



MINUTES

Greater Shepparton City Council

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

4:00PM, Wednesday 8 September 2021

Virtually via Zoom

COMMITTEE MEMBERS

Mr Goran Mitrevski (Chair)
Mr David Kortum
Mr Vivek Chopra
Mr Stephen Coates
Cr Kim O'Keeffe (Mayor)
Cr Rob Priestly (Deputy Mayor)

VISION

GREATER SHEPPARTON, GREATER FUTURE

A thriving economy in the foodbowl of Victoria with excellent lifestyles, innovative agriculture a

MINUTES
for the
AUDIT AND RISK MANAGEMENT COMMITTEE
held on
WEDNESDAY 8 SEPTEMBER 2021 AT 4:00PM

CHAIR
MR GORAN MITREVSKI

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Attendees:**Committee Members**

- Goran Mitrevski (Chair)
- David Kortum
- Vivek Chopra
- Stephen Coates
- Cr Kim O'Keeffe (Mayor)
- Cr Rob Priestly (Deputy Mayor)

Council Officers

- Chris Teitzel - Director Corporate Services
- Darryl Hancock - Manager Corporate Governance
- Matthew Jarvis - Manager Finance & Rates
- Hannah Shelton - Senior Financial Analyst
- Anita Bourke - Team Leader - Financial Reporting
- Ebony Tonks - Senior Financial Analyst
- Peter Schnorrenberg - Financial Accountant Fixed Assets
- Ash Weeks - Financial Accountant
- Jacalyn Turner - Management Accountant
- Jodie Sessions – Team Leader Risk & Assurance

RSD Audit

- Phil Delahunty

1 Acknowledgement

"We, Greater Shepparton City Council, acknowledge the Yorta Yorta Peoples of the land which now comprises Greater Shepparton, we pay our respect to their tribal elders, we celebrate their continuing culture and we acknowledge the memory of their ancestors".

2 Apologies

Nil.

Council Officers:

- Peter Harriott - CEO
- Susan Walker - Assurance & Continuity Officer (Minute Taker)

3 Declarations of Conflict of Interest

Disclosures of conflicts of interest in relation to advice provided in this report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers, delegates or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Disclosure must occur immediately before the matter is considered or discussed.

4 Confirmation of Minutes of Previous Meetings

That the minutes of the 11 August 2021 Audit and Risk Management Committee meeting as circulated, be confirmed.

Moved: Stephen Coates

Seconded: David Kortum

5 Financial and Performance Statements

5.1 Draft Financial and Performance Statements - Recommendation for Certification

DRAFT Annual Financial Report

- Management advised that there were changes made after the original agenda was distributed. The changes are a result of advice received from RSD Audit, the Council's external auditor. These included:
 - changes to the income statement;
 - separating out the landfill provision and incorporating back into the borrowing cost line; and
 - minor changes to the Table of Contents.
- Management made a PowerPoint presentation taking the Committee through the financial statements and providing information on any material variances between the comparative figures - refer M21/73971 in Content Manager. The following discussion took place.
 - Comprehensive Income Statement – Expenses – net loss on disposal of property, infrastructure, plant and equipment (page 4) - \$18 m reduction in plant and equipment.
 - Management advised that the reduction was due to the completion of SAM.
 - Statement of Capital Works – \$14.46 m reduction in Buildings (page 8).
 - Management again advised that this was due to the completion of SAM.
 - Amortisation - intangible assets.
 - The Committee asked whether the explanation for the variance was correct and whether it should be rewritten (page 12).
 - Management advised that it comes up as a variance due to not having budget assigned to it.
 - Note 1.2 Capital works - Budget to Actual Comparison - Buildings.
 - The Committee asked the reason for the reduction of \$1.5 m reduction.
 - Management to confirm with Committee.
 - Note 3.3 User Fees – Waste management services
 - The Committee asked the reason for the \$3 m increase in waste management services.
 - Management advised that it was due to 2 fires at 2 waste transfer depots. Council accepted the additional waste whilst the rebuilds occurred.
 - Management also advised that this was due to the SAM building and the Working for Victoria scheme where Council had done more with budgeting than in previous years.

A “page turn” of the financial statements was performed and the following outlines the Questions from the Committee and Discussion that took place.

- The Committee asked if the Table of Contents could be changed for notes 3.6 (remove the word “profit”), 8.1 (remove the words “assets and”) and 9.2 (remove the word “/(profit)”)
 - Management advised that this change will be made.
- The Committee noted the change in prior year comparatives for Borrowing Costs and Net gain/ (loss) on fair value movements in landfill and employee provisions in the Comprehensive Income Statement.
- The Committee requested the following words be removed from Note 1(b) “expected to be”.
 - Management advised that this change will be made.
- The Committee requested that the word “low” be replaced with the word “lower” under the explanation for variance in other income on page 12.
 - Management advised that this change will be made.
- The Committee requested that the explanation for the movement in Project Management Office (page 14) be rewritten to better explain the reason for the movement.
 - Management advised wording would be improved.
- Note 3.4(a) Operating Grants Non-Recurrent – State Government, Infrastructure (page 17).
 - The committee queried \$4m amount of Infrastructure funding.
 - Management advised this was due to local roads and community infrastructure funding and specific to COVID funding.
- Note 3.4(c) Received during the financial year and remained unspent at balance date (page 18).
 - The Committee queried what the \$7 m increase represented.
 - Management advised that these figures relate to new accounting standards and cannot be recorded correctly until performance obligations have been met i.e. completion of projects.
- Note 5.1 Financial assets – Intended allocations (page 22).
 - The Committee asked whether the \$7m increase on the prior year reflected delays in capital works.
 - Management advised that the intended allocations are tied into earlier capital works.
- Note 5.1(d) ageing of receivables – past due between 31 and 365 days (page 23).
 - The Committee asked if there is any concern with recovery given the increases of \$2.9 m in the amounts past due.
 - Management advised that there is no issue with recovery despite the increase.
- Note 5.7 Commitments, Operating – Operational supplies and services (page 29).

- The Committee asked for an explanation in the increase of \$7.6 m on the prior year in operational supplies and services.
- Management advised that FY2021 includes \$2m annual contribution to Shepparton Art Museum Limited (5 year agreement).
- Note 5.8 Leases (page 30).
 - The Committee asked to remove “2021” from the Total undiscounted lease liabilities as at 30 June 2021 and from Lease liabilities included in the Balance Sheet at 30 June 2021.
 - Management agreed this should be removed and RSD Audit confirmed.
- Note 6.2 Property, Infrastructure, plant and equipment (page 36).
 - The Committee asked whether the change in the depreciation period for footpaths and bike paths was a required change or Council change.
 - Management advised that this was a Council change approved by ELT and adopted by Council.
- Note 6.2 Property, Infrastructure, plant and equipment (page 37).
 - The Committee queried the evaluation value of Bridges asking whether outgoings and depreciation had impacted the reported figure as at the June 2018 valuation.
 - Management confirmed this was the case.
- Note 7.1 People and relationships – Council and key management remuneration (page 40).
 - The Committee asked if there was a reason Councillor names were listed and not management in the Related Party Disclosure section.
 - Management advised that both RSD Audit and VAGO advised to include officer positions within the context of the Related Party Disclosures.
- Note 7.2(a) Transactions with related parties – item 10 Receipt of \$50,655 from Goulburn Valley Waste and Resources Recovery Group (page 42).
 - Committee advised management that the note was missing which Councillors had an interest.
 - Management advised that they would amend.

Actions arising from the Committee Meeting

1. Management to make the required changes to the Table of Contents.
2. Note 1(b). Management to remove the words “expected to be” on page 10.
3. Note 1.1(i) – Variance ref 6. Management to replace the word “low” with “lower” on page 12.
4. Note 1.1(i) – Variance ref 8. Management to amend the wording of the explanation for the movement on page 12.
5. Note 5.8 – Leases. Management to remove “2021” from the Total undiscounted lease liabilities as at 30 June 2021 and from Lease liabilities included in the Balance Sheet at 30 June 2021.
6. Note 7.2(a) Transactions with related parties – item 10 Receipt of \$50,655 from Goulburn Valley Waste and Resources Recovery Group on page 42 to be completed to show councillor interest.

DRAFT Performance Statement

Discussion and Questions from the Committee

- Service Performance Indicators – Satisfaction with Council decisions.
 - The Committee noted the steady decline in satisfaction over the years and asked if there was an expected rate of satisfaction with Council decisions held by Council.
 - Management advised that the figures vary dependent on arising issues at the time.
 - The Committee asked whether any benchmarking had been conducted.
 - Management advised that the figures are not dissimilar to other councils and is a result of the quarterly surveys. Council is obligated under the Local Government Act 2020 to conduct annual surveys where callers are matched to demographic profiling.
- Service Performance Indicators – Satisfaction with sealed local roads.
 - The Committee also asked about the “low” satisfaction with sealed local roads.
 - Management advised that members of the public do not understand the difference between a council owned and non-council owned road.
 - The Committee asked whether maintenance of the roads is on track.
 - Management confirmed that it is and also advised that Council are satisfied with the inspection and maintenance regime.
- The Committee asked whether management would consider documenting the inspection and maintenance regime in the statement.
- The Committee asked whether the numbers from the survey are reviewed and whether Council is considering options for improving survey results/ratings.
 - Management advised that the results of the survey are being used in a more constructive manner with additional measures also being reported on.

DRAFT Management Representation Letter

Discussion and Questions from the Committee

- Subsequent events – item 38.
 - The Committee requested that the wording in the financial statement under note 8.5 events occurring after balance date, should be included in item 38 rather than stating that no events have occurred.
 - Management agreed to amend wording.

Actions arising from the Committee Meeting

1. Management to provide wording regarding subsequent events in the representation letter to align with note 8.5 of the financials.

Final Management Letter

Discussion and Questions from the Committee

- With the recent attack at Stonnington Council, the Committee asked whether the Manager ICT could present a report on the current internal controls and mitigating actions, specifically in relation to cyber-attacks, at the November ARMC meeting to the Committee.
 - Management advised that a new Manager only commenced with Council on 6 September, further advising it would be more beneficial for this report to be presented at the February 2022 meeting.

Actions arising from the Committee Meeting

1. The ICT Manager to present on IT controls environment including controls associated with the risk of a cyber-attack, at February 2022 meeting.

Closing Report

Discussion and Questions from the Committee

- RSD Audit advised of 5 items requiring attention, however, satisfied that these had been dealt with sufficiently.
- Council's audit processes are adequate and provides comfort to the readers.
- The Committee asked about the findings from the previous year and how these were situated.
 - RSD Audit confirmed that these 7 audits had been dealt with and is currently sitting with Manager Finance & Rates for comment.
- The Committee asked when the Auditor General will be receiving the statements.
 - RSD Audit advised that they would receive them by Friday 10 September 2021.
- The Committee queried the issues relating to ICT user access and employment termination.
 - RSD Audit advised that no further testing had been conducted since being reported on 2 September 2021.
 - Management advised that there is an employee exit process where user's accounts are disabled, however, the user remains in the system.
 - Further enhancements will be made to this process with commencement of new ICT Manager.
- The Committee asked whether this process can be included in the IT General Controls scope.
 - RSD Audit advised that it could.

Actions arising from the Committee Meeting

1. Include the termination process in the IT General Controls scope.

RECOMMENDATION

That the Audit and Risk Management Committee endorse the Financial Statements and Performance Statement for the financial year ending 30 June 2021 and recommend Council certify the statements prior to submission to the Victorian Auditor-General and the Minister.

Moved: Stephen Coates

Seconded: Vivek Chopra

7 Date of Next Meeting

Wednesday 10 November, 2021

8 Meeting Closed

5.40pm