

3.3 Recommendations of the Audit Committee Meeting held 19 August 2020

Abstract

Council's Audit Committee held its most recent meeting on 19 August 2020. This report presents the recommendations of that Audit Committee meeting for consideration by Council. A schedule of reports and committee recommendations is presented as an attachment to this report.

Officers' recommendation

That Council resolve to adopt the resolutions recommended to Council contained in **Attachment 1** (as annexed to the minutes) reflecting the recommendations from the Audit Committee meeting held on 19 August 2020.

Responsible director: David Thompson
Governance and Legal

1. Purpose

To present to Council the recommendations of the Audit Committee meeting held on 19 August 2020. A schedule of reports and committee recommendations is presented as an attachment to this report.

2. Policy implications and relevance to community plan and council plan

The Audit Committee Charter provides that recommendations of the Audit Committee are not binding until considered and adopted by Council.

As detailed in the Council Plan 2017-21 and the Boroondara Community Plan 2017-27. In particular Objective 7 “Ensure that ethical financial and socially responsible decision making reflects community needs and is based on principles of accountability, transparency, responsiveness and consultation”.

Strategy 7.2: Ensure transparent decision making through open governance processes.

Strategy 7.5: Ensure sound financial management while allocating resources to deliver strategic infrastructure and services that meet community needs.

With reference to the Election Period Policy adopted by Council on the 24 August 2020, this report is being presented to Council to ensure the day to day business of Council can continue.

3. Background

This report aims to summarise the issues considered at the Audit Committee meeting held on 19 August 2020. The report is also intended to identify those matters requiring Council resolution and adoption and those matters that are presented to be “received and noted”.

Full copies of papers presented to the Audit Committee can be accessed by Councillors via the Councillor Portal. Assistance in locating these papers can be provided by the Governance unit.

4. Outline of key issues/options

As recorded in the minutes of the Audit Committee meeting held on 19 August 2020 the following reports were tabled:.

- A4.1 Standard Questions for Tabling at the Audit Committee Meetings
- A4.2 Business Arising
- A4.3 COVID-19 (Verbal Report)
- A4.4 Annual Report Management of Health, Safety and Wellbeing
- A4.5 Safety Incident Handling Review - Internal Audit Report
- A4.6 Follow-Up Review - Internal Audit Report
- A4.7 Internal Audit Update March 2020
- A4.8 Draft Treasury Policy 24 August 2020
- A4.9 Legal and Ethical Compliance Program - 2019/20

- A4.10 Update on the activities of the Fraud Control Group 2019-20
- A4.11 Reports to Parliament by Victorian Auditor-General's Office and other regulatory bodies
- A4.12 Audit Committee Administrative Matters
- A4.13 Proposed Audit and Risk Committee Charter 2020
- A4.14 Annual Financial Statements and Performance Statement for the year ended 30 June 2020

A summary of the content of the reports tabled and identification of the required Council action is contained in **Attachment 1**.

5. Consultation/communication

Not applicable.

6. Financial and resource implications

Council's operating budget provides funds for the Internal Audit Program and for implementation costs associated with these Audit recommendations.

7. Governance issues

Officers involved in the preparation of this report have no conflict of interest. The list of prescribed human rights contained in the Victorian Charter of Human Rights and Responsibilities has been reviewed in accordance with Council's Human Rights Compatibility Assessment Tool and it is considered that the proposed actions contained in this report present no breaches of, or infringements upon, those prescribed rights.

8. Social and environmental issues

The contents of this report are consistent with Council's desire to provide solid financial and governance frameworks to support the enhancement of urban environmental and social amenity.

9. Conclusion

This report presents to Council the recommendations of the Audit Committee meeting held on 19 August 2020.

Report officer: Chris Hurley, Integrity Officer, Governance

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
A4.1	Standard Questions for Tabling at the Audit Committee meetings	Audit Committee Members were given the opportunity to: 1. Ask Auditors present, if their work had been obstructed in any way. Auditors present responded that no obstructions had been experienced. 2. Ask if there were any matters such as breach of legislation or practices that need to be brought to the attention of the Audit Committee. 3. Request a discussion of any matter with the Auditors in the absence of management and other staff. No such discussion was requested.	<i>Nil.</i>	Council note the responses of Officers, Auditors and Members, to the standard questions outlined in this report.
A4.2	Business Arising	This report updated the Audit Committee on matters raised at previous meetings and provided follow up information on queries raised by Committee members. This report included an update on the Financial Sustainability Measures contained in the Long Term Financial Strategy and further information regarding the Industrial Manslaughter Legislation. The Committee noted the actions taken in response to matters arising from the minutes of the previous meeting.	<i>Nil.</i>	Council note the actions taken in response to matters arising from the minutes of previous meetings as outlined in Attachment 1 (as annexed to the Audit Committee minutes).
A4.3	COVID-19 (Verbal)	The verbal report provided an update on Council's actions and	<i>Nil.</i>	Council receive and note the report.

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
		responses associated with the coronavirus (COVID-19).		
A4.4	Annual Report Management of Health, Safety and Wellbeing	<p>This report updated the Audit Committee on the management of Health, Safety and Wellbeing (HSW) during the 2019-20 year.</p> <p>The Audit Committee noted initiatives run throughout the 2019-20 year aimed to increase awareness of mental health in the workplace, and ensure staff had access to timely support. The launch of the HSW Strategy 2020-23 builds upon the successes of the previous strategies and acknowledges the unique challenges and opportunities which shape the services we deliver, and infrastructure and facilities we provide to our community and workforce. The Strategy is supported through an annual HSW Action Plan (the Plan).</p>	<i>Nil.</i>	Council receive and note the report.
A4.5	Safety Incident Handling Review - Internal Audit Report	This report updated the Audit Committee on the Internal Audit review of Council's Safety Incident Handling procedures and key controls that enable the achievement of the agreed control objectives. The review was conducted in accordance with the Strategic Internal Audit Plan.	<i>Nil.</i>	Council receive and note the report

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
		<p>The internal audit report assessed the maturity of Council's processes for Safety Incident Handling as "developing". Two Medium recommendations and two improvement opportunities have been provided to improve controls and enhance processes and reporting.</p> <p>Management has agreed with the report's recommendations and provided commentary and implementation dates in the report.</p>		
A4.6	Follow-Up Review - Internal Audit Report	<p>The report updated the Audit Committee on the outcomes of the Internal Audit's review to assess the completed recommendations arising from internal audits undertaken in prior years. The audit assessed the 'High' and 'Medium' rated internal audit recommendations that have been completed since the prior follow up internal audit. The review was conducted in accordance with the 2019-20 Strategic Internal Audit Plan.</p> <p>The follow-up internal audit confirmed that 18 of the 19 completed internal audit recommendations have been appropriately actioned and are confirmed to be closed. One of the recommendations requires further</p>	Nil.	Council receive and note the report.

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
		work to satisfy the required action, although the risk rating has been lowered due to the work management has undertaken to date. Management action is underway to close this recommendation.		
A4.7	Internal Audit Update August 2020	This report updated the Audit Committee on the 2019-20 and 2020-21 Internal Audit Plan and provided a status report on the implementation of recommendations from prior Internal Audit reports.	<i>Nil</i>	Council receive and note the report.
A4.8	Treasury Policy	This report provided the Audit Committee with an update on the review of the Draft Treasury Policy 2020. No substantive changes to the policy were proposed. A number of administrative amendments are required to reflect the current organisation structure. The Committee endorsed for Council approval the Treasury Policy (Appendix A) .	<i>Management agreed with the Committee's suggestion the review date for the Treasury Policy be three years rather than five years.</i>	Council approve the Draft Treasury Policy 2020.
A4.9	Legal and Ethical Certification Program 2019-20	This report updated the Audit Committee on the outcomes of the Legal and Ethical Compliance Program. The Legal and Ethical Compliance program requires staff to formally attest that legislative and ethical requirements have been met. The Legal and Ethical Compliance Program assists staff in	<i>Nil.</i>	Council receive and note the report.

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
		remaining alert to their legislative duties and obligations and provides a mechanism to demonstrate compliance with high ethical standards.		
A4.10	Update on the activities of the Fraud Control Group 2019-20	This report updated the Audit Committee on the activities of the Fraud Control Group during the 2019-20 financial year. The activities conducted in 2019-20 are believed to have had a positive impact in raising awareness of fraud control responsibilities across the wider management group and enabled managers to have informed discussions with their staff. The Group will continue to be active during the 2020-21 financial year.	<i>Nil.</i>	Council receive and note the report.
A4.11	Reports to Parliament by Victorian Auditor-General's Office and other regulatory	<p>This report updated the Audit Committee on reports presented to State Parliament by VAGO and other regulatory bodies that have a local government impact or context. The report noted that since the last Audit Committee meeting, at the time of writing, no reports had been presented to State Parliament.</p> <p>Officers have reviewed the report tabled in parliament by the Victorian Ombudsman entitled 'Investigation of alleged improper conduct by Executive officers at Ballarat City Council. Officers have not identified</p>	<i>Nil.</i>	Council receive and note the report

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
		<p>any required changes to current systems and procedures. The report highlights the importance of all staff (especially leaders) adhering to Council's formal policies and procedures and understanding, identifying and declaring conflicts of interest.</p>		
A4.12	Audit Committee Administrative Matters	<ol style="list-style-type: none"> 1. The Audit Committee noted that the recommendations from the previous Audit Committee meeting of 13 May 2020 had been reviewed and endorsed by Council at the Council meeting held 22 June 2020. The appropriate Council report was provided to the Audit Committee. 2. The Audit Committee reviewed progress against the 2020-21 Audit Committee Annual Plan noting that all required activities to date have been completed. 3. The Audit Committee was updated on the progress of the June 2020 Quarterly Performance Report (QPR). 4. The Audit Committee reviewed the minutes of the Business Enterprise Risk Committee (BERC) 25 May 2020. 5. The Audit Committee was updated on the Councillor and Staff Gift Declarations 	Nil	Council receive and note the report.

**Summary of reports tabled at Audit Committee meeting held
19 August 2020**

Report No	Report Title	Summary of Content	Matters Arising	Recommended Council Resolution
		<p>6. The Audit Committee was advised insurance arrangements are in place for the 2020-21 year.</p> <p>7. The Audit Committee was updated on the Insurance claims management - Claims statistic broken down by type.</p>		
A4.13	Proposed Audit and Risk Committee Charter	The matters pertaining to this report were separately dealt with by Council at the Council meeting held on Monday 24 August 2020	<i>Nil.</i>	That Council note the recommendations of the Audit Committee pertaining to report A4.13 were dealt with by Council at the Council meeting held on Monday 24 August 2020.
A4.14	Annual Financial Statements and Performance Statement for the year ended 30 June 2020	The matters pertaining to this report were separately dealt with by Council at the Council meeting held on Monday 24 August 2020	<i>Nil.</i>	That Council note the recommendations of the Audit Committee pertaining to report A.4.14 were dealt with by Council at the Council meeting held on Monday 24 August 2020.

Attachment 1

Treasury Policy

12 October 2020

Responsible Directorate: Chief Financial Office
Authorised By: Council
Date of Adoption: 12 October 2020
Review Date: 3 years
Revocation/Sunset Date: Nil
Policy Type: Council





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1. Introduction

1.1. Purpose

The purpose of the Treasury Policy is to establish Council policy in relation to:

- (a) Conduct of Council's operating bank account;
- (b) Conduct of sundry other bank accounts maintained by Council;
- (c) Monitoring and reporting Council's cash flow requirements;
- (d) Determination, placement and monitoring of investment funds, and
- (e) Determination of borrowing requirements, processes of obtaining loan funds and monitoring of borrowing interest rates.

1.2. Scope

The Treasury Policy applies to all bank accounts, investment funds and loan funds controlled by Council and administered through the Finance and Corporate Planning department, which includes:

- (a) Conduct of Council's operating bank account;
- (b) Conduct of sundry other bank accounts maintained by Council;
- (c) Monitoring and reporting Council's Cash Flow requirements;
- (d) Determination, placement and monitoring of investment funds, and
- (e) Determination of borrowing requirements and process of obtaining loan funds.

2. Background

The Treasury Policy serves to provide security and stewardship over Council's investment holdings.

2.1. Methodology

This policy is to ensure that fair and responsible financial decisions are conducted in accordance with the requirements of the *Local Government Act 2020* and sound investment and borrowing practices.

2.2. Context

To ensure Council follows a documented procedure in dealing with financial reporting, the investment of funds and procuring of moneys from financial institutions in accordance with budgetary and statutory requirements.

2.3. Consultation

In determining the policy any investment or lending institution utilised by Council must fall into strict financial categories that ensure that all Council funds are ethically and responsibly managed.



2.4. Corporate framework

This policy supports Council's Mission and Vision of maintaining a strong financial base for the Boroondara community.

This report is consistent with the Council Plan 2017-21 and the Boroondara Community Plan. In particular, the Council Plan theme of Civic Leadership & Governance and the strategy "Ensure sound financial management while allocating resources to deliver strategic infrastructure and services that meet community needs".

3. Policy statement

3.1. Conduct of Council's operating bank account

- (a) Bank reconciliations of the operating account shall be prepared daily by the Finance Officer. Monthly Reconciliations shall be reviewed by the Financial Accounting Coordinator.
- (b) Signatories to Council's operating account shall be any two of, Coordinator Revenue and Property, Financial Accounting Coordinator, Chief Financial Officer and Management Accounting Coordinator. Wherever practical, cheques will be signed by a Manager and a Coordinator.

3.2. Accountability of cheque signatories and/or bank authorisers

- (a) Cheque signatories and bank authorisers have a responsibility to ensure that their signature or electronic authorisation is only applied to valid Council payments. Signatories and bank authorisers should ensure they check all supporting documentation, that they establish the validity of the payment and that they are comfortable with the bona fides of the payment before they sign;
- (b) The Finance Officer shall be responsible for maintaining the register of cheque signatories and shall update the listing immediately after position changes;
- (c) Council's operating account will be maintained in accordance with the contract awarded to the successful tenderer for Council's banking relationship;
- (d) Any direct debit payment through the operating account shall only be made in accordance with Council's Manual of Delegations;
- (e) Council shall treat any cheque outstanding for 12 months or more as a "stale" cheque;
- (f) The need to maintain a sundry bank account must be clearly demonstrated to the satisfaction of the Chief Financial Officer. Council's preference is to have one operating bank account and use general ledger accounting to account for special purpose funds;
- (g) If the governing rules pertaining to the establishment of the special purpose account require another party (e.g. a Trustee) to be added as a signatory this shall be implemented by the Finance Officer.



3.3. Monitoring and reporting Council's Cash Flow requirements

- (a) Each year as part of the budget process a cash flow budget is prepared;
- (b) For management purposes, the Financial Accounting Coordinator will produce a monthly cashflow forecast to enable peaks and troughs to be quickly identified. This forecast will update each month to include actual balances;
- (c) Daily cash balances will be updated in the investment register by the Finance Officer for the Financial Accounting Coordinator and Chief Financial Officer;
- (d) Council's working capital and financial sustainability measures remain within the target range nominated by the Victorian Auditor-General. Prudential limits for liquidity (working capital ratio) are as follows:
 - Red: <0.75 to 1
 - Amber: Between 0.75 and 1.0 to 1
 - Green: 1.0 to 1

Council's Financial Strategy Principles articulate that Council aims to maintain an adjusted liquidity ratio equal to or greater than 1.0 to 1 in any one year noting that Councils' Long Term Financial Strategy must demonstrate that a ratio of 1.2 to 1 can be achieved within the 10 years period covered by the LTFS.

The adjusted liquidity ratio is calculated by:

Current assets less:

- The provision of a cash contingency equal to 0.5% of general rates for works in relation to emergency situations, e.g. storm events.
- Cash held in Councils:
 - Open Space,
 - Strategic Acquisition and
 - Defined Benefit reserves.

Divided by Current liabilities.

3.4. Determination, placement and monitoring of investment funds

- (a) Council shall determine, place and monitor investment funds in accordance with the requirements of the *Local Government Act 2020* and associated regulations;
- (b) Council funds shall be invested in accordance with determinations issued by the Minister for Local Government pursuant to section 103 of the *Local Government Act 2020*;
- (c) Determination of available funds for investment shall occur daily. The investment register shall be updated daily and monitored for compliance with the diversification requirements of this policy. The Financial Accounting Coordinator and Chief Financial Officer shall determine funds to be placed on investment. An interest earning, at call account shall also be used to maximise earnings on funds whilst investment decisions are pending;



Consideration of investment placements is predicated on the operating account maintaining a minimum credit balance of \$500,000 at all times, and the Online Saver account maintaining a \$5 million balance to cover any urgent additional cashflow requirements;

- (d) Before making an investment at least three quotes will be obtained in order to maximise interest returns as well as offering the opportunity to spread Council's risk. The maturity of investments will be based on forecast cash requirements and assessment of interest.
- (e) Investment and redemption instructions are to be provided by email, or by telephone and supported by confirmation email.
- (f) **Diversification of Investments by Credit rating & financial institution.**

Investment Grade	S&P Short Term Rating	Investment Grade	S&P Long Term Rating	Investment Maximum %
Extremely Strong	A1+	Extremely Strong	AAA	100%
Strong	A1	Very Strong	AA+, AA & AA-	80%
Satisfactory	A2	Strong	A+, A & A-	50%

In making investment decisions, the above ratings apply based on the term of the investment.

For the purpose of this policy, investments with a maturity date:

- 365 days or less shall be classified as short term, and subject to the Standard & Poors Short Term Rating, and
- 366 days or more shall be classified as long term and subject to the Standard & Poors Long Term Rating.

Council will place investments with more than one institution so that a single institution holds no more than 30% of Council's investments at any time (excluding funds held with Councils business banker in an at call account);

- (g) If any of the institutions are downgraded such that they no longer fall within the requirements of this investment policy, any funds placed with these institutions will be divested as soon as practicable.
- (h) Details of all investments must be maintained in an investment register, which is updated for every new investment, rollover or redemption on a daily basis. All interest from rollovers and principal & interest from redemptions must be paid to Councils General bank account. All Authorised Deposit Taking Institutions (ADIs) are required to provide confirmation of funds held on deposit at 30 June each year for Statutory Audit purposes.



- (i) It is acknowledged that there may be times when the level of funds is insufficient to justify placement with multiple institutions. Where the investment portfolio exceeds the diversification limits due to maturities it is to be re-balanced at the next available opportunity.
- (j) Any proposal to transfer funds to an investment account must be approved by two authorising officers. The physical transfer of funds will require two authorised officers registered with Council's financial institution.

3.5. Statements of Intent

- (1) Council aims to maximise investment returns whilst complying with relevant legislation and exercising prudent judgement to ensure the security of invested funds.
- (2) Council will maximise its investment holdings whilst at the same time ensuring funds are available as needed.
- (3) Council invests to generate income and to protect capital. Council will thus not invest in products of unit value nature where the value of the investment unit can potentially be less than the capital sum invested.
- (4) Council will not invest in speculative products categorised as "derivatives".
- (5) Council will not purchase or trade bonds.
- (6) Any investment of a nature other than a fixed interest term deposit, will only be considered after independent, expert advice has been obtained and approved by Council. The advice must be independent and cannot be obtained from the same party promoting the investment.
- (7) In selecting the institutions from which quotes shall be obtained, Council will comply with the provisions of the *Local Government Act 2020* as well as apply the following guidelines:
 - (a) Council shall not invest funds with any financial institution with a **short term** market rating of less than A-2.

Examples of short term investments include Commercial Bills, Term Deposits, Certificates of Deposit and 11am Deposits.

The current short term rating table issued by rating agency Standard and Poors is:

- A-1 A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poors. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
- A-2 A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.



A-3 A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

- (b) Council shall not invest funds with any financial institution with a **long term** market rating of less than A

The current long term rating table issued by rating agency Standard & Poors is:

- AAA An obligation rated 'AAA' has the highest rating assigned by Standard & Poors. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
- AA An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
- A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

3.6. Determination of borrowing requirements and process of obtaining loan funds

- Council shall at all times conduct its loan borrowings in accordance with the requirements of the *Local Government Act 2020*, Part 4 - Planning and financial management, Division 4 - Financial management, in particular Section 104 Borrowings. Council shall only undertake new borrowings or restructure existing borrowings in accordance with the adopted Budget.
- Any approved new borrowings shall be advertised for tender.
- Should cashflow circumstances dictate that an approved borrowing is not required, Council shall be informed of the variations to that year's budget.

4. Implementation and monitoring

4.1. Accountabilities

For all queries or feedback regarding this policy document, please contact the responsible officer below.

Contact: Financial Accounting Coordinator
 Contact number: 9278 4444
 Contact e-mail: financial.accounting@boroondara.vic.gov.au

The responsible officer coordinates the implementation, maintenance and review of this policy, ensuring stakeholders are aware of their accountabilities.



4.2. Financial Accountabilities

This policy is to ensure that fair and responsible financial decisions are conducted in accordance with the requirements of the *Local Government Act 2020* and sound investment and borrowing practices.

5. References

5.1. Related documents

Monthly Investment Register

The relevant sections of the *Local Government Act 2020* as detailed under 3.6 of this policy.

5.2. Definitions

Council	Indicates reference to the City of Boroondara as a geographical area and also refers to the entity which has the authority to make decisions on behalf of the Boroondara community.
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