%	Project officer appointed and planning commenced
●	National Volunteer Week	0	0	2,727		Project officer appointed and planning commenced
	Community Relations					
●	Torquay Performing Arts Feasibility Study	25,000	25,000	8,745	50%	Commenced in January 2015, consultation complete, site assessments complete. Project completion expected May 2015
●	Publications & Publicity Design Support	66,883	70,633	48,252	75%	Program ongoing
	Infrastructure					
	Engineering Operations					
	Engineering Services					
●	Torquay NW Stormwater Masterplan	30,000	30,000	0	0%	Expect to be completed June
	Contract and Capital Works					
●	Buildings keying system replacement	50,000	52,935	21,121	40%	Works underway. To be completed by May 2015
Total New Initiatives		1,910,339	2,402,145	946,595		

Legend

●	Project completed or on target to be delivered in 2014/15
●	Project may not be delivered in 2014/15
●	Project not being delivered or carried forward to 2015/16

Appendix D Local Authorities Defined Benefits Superannuation Fund (LASF)

As part of its wider review of the superannuation industry, the regulator, APRA, has issued SPS 160 about the future funding of defined benefit plans and what Trustees must do to ensure that a plan is in a satisfactory financial position. The standard became mandatory from 1 July 2013.

Under the standard, APRA uses the Vested Benefits Index (VBI) as its primary measure of fund solvency. The VBI measures the market value of assets in a defined benefit portfolio against the benefits that members would have been entitled to if they had all resigned on the same day.

At 30 June each year it is necessary for the VBI to be 100% or greater. For the purposes of the interim quarterly estimates, it is permissible for the VBI to be 97% or greater. This is because APRA allows the Trustee to set a Shortfall Limit that is less than 100%; thereby allowing a fund to avoid the need for an automatic call in certain circumstances. The Actuary has recommended, and the Trustee accepted, a Shortfall Limit for LASF of 97%.

If the VBI falls below 97%, the Actuary must take action to restore the solvency of the fund. This would mean that the fund would call on member employers to contribute funds towards restoring the VBI to 100%.

The quarterly history of the LASF VBI is shown below.

Quarter	VBI %
September 2013	103.1
December 2013	105.1
March 2014	104.1
June 2014	103.4
September 2014	102.6
December 2014	103.1

The confirmed VBI at 30 June 2014 was 103.4%. As this is greater than 100%, there is no action required by employers at this stage.

Appendix E Current Contracts Awarded

Contract Number	Description	Contractor	Start Date	End Date	Contract Value \$000's	Variations \$000's	Contract Total \$000's
08-335	Receive & process kerbside comingled recycling	SKM RECYCLING	01/07/2010	30/06/2020	1,100	-	1,100
08-336	Receive & process kerbside material other than comingled recycling	DICOM AWT OPERATIONS PTY LTD	01/07/2010	30/06/2030	3,200	-	3,200
10-384	Clearance of Public Bins & Street Cleaning (East)	CLEANAWAY AUSTRALIA	01/10/2010	30/09/2015	804	581	1,384
10-385	Clearance of Public Bins & Street Cleaning (West)	CLEANAWAY AUSTRALIA	01/10/2010	30/09/2015	700	497	1,198
11-401	Gherang Gravel Pits	LOCAL-MX QUARRIES PTY LTD	01/05/2011	30/04/2021	144	-	144
11-403	Anglesea Landfill Stage 2 Rehabilitation	ARMISTEAD EARTHMOVING	01/07/2011	30/06/2015	438	-	438
11-405	Cleaning of Public Toilets	GJK FACILITY SERVICES	01/07/2011	30/06/2015	336	467	803
11-406	Cleaning of Council Buildings	SHINING KNIGHT FACILITY SERVICES P/L	01/07/2011	30/06/2015	359	658	1,017
11-426	Provision of Security Services	BARWON SECURITY PTY LTD	15/11/2011	14/11/2015	7	44	52
11-435	Kerbside Collection Contract	CLEANAWAY AUSTRALIA	18/11/2012	17/11/2019	9,977	-	9,977
12-444	Provision of Building Maintenance Services	TORQUAY BUILDING SERVICE	01/07/2012	30/06/2015	163	196	359
12-444	Provision of Building Maintenance Services	TORQUAY PLUMBING SERVICE	01/07/2012	30/06/2015	17	100	117
12-444	Provision of Building Maintenance Services	NMJ ELECTRICAL PTY LTD	01/07/2012	30/06/2015	25	50	75
12-446	Surf Coast Shire Transfer Stations - Provision of Green Waste, Recycled timber,	JW & HL O'CONNOR PTY LTD	01/11/2012	31/10/2015	131	-	131
12-450	General Valuations	OPTEON PROPERTY GROUP	01/10/2012	30/09/2016	691	-	691
12-454	Provision of Asset Management Information System	CIVICA PTY LIMITED	21/09/2012	30/06/2015	278	-	278
12-462	Construction of Merrig Drive Extension	DRAPERS CIVIL CONTRACTING	30/11/2012	16/08/2014	1,645	51	1,696
12-463	Provision of Cylinder Mowing Services & CCP Maintenance	TURF CARE AND HIRE PTY LTD	01/10/2012	30/09/2015	52	47	99
12-470	Provision of Line Marking Services	SOUTHERN HIGHWAY SERVICES PTY LTD	17/12/2013	17/12/2016	80	-	80
12-472	Provision of Roadside Signage and Installation	ROADSIDE SERVICES & SOLUTIONS	17/12/2012	16/12/2015	70	2.5	72.5
12-472A	Provision of Roadside Signage and Installation	ROADSIDE PRODUCTS PTY LTD	17/12/2012	16/12/2015	70	25	95
12-485	Anglesea Landfill Cell3 Liner - Stage A	ERTECH PTY LTD	28/08/2013	23/09/2015	1,713	19	1,732
12-486	Provision of Internal Audit Services	GRANT THORNTON AUSTRALIA LTD	01/04/2013	31/03/2016	80	-	80
13-487	Supply of Bins & Bulk Haulage of Waste	SITA AUSTRALIA	01/02/2014	31/01/2021	1,504	-	1,504
13-494	Operation and Management of Anglesea Landfill	ARMISTEAD EARTHMOVING	01/03/2014	28/02/2021	2,940	-	2,940
13-495	Operation and Management of Anglesea Transfer Station	ARMISTEAD EARTHMOVING	01/07/2014	31/06/2021	1,671	-	1,671
13-497	Maintenance of Air Conditioning & Kitchen Equipment	D & E AIR CONDITIONING PTY LTD	19/07/2013	18/07/2015	50	-	50
13-499	Resealing of Local Roads Program Delivery	PRIMAL SURFACING PTY LTD	01/09/2013	30/06/2015	1,171	-	1,171
13-501	Provision of Road Asphalt Services	BORAL CONSTRUCTION MATERIALS	16/09/2013	30/08/2015	116	127	243
13-501	Provision of Road Asphalt Services Secondary Contractor	GREENHALL ASPHALT PTY LTD	16/09/2013	30/08/2015	20	-	20
13-504	Great Ocean Road Heritage Centre - Head Contractor	BOWDEN CORPORATION PTY LTD	12/11/2013	01/19/2015	459	56	514
13-506	Mt Moriac Reserve Netball & Tennis Court Upgrade	AUSTRALIAN SPORTING SURFACES	20/11/2013	28/03/2015	192	21	213
13-507	Provision of Drain Cleaning Services	BARTLETTS ENVIRONMENTAL	01/11/2013	31/10/2015	88	88	177
13-511	Provision of Traffic Management Services	STORM TRAFFIC MANAGEMENT PTY LTD	01/10/2013	30/09/2015	545	-	545
13-519	Contract for Site Specific Design, Supply and Installation of Guard Rail	PREMIER WILLOWS PTY LTD	02/06/2014	30/06/2015	-	-	-

Contract Number	Description	Contractor	Start Date	End Date	Contract Value \$000's	Variations \$000's	Contract Total \$000's
13-521	Rehabilitation of Gherang Gravel Pit	BOARDMAN CONTRACTING PTY LTD	09/04/2014	09/04/2015	135	96	231
13-522	Church Road Culvert Replacement	DRAPERS CIVIL CONTRACTING	17/02/2014	30/04/2015	229	12	242
13-523	Parks for Community Shelter & Amentity Project	KALBARU PTY LTD	25/03/2014	30/06/2015	380	-	0
13-524	CCP Soccer Pitch 2 Lighting Installation	COMMLEC SERVICES PTY LTD	13/01/2014	31/05/2015	189	- 3	186
13-525	Provision of Engineering Design Services	GHD PTY LTD	30/01/2014	30/06/2015	52	-	52
13-525	Provision of Engineering Design Services	WEIRS ENGINEERING	30/01/2014	30/06/2015	37	-	37
13-525	Provision of Engineering Design Services	PT TOMKINSON	30/01/2014	30/06/2015	22	-	22
1407-0614	Electricity Supply to Public Lighting Victoria	AGL	01/08/2011	31/07/2016	101	301	403
14-534	Anglesea Waste Transfer Station Upgrade Stage 2	ACE INFRASTRUCTURE PTY LTD	02/03/2015	26/06/2015	706	-	706
14-535	Construction Aireys Inlet Skate Park	OASIS SKATE PARK PTY LTD	22/05/2014	05/09/2015	112	-	112
14-537	Cameron Road Drainage Stage 2 and 3	WELLAM CONSTRUCTIONS	02/04/2014	30/06/2015	344	-	0
14-538	Provision of Banking Services	COMMONWEALTH BANK OF AUSTRALIA	01/07/2014	30/06/2017	209	-	209
14-539	Provision of Travel Tower Dry Hire	TOTAL TREE CARE PTY LTD	30/04/2014	27/04/2015	50	-	50
14-540	Supply & Delivery of Kerbside Mobile Waste Bins	TRIDENT PLASTICS PTY LTD	01/07/2014	31/06/2021	469	-	469
14-541	Aurora Crescent Bridge - Design & Construct	OPEN SPACE INFRASTRUCTURE PTY LTD	01/09/2014	30/06/2015	163	-	163
14-542	Construction of Concrete Footpath and/or kerb	CJ WALTERS CONCTETING	01/07/2014	30/06/2015	147	-	147
14-542	Construction of Concrete Footpath and/or kerb	GEE LONG KERBING PTY LTD	01/07/2014	30/06/2015	91	-	91
14-543	Pearse Road Upgrade Pearse Road Sealing and Drainage Upgrade Works	AVCR PTY LTD	01/08/2014	09/10/2015	235	20	255
14-545	Design of Banyul Wami Fields Youth, Recreation & Playzone	PLAYCE PTY LTD	15/11/2014	31/04/2015	89	-	0
14-546	Provision of Tree Maintenance Services	A1 TREE SERVICES	01/11/2014	31/10/2016	259	-	0
14-546	Provision of Tree Maintenance Services	WOOD PROFESSIONAL TREE SERVICE	01/11/2014	31/10/2016	-	-	-
14-546	Provision of Tree Maintenance Services	TREE WATCH	01/11/2014	31/10/2016	-	-	-
14-546	Provision of Tree Maintenance Services	BELLARINE TREE SERVICE	01/11/2014	31/10/2016	-	-	-
14-546	Provision of Tree Maintenance Services	SNAKES AND LADDERS TREE SERVICES	01/11/2014	31/10/2016	-	-	-
14-547	Provision of Plant Wet Hire	TIM POWELL LANDSCAPES	01/11/2014	31/10/2016	240	-	240
14-547	Provision of Plant Wet Hire	PAT ASH AND CIVIL (GROUP) PTY LTD	01/11/2014	31/10/2016	452	-	452
14-547	Provision of Plant Wet Hire	TORQUAY EXCAVATIONS	01/11/2014	31/10/2016	320	-	320
14-548	Supply of Crushed Rock Material	GEE LONG QUARRIES PTY LTD	01/11/2014	30/09/2016	638	-	638
14-548	Supply of Crushed Rock Material	REGIONAL RECYCLE PTY LTD	01/11/2014	30/09/2016	35	-	35
14-549	Provision of External Plant Dry Hire	SHERRIN RENTALS PTY LTD	01/11/2014	31/10/2015	70	-	70
14-551	Waste Management Environmental Services	LANDSERV PTY LTD	01/11/2014	31/10/2017	190	-	0
14-552	Provision of grass slashing services 2014-16	ARARAT AUTO AND AG SERVICE	04/11/2014	31/03/2016	205	-	0
15-570	Anglesea Kindergarten Detailed Design	INSITE ARCHITECTS	26/02/2015	24/04/2015	38	-	38
15-572	Bridge Renewal Program 2014-2015 Wurdale and Cressy Road	NATIONAL CONCRETE SOLUTIONS PTY L	14/01/2015	30/06/2015	66	-	66
1710/0832	Provision of Stationary, Cut Paper, Procurement Australia Contract	OFFICEMAX	01/11/2014	31/10/2017	309	-	309

Appendix F Projects Budget Variations/Reserve Movements

Savings

Account	Project Name	Comment	\$
Accumulated Unallocated Reserve			
8529	Duke Exhibition	Savings as exhibition items were borrowed rather than hired/bought.	8,000
Funds Returned to Accumulated Unallocated Cash Reserve:			8,000
Waste Reserve			
9467	Anglesea Groundwater Bore Installation	Project came in under budget. The depth of drilling required to reach groundwater was less than estimated.	27,975
Funds Returned to Waste Reserve:			27,975
Additional Funds Required			
Accumulated Unallocated Reserve			
9442	Winchelsea VIC Entrance Modifications	Additional funds required to achieve heritage overlay conditions.	(5,290)
8141	Conference Marketing	Increase expenditure in relation to purchasing of trade stand (note funds spent).	(10,798)
8208	Kerb and Channel Renewal	Transfer previous months request for funds from Accumulated Unallocated Reserve to Renewal Reserve.	29,413
Funds Requested from Accumulated Unallocated Cash Reserve:			13,325
Renewal Reserve projects			
8208	Kerb and Channel Renewal	Transfer previous months request for funds from Accumulated Unallocated Reserve to Renewal Reserve.	(29,413)
Funds Requested from Renewal Reserve:			(29,413)

Funds Movements Approved by Chief Executive Officer (\$5,000 and under)

Savings

Account	Project Name	Comment	\$
Accumulated Unallocated Reserve			
8257	Shopping Centre Refurbishment Program	Program complete.	839
9418	Bellbrae Primary School Traffic Management	Program complete.	1,036
9443	Pearse Road Construction	Modifications to Driveway culvert. Program complete.	454
Funds Transfer to Accumulated Unallocated Cash Reserve:			2,329

Additional Funds Required

Account	Project Name	Comment	\$
Accumulated Unallocated Reserve			
8207	Intersection Sealing	Transfer previous months request for funds from Accumulated Unallocated Reserve to Renewal Reserve	1,810
8221	Footpath Renewal	Transfer previous months request for funds from Accumulated Unallocated Reserve to Renewal Reserve	180
Transfer of previous months additional funds required:			1,990
Renewal Reserve projects			
8207	Intersection Sealing	Listed as complete in February report. Minor additional costs incurred through March	(1,363)
8208	Kerb & Channel Renewal	Listed as complete in February report. Minor additional costs incurred through March	(4,157)
8207	Intersection Sealing	Transfer previous months request for funds from Accumulated Unallocated Reserve to Renewal Reserve	(1,810)
8221	Footpath Renewal	Transfer previous months request for funds from Accumulated Unallocated Reserve to Renewal Reserve	(180)
Funds Requested from Renewal Reserve:			(7,510)

Appendix G Approved Accumulated Unallocated Reserve Movements

Approved Reserve Movements

Accumulated Unallocated Reserve

<i>March Approved Movements</i>	\$
8538 Gilbert St Revitalisation	4,188
8257 Shopping Centre Refurbishment	1,087
8205 Pavement Crack Sealing	166
8221 Footpath Renewal	(180)
8207 Intersection Sealing	(1,810)
9404 Bellbrae Toilet	(4,000)
8208 Kerb and Channel Renewal	(29,413)
Total Approved Accumulated Unallocated Reserve Movements	<u>(29,962)</u>

Glossary of Terms

Asset Revaluation Reserve	Revaluation increases in property, plant and equipment and infrastructure asset values over time.
Asset Write Offs	Property, plant and equipment and infrastructure assets or asset components that have been replaced by new asset expenditure (renewal), deteriorated assets and assets transferred to external parties.
Capital Works	Renewal, upgrade, or expansion of existing Council owned or controlled assets or new assets, including Crown Land assets managed by Council. Includes property, plant and equipment and infrastructure (road pavements and other structures, street furniture, drainage, passive recreation facilities).
Cash & Cash Equivalents	Cash on hand, deposits at call and other highly liquid investments with original maturity dates of three months or less and investments are in accordance with Council's SCS-016 Cash Management Policy.
Contributions	Contributions included in Revenues from Ordinary Activities include developer contributions, operational subsidies and recoupment of expenditures from governments, agencies and customers.
Debt Commitment Ratio	Compares funds paid on loan principal and loan interest to rate revenue. An increasing trend indicates a higher burden on the current rate revenue base.
Debt Management Ratio	Measures the level of indebtedness compared to the rate base. An increasing trend may indicate an over-reliance on sources of funds other than rate revenue to fund debt redemption.
Debt Servicing Ratio	Compares funds paid on loan interest to all revenue sources. An increasing trend indicates a higher burden on the current revenue base.
Developer Contribution	Cash contribution from developer relating to subdivision works, drainage levy or open space contribution to be applied at a future date in accordance with the relevant infrastructure plan for the area and approved by Council.
Granted Asset	Infrastructure and property asset gifted to Council at the cost of completed subdivision works by developers. Includes roads, street furniture, drainage, passive recreation facilities and land assets.
Interest Bearing Liabilities	Includes bank loans.
Operating Performance	Operating Surplus/(Deficit) reported in the annual Financial Statements
New Initiatives	One-off project expenditures that do not constitute the creation of an asset. New Initiatives may, however, span more than one financial year.
Provisions	Liabilities where current obligating events exist that require Council to make a future outlay to meet that obligation. Includes annual leave, long service leave and future landfill rehabilitation.
Trust funds and deposits	Contract deposits, planning and building permit deposits, subdividers holding deposits, hall booking, citronella collar and baby capsule bonds. These monies are anticipated to be returned to the payer when the refund conditions have been met.
Other Reserves	Council holds cash-backed reserve funds for legislative and policy purposes. Legislative reserves are restricted and are applied for a prescribed purpose, including main drainage levies, open space contributions and the Aireys Inlet Housing Project. Policy reserves are held for plant replacement, subdivider contributions, mayoral charity, tourism infrastructure, waste management operations, asset development and work in progress.
Underlying Surplus	Operating surpluses without the inclusion of capital income. The objective is to provide additional capacity to fund required capital works from

operations.

User Charges

Special rates declared under Special Charge Schemes and user charges, fees, penalties and fines in accordance with the Fees & Charges Schedule adopted in the annual Council Budget.

9.2 Review of Investment Policy

AUTHOR:	John Brockway	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Finance	CHARTER REFERENCE:	9.4.3

Council recently reviewed and adopted an Investment Policy at its meeting on the 27 January 2015. A copy of the adopted policy is provided for the Audit & Risk Committee members' information.

Refer Appendix O: Investment Policy (D14/107952) – This Policy & Procedure was recently fully reviewed and adopted by Council on 27 January 2015

MEETING DISCUSSION: Need more clarity around Section 143 of the Act and Standard and Poors Ratings and their impact on the Policy. The Committee made suggestions for amendments to the Policy.	
ACTION ITEMS: 1. Committee to provide any suggestions in relation to the Investment Policy to General Manager Governance & Infrastructure. 2. Suggestions from the Audit & Risk Committee to be referred to the Policy Review Subcommittee for consideration at the time of the next review.	
RECOMMENDATION: That the Audit and Risk Committee receive and note the Investment Policy.	
MOVED: John Gavens	SECONDED: Cr. Clive Goldsworthy

APPENDIX O – Investment Policy

(This Policy & Procedure was recently fully reviewed and adopted by Council on 27 January 2015)

(Trim Reference: F14/123 – D14/107952)

COUNCIL POLICY



Investment	Document No:	SCS-016
	Approval Date:	27 January 2015
	Approved By:	Council
Responsible Officer: Director Corporate	Trim Reference:	D14/107952
Authorising Officer:	Chief Executive Officer	

1. Purpose

This policy outlines Council's requirements to ensure that investments are actively managed and are low risk.

2. Scope

This policy sets out the Surf Coast Shire's policy and risk assessment approach for management of Council's investments.

3. References

Local Government Act 1989 Section 143
Investment Management Policy and Procedure

4. Definitions

Investments Include all cash and cash equivalents either restricted or unrestricted, excluding cash on hand. This includes discretionary and non-discretionary cash-backed reserve funds.

Short Term investment

An investment that has a term to maturity of 12 months or less from the date the investment was made.

Long Term investment

An investment that has a term to maturity of more than 12 months from the date the investment was made and is restricted to a maximum term.

Target Rate Of Return

Investment rate of return is above the 90 day bank bill swap rate plus 60 basis points.

Maximum term

Term to maturity of an investment is restricted to 5 years or less from the date the investment was made.

Liquidity risk

Includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle financial transactions when they fall due; or
- we will be forced to sell investments at a value which is less than what they are worth; or
- we may be unable to settle or recover financial assets.

Credit risk

Includes the risk that a financial institution will not complete its obligations under a financial instrument and cause a financial loss.

Credit ratings (published by Standard & Poors Rating Services):

Short Term Ratings

- A-1 - The obligator's capacity to meet its financial commitment on the obligation is STRONG. Where the capacity to meet a particular obligation is EXTREMELY STRONG that obligation is designated with a plus sign, ie. A1+
- A-2 The obligator's capacity to meet its financial commitment on the obligation is SATISFACTORY, being somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those rated A-1.

Long Term Ratings

- AAA - The obligator's capacity to meet its financial commitment on the obligation is EXTREMELY STRONG.
- AA - The obligator's capacity to meet its financial commitment on the obligation is VERY STRONG.

5. Policy

Council investments must comply with all restrictions specified under Section 143 of the Local Government Act 1989. Council also has a responsibility to actively manage its pooled investment portfolio to increase the potential for better returns and at the same time ensure prudent investments with low risk.

Council investments will have an upper exposure limit of 30% of total funds invested with each institution and their subsidiaries.

Investments shall only remain in the following range of credit ratings published by Standard & Poors Rating Services at all times:

1. Short Term Ratings
 - A-1
 - A-2
2. Long-term ratings
 - AAA
 - AA

5.1 Investment Management Responsibilities

The Manager Finance is authorised to manage Council's investment portfolio. This responsibility includes maximising return on Council's investment of credit funds and minimising the likelihood of overdraft. Investment decisions relating to new investment opportunities must be referred to the Manager Finance or Director Corporate for approval using the attached Investment Risk Assessment Form and Investment Decision Process. A register of investments shall be kept to identify the institutions where each investment is being held.

The Co-ordinator Financial Accounting is authorised to complete daily cash at call investment transfers at the Bank as an authorised bank account signatory.

5.2 Investment objectives

Surf Coast Shire seeks a balanced investment portfolio which aims to deliver enhanced returns whilst providing security, convenience and easy access to funds as cash flow requirements and Council investment decisions change.

This approach recognises the types and levels of cash reserves that Council holds from time to time, opportunities to maximise ratepayer value, the investments that suit Council's planned cash flow requirements and the importance of protecting ratepayer funds.

The objectives of this policy, in order of importance, are:

1. Preservation of capital;
2. Ensuring sufficient liquidity is maintained; and
3. Maximising the return on cash balances.

Preservation of capital involves minimising credit risk associated with a financial institution. Credit risk is managed by:

- only investing surplus funds with financial institutions which have a recognised credit rating specified in this Policy;
- only investing with Australian owned financial institutions, or Australian based financial institutions with an ABN and a regional office in Australia where the capital investment amount is guaranteed to be preserved by the financial institution; and
- only investing in financial instruments that are convertible to cash with a minimum 35 days notice..

Minimising liquidity risk involves:

- targeting a minimum average level of cash and cash equivalents to be maintained;
- having readily accessible standby facilities and other funding arrangements in place;
- having a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments; and
- monitoring budget to actual performance on a regular basis.

Maximising the return on cash balances involves the investment of surplus cash balances after ensuring the preservation of capital and sufficient liquidity for operations.

5.3 Investment Management

To meet the objectives above the investment portfolio will be managed by using an institution credit rating framework and a term to maturity framework.

Institution Credit Rating Framework

Investments are limited to a specific range of investments as published by Standard & Poor's (S&P) Rating Services and outlined in this policy. Investment credit ratings advised by the investment institution or broker must be independently verified and documented. Credit ratings should be monitored regularly in the financial press to ensure compliance with the Policy requirements. In the event of an adverse report being published in the financial press, the suitability of that institution for Council investments shall be reassessed and documented.

In the event that a broker is used to purchase an investment, Council officers will put in place an agreement with the broker requiring them to only sell investment products that are in compliance with the Policy requirements and disclose any conflicts and commissions.

The level, degree and type of risks that are acceptable for any investment product will be:

- Convenient liquidity with withdrawals available on a maximum 35 days notice;
- No penalties, other than loss of interest rate for early conversion to cash;
- Have certainty regarding capital preservation with strong credit protection;
- Investment performance consistently above short-term interest rates;

Term to Maturity Framework

The following principles apply to maximise investment opportunities and maintain appropriate liquidity levels:

1. A minimum liquidity buffer level is set for operations (liquidity buffer limits).
2. An amount of surplus cash is set that should trigger an investment.
3. Investment maturity dates are aligned to the liquidity buffer limit.
4. A short term bias is generally applied to allow a level of flexibility if Council priorities change.

The following actions are required to ensure that the above principles are applied:

1. At call balances must remain above the minimum of the total cash requirement predicted. Surplus cash above this amount should be considered for investment opportunities. This amount should be increased where any uncertainty exists within the forecast cash balances.
2. Surplus daily cash in excess of long term investments shall be documented by the Co-ordinator Financial Accounting or Manager Finance on the Daily Cash Position summary prior to undertaking the funds transfer. The Daily Cash Position summary shall take account of all expected cash flows for the day.
3. Cash will be recalled daily to meet all cash requirements and minimise the likelihood of overdraft.
4. All written correspondence, including investment confirmation advice, between Surf Coast Shire and appointed investment brokers/institutions must be documented on file and forwarded to the Manager Finance. This will ensure that daily investment transfers conducted are monitored at a senior level.
5. An upper limit for long term investments will be set at the start of each financial year having regard to long term cash reserve requirements.

5.4 Risk Assessment

Investment risk can be evaluated and minimised by providing a template for staff authorised to manage investments and conduct risk assessments for all new types of investment.

The Manager Finance is required to conduct a risk assessment of all current and proposed investment opportunities for each different type of investment product to be considered. The Investment Risk Assessment must be documented and signed by the Manager Finance prior to any investment decision being made and communicated to the Director of Corporate prior to transferring funds to the investment.

The documented risk assessment will include:

- Type of investment product;
- Term of investment;
- Level and type of risk of investment;
- Any uncertainties on the rate of return;
- Risk Credit Rating;
- Where the funds are to be invested as authorised in the Local Government Act 1989
- If any, the time lag to convert the investment to cash; and
- Penalties associated with breaking the term of the investment.

The Investment Risk Assessment form and Investment Decision Process is attached to this Policy.

6. Records

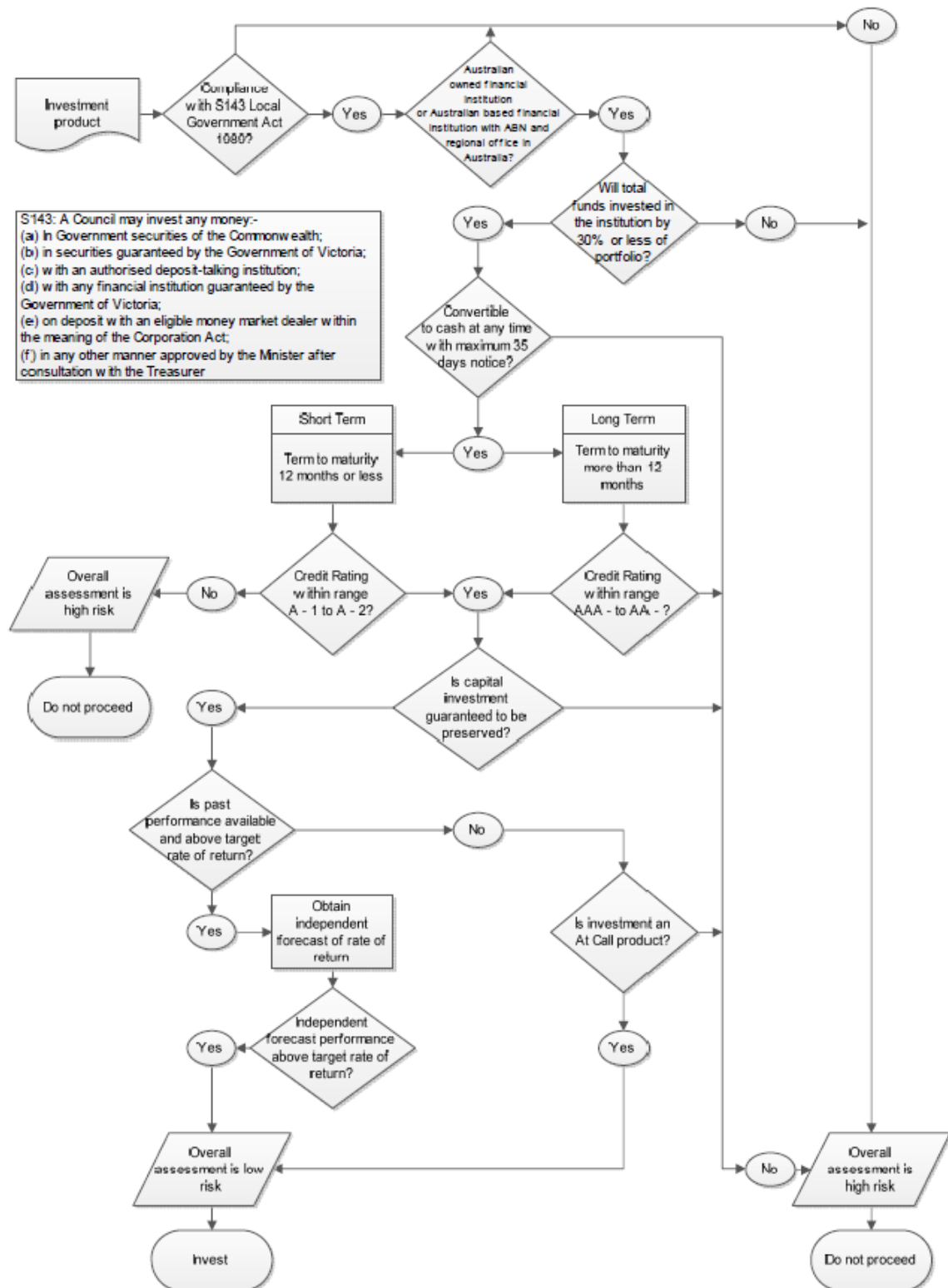
Records shall be retained for at least the period shown below.

Record	Retention/Disposal Responsibility	Retention Period	Location
Investment Risk Assessment Form for each new investment	Finance Department	7 years	Shire Office

7. Attachments

Investment Decision Process
Investment Risk Assessment Form

Investment Decision Process



Investment Risk Assessment Form

1. Type of Investment Product

- (a) Name of Product?
- (b) Name of Investment provider?
- (c) Name of deposit-taking institution/organisation (where investment is deposited)?
- (d) Is this Investment Short Term (12 months or less) or Long Term (more than 12 months)?
- (e) Descriptive of type of investment?

2. Compliance with Legislation

- (a) Does the investment comply with Section 143 of the Local Government Act 1989? Yes/No
Tick a box

Yes ☐ No - Do not proceed ☐

3. Term of Investment

- (a) Date investment matures?

4. Converting the Investment to Cash

- (a) Is the investment convertible to cash at any time with maximum 35 day notice period? Yes/No
Tick a box

Yes ☐ No - Do not proceed ☐

- (b) If longer than 3 working days, how long does it take to convert the investment to cash?

5. Level and type of risk of investment

- (a) If short-term, is the investment Credit Rating within the range A-1 to A-2?

Tick a box

Yes ☐ No - Do not proceed ☐

Rating

- (b) If long-term, is the investment Credit Rating within the range AAA- to AA-?

Tick a box

Yes ☐ No - Do not proceed ☐

Rating

- (c) Is the Capital Investment amount guaranteed to be preserved? Yes/No

Tick a box

Yes ☐ No - Do not proceed ☐

If yes, who is providing the capital guarantee?

6. Uncertainties on the Rate of Return

(a) Is past performance above the target rate of return? Yes/No

Tick a box

Yes

☐

No/N/A – Go to Question 6(c)

☐

If not applicable, why?

(b) Is an independent forecast of the rate of return available? Yes/No

Tick a box

Yes

☐

No – Go to Question 6(c)

☐

If yes, who is providing the forecast?

(c) If answer to Question 6(a) is 'No' or 'N/A', is the investment an At Call product? Yes/No

Tick a box

Yes

☐

No - Do not proceed

☐

7. Overall Risk Assessment

(a) Does application of the Investment Decision Process result in a decision to invest?

Tick a box

Yes

☐

No - Do not proceed

☐

(b) Does the overall assessment reflect a low risk investment? (Answer to Question 7 (a) must be "Yes") Yes/No

Tick a box

Yes

☐

No - Do not proceed

☐

8. Reasons for Recommendation

Provide a brief explanation for the selection of this institution and maturity date

.....

Dated: __/__/__

Manager Finance

10. Councillor Allowances, Expenses & Remuneration

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.7.4

This provides an annual update on Councillor Allowances, Expenses & Remuneration for Audit & Risk Committee members' information.

Appendix P: Councillor Allowances (D14/60168)

Appendix Q: Councillor Expenses & Remuneration (D15/39414)

RECOMMENDATION: That the Audit & Risk Committee receives and notes the report on Gifts & Hospitality, Councillor Entitlements, Councillor Education and other reimbursement expenses.	
MOVED: John Gavens	SECONDED: Brian Keane

**LOCAL GOVERNMENT (GENERAL) REGULATIONS 2004
PART 5 – INFORMATION TO BE MADE AVAILABLE TO THE PUBLIC**

Section 11 – Documents to be made available for public inspection

A Council must make available for public inspection documents containing the following prescribed matters –

- (a) details of current allowances fixed for the Mayor, Lord Mayor (if any) and Councillors under section 74 or 74A of the Act

	Annual Allowance
Mayor	\$79,389
Councillors	\$25,657

Note: The above figures include a State Government advised increase of 2.5% effective 1 December 2014 (Circular 24/2014)

APPENDIX Q – Councillor Expenses & Remuneration
(Trim Reference: F15/403 – D15/39414)

Councillor Expenses & Remuneration July 2014 to March 2015

Councillor	Allowance (including superannuation) \$	Mobile Phone \$	Internet \$	Travel \$	Total \$
Cr. Libby Coker	21,530	946	286	-	22,762
Cr. Rose Hodge	40,164	1,021	321	783	42,289
Cr. Eve Fisher	21,530	339	286	-	22,155
Cr. Brian McKiterick	21,530	1,470	582	288	23,868
Cr. Margot Smith	48,810	436	277	2,106	51,630
Cr. Clive Goldsworthy	21,530	1,294	-	8,063	30,887
Cr. David Bell	21,530	285	286	805	22,906
Cr. Rod Nockles	21,530	299	286	423	22,537
Cr. Heather Wellington	21,530	317	237	6,095	28,179

11. Local Government Performance Reporting Framework

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.9.3

This report provides an update on the Victorian Local Government Performance Reporting Framework.

Aims of the Local Government Performance Reporting Framework (LGPRF)

The Victorian Government established the LGPRF in 2014 to ensure that all councils are measuring and reporting on their performance in a consistent way. The need for a new performance reporting framework for Victorian councils arose in part out of the Victorian Auditor-General's observation that performance reporting in local government had limited relevance to ratepayers because it lacked information about the quality of council services, the outcomes being achieved and how these related to councils' strategic objectives¹.

The primary objective of the LGPRF is to provide comprehensive performance information that meets the needs of a number of audiences. In meeting this objective:

- councils will have information to support strategic decision-making and continuous improvement
- communities will have information about council performance and productivity
- regulators will have information to monitor compliance with relevant reporting requirements
- state and federal governments will be better informed to make decisions that ensure an effective,
- efficient and sustainable system of local government.

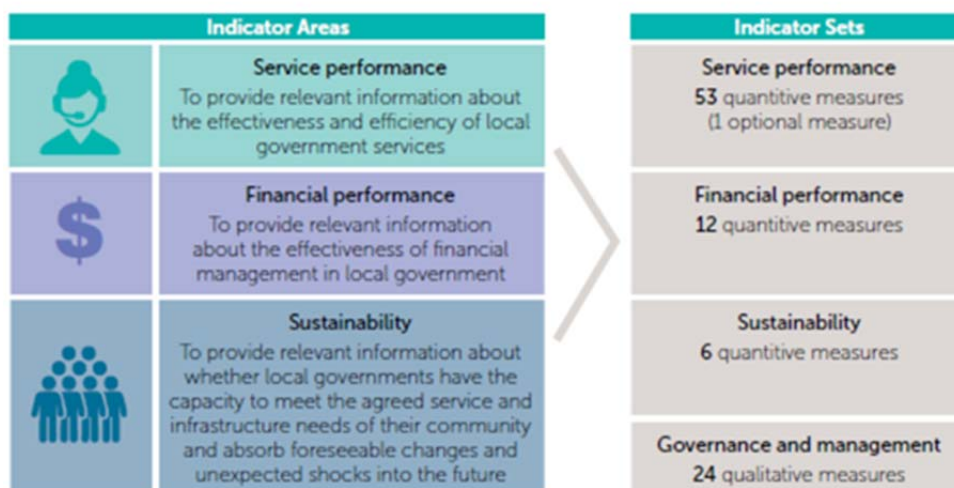
The data generated by the LGPRF can also provide an incentive to improve the performance of local government services by:

- enhancing measurement approaches and techniques
- helping councils identify where there is scope for improvement
- promoting greater transparency and informed debate about comparative performance.

Scope of the LGPRF

To provide a comprehensive picture of council performance, four indicator sets: service performance, financial performance, sustainable capacity, and governance & management have been developed across three thematic areas: service performance, financial performance and sustainability (figure 1). An objective for assessing performance against each thematic area has been established to inform the development of performance indicators.

Figure 1: LGPRF indicator areas and sets



Preparation for Reporting

Councils are required to collect data from 1 July 2014 and report the results of the performance indicators and measures in their annual reports for the 2014-15 financial year. Responsible officers have been assigned and have recently participated in meetings with VAGO (early April 2015) in relation to our preparedness for reporting. Overall the process Surf Coast Shire had adopted to the provision of auditable evidence was found to be satisfactory and any minor concerns have since been followed up and resolved.

Further meetings will take place in early June with the Coordinator Corporate Planning to ensure Council is on track for 30 June reporting.

RECOMMENDATION:

That the Audit & Risk Committee receive and note the update on the Local Government Performance Reporting Framework.

MOVED: Melissa Field

SECONDED: Cr. Margot Smith

12. Administrative Matters

12.1 Committee Charter

AUTHOR:	Sunil Bhalla	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.10.2

This item is designed to allow Audit & Risk Committee members the opportunity to review and assess the adequacy of the Audit & Risk Committee Charter for September 2015 – May 2016.

Refer Appendix R: Audit & Risk Committee Charter (D13/134800)

ACTION ITEMS: 1. Council to provide a soft copy to Committee members via email. 2. Members to advise General Manager Governance & Infrastructure of any changes. 3. Revised Charter to be distributed to members for approval prior to presentation to Council.	
RECOMMENDATION: That the Audit & Risk Committee review the Committee Charter and advise of any changes.	
MOVED: Cr. Margot Smith	SECONDED: Cr. Clive Goldsworthy



**Surf Coast Shire
Audit & Risk Committee Charter
July 2013**

1. Background

The Audit & Risk Committee is a formally appointed Advisory Committee of Council. The Audit & Risk Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Audit & Risk Committee does not have any management functions and is therefore independent of management. The Committee's role is to report to Council and provide appropriate advice and recommendations relevant to its charter in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

2. Objectives

The objective of the Audit & Risk Committee is to provide appropriate advice to Council so that Council is able to:

- 2.1. Display well informed, efficient and effective decision making.
- 2.2. Promote and monitor an ethical culture throughout the Council and comply with any relevant code of conduct.
- 2.3. Implement a sound system of risk oversight and management.
- 2.4. Implement an effective and efficient internal control system.
- 2.5. Protect the Council's assets.
- 2.6. Protect against litigation and claims.
- 2.7. Protect against fraud.
- 2.8. Comply with applicable legislation, regulations, standards and Council policies.
- 2.9. Demonstrate quality internal and external reporting
- 2.10. Display effective communications between the Council and the internal and external auditors and provide timely responses to matters arising from audits.

3. Legal Status

The Audit & Risk Committee is an advisory committee for the purposes of the Local Government Act 1989.

4. Membership

The Audit & Risk Committee will consist of:

- 4.1. Two Councillors (and one substitute)
- 4.2. Four suitably qualified independent representatives

The Chief Executive Officer, Director Corporate Services and Council's internal auditor are not members but should attend meetings in an advisory capacity. Council's external auditors will be invited to attend meetings as deemed appropriate.

5. Appointment of Independent Representatives

5.1. Independent Members

Independent members are individuals free from any management, business or other relationship that could reasonably be perceived to materially interfere with their ability to act in the best interests of Council. The independence of members will be considered in relation to any applicable legislation or regulation that defines the requirements of independence for membership.

It is commonplace to examine an Audit & Risk Committee member's past and current relationships with Council as indicators of independence.

Good governance identifies the following relationships that might affect the independent status of a member, if the member:

- is employed, or has previously been employed in an executive capacity by Council or a related entity, and there has not been a period of at least three years between ceasing such employment and serving on the Audit & Risk Committee.
- has, within the last three years, been a principal of a material professional adviser or a material consultant to Council or a related entity, or an employee materially associated with the service provided.
- is a material supplier to or customer of Council or a related entity, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
- has a material, contractual relationship with Council or a related entity.

Members and potential members need to exercise care to ensure they disclose, for consideration by Council any relationships that could be viewed by other parties as impairing either the individual's or the Audit & Risk Committee's actual or perceived independence. When deciding what is significant, the selection panel will consider the significance of the relationship to both Council and to the individual.

It is important for members both to be independent and to be seen to be independent. Occasionally, Council might choose to appoint an individual to the Audit & Risk Committee, despite the existence of relationships identified above, because of the individual's business or other expertise. Good governance suggests that the selection panel should state its reasons to Council for considering such a member to be independent, and the corporate governance statement should disclose the existence of any such relationships.

5.2. Selection of Independent Representatives

The evaluation of potential members will be undertaken by a selection panel including the Chief Executive Officer (or his/her delegate) and two councillor representatives, taking account of the experience of candidates and their likely ability to apply appropriate analytical and strategic management skills. A recommendation for appointment is then made by the selection panel to Council.

It is important to not only maintain Audit & Risk Committee continuity, but also to provide a fresh perspective through succession planning and the selection process. The following key qualities are desirable when appointing members:

- Individuals should have:
 - senior business or financial management/reporting knowledge and experience
 - high levels of financial literacy
 - knowledge of Council’s operations and the environment in which it operates
 - strong communication skills
 - high levels of personal integrity and ethics
 - sufficient time available to devote to executing responsibilities
- The Audit & Risk Committee as a whole should have:
 - at least one member with financial qualifications and experience, conversant with financial and other reporting requirements
 - skills and experience relevant to discharging responsibilities, including experience in
 - senior business, financial and legal compliance, risk management
 - local government background and experience as applicable.

Where Council considers an individual has the skills, experience and interest or particular expertise to be an effective member of the Audit & Risk Committee, the selection panel will interview and recommend the candidate’s appointment as an independent member of the Audit & Risk Committee.

5.3. Rotation of Independent Representatives

The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council’s elected representatives to enhance the perception and reality of independence.

Appointment of independent representatives shall be made by Council by way of a public advertisement and be for a maximum term of four years.

6. Appointment of Chair Person

The Chairperson shall be appointed by the Council and must be one of the four external members of the Committee.

7. Quorum

Any four members of the Committee, two of which must be independent representatives.

8. Meetings

- 8.1. The Audit & Risk committee will meet at least four times a year, with the authority to convene additional meetings, as circumstances require.
- 8.2. All Audit & Risk committee members are expected to be fully prepared and attend each meeting, in person or through teleconference or video conference.
- 8.3. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an external member as an Acting Chairperson.
- 8.4. The Audit & Risk Committee shall meet at least once a year in conjunction with a scheduled Audit & Risk Committee Meeting with the internal auditor and external auditor without the officers in attendance.
- 8.5. Meetings will be minuted and distributed in draft within 10 days after the meeting.
- 8.6. Agendas will be prepared and distributed 7 days in advance of the meeting along with appropriate briefing papers.
- 8.7. Council shall provide secretarial and administration support.

9. Responsibilities

9.1. External Audit

- 9.1.1. Note the external auditors proposed audit scope and approach, particularly noting any reliance on internal auditor activity.
- 9.1.2. To discuss matters arising from the external audit with the external auditor.
- 9.1.3. To review the annual financial statements prior to their approval by the Council.
- 9.1.4. To make comment on management's response to the external auditor's report.
- 9.1.5. Review the performance of the external auditors.
- 9.1.6. Consider the independence of the external auditor in the context of any other services provided to Council.
- 9.1.7. To monitor the implementation by management of the external auditor's recommendations that are adopted by the Council.
- 9.1.8. Meet at least twice annually with the external auditor.

9.2. Internal Audit

- 9.2.1. To make recommendations to the Council on the appointment and remuneration of the internal auditor.
- 9.2.2. To review and recommend to Council a strategic annual internal audit plan having regard to Council's Budget and objectives.
- 9.2.3. To consider internal audit reviews as completed and recommend to Council, actions that result in improved performance in these areas.
- 9.2.4. As part of the Committee's annual assessment of performance, determine the level of satisfaction with the internal audit function.
- 9.2.5. Ensure the internal auditor's annual plan is linked with and covers the material business risks.

9.3. Internal Control

- 9.3.1. Understand the scope of internal and external auditor's review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- 9.3.2. Consider with the auditors any acts of fraud, any illegal undertakings and any deficiencies or breaches of security.

9.4. Accounting and Investment Policies

- 9.4.1. To consider recent developments in accounting principles or reporting practices that may affect the Council.
- 9.4.2. To at least annually review the Council's accounting principles, policies and practices as outlined in the annual financial statements.
- 9.4.3. To at least annually review the Council's investment policy.

9.5. Risk Management

- 9.5.1. To monitor Council's risk management system.
- 9.5.2. To work with management to ensure significant risks are adequately managed.
- 9.5.3. To ensure that Council receives timely reporting of existing and emerging risks and the planned treatment of those risks by management.
- 9.5.4. Monitor processes and practices of the Council to ensure effective business continuity.
- 9.5.5. To annually review the Council's risk and fraud policies.

9.6. Financial Reporting

- 9.6.1. Gain an understanding of current areas of greatest financial risk and how they are managed.
- 9.6.2. Review significant accounting and reporting issues, and understand their impact on financial reports.
- 9.6.3. Review complex and unusual financial transactions and highly judgemental areas, and understand their effect on the financial statements.
- 9.6.4. Oversee the periodic reporting process implemented by management and review financial statements before release.

9.7. Compliance

- 9.7.1. Review effectiveness of systems for monitoring compliance with laws, regulations, internal policies and industry standards, and the results of management's investigation and follow up of instances of non-compliance.
- 9.7.2. Obtain regular updates from management about compliance matters that have a material impact on the financial statements, strategies, operations and reputation.

9.8. Fraud

- 9.8.1. Review management's fraud prevention strategies and programs.
- 9.8.2. Ensure that fraud reporting obligations have been met.

9.9. Reporting

- 9.9.1. Report regularly to the Council about the Committee's activities, issues, and related recommendations through circulation of minutes and an annual report.
- 9.9.2. Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor General and ensure Council implements relevant recommendations.

9.10. Other

- 9.10.1. Perform other activities related to this charter as requested by the Council.
- 9.10.2. Review and assess the adequacy of the Audit & Risk Committee Charter annually.
- 9.10.3. Evaluate the Audit & Risk Committee's performance annually and include evaluation in the annual report to Council.
- 9.10.4. The Committee shall establish an annual work plan that ensures proper coverage of matters laid out in the Audit and Risk Committee Charter.

10. Remuneration

External members of the Committee will be offered remuneration for carrying out their duties. The annual amount is to be set by Council.

11. Confidentiality

Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Audit & Risk Committee of which he or she is a member that is or was in his or her possession except in accordance with such terms and in such a manner as stipulated by Surf Coast Shire Council.

12. Removal of a Member

If the Council propose to remove a member of the Committee it must give written notice of its intention to do so and afford the member an opportunity to be heard by Council.

12.2 Committee Work Plan 2015/16

AUTHOR:	Sunil Bhalla	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.10.2

This draft Work Plan for the 2015/16 financial year has been prepared for Audit & Risk Committee members review.

Refer Appendix S: Draft Audit & Risk Committee Work Plan (D15/15717)

ACTION ITEMS:	
1. Council to provide a softcopy to Committee members via email.	
2. Members to advise General Manager Governance & Infrastructure of any changes.	
3. Revised Committee Work Plan to be distributed to members for approval.	
RECOMMENDATION:	
That the Audit & Risk Committee note the proposed Work Plan for the 2015/16 financial year and provide feedback via email to General Manager Governance & Infrastructure.	
MOVED: John Gavens	SECONDED: Melissa Field

**Surfcoast Shire Audit Committee
Work Plan 2015/2016**

ISSUE		#63 2015	#64 2015	#65 2016	#66 2016
Audit Committee Meeting Date		Sep	Nov	Feb	May
9.1	External Audit (sections 132 & 133)				
	Audit committee members-only session with VAGO.	√			
9.1.1	Note the external auditors proposed audit scope and approach, <u>particularly noting including</u> any reliance on internal auditor activity.	√			
9.1.2	To discuss matters arising from the external audit with the external auditor.	√			
9.1.3	Report on the VAGO Financial Sustainability Indicators.		√		
9.1.4	To make comment on management's response to the external auditors report.	√			
9.1.5	Review the performance of the external auditors.	√			
9.1.6	Consider the independence of the external auditor in the context of any other services provided to Council.	√			
9.1.7	To monitor the implementation by management of the external auditors recommendations which are adopted by the Council.	√	√	√	√
9.1.8	Meet at least twice annually with the external auditor.	√		√	
9.2	Internal Audit (section 139)				
	Audit committee members-only session with Internal Auditors.	√	√	√	√
9.2.1	To make recommendations to the Council on the appointment and remuneration of the internal auditor.				

9.2.2	To review and recommend to Council on Strategic Annual Internal Audit Plan having regard to Council's Budget and objectives.	√			
9.2.3	To consider internal audit reviews as completed and recommend actions that result in improved performance in these areas to Council	√	√	√	√
9.2.4	As part of the Committee's annual assessment of performance, determine the level of satisfaction with the internal audit function				√
9.2.5	Ensure the internal auditor's annual work plan is linked and covers the material business risks.	√			
9.2.6	Report on the completed internal audits completed by the Coordinator Governance and Business Improvement		√		√
9.3	Internal Control				
9.3.1	Understand the scope of internal and external auditor's review of internal controls over financial reporting and obtain reports on significant findings and recommendations, together with managements responses.	√	√	√	√
9.3.2	Consider with the auditors any acts of fraud, any illegal undertakings and any deficiencies or breaches of security	√	√	√	√
9.4	Accounting and Investment Policies				
9.4.1	To consider recent developments in accounting principles or reporting practises that may affect Council	√	√	√	√

9.4.2	To at least annually review the Council's accounting principles, policies and practices as outlined in the annual financial statements.	√			
9.4.3	To at least annually review the Council's investment policy				√
9.5	Risk Management				
9.5.1	To monitor Council's risk management system	√	√	√	√
9.5.2	To work with management to ensure significant risks are adequately managed	√	√	√	√
9.5.3	To ensure that Council receives timely reporting of existing and emerging risks and the planned treatment of those risks by management	√	√	√	√
9.5.4	Monitor processes and practises of the Council to ensure effective business continuity	√	√	√	√
9.5.5	To annually review the Council's risk policies and the Enterprise Risk Management Report format.				√
9.6	Financial Reporting				
9.6.1	Gain an understanding of current areas of greatest financial risk and how they are managed	√	√	√	√
9.6.2	Review significant accounting and reporting issues, and understand their impact on financial reports	√	√	√	√
9.6.3	Review complex and unusual financial transactions and highly judgemental areas, and understand their effect on the financial statements	√	√	√	√
9.6.4	Oversee the periodic reporting process implemented by management and review financial statements before release	√	√	√	√

9.6.5	To review the annual financial statements prior to their approval by the Council.	√			
9.7	Compliance				
9.7.1	Review effectiveness of systems for monitoring compliance with laws, regulations, internal policies and industry standards, and the results of managements investigation and follow up of instances of non - compliance			√	
9.7.2	Obtain regular updates from management about compliance matters that have a material impact on the financial statements, strategies, operations and reputation	√	√	√	√
9.7.3	To consider recent developments and updates in the Local Government various Acts that have impact on compliance matters that may affect Council.	√	√	√	√
9.7.4	To annually report on (1) Gifts & Hospitality Register (2) Councillor entitlements and (3) Councillor education and other reimbursement expenses				√
9.8	Fraud				
9.8.1	Review management's fraud prevention strategies and programs	√		√	
9.8.2	Ensure that fraud reporting obligations have been met	√	√	√	√
9.8.3	To review the Council's fraud and corruption control policies and plan (2 yearly)				√
9.8.4	Review Councillor and Staff training and development programs designed for fraud and corruption prevention strategies	√			

9.8.5	Review reporting and any key performance indicators and outcomes from the Fraud & Corruption Control Plan (FCCP)	√		√	
9.8.6	Review FCCP, once implemented		√		
9.9	Reporting				
		√	√	√	√
9.9.1	Report regularly to Council about the Committee's activities, issues, and related recommendations through circulation of minutes and an annual report	√	√	√	√
9.9.2	Consider the findings and recommendations of relevant Performance Audits undertaken by the Victorian Auditor General, Ombudsman Victoria and IBAC and ensure Council implements relevant recommendations	√	√	√	√
9.9.3	To annually report on State Government's Service Review Updates	√			
9.10	Other				
9.10.1	Perform other activities related to the Charter as requested by Council	√	√	√	√
9.10.2	Review and assess the adequacy of the Audit & Risk Committee Charter annually				√
9.10.3	Evaluate the Audit & Risk Committee's performance annually and include evaluation in the annual report to Council		√		
9.10.4	The Committee shall establish an annual work plan that ensures proper coverage of matters laid out in the Audit and Risk Committee Charter.	√	√	√	√

12.3 Committee Membership

AUTHOR:	Sunil Bhalla	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	N/A

At its meeting held on the 24 March 2015 Council endorsed the appointment of Cr Margot Smith as a Committee member following the resignation of Cr Rod Nockles.

RECOMMENDATION: That the Audit & Risk Committee note the change in committee membership.	
MOVED: Brian Keane	SECONDED: Melissa Field

12.4 Committee Minutes

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.10.2

This item is designed for the Audit & Risk Committee members to discuss the format of minutes taken at meetings.

ACTION ITEMS: 1. Include more commentary as part of the minutes. 2. Investigate confidentiality concerns associated with making minutes public.	
RECOMMENDATION: That the Audit & Risk Committee provide any comments on Committee meeting minutes.	
MOVED: John Gavens	SECONDED: Cr. Clive Goldsworthy

12.5 Date of Next Meeting & Proposed Agenda Outline

AUTHOR:	Wendy Hope	ENDORSED:	Sunil Bhalla
DEPARTMENT:	Governance & Risk	CHARTER REFERENCE:	9.10.2

The next Audit and Risk Committee Meeting is scheduled to be held on **Tuesday, 8th September 2015 from 9.00 – 11.00am.**

The proposed Agenda outline for this meeting is as follows:

- Chief Executive Officer's Update
- Audit and Risk Committee Outstanding Issues & Actions
- Presentation
- Risk Management
 - Enterprise Risk Management
- Internal & External Matters
 - Internal Auditors Update (Grant Thornton)
 - External Audit Update (VAGO)
 - Members-only Session with VAGO
 - Review of External Auditor Performance
 - Performance Audit Reports – External Bodies
 - Review of Strategic Annual Internal Audit Plan
- Financial Matters
 - Monthly Finance Report
 - Review of Accounting Principles, Policies & Practices
 - Review of Annual Financial Statements
- Fraud
 - Review of Fraud prevention Strategies & Programs
 - Review of Councillor & Staff Training & Development Programs for Fraud & Corruption Prevention Strategies
- Administrative Matters
 - Meeting Dates

Close of Meeting: There being no further items of business, the meeting closed at 11.33 am.