

7.6 Recommendations of Audit and Risk Meeting and Bi-Annual report from the Audit and Risk Committee

Abstract

Council's Audit and Risk Committee held its most recent meeting on 19 May 2021. This report presents the recommendations of that Audit and Risk Committee meeting for consideration by Council. A schedule of reports and committee recommendations is presented as an attachment to this report.

Also included with this report is the Bi-annual Report from the Audit and Risk Committee as required by Section 54 (5) of the *Local Government Act 2020*.

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 and Risk Committee meeting held on 19 May 2021 and note the tabling of the Bi-annual report from the Audit and Risk Committee as required by Section 54 (5) of the *Local Government Act 2020* contained in **Attachment 7** (as annexed to the minutes).

Responsible director: David Thompson, Manager Governance and Legal

1. Purpose

To present to Council the recommendations of the Audit and Risk Committee meeting held on 19 May 2021. A schedule of reports and committee recommendations is presented as an attachment to this report. Also included with this report is the Bi-annual Report from the Audit and Risk Committee as required by Section 54 (5) of the *Local Government Act 2020*.

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

The Audit and Risk Committee Charter provides that recommendations of the Audit and Risk 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.

3. Background

Council's Audit and Risk Committee was established on 24 August 2020 when Council resolved to adopt the 'Audit and Risk Committee Charter 2020'.

The most recent meeting of the Audit and Risk Committee was held on 19 May 2021. This report presents the findings and recommendations from that meeting for consideration by Council.

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

Bi-annual report from Audit and Risk Committee

Section 54 (5) of the *Local Government Act 2020* ('the Act') states:

“An Audit and Risk Committee must:

(a) prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and

(b) provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.”

4. Outline of key issues/options

As recorded in the minutes of the Audit and Risk Committee meeting held on 19 May 2021 the following reports were tabled:.

- A5.1 Standard Questions for Tabling at the Audit and Risk Committee Meetings
- A5.2 Business Arising
- A5.3 COVID-19 Update
- A5.4 Internal Audit Report - Strategic Internal Audit Plan
- A5.5 External Audit Plan for Year Ending 30 June 2021
- A5.6 Annual Financial Statements 30 June 2021 - Accounting Policies
- A5.7 Implementation Plan - Child Safe Standards - audit report recommendations
- A5.8 Reports to Parliament by VAGO and other regulatory authorities
- A5.9 Annual IT Security Testing Update
- A5.10 Testing of IT Disaster Recovery Plan
- A5.11 Implementation of actions contained in the Risk Management Framework May 2021.
- A5.12 Internal Audit Update
- A5.13 Fraud and Corruption Control Policy
- A5.14 Annual Review of Audit and Risk Committee Charter
- A5.15 Audit and Risk Committee Administrative Matters

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

Bi-annual report from Audit and Risk Committee

The attached Bi-annual Report from the Audit and Risk Committee (**Attachment 7**) was approved by the Chair of the Audit and Risk Committee on 28 May 2021 for tabling at this Council meeting.

5. Consultation/communication

Members of Council's Audit and Risk Committee and external and internal auditors were consulted during the preparation of Audit and Risk Committee reports referred to within this Council report.

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 and Risk Committee meeting held on 19 May 2021 as well as the Bi-Annual Report from the Audit and Risk Committee as required by the *Local Government Act 2020*.

Manager: David Thompson, Manager Governance and Legal

Report officer: Chris Hurley, Integrity Coordinator

**Summary of reports tabled at Audit and Risk Committee meeting held
19 May 2021**

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
A5.1	Standard Questions for Tabling at the Audit and Risk Committee meetings.	<p>Audit and Risk Committee Members were given the opportunity to:</p> <ol style="list-style-type: none"> 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 and Risk Committee. No matters were identified. 3. Request a discussion of any matter with the Auditors in the absence of management and other staff. 		Council note the responses of Officers, Auditors and Members, to the standard questions outlined in this report.
A5.2	Business Arising.	This report updated the Audit and Risk Committee on matters raised at previous meetings and provided follow up information on queries raised by Committee members. The Committee noted the actions taken in response to matters arising from the minutes of the previous meeting.		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 and Risk Committee minutes).
A5.3	COVID-19 Update.	The report provided an update on Council's actions and responses associated with the coronavirus (COVID-19) pandemic.		Council receive and note the report.
A5.4	Internal Audit Report - Strategic Internal Audit Plan.	This report provided the Audit and Risk Committee with the proposed three year Strategic Internal Audit Plan 2021-24 to review and endorse for Council's approval.		Council adopt the Strategic Internal Audit Plan 2020-

**Summary of reports tabled at Audit and Risk Committee meeting held
19 May 2021**

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
		<p>This version of the plan included comments identifying changes made following feedback received at the March 2021 Audit and Risk Committee meeting. The document noted the review of the plan had input from the Business Function Risk Assurance Map (BFRAM) to determine the level of assurance obtained from all sources, not only internal audit. Where assurance gaps were identified in the BFRAM, these have been addressed as far as possible with given resources in the plan.</p> <p>Ongoing review of the plan will be performed to ensure it continues to cover relevant risks to Council as well as emerging compliance requirements. The plan will be reviewed on an annual basis to confirm the program for the commencing financial year.</p> <p>The Audit and Risk Committee endorsed the Strategic Internal Audit Plan for consideration and adoption by Council.</p>		23 as contained in Attachment 2 .
A5.5	External Audit Plan for Year Ending 30 June 2021.	<p>HLB Mann Judd has been subcontracted by the Victorian Auditor-General's Office (VAGO) to perform the field work for the year ending 30 June 2021.</p> <p>HLB Mann Judd updated the Audit and Risk Committee on the nature, scope and extent of planned audit fieldwork to be conducted as part of the 30 June 2021 audit of Council's Financial and Performance Statements.</p> <p>The 2020-2021 Year End Audit Timetable was also presented to the Audit and Risk Committee for their information.</p>		Council receive and note the report.

Summary of reports tabled at Audit and Risk Committee meeting held 19 May 2021

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
A5.6	Annual Financial Statements 30 June 2021 - Accounting Policies.	<p>The report provided the Audit and Risk Committee with the opportunity to review the Asset Accounting Policy prior to the preparation of the Annual Financial Statements. The Committee endorsed the policy for Council approval.</p> <p>The Audit and Risk Committee was provided with the opportunity to review the proposed 'shell' Draft Annual Financial Statements including draft Significant Accounting Policies that will form the basis of preparation of the Annual Financial Statements for the year ending 30 June 2021.</p> <p>The Committee endorsed for Council consideration and adoption the 'shell' statements and accounting policies presented for use in the preparation of the 30 June 2021 Annual Financial Statements.</p>		That Council adopt the Asset Accounting Policy contained in Attachment 3 for the year ending 30 June 2021.
A5.7	Implementation Plan - Child Safe Standards - audit report recommendations.	<p>This report presented the Action Plan developed to address the recommendations from the recent Internal Audit review of Council's implementation of the Child Safe Standards 'the Standards').</p> <p>At its previous meeting on 10 March 2021, the Audit and Risk Committee considered the Internal Audit report and recommendations. That report acknowledged the initial work done in 2017 to implement the seven Standards to reduce risk to child safety but noted more can be done to fully embed the Standards and ensure a culture of child safety is embedded across Council. It was agreed a detailed Action Plan with associated timelines and accountabilities be presented to the May meeting and a further update on implementation status be presented to the August 2021 Audit and Risk Committee meeting.</p>		Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
19 May 2021**

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
		<p>The Action Plan presented to the Audit and Risk Committee was developed in line with the recommendations and suggested timeframes in the Internal Audit report and presented the Committee with timeframes and accountabilities for short, medium and longer term actions.</p> <p>The report advised all short-term actions will be completed by the end of July 2021 with the majority being finalised by the end of May 2021 along with some medium-term actions.</p> <p>In addition to the Action Plan, Council has engaged the Australian Childhood Foundation (ACF) to undertake a gap analysis and the Safeguarding Children Program. This provides Council an additional level of expertise to inform our policies and procedures beyond that recommended by Internal Audit.</p> <p>The recommendations from the ACF gap analysis will also be included in the Action Plan as recommended by Internal Audit. Updating and formalising the Action Plan, including the ACF recommendations, is a medium-term action which, together with a report on its implementation, will be presented to the August 2021 Audit and Risk Committee meeting.</p>		
A5.8	Reports to Parliament by VAGO and other regulatory authorities.	<p>This report updated the Audit and Risk Committee on reports presented to State Parliament by VAGO and other regulatory bodies that have a local government impact or context. The report noted since the last Audit and Risk Committee meeting the following reports with relevance to Local Government had been presented.</p> <ul style="list-style-type: none"> • VAGO - Maintaining Local Roads. • VAGO - Results of 2019-20 Audits - Local Government. • VAGO - Sexual Harassment in Local Government. 		Council receive and note the report.

**Summary of reports tabled at Audit and Risk Committee meeting held
19 May 2021**

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
		The report updated the Audit and Risk Committee on learnings for Boroondara from the reports by these external agencies.		
A5.9	Annual IT Security Testing Update.	<p>This report updated the Audit and Risk Committee on the current status of actions identified in the 2020 IT Security test. The majority of actions are now closed. Remaining open items have been assessed and the associated risks remain within acceptable levels with planned actions and timeframes in place.</p> <p>The Committee was advised further IT Security Testing is now planned for June 2021 and the testing results will be reported at the August 2021 Audit and Risk Committee meeting.</p>		Council receive and note the report.
A5.10	Testing of IT Disaster Recovery Plan.	<p>This report updated the Audit and Risk Committee on the outcomes of testing conducted on Council's IT Disaster Recovery program.</p> <p>Two testing exercises were conducted in the 2020-21 financial year. Both exercises resulted in IT systems and services being brought back online within the target recovery time.</p> <p>The testing exercises provided the opportunity to identify further areas for improvement. Associated corrective actions for future improvement have been identified and these have either been addressed or are scheduled to be addressed in the near future.</p>		Council receive and note the report.
A5.11	Implementation of actions contained in the Risk Management Framework May 2021.	This report updated the Audit and Risk Committee on the status of Risk Management activities undertaken during the reporting period, including a summary of the current Strategic Risk Profile and an update on the implementation of actions contained within Council's Risk Management Action Plan pursuant to the Council adopted Risk Management Framework.		Council receive and note the report.

Summary of reports tabled at Audit and Risk Committee meeting held 19 May 2021

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
A5.12	Internal Audit Update.	This report updated the Audit and Risk Committee on the progress of the internal audit plan and status of audit recommendations arising from finalised internal audit reports.		Council receive and note the report.
A5.13	Fraud and Corruption Control Policy.	<p>This report provided the Audit and Risk Committee the opportunity to review and provide feedback on a draft Fraud Corruption Control Policy. The report advised a review of the 2018 policy had been completed and officers were recommending changes to reflect recent organisational changes, changes in role titles, and the removal of redundant references to the previous Local Government Act 1989. The draft policy has also been enhanced by the inclusion of examples of fraudulent and corrupt behaviour.</p> <p>The Audit and Risk Committee endorsed for Council consideration and adoption the draft Fraud and Corruption Control Policy.</p>		That Council adopt the Fraud and Corruption Control Policy contained in Attachment 4 .
A5.14	Annual Review of Audit and Risk Committee Charter.	<p>This report provided the Audit and Risk Committee with an opportunity to review the Audit and Risk Committee Charter and prepare an Annual Work Program for the coming financial year as required by the <i>Local Government Act 2020</i>.</p> <p>The report advised officers recommend the Audit and Risk Committee Charter be amended to reflect changes in organisational structure and include the requirement for external Audit and Risk Committee members to lodge personal interests returns in accordance with the requirements of the <i>Local Government Act 2020</i>.</p> <p>The Audit and Risk Committee endorsed the Charter and Annual Work Program for consideration and adoption by Council.</p>		That Council adopt the Audit and Risk Committee Charter as contained in Attachment 5 and the Annual Work Program contained in Attachment 6 .

**Summary of reports tabled at Audit and Risk Committee meeting held
19 May 2021**

Report No	Report Title	Summary of Content	Matters arising	Recommended Council Resolution
A5.15	Audit and Risk Committee Administrative Matters	<p>The Audit and Risk Committee noted that the recommendations from the previous Audit and Risk Committee meeting of 10 March 2021 had been reviewed and endorsed by Council at the Council meeting held 26 April 2021.</p> <ol style="list-style-type: none"> 1. The Audit and Risk Committee reviewed progress against the 2020-21 Audit and Risk Committee Annual Plan noting that all required activities to date have been completed. 2. The Audit and Risk Committee was updated on the progress of the March 2021 Quarterly Performance Report (QPR). 3. The Audit and Risk Committee reviewed the minutes of the Business Enterprise Risk Committee (BERC) meeting of 21 April 2021. 4. The Audit and Risk Committee reviewed a draft annual self-assessment survey and provided feedback to assist its preparation and distribution as required by the <i>Local Government Act 2020</i>. 		Council receive and note the report.



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City of Boroondara

Three Year Internal Audit Plan 2021/22

April 2021

 an independent member of
BAKER TILLY
INTERNATIONAL

Contents

Introduction	1
Internal Audit Program Overview	2
Indicative Internal Audit Plan – 2021/22	4
Internal Audit Risk Map	6
Prior Internal Audits	7
BFRAM Mapping	9
Internal Audit Administration	12
Internal Audit Follow-Up	13
Internal Audit Status Report	14
Ongoing Feedback	15
Appendix 1: Strategic Risk Reference Table	16

Introduction

We are pleased to present the City of Boroondara ('Council') with the rolling Strategic Internal Audit Plan for years 2021/22 – 2023/2024.

The objective of this plan is to outline the program of work for the next three years and present the indicative coverage of the internal audits to be conducted in the 2021/22 financial year. In developing the plan, we have considered:

- Council's strategic risk register and broader organisational risk profile;
- Any strategic initiatives and projects that are planned to be delivered over the next few years;
- The coverage provided by prior internal audits; and
- The monitoring and reporting of the internal program.

The internal audit plan has been developed in consultation with Council's management team who assisted in determining the timing, scope and nature of internal audit projects.

Next Steps

This plan is presented for review and approval by Council. Once the plan is approved, we will work with management to develop scope documents covering each of the audit areas. These scope documents will be provided to the Executive Leadership Team and Audit Committee for comment and feedback prior to the execution of each internal audit.

Future Review Considerations

Ongoing review of the plan will be performed to ensure that it continues to cover relevant risks to Council, as well as emerging compliance requirements. The plan will be reviewed on an annual basis to confirm the program for the commencing financial year.

Future reviews of the plan have had input from the Business Functional Risk Assurance Map (BFRAM) to determine the level of assurance obtained from all sources, not only internal audit. Where assurance gaps were identified in the BRFAM, these have been addressed as far as possible with given resources in the current plan. The BFRAM is a live document updated by management which outlines the key Boroondara business units, activities and functions, key risks for each, and key relevant assurance activities being conducted.



Internal Audit Program Overview

The table below lists the internal audits proposed to be undertaken over the next three years. The indicative coverage for the internal audits proposed for 2021/22 year are presented in the next section.

Internal Audits	2021/22	2022/23	2023/24	Previously Audited
Follow-Up of Audit Recommendations	●	●	●	
Swimming Pool Registrations & Safety of Building Structures	●			
Asset Management	●			2015/16
Legislative Compliance Management	●			
Customer First Governance Arrangements	●			
Human Resources Management	●			2016/17
Business Continuity Planning	●			
Information Security (Relating to records management)	●			
Financial Controls (incl. Payments, Banking & Treasury, GL & Reconciliations, Cash Handling, Purchasing Cards)		●		2018/19
General and Supplementary Rates		●		
OH&S and Mental Wellbeing		●		2018/19
Contract Management		●		
Fleet Management		●		2014/15
Purchasing, Supplier Management & AP		●		2018/19
Major Project Management (with internal audit focusing on a specific project)		●		2017/18
Immunisation Management			●	2018/19
Library Management			●	
Stakeholder & Community Engagement (incl. digital engagement)			●	
Report and Consent			●	
Parking Enforcement and Permits			●	2012/13
Environmental Management			●	2018/19

3

Change Tracking April 2021

All changes have been considered with the BFRAM in mind with City Planning gaps in BFRAM resulting in 2 audits, out of the 5 gaps identified being included in the current plan.

1. Changed Stakeholder and community engagement from 21/22 to 23/24 (Cr Franco)
2. Moved Business Continuity from 23/24 to 21/22 (Andrew Dix and John Watson)
3. Info Sec moved forwards to 21/22 (Cr Stavrou)
4. Immunisation moved from 22/23 to 23/24 to accommodate major projects
5. Major projects moved from 23/24 to 22/23 (Cr Franco)
6. OH&S and Mental Wellbeing Added into 22/23 (Andrew Dix)
7. Purchasing cards added into Fin Controls (Freya Marsden)
8. Fleet management forwards to 22/23 from 23/24 (Cr Franco)
9. Libraries moved back from 22/23 to 23/24 to accommodate fleet
10. Safety of Building Structures added to Swimming Pool Registrations Internal Audit (Director, City Planning)

Indicative Internal Audit Plan – 2021/22

The following table presents the internal audits planned to be undertaken during the 2021/22 financial year. It provides an indicative coverage in regard to each internal audit planned to be undertaken and proposed timing.

Project Title	Indicative Coverage
Follow-Up of Audit Recommendations	Undertake a review of the implementation of all high and moderate risk audit recommendations to ensure that they have been implemented in accordance with the original report and subsequent updates to the audit committee.
Swimming Pool Registrations & Safety of Building Structures	<p><i>Swimming Pool Registrations</i></p> <p>It is now mandatory for owners of land where a swimming pool or spa is located to register their pool or spa with the relevant council. This Internal Audit will assess key controls in place to manage Council's obligations in relation to this.</p> <p><i>Safety of Building Structures</i></p> <p>Internal audit assessment of processes and controls in place to support the management of the safety of building structures, including the identification, recording, escalation and monitoring of building safety concerns.</p>
Asset Management	<p>Internal audit assessment of policies and processes in place to support the strategic management of assets, including:</p> <ul style="list-style-type: none"> - Management and maintenance plans, including replacement and/or life cycle management strategies; - Acquisitions & disposals; - Asset security; - Monitoring and assessment of asset performance and actual capital and maintenance costs to budget; and - Supporting tools and systems utilised.
Legislative Compliance Management	<p>Internal audit covering processes and controls to ensure adherence to relevant legislative requirements, including:</p> <ul style="list-style-type: none"> - Identification of legislation and regulatory compliance requirements; - Assessment of compliance framework including policies and procedures; - Allocation of responsibility to individuals and ongoing management; - Monitoring and reporting of compliance levels; and - Legislative compliance training and communication.
Customer First Governance Arrangements	<p>Internal Audit covering performance monitoring processes, including:</p> <ul style="list-style-type: none"> - Defining performance criteria; - Collecting performance information; - Reporting and analysis; - Monitoring and feedback; and - Integrity of data, suitability of supporting systems.

5

Project Title	Indicative Coverage
Human Resources Management	Internal audit covering processes surrounding Human Resources Management, including: <ul style="list-style-type: none"> - Organisational development strategy; - Recruitment and termination processes; - Workforce and succession planning; - Staff training; and - Performance management.
Business Continuity Planning	Internal audit assessment of business continuity framework, with consideration of alignment with relevant standards such as ISO 22301, including: <ul style="list-style-type: none"> - Risk assessment; - Business impact assessment; - Business continuity plan development and documentation; - IT disaster recovery; and - Maintenance and testing.
Information Security (Relating to records management)	Internal audit covering processes surrounding information management, including: <ul style="list-style-type: none"> - Information governance including awareness, training and processes for notification and management of suspected breaches; - Creation, capture and control of information; - Access, storage and disposal of information; and - Resourcing and capabilities.

Internal Audit Risk Map

The table below provides an indicative mapping between the internal audits outlined in this plan and the Council's strategic risks. It is important to note that the audits may not cover all aspects or controls relating to each risks.

	Legislative / Regulatory Changes and Compliance	Amenity / Built Environment Management	Climate Change Management	Community Safety	Built Asset Management	Council / Councillors Relationship	Financial Management	Technology for Service Delivery	Availability and Security of IT Systems	Provision of Community Services	Community Advocacy	Occupational Health, Safety and Wellbeing	Recruitment, Retention & Culture	Amenity / Natural Environment Management
	H	H	M	M	M	M	M	M	M	M	M	M	M	M
Internal Audits	Strategic Risk and Risk Rating ¹													
2021/22														
Swimming Pool Registrations & Safety of Building Structures	●			●										
Asset Management		●			●					●				
Legislative Compliance Management	●													
Customer First Governance Arrangements														
Human Resources Management													●	
Business Continuity Planning								●	●	●				
Information Security (Relating to records management)	●			●					●					
2022/23														
Financial Controls (incl. Payments, Banking & Treasury, GL & Reconciliations, Cash Handling, Purchasing Cards)							●							
General and Supplementary Rates							●							
OH&S and Mental Well being												●		
Contract Management	●						●							
Fleet Management							●							
Purchasing, Supplier Management & AP	●						●							
Major Project Management (with internal audit focusing on a specific project)							●							
2023/24														
Immunisation Management				●						●				
Library Management							●							
Stakeholder & Community Engagement (incl. digital engagement)				●						●	●			
Report and Consent	●	●		●								●		
Parking Enforcement and Permits	●						●							
Environmental Planning		●	●											●

Prior Internal Audits

The table below provides a snapshot of past internal audit activity, listing both audits undertaken in prior years and those that will be completed prior to the commencement of the 2021/22 program.

Internal Audit	2020/21	2019/20	2018/19	2017/18	2016/17
Business Function Risk Assurance Mapping	●				
Tendering	●				
Child Safe Standards	●				
Budgeting & Forecasting	●				
Technology Strategic Planning & Governance	●				
Payroll	●				
Fraud Prevention	●				
Local Law Enforcement		●			
Environmental Health (Food Premises)		●			
Statutory Planning		●			
Capital Works Planning		●			
Asset Protection		●			
Safety Incident Handling		●			
Purchasing, Supplier Management & Accounts Payable			●		
Waste Management			●		
Digital Transformation Project Phase 1			●		
General & Supplementary Rates			●		
Cash Handling			●		
Immunisation				●	
Parking Meters				●	
Property Management for Council Properties Leased and Licensed to Third Parties				●	
Building Services				●	
Environmental Planning				●	
YMCA - Contract Management				●	
Major Project Management - North East Precinct Hub				●	
Key Activities Review - Traffic and Transport Permits				●	
Road Management Plan					●
Sportsground Management					●
Animal Registration					●
Hawthorn Arts Centre					●
Crisis Management and Business Continuity Planning					●

Internal Audit	2020/21	2019/20	2018/19	2017/18	2016/17
Maternal and Child Health					●
Human Resources					●
Aged Care					●

8

BFRAM Mapping

The table below provides a mapping to the current Business Functional Risk Assurance map (BFRAM).

Business Area & Activity	Inherent Risk Level	Future Assurance Priority (After IA Planning)	Internal Audit Year
Community Development			
Arts & Cultural Services			
Facility Management -Hawthorn Arts Centre (Including Town Hall Gallery)	Moderate	Low	
Facility Management - Kew Court House	Moderate	Low	
External Facilities e.g. Parks and Gardens	Low	Low	
Boroondara Arts cash handling	Minor	Low	
Management of Town Hall Gallery Collection and artwork onsite at Hawthorn Arts Centre	Low	Low	
Community Planning and Development			
Community Strengthening	Moderate	Medium	
Social Research	Minor	Low	
Family, Youth & Recreation			
Family and Youth	Moderate	Low	
Recreation	Major	Low	
Maternal and Child Health	Major	Medium	
Finance & Corporate Planning			22/23
	Moderate	Low	
Health, Active Ageing Services			
Active Ageing	Major	Low	
Public Health	Extreme	Low	23/24
Library Services			
Library Services	Moderate	Low	23/24
Environment and Infrastructure			
Asset Management			21/22
Asset Protection	Moderate	Low	
Contracts Compliance	Moderate	Low	22/23
Drainage Team	Moderate	Medium	
Environment and Sustainable Living			
Landscape design	Low	Low	
Environmental Strategy	Low	Low	23/24
Parks and Infrastructure			
Open Space (Formal Gardens, Biodiversity, Parks and Streetscapes, Park and Street Assets)	Moderate	Low	
Trees	Major	Medium	
Turf	Moderate	Low	
Sporting Club management	Minor	Low	
Asset maintenance (facilities, drains, roads & footpaths)	Minor	Low	

Business Area & Activity	Inherent Risk Level	Future Assurance Priority (After IA Planning)	Internal Audit Year
Waste (fleet workshop, waste collection, public transfer station, former landfill management)	Major	Low	
Projects and Strategy			
Project management	Moderate	Medium	
Capital program development	Minor	Low	
Traffic and Transport			
Traffic and Parking Management	Moderate	Low	23/24
Transport Planning	Moderate	Medium	
People, Culture & Development			
Change Management			
Change Management	Moderate	Medium	
Employee Relations			21/22
Issue resolution	Moderate	Medium	
Union relationships	Moderate	Medium	
Enterprise Agreements	Major	Medium	
Health, Safety and Wellbeing			22/23
Safety Management System	Major	Low	
Return to Workcover and Return to Work	Moderate	Medium	
Wellbeing Programs	Low	Low	
Organisational Development			
Skill and capability/learning and development	Moderate	Low	
Culture and engagement	Moderate	Low	
Performance reviews	Moderate	Low	
Workforce Planning and Recruitment			
Workforce Planning	Moderate	Low	
Recruitment	Moderate	Low	21/22
Payroll and Administration			
Payroll	Major	Low	
Employee changes	Moderate	Low	
City Planning			
Building Services			
Building Permits	Major	High	
Report and Consent	Major	Low	23/24
Building Enforcement/Stat Compliance	Major	High	
Swimming Pool registrations	Major	Low	21/22
Advocacy	Low	Low	
Provision of stat info	Major	High	
Responding to general enquiries	Moderate	Medium	
Economic Development			
Support the admin of the shopping centre special rate schemes	Low	Low	
Provide information to local business	Low	Low	
Administer the operations of the C'well fresh food market	Low	Low	
Administer the shopping centre grant schemes	Low	Low	

Business Area & Activity	Inherent Risk Level	Future Assurance Priority (After IA Planning)	Internal Audit Year
Local Laws			
Parking Management	Moderate	Low	
Animal Management	Moderate	Medium	
Local Laws Management	Moderate	Low	
Statutory Planning			
Processing Stat Planning Permit Applications	Moderate	Low	
VCAT representation	Moderate	Medium	
Advocacy	Low	Low	
Respond to general enquiries	Moderate	Low	
Administering Council tree local law	Major	Low	
Strategic Planning			
Administer Council Planning Scheme	Minor	Low	
Process amendments to Planning Scheme	Moderate	Medium	
Respond to general enquiries	Moderate	Medium	
Advocacy	Low	Low	
Customer Experience and Business Transformation			
Boroondara Customer First Program/PMO/PCM			
Boroondara Customer First Program/PMO/PCM	Major	Low	21/22
Commercial and Property Services			
Procurement	Moderate	Low	22/23
Contract Management	Moderate	Low	
Fleet management	Minor	Low	22/23
Revenue and Property Services	Moderate	Low	
Risk Management and Insurance	Moderate	Low	
Chief Customer Office			
Customer Service - front desk/counters/call centre	Minor	Low	
Corporate Information - mailroom and records management	Moderate	Low	21/22
Strategic Communications	Moderate	Low	
Chief Information Office			
Enterprise Architecture	Major	Low	
Project Services	Moderate	Low	22/23
Operations	Major	Low	
Legal Services			
Legal Services	Low	Low	

Internal Audit Administration

The following parties have been identified as individuals responsible for the management and administration of the Internal Audit Program:

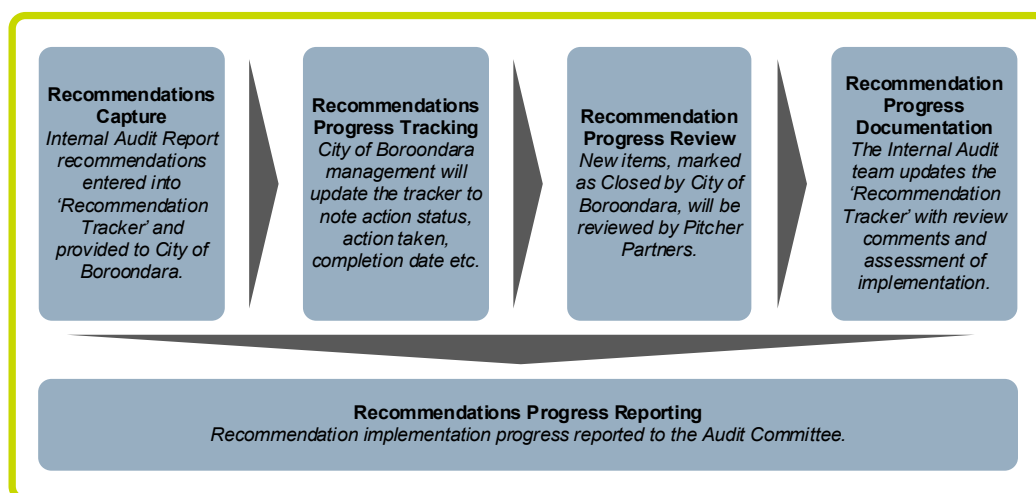
Key Parties	Responsibilities
Graham Noriskin Executive Director – Pitcher Partners	<ul style="list-style-type: none"> • Provide overview role on this engagement • Overall accountability for the delivery of the internal audit program.
Ben Dunn Manager – Pitcher Partners	<ul style="list-style-type: none"> • Responsible for the quality and timely delivery of the internal audit program. • Active on-site presence, and will be involved in overseeing project scoping, work program and better practice design, reporting and meeting with relevant stakeholders.
Audit Committee City of Boroondara	<ul style="list-style-type: none"> • Refer to the City of Boroondara's Audit Committee Charter
Chris Hurley Integrity Coordinator	<ul style="list-style-type: none"> • Key contact for coordination of internal audit activities
Internal Audit Stakeholders	<ul style="list-style-type: none"> • Provide key input during the compilation of scopes and determine the various management actions required to address the findings of internal audits

Internal Audit Follow-Up

Follow up audits will be implemented on an annual basis to track the progress of improvement opportunities and recommendations outlined in previous internal audit reports. This will help ensure that recommendations are being implemented as agreed by management.

The follow-up approach will rely on Pulse (recommendation tracker) which is expected to be updated by City of Boroondara and Pitcher Partners.

The recommendations identified during each internal audit will be entered into the recommendation tracker together with the agreed management actions, responsibilities and timing. Once each recommendation has been actioned and implemented, City of Boroondara management will 'close' the recommendation. Internal audit follow-up will be performed on items listed as closed to ensure recommendations have been implemented appropriately and as agreed by management. This process is presented in the diagram below.



Internal Audit Status Report

14


Once the Internal Audit plan is approved, we will create an Internal Audit Status report to assist in the tracking of internal audit progress for each calendar year. This status report will be updated by us as well as Council representatives and will include:

- Each internal audit scheduled for the year;
- Planned fieldwork start date;
- Expected draft report date;
- Target Audit Committee presentation date; and
- Progress of each internal audit (e.g. scope proposed, scope agreed, fieldwork completed, draft report presented, report finalised, report presented to the Audit Committee).

Ongoing Feedback

We are keen to receive ongoing feedback relating to our performance. To help capture this we will continue to send out post internal audit "end user" feedback surveys to capture specific internal audit feedback. As a normal part of our process, these surveys are sent to each end user when we issue a final report. We ask that Council representatives take the time to complete these surveys. We are highly receptive to such feedback as it helps us improve our processes and deliver greater value to our clients.

In this regard, the following survey is sent:

						
Internal Audit Feedback						
Internal Audit Staff :	<input type="text"/>					
Stakeholders:	<input type="text"/>					
	Expectations Exceeded Considerably	Expectations Exceeded	Expectations Met	Most expectations met *	Expectations were not met *	Comments
Were the opening and closing meetings held for the internal audit effective?						
Did you feel the combined internal audit team offer the necessary skills, qualifications and experience to provide you with meaningful results?						
Was the internal audit completed to the professional standards you expected?						
Do you feel that the Internal Audit Report will add value to the area of the business covered during this internal audit?						
Did you feel that the internal audit team adequately took into account the particular circumstances of your area without necessarily compromising the audit findings?						
Was a draft report presented to you for insertion of management comments within a reasonable timeframe after completion of the internal audit?						
Were you happy with the speed your queries via telephone and/or email were responded to?						
Please provide any other comments						

Appendix 1: Strategic Risk Reference Table

Strategic Risk	Description of Risk	Risk Rating
Legislative / Regulatory Changes and Legal Compliance	Changes to legislation, regulations or Government policy impacting Council's operations have the potential to adversely impact Council's performance and delivery of service. Breach of legislation, regulations or Government policy may expose Council to regulatory sanctions and / or elevated levels of public scrutiny.	High
Amenity / Built Environment Management	Ability to maintain and protect amenity and liveability of the built environment.	High
Climate Change Management	Ability to identify, plan and respond to impacts of climate change including flooding, storm and heat. Effective management of Council facilities and resources through the application of initiatives to moderate impacts e.g. energy, emissions, water conservation and building design.	Moderate
Community Safety	Ability to plan, prepare, and respond to potential threats and recover from potential or resultant impacts on Community Safety e.g. Public disorder, natural disaster, pandemic, act of terror, anti-social behaviour, and major Criminal Act.	Moderate
Built Asset Management	Management of built assets to meet desired service levels and adopted policies and plans.	Moderate
Council / Councillors Relationship	Preservation of relationships between Councillors and the Administration.	Moderate
Financial Management	Ability to maintain financial stability to meet needs and expectations of Council and Community.	Moderate
Technology for Service Delivery	Ability to plan align and deliver technology capability for delivery of services and interaction with the Community.	Moderate
Availability and Security of IT Systems	Management of the performance, capacity and security of information technology applications and infrastructure to meet needs and expectations.	Moderate
Provision of Community Services	Ability to plan, deliver and facilitate Council services that meet social need of the community (within the scope of role resources, key supplier arrangements, Local Government Act and other relevant legislation).	Moderate
Community Advocacy	Ability of Council to engage, advocate and lead on issues impacting the community as identified in Council adopted policies and strategies.	Moderate
Occupational Health, Safety and Wellbeing	Failure to provide a safe work environment which has the potential to result in: - Injuries requiring hospitalisation to employees, contractors and / or customers; - A breach of legislative or other relevant regulatory requirement / imposition of financial and non-financial penalties.	Moderate

17

Strategic Risk	Description of Risk	Risk Rating
Recruitment, Retention and Culture	<p>Ability to recruit and retain a skilled/qualified workforce to deliver appropriate services that meet customer needs and business objectives (e.g. due to skill shortage, recruitment practices, talent caps, training and development, industrial action).</p> <p>Ability to develop and implement effective workforce planning.</p>	Moderate
Amenity / Natural Environment Management	Ability to maintain and protect amenity and liveability of the natural environment.	Moderate

Asset Accounting Policy 2020-21

Responsible Directorate: Chief Financial Office
Authorised By: Council
Date of Adoption: June 2020
Review Date: April 2021
Revocation/Sunset Date: Nil
Policy Type: Council





Table of contents

1	Purpose	4
2	Scope	4
3	Context	4
4	Consultation	4
5	References	4
6	Policy Responsible Officer and Contact Details	5
7	Asset Recognition	6
7.1	Policies	6
7.2	Asset Definition	6
7.3	Exception – Collective Group Assets	7
8	Asset Classification.....	8
8.1	Policies	8
8.2	Asset Groups and Classes.....	8
8.2.1	Property, Infrastructure, Plant and Equipment.....	8
8.2.2	Intangible Assets.....	16
8.2.3	Investment Property	17
8.2.4	Non-Current Assets Held For Sale	17
9	Financial Measurement of Assets	18
9.1	Policies	18
10	Asset Additions or Improvements	20
10.1	Policies	20
10.2	Capitalisation Thresholds.....	20
10.3	Qualitative Thresholds	23
10.4	Capital vs Maintenance Guidelines	23
10.4.1	Capital Costs.....	24
10.4.2	Repairs and Maintenance	25
11	Asset Disposals or Write Offs	26
11.1	Policies	26
11.2	Asset Disposal Procedures	27
11.2.1	Definitions	27
11.2.2	Responsibility For Surplus Assets	27
11.2.3	Asset Disposals As Part Of Capital Works Projects.....	28
11.2.4	Sale To Councillors Or Staff.....	28
11.2.5	Asset Disposal Notification Form (non infrastructure assets).....	28
11.2.6	Disposal Delegation Schedule.....	28
11.2.7	Options For Disposal Of Assets	29
11.2.8	Internal Disposal Procedures	30
11.2.9	Specific Asset Class Guidelines	31



12	Depreciation of Assets	33
12.1	Policies	33
12.2	Depreciation – How It Is Calculated	34
12.3	Useful Lives	34
12.4	Changes in Useful Lives	38
13	Revaluation of Assets	39
13.1	Policies	39
13.2	AASB 116 “Property, Plant and Equipment”	40
13.2.1	Measurement Basis	40
13.3	Revaluation Details	42
14	Property Held For Resale	43
14.1	Classification as Held For Sale	43
14.2	Measurement of Assets Classified As Held For Sale	43
15	Intangible Non-Current Assets	44
16	Investment Property Assets	45
16.1	Definition of Investment Property	45
17	Art and Heritage Assets	47
18	Impairment of Assets	48
19	Asset Stocktakes	50
20	Current/Future Asset Accounting Issues	51
20.1	Land Under Roads	51

Appendix A - Changes To Asset Policy 2020-21

Appendix B - Asset Disposal Notification Form



1 Purpose

To document the criteria to be used in recording transactions that will impact on Council's Fixed Asset Register

2 Scope

The asset accounting policy applies to all fixed assets under Council's control and will be used predominantly by Financial Accounting staff. This policy will also assist other Council staff concerned with fixed assets to ensure accurate recording of fixed asset data.

3 Context

The asset accounting policy has been prepared in accordance with relevant accounting standards. Where appropriate, these have been footnoted throughout the document.

4 Consultation

The asset accounting policy has been prepared in consultation with Council's external auditors, the Victorian Auditor General's Office (VAGO) and Council staff, where appropriate.

5 References

Australian Accounting Standards:

- "Framework for the Preparation and Presentation of Financial Statements"
- AASB 5 "Non-Current Assets Held for Sale and Discontinued Operations"
- AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- AASB 13 "Fair Value Measurement"
- AASB 116 "Property, Plant and Equipment"
- AASB 118 "Revenue"
- AASB 136 "Impairment of Assets"
- AASB 138 "Intangible Assets"
- AASB 140 "Investment Property"
- AASB 1051 "Land Under Roads"

Australian Accounting Standards Board Project Summaries, Strategy Papers and Action Alert Updates.

"Local Government: Accounting for non-current physical assets under AASB 116. A guide." Department for Victorian Communities. May 2006.

Guidance Note: "Fair Value Asset Valuation Methodologies for Victorian Local Governments". Department of Sustainability and Environment. December 2005.

"Accounting for Infrastructure Assets – A Guide". Department for Victorian Communities, 2003.



"Accounting Policy – Valuation of Non-Current Physical Assets". Department of Treasury and Finance, May 2002.

6 Policy Responsible Officer and Contact Details

Chief Financial Officer is the designated responsible officer of this Policy. The responsible officer coordinates the implementation, maintenance and review of this Policy and ensures that stakeholders are aware of their accountabilities.

For further information or queries or feedback on this Policy, please contact the above responsible officer via email callista.clarke@boroondara.vic.gov.au or telephone (03) 9278 4444.

7 Asset Recognition

7.1 Policies

- **Assets are recognised when:**
 - **service potential or future economic benefits are probable¹;**
 - **the asset value can be measured reliably²; and**
 - **the asset value exceeds the capitalisation thresholds set out in section 10.2.**
- **Following on from the above-stated policy, assets are no longer recognised as assets when the service potential or future economic benefits are no longer probable, or when the asset value cannot be measured reliably. For further detail refer to section 5 (asset disposals and write offs).**
- **Assets are recognised on an asset-by-asset basis, except where assets in a group are not separately identifiable. In this case, the assets are recognised collectively as long as the aggregate cost of the assets exceeds the capitalisation threshold for that particular asset class set out in section 10.2. On the other hand, when a group of like assets are purchased together and are separately identifiable, the assets are recognised on an individual basis as long as the aggregate cost of the group of assets exceeds the relevant capitalisation threshold (even if the individual cost of each asset is below the relevant capitalisation threshold).**

7.2 Asset Definition

An asset is defined as “a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity”³. In respect of not-for-profit entities, future economic benefits are considered to be synonymous with the notion of service potential⁴.

Therefore, assets are only recognised as an asset by Council when it is probable that the future economic benefits embodied in the asset will eventuate, the asset possesses a cost or other value that can be measured reliably and the value exceeds the capitalisation thresholds for the relevant asset class (refer to section 10.2).

In assessing whether an item meets the definition of an asset, consideration must be given to its underlying substance and economic reality and not merely its legal form⁵. Therefore, ‘control’ or ‘right of ownership’ are no longer essential in determining the existence of an asset⁶.

¹ Australian Accounting Standards Board, “Framework for the Preparation and Presentation of Financial Statements”, paragraph 83(a) and 89.

² Australian Accounting Standards Board, “Framework for the Preparation and Presentation of Financial Statements”, paragraph 83(b) and 89.

³ Australian Accounting Standards Board, “Framework for the Preparation and Presentation of Financial Statements”, paragraph 49(a).

⁴ Australian Accounting Standards Board, “Framework for the Preparation and Presentation of Financial Statements”, paragraph Aus49.1

⁵ Australian Accounting Standards Board, “Framework for the Preparation and Presentation of Financial Statements”, paragraph 51.

⁶ Australian Accounting Standards Board, “Framework for the Preparation and Presentation of Financial Statements”, paragraph 57.



7.3 Exception – Collective Group Assets

Recording of assets should generally be on an asset-by-asset basis although grouping of similar or related assets may be more practical in some situations. Certain assets are so interdependent that an integrated group of assets might be considered as one whole asset for recording purposes.

Where the value of individual assets fall below the asset threshold for capitalisation, but the combined value of the assets exceed the capitalisation threshold (such as for park furniture on a reserve, signs, bins) consideration will be given to whether or not to capitalise the individual asset based on its nature. A threshold of \$10,000 will apply for group assets barring IT equipment (desktops, laptops, mobile phones, printers etc.) as the physical security of these assets is considered a risk. In case of IT equipment, consideration will be given individually to recording the assets on the fixed asset register regardless of the group assets combined threshold.

Library Resources

The dates of acquisition of additions to library resources are assumed to be at the end of each month in which the payments have been processed in FinanceOne. This is the date from which depreciation commences.

Drainage Pits and Waste Bins

Additions are considered on a project by project basis. The project finalisation date determines the date of acquisition of these assets.

Signs

Additions are considered on a project by project basis. All "way finding" signs and other smaller signs purchased will be capitalised as a group asset. Larger signs located in specific locations, such as Parks, will be capitalised as a separate asset at the specific location.



8 Asset Classification

8.1 Policies

- ***Assets shall be classified to the relevant class of assets in accordance with the asset class structure outlined in the Local Government Financial Model Report (Local Government Victoria in the Department of Jobs, Precincts and Regions)***

8.2 Asset Groups and Classes

8.2.1 Property, Infrastructure, Plant and Equipment

Land and buildings

Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
Land	Split between Specialised and Non-Specialised Land	Revaluation model (fair value)	Land owned or controlled by Council and any associated air-space rights.
Land under roads	Specialised Land	Cost model	Land under roads excluding lanes, private roads and Council roads in parks and reserves.
Buildings Shell	Split between Specialised and Non-Specialised Buildings	Revaluation model (fair value)	<p>Buildings include: (a) Class 1 to Class 9 buildings as defined in the Building Code of Australia including all corporate, community and commercial buildings managed / controlled / owned by Council; and (b) multi-storey carpark buildings.</p> <p>The 'Shell' asset class includes the structural components of a building, which consists of two elements: core component and non-core component structure.</p> <p><u>Core Component Structure</u></p> <p>Consists of the foundations, substructure, columns, floor, staircases, exterior framing and cladding, external walls, windows and doors, roof framing, internal framing and site improvement. Replacing any of these components will affect the structural integrity of the building, giving the structure potentially decades more life. Without the work the building will not be potentially useable.</p> <p><u>Non-Core Component Structure</u></p> <p>Consists of structures that link or are attached to the building or structures which form part of the building. Such examples are</p>

Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
			<p>paths, access ramps or steps, verandas, pergolas, carports, toilets and shade/shelter structures (only totally freestanding structures will be considered separate assets). Replacing any of these components will increase the service potential of the building, improving the conditions of the structure, and trying to ensure that the building reach its expected life.</p> <p>Also included in the non-core component structure are other general building services, site engineering services and central plant that form part of the building structure, that are attached to or hidden behind the building fabric, and which may feed from or to fixtures and fittings. Some examples are general electrical (including switchboards), gas and water supply, attached storm water drainage / guttering, sewerage and insulation.</p>
Buildings fitout	Split between Specialised and Non-Specialised Buildings	Revaluation model (fair value)	<p>Buildings include: (a) Class 1 to Class 9 buildings as defined in the Building Code of Australia including all corporate, community and commercial buildings managed / controlled / owned by Council; and (b) multi-storey carpark buildings.</p> <p>The 'Fitout' asset class includes the interior and decorative features of a building, fixed plant and equipment and trunk reticulated building systems. Without the work the building is still useable as a building.</p> <p>Examples of features are internal walls, internal doors, interior surfaces (panelling, tiling, painting internal walls, wallpaper, suspended ceilings, carpet and tiling), fixtures and fittings, curtains, doors, cupboards and shelves.</p> <p>Examples of trunk reticulated building systems include lifts, escalators, heating and cooling systems, hot water systems, cranes, hoists, sanitary plumbing, heating systems, air-conditioning, and ventilation (refrigerated plant, terminal units, heating oils, fans, pumps), fire protection alarm systems, security alarm systems, swipe card access systems (initial, annual or ongoing training on alarm systems are not considered capital, swipe cards for employees access are not considered capital), electrical distributions (mains cables, switch gear & distribution</p>



Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
			equipment), lighting installations, communications (telephone & call systems) and specialist services in kitchens or laundries.
Buildings non-habitable	Split between Specialised and Non-Specialised Buildings	Revaluation model (fair value)	Non-habitable buildings as defined in class 10A of the Building Code of Australia. Examples include garages, workshops, kiosks, stand-alone administration buildings/offices, public conveniences, sheds, stores, undercroft car parking, sporting pavilions and sporting clubrooms.
Other structures and land improvements	Split between Parks, open space and streetscapes And Recreational, leisure and community facilities	Cost model	Includes playing surfaces and associated landscaping, unpaved areas, synthetic flooring, external scoreboards, boardwalks and park related equipment not covered by other asset classes. Playing surfaces could include athletic tracks, BMX tracks and skate parks, football fields, cricket fields, cricket pitches, bowling greens, tennis courts, outdoor basketball courts, hockey pitches, outdoor netball courts, golf course holes and greens, swimming pools, tennis courts. Fixed items associated with a playing surface are also included in this asset class (e.g. - backboards, goal posts, cricket nets, etc.). Landscaping refers to such items as garden beds, shrubs and horticultural treatments. Where landscaping occurs at a traffic treatment, carpark or access road, playground or building, it will be recorded as part of that asset. This class also includes other structures for public use such as bike sheds and racks, canopies and shade structures, display and information shelters, picnic shelters, public transport shelters, rebound walls, rotundas, washing bays, water features and fountains, water tanks, wetlands and embankments. Includes other structures such as boardwalks (constructed pathways above ground either in steel/concrete or timber) in wetlands or parks, picnic, park and information shelters, statues and monuments.



Infrastructure

"Infrastructure assets are typically large, interconnected networks or portfolios of composite assets, comprising components and sub-components that are usually renewed or replaced individually to continue to provide the required level of service from the network. They are generally long-lived, fixed in place and often have no market value"⁷.

Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
Road substructure	Roads	Revaluation model (fair value)	The constructed material layer(s) beneath the wearing surface of a road pavement or laneway. Usually unaffected by periodic replacements of the wearing surface and would normally only be created where a new pavement was built or an existing pavement was totally reconstructed.
Road seal	Roads	Revaluation model (fair value)	The wearing surface of a road pavement or laneway. Surface patching treatments such as pothole repairs, crack repairs, spray seals or slurry seals are not considered to be part of the Road Seal asset, but rather are considered maintenance treatments aimed at ensuring the Road Seal asset reaches its intended useful life.
Laneways	Roads	Revaluation model (fair value)	Includes laneways and places with surfaces of bluestone, asphalt, concrete, slurry seal, spray seal or other material.
Bridges	Bridges	Revaluation model (fair value)	<p>Bridges include all structures which convey a road, footpath or cycleway across another physical feature (including waterways and other roads).</p> <p>Culverts are a subset of bridges if the internal diameter is 1.8 metres or larger, otherwise they are considered to be a drainage asset. Culverts comprise all drainage structures beneath roads which have a structural floor or base as well as a structural deck or roof to support the road or land above.</p> <p>Bridge components include the foundation, column, girder, decking, wearing course, railing, paths and guardrails. Items such as lighting, signage and paths are not included.</p>
Carparks and access roads	Off street car parks	Revaluation model (fair value)	Carparks (excluding multi-storey carparks) and access roads including the road surface, road base, kerb and channel and landscaping. Also includes off street

⁷ "Accounting for Infrastructure Assets – A Guide". Produced by the Department of Victorian Communities, 2003.



Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
			<p>carparks and on street indented carparks (i.e. – indented parking bays, parallel parking bays, etc.). Indented on street carparks will be included in this asset class where their primary purpose is to provide dedicated carpark spaces protected from through traffic flow.</p> <p>An access road is recognised where it has an area of greater than 10 square metres. Access roads less than this area are included with the associated carpark asset.</p>
Footpaths	Footpaths and cycle ways	Revaluation model (fair value)	<p>Includes asphalt, concrete, granitic and paved footpaths in streets and parks. Also includes footpaths leading to or on bridges. Pedestrian access features, ramps and path widening are all integral features of a path. Paths in playgrounds that provide a direct access between playground items are not considered part of the path asset class (included in playgrounds).</p>
Kerb and channel	Roads	Revaluation model (fair value)	<p>Includes concrete, bluestone and asphalt kerb and channel on local roads. Also includes kerb laybacks (which are part of “crossings/driveways”), usually provided for vehicle, bicycle or pedestrian access across the kerb and channel.</p> <p>Kerb and channel at a traffic management device are not included when they are considered an integral part of the device asset unless it is a continuation of the street kerb and channel.</p>
Drains	Drainage	Revaluation model (fair value)	<p>Includes drainage systems, which are made up of links and nodes. Links are drainage lines between nodes and includes pipes and constructed or natural surface drains. Nodes are pits (side entry and junction), trash racks, pollution control devices, end wall structures or any other drainage feature that represents an intersection, change in direction, start or finish of drainage lines.</p> <p>Includes rain gardens / water sensitive urban design (WSUD) which are drainage assets to treat and filter stormwater.</p> <p>This asset class also includes litter release nets or gross pollutant traps which comprise nets or traps attached to the outlet of a drainage pipe to trap litter and sediment</p>



Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
			above 5mm in size. Excludes drainage associated with playing surfaces, agricultural drainage systems and associated watering/irrigation systems that are included in Plant and Equipment - Irrigation and Sprinkler Systems.
Traffic management devices	Roads	Revaluation model (fair value)	Includes centre planters, double lane slow points, double lane angled slow points, flagged crossings, full way road closures, half impellers, impellers, large roundabouts, large flat top road humps, medium roundabouts, medians, modified T intersections, pedestrian crossings, pedestrian refuges, pedestrian operated signals, raised platforms, road narrowing, road side planters / kerb extensions, single lane angled slow points, single lane slow points, small flat top road humps, small roundabouts, splitter islands, T intersection devices, threshold treatments, traffic signals and Watts profile road humps, and signs. NB – does not include lighting (in utilities) or indented parking bays (carparks and access roads). Also, the following traffic management items are <u>not</u> considered to be capital in nature (expense): line-marking and pram crossings.

Plant and Equipment

Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
Light plant and equipment	Plant, machinery and equipment	Cost model	Includes items such as power saws, drain cleaners, mowers, grass cutters, air conditioning units, power tools, projectors, fire thermal detection system, kitchen appliances (including ovens, dishwashers, fridges and freezers)
Library books and resources	Library books	Cost model	Includes all library books, CDs, DVDs, tapes and other resources. Excludes annual subscriptions to online resources, magazine subscriptions and e-book licences/subscriptions.
Trucks, tractors and trailers	Plant, machinery and equipment	Cost model	Includes rollers, street sweepers, heavy trucks, medium trucks, light trucks,



Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
(heavy plant and equipment)			trailers, and elevated platform vehicles.
Office furniture and equipment	Fixtures, fittings and furniture	Cost model	Includes office furniture and equipment (workstations, desks, chairs, mobile shelving, lockers, safes, sound systems and cabinets), telephones, fax machines, mobile radios, photocopiers, other printing equipment, parking ticket meters, audio visual equipment, first aid equipment, baby capsules.
Recreation equipment	Plant, machinery and equipment	Cost model	Includes sports and leisure equipment at recreation centres such as bench seats, TV cardio and aerobic stereos, pool cover rollers, gym equipment, pool vacuums, dividing curtains, internal scoreboards, cleaning equipment, aquatic equipment, pool equipment, thermal blankets, gym flooring.
Waste bins and crates	Plant, machinery and equipment	Cost model	Includes mobile waste bins (80 litres, 120 litres and 240 litres), bins in parks, bins in streets and recycling crates.
Irrigation and sprinkler systems	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	Cost model	Includes subsoil water outlets, irrigation systems, sprinkler systems.
External furniture and equipment	Parks, open space and streetscapes	Cost model	Includes park furniture such as drinking fountains and bubblers, picnic tables and seats, street furniture such as seats, bike racks, BBQs. Excludes playgrounds and bollards.
Playground equipment	Plant, machinery and equipment	Cost model	Includes playground equipment such as swing sets or climbing apparatus. Also includes softfall, interconnecting paths between equipment and softfall/path edging. Fixed play items associated with a playing surface (such as goal posts) are considered part of the playing surface they relate to and are not recorded as a playground item (recorded in Other Structures and Land Improvements). Other assets in or near playgrounds (whether enclosed by a fence or not) such as drink fountains, bins, signs, picnic tables, seats or shade structures are considered part of their respective asset class and not a



Existing Asset class	Asset classification in Financial Statements	Measurement basis	Details
			playground item asset unless their primary function is as a piece of play equipment.
Fencing	Parks, open space and streetscapes	Cost model	Includes bollards, fences, walls, retaining walls, pillars and gates.
Motor vehicles	Plant, machinery and equipment	Cost model	Includes utilities, panel vans, pool cars and fleet vehicles.
Signs	Split between Parks, open space and streetscapes, Building and Recreational, leisure and community facilities	Cost model	Includes both freestanding signs, signs adhered to buildings, signs in streets, signs in parks and plaques.
Computer hardware and equipment	Computers and telecommunications	Cost model	Includes computer cabling, data outlets, servers, hubs, disk drives, plotters, network port hubs, scanners, CD-ROM stackers, digitisers, map information units, hard disk drives, storage systems, personal computers, laptops and printers.
Art and heritage	Plant, machinery and equipment	Cost model	Includes paintings, artworks, roll of honour books, mayoral chains and rostrums.
Utilities / lighting	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	Cost model	Assets associating power and water with Council facilities or buildings. Includes lights (street lights, sporting ground lights), power poles and meters and overhead or underground reticulation from the point of supply at property boundary.
Electricity generating plant and equipment	Plant, machinery and equipment	Cost model	Electricity generating plant and equipment includes both co-generation and tri-generation plant and equipment such as solar panels that enable Council to produce its own energy sources on site, and to use these energy sources in operating Council facilities.



8.2.2 Intangible Assets

Asset class	New Asset classification in Financial Statements	Measurement basis	Details
Computer software and licences	Intangible Assets	Cost model	<p>Software capitalisation involves the recognition of both external and internally-developed software under AASB138 unless that software is integral to the operation of a 'fixed asset' and in these cases it would be capitalised in the appropriate PPE class under AASB116. For example, Property & Rating system, FinanceOne system, etc. are capitalised as intangibles as they are specific computer software programs that are not considered essential in the operation of the standard operating environment. Initial recognition of an internally generated software/system is inclusive of all license costs. Subsequent purchases of licenses are expensed as acquired.</p> <p>Other intangibles capitalised are software upgrades, interworking, configuration support, implementation planning, database planning, quality planning and acceptance testing. Items that cannot be capitalised as computer software (i.e. – must be expensed) include software maintenance, data conversion, training and helpdesk support.</p>



8.2.3 Investment Property

Asset class	Asset classification in Financial Statements	Measurement basis	Details
Land and/or buildings	Investment Property	Cost model	Investment property comprises fresh food market stalls, commercial shops and function centres held to generate long-term rental yields.

8.2.4 Non-Current Assets Held For Sale

Asset class	Asset classification in Financial Statements	Measurement basis	Details
Land and/or buildings	Non-Current Assets	Lower of carrying amount and fair value less costs to sell	Land and/or buildings held for immediate sale in its present condition. The sale must be highly probable.

9 Financial Measurement of Assets

9.1 Policies

- ***An item of property, infrastructure, plant or equipment, acquired at a cost, that qualifies for recognition as an asset shall be measured at its cost⁸. Note costs are GST exclusive (i.e. - exclude goods and services tax).***
- ***Cost elements include:***
 - ***Purchase price;***
 - ***Directly attributable costs; and***
 - ***Restoration costs⁹.***
- ***The purchase price (whether bought or constructed) includes import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. It is calculated after eliminating internal profits and does not include abnormal amounts of wasted materials, labour or other resources¹⁰.***
- ***Also included in the cost of each asset are all direct and attributable costs that were necessary to bring the asset to the location and condition necessary for its intended use. Examples of directly attributable costs are¹¹:***
 - ***employee benefit costs arising directly from the construction or acquisition of the asset;***
 - ***site preparation costs;***
 - ***initial delivery and handling costs;***
 - ***installation and assembly costs;***
 - ***costs of testing whether the asset is functioning properly; and***
 - ***professional fees.***
- ***Examples of the costs of acquisition of construction projects includes:***
 - ***direct labour;***
 - ***direct materials;***
 - ***plant hire;***
 - ***labour oncosts;***
 - ***design and technical assistance;***
 - ***project overheads; and***
 - ***costs of trials and testing.***
- ***The cost of an asset also includes restoration costs; the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located – particularly relevant for landfill operations.***

⁸ AASB 116, "Property, Plant and Equipment", paragraph 15.

⁹ "Local Government: Accounting for non-current physical assets under AASB 116. A guide." Section 2.1.1. Department for Victorian Communities. May 2006.

¹⁰ "Local Government: Accounting for non-current physical assets under AASB 116. A guide." Section 2.1.1. Department for Victorian Communities. May 2006.

¹¹ AASB 116, "Property, Plant and Equipment", paragraph 17.

- ***Where an asset(s) is traded in, the cost of the acquired asset is recorded as the cash amount plus the trade-in value obtained for the asset traded in.***
- ***Assets which satisfy the recognition criteria described in section 1.1 and are acquired at no cost, or for nominal consideration, are to be recognised at their fair values¹². The amount of the fair value will be recognised as revenue in the financial result of the reporting period.***
- ***In determining the fair value of acquisitions of land under roads, the valuation methodology will be as follows - "the average site value rate per square metre in the Municipality discounted by 95% multiplied by the total Road Reserve Land area newly acquired in the Municipality".***

¹² AASB 116, "Property, Plant and Equipment", paragraph Aus15.1

10 Asset Additions or Improvements

10.1 Policies

- **Capital expenditure creates a new asset or extends an asset to a new group of users. Capital expenditure for existing assets upgrades its standard to provide a higher level of service, or it extends its useful life¹³.**
- **Expenditure on enhancements, expansions or upgrades to an asset shall be recognised as an increase in the cost of the asset, when it exceeds the capitalisation threshold for the relevant class of assets in section 10.2.**
- **Future economic benefits must extend over a period of greater than one year to justify capitalisation or recognition in the Balance Sheet.**
- **Expenditure that does not exceed the capitalisation threshold for the relevant class of assets in section 10.2, is recognised as operating expenditure for the period. In certain situations, there is an exception to this rule - where a group of separately identifiable like assets are purchased together (for example, bike racks). In this situation, if the aggregate cost of the asset group exceeds the capitalisation threshold for the relevant asset class, the assets are individually capitalised and recognised in the fixed asset register. This occurs even if the individual cost of each asset is less than the relevant capitalisation threshold.**
- **Where an asset is replaced, the original asset is disposed of and the cost of the new asset is recognised. Refer to section 11 for further details regarding disposal of assets.**

10.2 Capitalisation Thresholds

If any of the criteria (*, or **) below are met, capitalisation to the asset register is required. Procedures have been documented in relation to capitalising an asset: "Review of Capital Works Instructions April 2020"

If none of the capitalisation criteria are met, the expenditure is recognised in the operating expenditure of the reporting period.

Property, Infrastructure, Plant and Equipment Asset Class	Asset classification in Financial Statements	Quantitative* \$ (new assets or additions to existing assets)	Quantitative** % (additions to existing assets only)
Land and buildings			
Land	Split between Specialised and Non-Specialised Land	\$0	N/A
Land under roads	Specialised Land	\$0	N/A
Buildings - shell	Split between Specialised and Non-Specialised Buildings	\$5,000	2.5%

¹³ Department of Treasury and Finance, Draft Guidance Paper, "Accounting for Infrastructure Assets", Appendix 1, page 6.



Property, Infrastructure, Plant and Equipment Asset Class	Asset classification in Financial Statements	Quantitative* \$ (new assets or additions to existing assets)	Quantitative** % (additions to existing assets only)
Buildings - fitout	Split between Specialised and Non-Specialised Buildings	\$5,000	2.5%
Buildings - non-habitable	Split between Specialised and Non-Specialised Buildings	\$5,000	2.5%
Other structures and land improvements	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	\$5,000	2.5%
Infrastructure			
Road substructure	Roads	\$7,000	50% of a block
Road seal	Roads	\$7,000	50% of a block
Laneways	Roads	\$7,000	50% of a block
Bridges and culverts	Bridges	\$7,000	5%
Carparks and access roads	Off street car parks	\$7,000	5%
Footpaths	Footpaths and cycle ways	\$7,000	50% of a block
Kerb and channel	Roads	\$7,000	N/A
Drains (pipes)	Drainage	\$7,000	5%
Drains (pits) #	Drainage	0	0%
Drains (rain gardens/WSUDs)	Drainage	\$7,000	5%
Drains (litter release nets / gross pollutant traps)	Drainage	\$2,000	5%
Traffic management devices	Roads	\$7,000	N/A
Plant and equipment			
Light plant and equipment	Plant, machinery and equipment	\$2,000	N/A
Library books and resources #	Library books	0	0%
Trucks, tractors and trailers (heavy plant and equipment)	Plant, machinery and equipment	\$2,000	N/A
Office furniture and equipment	Fixtures, fittings and furniture	\$2,000	N/A
Recreation equipment	Plant, machinery and equipment	\$2,000	N/A



Property, Infrastructure, Plant and Equipment Asset Class	Asset classification in Financial Statements	Quantitative* \$ (new assets or additions to existing assets)	Quantitative** % (additions to existing assets only)
Waste bins and crates #	Plant, machinery and equipment	0	0%
Irrigation and sprinkler systems	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	\$2,000	N/A
External furniture and equipment	Parks, open space and streetscapes	\$2,000	N/A
Playground equipment	Plant, machinery and equipment	\$2,000	N/A
Fencing	Parks, open space and streetscapes	\$2,000	N/A
Motor vehicles	Plant, machinery and equipment	\$2,000	N/A
Signs	Split between Parks, open space and streetscapes, Building and Recreational, leisure and community facilities	\$2,000	N/A
Computer hardware and equipment	Computers and telecommunications	\$2,000	N/A
Art and heritage assets	Plant, machinery and equipment	0	N/A
Utilities (lighting)	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	\$2,000	N/A
Electricity generating plant	Plant, machinery and equipment	\$2,000	N/A
Electricity generating equipment	Plant, machinery and equipment	\$2,000	N/A

– \$Nil capitalisation threshold for Library books and resources, Waste Bins and Drainage Pits as these assets are capitalised on a group basis rather than an asset-by-asset basis.



Intangible Asset Class	Asset classification in Financial Statements	Quantitative* \$ (new assets or additions to existing assets)	Quantitative** % (additions to existing assets only)
Computer software and licences	Intangible Assets	\$5,000	N/A

Investment Property Asset Class @	Asset classification in Financial Statements	Quantitative* \$ (new assets or additions to existing assets)	Quantitative** % (additions to existing assets only)
Land	Investment Property	0	N/A
Buildings - shell	Investment Property	\$5,000	2.5%
Buildings - fitout	Investment Property	\$5,000	2.5%
Buildings - non-habitable	Investment Property	\$2,000	2.5%

@ - Capitalisation thresholds for Investment Property are consistent with the capitalisation thresholds applied to the Land and Buildings asset category within Property, Infrastructure, Plant and Equipment.

10.3 Qualitative Thresholds

Council shall recognise an asset in accordance with the following thresholds:

Engineering/Infrastructure works

Network expansion works:	New works, new road base, surface and kerb and channel, where the existing road network is expanded.
Reconstruction works:	Works where all three components; the road base, surface and kerb and channel of an existing road are reconstructed.
Refurbishment works:	Works where the surface or kerb and channel components of an existing road are replaced. No works performed in the road base component.
Wearing course overlay:	Works where a new asphalt surface is constructed or an existing road surface is replaced.
Footpath works:	Concrete and asphalt footpath works where more than half a 'block' is replaced. On average a 'block' is approximately 190sqm.

10.4 Capital vs Maintenance Guidelines

Generally, the classification between capital and maintenance should be made at the time the expenditure item is approved.



10.4.1 Capital Costs

Existing Asset

Expenditure that exceeds the capitalisation threshold for that class, and the expenditure renews/replaces, expands, enhances or upgrades an existing asset.

Renewal or replacement of an existing asset represents the complete or piecemeal refurbishment or replacement, which extends the functional use of an existing asset. It returns the service potential or the life of the asset to that which it had originally. Examples include the replacement of an internal wall in a building or replacement of an engine in a grader.

Enhancement, expansion or upgrade of an existing asset comprises actions taken to improve the level of service provided by an asset, to extend network assets or to increase the useful life beyond that which it had originally. Examples include adding a shade sail to a playground, replacing a pipe with a larger diameter pipe, adding a lane to an existing road, , extending a drainage or road network, or replacing a gravel path surface with an asphalt path.

New Asset

Expenditure that exceeds the capitalisation threshold for that class, and the expenditure creates or acquires a new asset.

Acquisition or creation includes actions taken to produce new assets. Examples include building a new stand-alone building, purchasing IT servers, purchasing motor vehicles.

Criteria for Capital Costs

The criteria to be applied to determine whether costs should be capitalised is whether, when compared to the original asset, the expenditure:

- ~ is material;
- ~ extends the useful life of the asset; and/or
- ~ provides additional economic benefits or service potential.

Does Not Meet Capitalisation Threshold

Expenditure that may be capital in nature, however, the cost of that expenditure does not meet the capitalisation threshold for that class of assets.

Examples include the purchase of small or low value pieces of equipment and the replacement of small elements of a complex or network asset, such as remulching a garden bed or replacing step irons or lids in drainage pits.

FinanceOne Ledger

Capital costs are accounted for in capital works project accounts (7xxxx) in the Project Ledger within FinanceOne.



10.4.2 Repairs and Maintenance

Expenditure incurred as a result of actions undertaken to service or repair an existing asset, so that the asset's intended use can continue.

The amount of the repairs and maintenance expenditure incurred is dependent on the value of the asset being serviced/repaired. There are no specific quantitative guidelines. However, if repairs exceed \$35,000 for one asset/project, the nature of the service/repair should be considered to determine whether it may represent capital costs.

Repairs and maintenance expenditure restores the wear and tear on an existing asset. It does not increase or restore service potential or the average useful life of an asset, and it does not prevent overall asset decline. Examples include spray seals and slurry seals performed on roads, repairing potholes or sealing cracks in a road pavement, grinding lips from footpaths, pruning and watering trees, grass cutting, servicing of plant and equipment, painting buildings and bridges, cleaning carpets, clearing drains, top dressing an oval and grading a gravel road.

FinanceOne Ledger

Repairs and maintenance costs are accounted for in operating expenditure accounts in the relevant cost centre in the General Ledger within FinanceOne.



11 Asset Disposals or Write Offs

11.1 Policies

- *The best value outcome to the Council must be the major consideration when disposing of assets.*
- *Asset disposal should be based on a fair market value for the asset, given current market value and condition of the asset.*
- *In the interests of promoting probity, fair dealing and openness, Council may only sell or otherwise transfer assets to staff or Councillors if the transfer is based on fair market value, is specifically authorised by the Chief Executive Officer and is in accordance with the Asset Disposal Procedures.*
- *Assets are to be disposed of in accordance with the authorised asset disposal procedure.*
- *Acceptable methods of disposal are:*
 - *sale by public tender*
 - *invitation to offer*
 - *direct negotiation with potential buyers*
 - *donation, or discounted sale, to a community service organisation or charity*
 - *private sale by an agent acting for the Council*
 - *traded in*
 - *internal disposal*
 - *selling online via eBay*
 - *replacement of infrastructure assets as part of capital works projects*
 - *junked or destroyed or obsolete or cannibalised*
- *The choice of the most appropriate disposal method will be influenced by a number of factors:*
 - *the nature and condition of the asset*
 - *value of the asset*
 - *location*
 - *transportation requirements*
- *The Finance Department must be advised of any asset disposals or trade-ins of old assets.*
- *Where an asset is replaced, the original asset is disposed of and the cost of the new asset is recognised.*
- *The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal¹⁴.*

¹⁴ AASB 116, "Property, Plant and Equipment", paragraph 67.

- ***All assets sold or scrapped are required to be written out of general ledgers and asset registers, and the profits or losses on disposal are recognised as a revenue or expense in the Income Statement. Gains shall not be classified as revenue¹⁵.***
- ***The date of disposal for revenue recognition purposes occurs, the significant risks and rewards of ownership of the asset has transferred to the buyer (such as the date of legal title transfer, or the passing of the possession to the buyer)¹⁶.***
- ***Any credit held in an asset revaluation reserve in relation to an asset which has been disposed or derecognised shall be transferred to accumulated surplus, so that only unrealised gains are held in the asset revaluation reserve. Transfers from the revaluation reserve to retained earnings are not made through the profit or loss¹⁷.***

11.2 Asset Disposal Procedures

11.2.1 Definitions

Term / Abbreviation	Definition
Surplus to requirement	<p>'Surplus to requirement' is defined as having no further use for the asset as it may be:</p> <ul style="list-style-type: none"> • damaged and uneconomical to repair or maintain; • obsolete; or • surplus to operations.
Market value	'Market value' means the value of an item in the market place and is regardless of its initial purchase price or residual value.

11.2.2 Responsibility For Surplus Assets

In general, responsibility for declaring an asset surplus to requirements rests with the Department Manager responsible for the control of the asset, except in relation to Council owned land, where Council must resolve upon the proposed sale.

Prior to declaring an asset surplus, every effort must be made to identify whether the asset can be recycled. That is, whether other Department Managers within Council have a need for the asset.

The Department Manager responsible for the control of the asset, in liaison with the Chief Financial Officer, will be responsible for carrying out the disposal process.

¹⁵ AASB 116, "Property, Plant and Equipment", paragraph 68.

¹⁶ AASB 118, "Revenue", paragraphs 14-15.

¹⁷ AASB 116, "Property, Plant and Equipment", paragraph 41, and Victorian Government Policy – "Revaluation of Non-Current Physical Assets", 2002, by Department of Treasury and Finance.



11.2.3 Asset Disposals As Part Of Capital Works Projects

Where disposal of materials or items with an individually significant value occurs as part of a capital works project, the contract or purchase documentation should clearly specify which assets are to be disposed of and what conditions apply to their disposal.

11.2.4 Sale To Councillors Or Staff

Sale or transfer of assets to staff or Councillors will only be considered if the transfer is:

- based on fair market value;
- is specifically authorised by the Chief Executive Officer; and
- is in accordance with the Internal Disposal Procedure (refer to 11.2.8).

Land, buildings and motor vehicles cannot be directly sold or transferred to staff or Councillors; however, this does not preclude staff or Councillors purchasing items at auction or by negotiation with the purchaser of goods sold by Council.

11.2.5 Asset Disposal Notification Form (non infrastructure assets)

On disposing of the asset a completed Asset Disposal Notification Form must be approved in accordance with the following delegation schedule.

Once approved, the "Asset Disposal Notification Form" will be returned to the originating officer to proceed with the disposal. This officer is required to forward a copy of the approved form to the Co-ordinator Financial Accounting for accounting and updating of the Asset Register. A copy of this form is located at Appendix B of this document.

On completion of the sale, payment must be processed through "Customer Service" using 580RC "Asset Proceeds" (receipt code). The payment receipt together with sale documentation and approved "Disposal Notification Form" must be returned to the Co-ordinator Financial Accounting. The same officer can be contacted for assistance with completing the form.

11.2.6 Disposal Delegation Schedule

The disposal delegation schedule relates to written down value and not estimated sale value.

Item delegated	Conditions/limitations	Delegate(s)
Approve sale of furniture and fittings	<p>To a maximum of \$50,000 excluding GST per item sold, or \$50,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>Anything over \$50,000 excluding GST per item sold, or over \$50,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>Delegate must comply with Council Policy for Contract Management.</p>	<p>Chief Financial Officer</p> <p>Will be handled in accordance with the instrument of sub-delegation from the CEO to Council staff.</p>



Item delegated	Conditions/limitations	Delegate(s)
Approve sale of Council owned vehicles, plant and related equipment.	<p>To a maximum of \$20,000 excluding GST per item sold, or \$20,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>To a maximum of \$50,000 excluding GST per item sold, or \$50,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>Anything over \$50,000 excluding GST per item sold, or over \$50,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>Delegate must comply with Council Policy for Contract Management.</p>	<p>Fleet Coordinator</p> <p>Chief Financial Officer</p> <p>Will be handled in accordance with the instrument of sub-delegation from the CEO to Council staff</p>
Approve sale of items under control of the Information Technology Department including software and related materials including intellectual property.	<p>To a maximum of \$15,000 excluding GST per item sold, or \$15,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>Anything over \$50,000 excluding GST per item sold, or over \$50,000 total value excluding GST of multiple items sold to a nominated purchaser.</p> <p>Delegate must comply with Council Policy for Contract Management.</p>	<p>Chief Transformation & Technology Officer</p> <p>Will be handled in accordance with the instrument of sub-delegation from the CEO to Council staff</p>

11.2.7 Options For Disposal Of Assets

This section of the procedure provides guidance on the acceptable methods of disposing of Council assets.

Tendering

Tendering is the most expensive disposal procedure and should only be undertaken where there is a clear net return to the Council from such a process.

Sale

Private sale involves assigning a price to the item(s) and publicising the item's availability for sale, as well as the price, in a suitable manner. This may range from a newspaper advertisement, selling online via eBay to a general email notice.

To ensure a fair price is paid in the case of a private sale, an independent person (an external individual with appropriate expertise, such as a representative of the Information Technology Department in the case of computers) should be involved and confirm that the sale price is appropriate. Prospective buyers should be given adequate opportunity to inspect the goods prior to sale. The item may, on receipt of an offer, be sold to the first person to make such an offer.



Donations

Where the Council or Chief Executive Officer has determined that an asset has no significant residual value, Council or the CEO may authorise its donation, or sale at a reduced price, to another organisation.

Ideally, such donations should be to organisations and not to individuals. Organisations with a community service role are recommended. This includes schools, charities and volunteer organisations.

Using Disposal Agents

The Chief Executive Officer may in some circumstances engage an agent to undertake the disposal by sale of goods. Where an agent is to undertake sales on behalf of the Council, it is important to advise the agent, in writing, of the Council's instructions relating to the sale. Information might include timeframe for sale, target revenue, condition and location of assets, reserve price, and end-user restrictions.

Traded-In

Items may be traded in where this maximises the net return to the Council.

Destroyed or Cannibalised Items

Items with no market value and no use to any other organisation or person may be destroyed in an appropriate and safe manner.

Replacement of Infrastructure Assets

Replacement of infrastructure assets as part of capital works projects (e.g. – footpaths, kerb and channel, roads, etc.) constitute a disposal or write off of the asset being replaced.

11.2.8 Internal Disposal Procedures

There are sensitivities that surround the selling of goods to staff and Councillors and the relevant Department Manager needs to be aware of these when undertaking internal disposals.

Consideration should be given to the following issues:

- Internal disposal of assets may draw criticism from the public arena, and the Department Manager, if required, must be able to justify why the particular method was chosen.
- Internal disposal of assets should be open to ALL staff and not just selected divisional, department or business area staff. The Intranet should be used for this purpose.
- The time allowed for the submission of bids should be considered (at least 5 working days).
- Limits should be placed on the number of items an individual employee or Councillor can purchase, as particular goods may be targeted by employees for the purpose of resale.
- Internal disposal of assets should not be seen as a staff entitlement but merely a chosen method of asset disposal.
- Warranty will not be offered by Council on the condition of goods it sells.
- No after sales service will be provided



- Staff coordinating the internal disposal process should not bid for the asset/s being disposed.
- Appropriate procedures should be implemented to ensure fairness and probity of the internal disposal process.

Appropriate procedures will include:

- A bidding process where goods are advertised internally through the intranet or other mechanism approved by the Chief Executive Officer.
- A nominated closing date and time for each internal disposal process.
- Use of a specified Tender Box to receive confidential bids, in the absence of electronic tendering.
- A written evaluation of the disposal process.
- A reserve price for the disposal must be set based on fair market value.

11.2.9 Specific Asset Class Guidelines

In relation to the land, buildings and motor vehicle asset classes below, a common guideline is that asset items cannot be directly sold or transferred to staff or Councillors. However, this does not preclude staff or Councillors purchasing items at auction or by negotiation with the purchaser of goods sold by Council.

For the remaining asset classes (such as furniture and fittings, information technology equipment and street and park furniture) the sale or transfer of assets to staff or Councillors will only be considered if the transfer is based on fair market value, is specifically authorised by the Chief Executive Officer and is in accordance with the Internal Disposal Procedure.

Asset class	Disposal guidelines
Land	<p>The declaration that land is surplus to Council requirements is done by Council resolution under s.114 of the Local Government Act 2020 following public advertising and consideration of submissions in accordance with Council's Community Engagement Policy 2021-2026. The property is then normally sold via public auction, however particular circumstances may warrant other methods.</p> <p>Council reports are prepared in conjunction with the relevant Department Manager and the Chief Financial Officer. Following disposal, the Finance Department makes the appropriate adjustment to the Asset Register</p>
Buildings	<p>In most instances any disposal occurs as part of new capital work and is factored into the overall project and pricing for the work and is subject to Council Purchasing Policy. The Asset Register is adjusted by the Finance Department to reflect the financial impact of the new capital work as part of regular capitalisation routines. However in some instances a separate disposal process may be appropriate.</p>
Motor vehicles	<p>Motor vehicles are sold when surplus to operational requirements. In most instances they are traded in as part of a new purchase with quotations sought for the trade-in price (purchase price is normally via Government Contract). The Fleet Administrator obtains the quotations and refers recommendations to the Chief Financial Officer for approval. In the event that an appropriate market price is not obtained via quotation or as a check of market rates, selected vehicles may be sent to public auction. Following disposal the Co-ordinator Financial Accounting is advised and the appropriate adjustment is made to the Asset Register.</p>

Asset class	Disposal guidelines
Furniture and fittings	<p>Every effort is made to recycle furniture and unused items that are currently held in storage. Surplus furniture would normally be referred to auction or via direct negotiation with potential buyers. In some instances the Chief Executive Officer may approve the lending or donation of surplus low value furniture items to local community groups.</p> <p>Where disposal of materials or items with an individually significant value occurs as part of a capital works project, the contract or purchase documentation should clearly specify which assets are to be disposed of and what conditions apply to their disposal. Following disposal the Co-ordinator Financial Accounting is advised and the appropriate adjustment is made to the Asset Register.</p>
Computer equipment	<p>PCs and other IT equipment that is surplus to requirements in accordance with Council's rolling replacement program are traded in, sold to local community groups or referred to public auction. Sales to local community groups are based on typical minimum auction prices upon recommendation from the relevant Community Planning and Development Department which will record expressions of interest. In some instances the Chief Executive Officer may approve the lending or donation of surplus low value equipment to community groups.</p> <p>Following disposal, the Co-ordinator Financial Accounting is advised and the Finance Unit makes the appropriate adjustment to the Asset Register. Where disposal of items with an individually significant value occurs as part of a capital works project, the contract or purchase documentation should clearly specify which assets are to be disposed of and what conditions apply to their disposal.</p>
Outdoor furniture	<p>Movable assets such as street and parks furniture, etc. are usually only disposed of if damaged or uneconomical to repair.</p> <p>Where there is an individual record of the asset, specific adjustment is made to the Asset Register. In other instances these items are considered to be part of the 'larger asset' such as a park, and the Asset Register for that item is adjusted accordingly. In most instances the disposal occurs as part of new capital work and is factored into the pricing for the work and subject to Council Purchasing Policy.</p> <p>Where disposal of items with an individually significant value occurs as part of a capital works project, the contract or purchase documentation should clearly specify which assets are to be disposed of and what conditions apply to their disposal.</p> <p>The relevant Department Manager must ensure that upon practical completion of the project that the Co-ordinator Financial Accounting is advised so that the appropriate adjustment to the Asset Register can be made to reflect the financial impact of the new capital work as part of regular capitalisation routines.</p>
Art and heritage	Disposal procedures or de-accessioning procedures in relation to the art collection can be found in the Town Hall Gallery Acquisition Policy.

12 Depreciation of Assets

12.1 Policies

- *All assets represent depreciable assets, except for land assets.*
- *Assets shall be depreciated in accordance with the useful lives specified in section 6.3.*
- *The straight-line method of depreciation will be adopted for all asset classes.*
- *Depreciation shall commence at the time when the asset is first in the location and condition necessary for its intended use¹⁸.*
- *Depreciation shall cease at the earlier of the date that the asset is classified as held for sale in accordance with AASB 5 "Non-Current Assets Held for Sale and Discontinued Operations", and the date that the asset is derecognised¹⁹. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use, unless it is fully depreciated.*
- *Those depreciable assets, which do not possess a depreciable amount, shall not be depreciated.*
- *Expenditure on enhancements or upgrades to an existing asset shall be depreciated, together with the undepreciated balance, over the remaining useful life of the asset²⁰.*
- *The useful lives of each asset class shall be reassessed each year under the auspices of the Chief Financial Officer. Any reassessments shall be adequately disclosed in the Financial Statements and shall be approved by the Audit Committee at the May meeting to be held each year.*
- *Any change in depreciation rates must be accounted for as a change in accounting estimate²¹.*
- *The effect of a change in depreciation rates/useful lives must be recognised prospectively.*
- *Any change in depreciation rates will be effective from 1 July of the year in question.*
- *The remaining useful life of any individual asset may be changed at any time. This change is updated on the relevant asset system (Conquest or FinanceOne) at the time. However, the useful life of the asset class is not changed, unless it is considered inaccurate on the whole asset class basis.*
- *Where an asset has not been fully depreciated and a change in the useful life of the asset class occurs which deems the asset have expired, the remaining written down value of the asset will be fully depreciated in the year of the change of useful life.*

¹⁸ AASB 116, "Property, Plant and Equipment", paragraph 55.

¹⁹ AASB 116, "Property, Plant and Equipment", paragraph 55.

²⁰ The former AAS 4 "Depreciation", paragraph 5.4.

²¹ AASB 116, "Property, Plant and Equipment", paragraph 61.



12.2 Depreciation – How It Is Calculated

Those assets, which are subject to wear and tear, commercial or technical obsolescence, require the recognition of depreciation to reflect the limited useful life of the asset.

The decline in service potential of an asset is recognised in the Financial Statements through depreciation, which is a systematic charge against revenue of the recorded value of the asset over its useful life. All assets are depreciated using the straight line method.

The systematic depreciation charge can be calculated using either of the following methods:

$\frac{\text{Written Down Value} / \text{Remaining Useful Life}}$	or	$\text{Cost} \times \frac{\text{Straight-line Depreciation Rate}}{\text{Rate}}$
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12.3 Useful Lives

The useful life of an asset is defined in terms of the asset's expected utility to the entity²².

Asset Class	Asset classification in Financial Statements	Proposed Useful Life 30/06/21 (Years)	Useful Life 30/06/20 (Years)
PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT			
Land and buildings			
Land	Split between Specialised and Non-Specialised Land	N/A	N/A
Buildings - shell	Split between Specialised and Non-Specialised Buildings	55	55
Buildings - fitout	Split between Specialised and Non-Specialised Buildings	25	25
Buildings - non-habitable	Split between Specialised and Non-Specialised Buildings	25	25
Other structures and land improvements - boardwalks (steel/concrete)	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	80	80

²² AASB 116, "Property, Plant and Equipment", paragraph 57.



Asset Class	Asset classification in Financial Statements	Proposed Useful Life 30/06/21 (Years)	Useful Life 30/06/20 (Years)
PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT			
Land under roads	Specialised Land	N/A	N/A
Infrastructure			
Road substructure (asphalt)	Roads	150	150
Road substructure (concrete)	Roads	100	100
Road seal (asphalt)	Roads	30	30
Road seal (concrete)	Roads	100	100
Laneways (asphalt surface)	Roads	30	30
Laneways (bluestone)	Roads	100	100
Laneways (concrete and other)	Roads	100	100
Laneways (spray seal)	Roads	12	12
Bridges - concrete/steel	Bridges	130	130
Bridges - timber	Bridges	50	50
Carparks and access roads – access roads	Off street car parks	30	30
Carparks and access roads – substructure	Off street car parks	100	100
Carparks and access roads – indented parking bays	Off street car parks	30	30
Carparks and access roads – seal	Off street car parks	30	30
Footpaths – asphalt	Footpaths and cycle ways	75	75
Footpaths – concrete	Footpaths and cycle ways	85	85
Footpaths – granitic/pavers	Footpaths and cycle ways	20	20
Kerb and channel	Roads	75	75
Drains (pipes and pits)	Drainage	100	100
Drains (rain gardens/WSUDs)	Drainage	20	20
Drains (litter release nets / gross pollutant traps)	Drainage	5	5
Traffic management devices	Roads	30	30



Asset Class	Asset classification in Financial Statements	Proposed Useful Life 30/06/21 (Years)	Useful Life 30/06/20 (Years)
PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT			
Utilities	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	25	25
Plant and equipment			
Light plant and equipment	Plant, machinery and equipment	5	5
Library books and resources	Library books	6	6
Trucks, tractors and trailers (heavy plant and equipment)	Plant, machinery and equipment	7	7
Office furniture and equipment	Fixtures, fittings and furniture	10	10
Recreation equipment	Plant, machinery and equipment	5	5
Waste bins and crates	Plant, machinery and equipment	14	14
Irrigation and sprinkler systems	Split between Parks, open space and streetscapes and Recreational, leisure and community facilities	15	15
External furniture and equipment	Parks, open space and streetscapes	15	15
Playground equipment	Plant, machinery and equipment	15	15
Fencing	Parks, open space and streetscapes	25	25
Motor vehicles	Plant, machinery and equipment	5	5



Asset Class	Asset classification in Financial Statements	Proposed Useful Life 30/06/21 (Years)	Useful Life 30/06/20 (Years)
PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT			
Signs	Split between Parks, open space and streetscapes, Building and Recreational, leisure and community facilities	10	30
Computer hardware and equipment	Computers and telecommunications	5	5
Art and heritage assets	Plant, machinery and equipment	100	100
Electricity generating plant (co-generation plant)	Plant, machinery and equipment	20	20
Electricity generating equipment (solar panels)	Plant, machinery and equipment	30	30
Work in progress		N/A	N/A
INTANGIBLES			
Computer software and licences	Intangible Assets	3	3
INVESTMENT PROPERTY			
Land	Investment Property	N/A	N/A
Buildings - shell	Investment Property	55	55
Buildings - fitout	Investment Property	25	25
Buildings - non-habitable	Investment Property	25	25
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Land	Non-Current Assets	N/A ^	N/A ^
Buildings - shell	Non-Current Assets	N/A ^	N/A ^
Buildings - fitout	Non-Current Assets	N/A ^	N/A ^
Buildings - non-habitable	Non-Current Assets	N/A ^	N/A ^

Note ^:

Depreciation is not calculated until the asset meets the recognition criteria in AASB 116.

Depreciation ceases on an asset once it is classified as an asset held for sale.



12.4 Changes in Useful Lives

The nature and effect of a change in an accounting estimate that has an effect on the current period or is expected to have an effect in subsequent periods is required to be disclosed²³. Such disclosure may arise from changes in estimates with respect to useful lives.

When initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

- (a) the title of the Australian Accounting Standard;
- (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
- (c) the nature of the change in accounting policy;
- (d) when applicable, a description of the transitional provisions;
- (e) when applicable, the transitional provisions that might have an effect on future periods;
- (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
- (g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- (h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied²⁴.

²³ AASB 116, "Property, Plant and Equipment", paragraph 76.

²⁴ AASB 108, "Accounting Policies, Changes in Accounting Estimates and Errors", paragraph 28.

13 Revaluation of Assets

13.1 Policies

- ***Subsequent to the initial recognition of assets and additions at cost, assets in the following asset classes will be measured on a fair value basis:***
 - ***All land and building asset classes except for 'structures and land improvements' and 'land under roads ; and***
 - ***All infrastructure asset classes.***
 - ***'All asset classes within 'parks, open spaces and streetscapes', and 'work in progress' will be measured on a cost basis.***
 - ***Where a class of non-current assets is measured on the fair value basis, revaluations must be made with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date²⁵.***
 - ***Where an item of property, plant and equipment is re-valued, the entire class of property, plant and equipment to which that asset belongs shall be re-valued²⁶. However, a class of assets may be re-valued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date²⁷.***
 - ***A revaluation increase is credited directly to equity (revaluation reserve), except to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in profit or loss²⁸.***
 - ***A revaluation decrease shall be recognised in profit or loss, except to the extent of any credit balance existing in any revaluation reserve in respect of that same class of asset²⁹.***
 - ***When an asset is re-valued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:***
 - ***restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its re-valued amount; or***
 - ***eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset³⁰.***
 - ***Any property, infrastructure, plant and equipment asset held for resale shall be recorded at the lower of its carrying amount and fair value less costs to sell³¹.***
 - ***A formal revaluation is conducted every two years.***
- The revaluation process is led by the Chief Financial Office in conjunction with the Asset and Capital Planning Department and external Valuers who provide the revalued amounts for non-current physical assets.***

²⁵ AASB 116, "Property, Plant and Equipment", paragraph 31.

²⁶ AASB 116, "Property, Plant and Equipment", paragraph 36.

²⁷ AASB 116, "Property, Plant and Equipment", paragraph 38.

²⁸ AASB 116, "Property, Plant and Equipment", paragraph Aus39.1.

²⁹ AASB 116, "Property, Plant and Equipment", paragraph Aus40.1.

³⁰ AASB 116, "Property, Plant and Equipment", paragraph 35.

³¹ AASB 5, "Non-Current Assets Held for Sale and Discontinued Operations", paragraph 15.



13.2 AASB 116 “Property, Plant and Equipment”

13.2.1 Measurement Basis

AASB 116 states after recognition, “an entity shall choose either the cost model in paragraph 30 or the revaluation model in paragraph 31 as its accounting policy and shall apply that policy to an entire class of property, plant and equipment”³².

A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity’s operations. Examples of separate classes include motor vehicles, furniture and fixtures, office equipment³³.

REVALUATION MODEL (PREVIOUSLY TITLED FAIR VALUE)

“Where fair value is adopted for an asset class, an entity must: revalue the entire class of assets to which an asset measured at fair value belongs; and ensure that the subsequent carrying values of its revalued assets continue to approximate their fair values”³⁴.

“Fair value” is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”³⁵.

In certain circumstances, such as where fair value cannot be reliably determined using market-based evidence, fair value is consistent Council’s previous valuation notion of “depreciated replacement cost”. Depreciated replacement cost is “the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset”³⁶.

COST MODEL

“After recognition as an asset, the asset item shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses”³⁷.

Cost is defined as “the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards”³⁸.

Where the asset class was previously measured on a fair value basis, cost is deemed to be the carrying amount of the asset at the time that revaluation of that class was discontinued, less any subsequent accumulated depreciation and any subsequent accumulated recoverable amount write-downs or impairment losses³⁹.

³² AASB 116, “Property, Plant and Equipment”, paragraph 29.

³³ AASB 116, “Property, Plant and Equipment”, paragraph 37.

³⁴ “Local Government: Accounting for non-current physical assets under AASB 116. A guide.” Section 4.1. Department for Victorian Communities. May 2006.

³⁵ AASB 13, “Fair Value Measurement”, paragraph 9.

³⁶ AASB 116, “Property, Plant and Equipment”, Guidance, paragraph G5.

³⁷ AASB 116, “Property, Plant and Equipment”, paragraph 30.

³⁸ AASB 116, “Property, Plant and Equipment”, paragraph 6.

³⁹ The former AASB 1041 “Revaluation of Non-Current Assets”, paragraph 5.1.3.



GREENFIELD VS BROWNFIELD

Councils use 'Brownfield' valuations for renewal/planning purposes and 'Greenfield' valuations for estimating costs of the initial acquisition or construction of an asset at an undeveloped site.

The cost to construct an asset in an undeveloped location is referred to as 'Greenfield' unit rates. The cost to rebuild or replace an asset in an existing developed location is referred to as 'Brownfield' unit rates. This includes costs such as demolition, disposal and site restoration. When renewing assets, these costs form part of the real costs to the council. 'Brownfield' unit rates are typically higher than 'Greenfield' unit rates.

These two methods can produce widely varying estimates when calculating renewal requirements because whilst the 'Greenfield' method meets financial reporting requirements, for practical asset management purposes, this may significantly underestimate the actual cost of renewing the infrastructure. The 'Brownfield' method usually provides a more accurate picture of the funding required to meet present and future infrastructure requirements and is more likely to be used by councils for estimating their renewal requirements.

Neither the Greenfield nor the Brownfield method is necessarily correct and but essentially comply with the requirements of AASB116 Property, Plant and Equipment. Depending upon the situation, either method may result in the exclusion of costs that should have been included or the inclusion of costs that should not have been included.

13.3 Revaluation Details

Asset Class	Revaluation Details
PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT	
<i>Land and buildings</i>	
Land, Buildings – shell, Buildings – fitout, Buildings – non-habitable	Revaluation model. Independent valuation to be performed bi-annually by registered valuer. Land shall be valued on the basis of adjacent site value. Valuations of freehold land reserved for public open space will be valued taking into consideration the guidelines issued by the Department of Treasury and Finance.
Other structures and land improvements	Cost model.
<i>Land under roads</i>	
Land under roads	Cost model.
<i>Infrastructure</i>	
Road substructure, Road seal, Laneways, Bridges, Carparks and access roads, Footpaths, Kerb and channel, Drains and Traffic management devices.	Revaluation model. Council valuation to be performed by Manager Asset and Capital Planning. Formally performed biannually Infrastructure assets are to be valued at fair value.
<i>Plant and equipment</i>	
Light plant and equipment, Library books and resources, Trucks, tractors and trailers (heavy plant and equipment), Office furniture and equipment, Recreation equipment, Waste bins and crates, Irrigation and sprinkler systems, External furniture and equipment, Playground equipment, Fencing, Motor vehicles, Signs, Computer hardware and equipment, Art and heritage assets, Computer software, Electricity generating plant and equipment.	Cost model.
INTANGIBLE ASSETS	
Computer software and licences	Cost model.
INVESTMENT PROPERTY	
Land, Buildings (shell and fitout), Buildings – non-habitable	Cost model.
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	
Land, Buildings (shell and fitout), Buildings – non-habitable	Cost model.

14 Property Held For Resale

- ***Council shall classify an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use⁴⁰.***
- ***The asset must be available for immediate sale in its present condition and the sale must be highly probable⁴¹.***
- ***An asset classified as held for sale will be measured at the lower of its carrying amount and fair value less costs to sell⁴².***
- ***Council will cease depreciation on any assets classified as held for sale from the date of classification⁴³.***

Assets held for sale is a separate asset class subject to a separate accounting standard – AASB 5 “Non-current assets held for sale and discontinued operations”.

14.1 Classification as Held For Sale

For a sale to be highly probable:

- ~ management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated;
- ~ the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- ~ the sale should be expected to be completed within one year from the date of classification; and
- ~ actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn⁴⁴.

Council shall not classify as held for sale an asset that is to be abandoned⁴⁵.

14.2 Measurement of Assets Classified As Held For Sale

Any assets that are classified as held for sale must be valued at fair value less costs to sell, where this value is lower than the current carrying amount. Surplus assets that do not satisfy the criteria to be classified as ‘held for sale’ but which may be sold in the future, must continue to be valued on the same basis as the other non-current assets in the class to which it belongs⁴⁶.

⁴⁰ AASB 5: “Non-Current Assets Held for Sale and Discontinued Operations”, paragraph 6.

⁴¹ AASB 5: “Non-Current Assets Held for Sale and Discontinued Operations”, paragraph 7.

⁴² AASB 5: “Non-Current Assets Held for Sale and Discontinued Operations”, paragraph 15.

⁴³ AASB 5: “Non-Current Assets Held for Sale and Discontinued Operations”, paragraph 25.

⁴⁴ AASB 5: “Non-Current Assets Held for Sale and Discontinued Operations”, paragraph 8.

⁴⁵ AASB 5: “Non-Current Assets Held for Sale and Discontinued Operations”, paragraph 13.

⁴⁶ Section 3.6 of Guidance Note: Fair Value Asset Valuation Methodologies for Victorian Local Governments. Department of Sustainability and Environment. December 2005.

15 Intangible Non-Current Assets

- ***An intangible asset shall be measured initially at cost⁴⁷.***
- ***In respect of not-for-profit entities, where an intangible asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition⁴⁸.***
- ***After initial recognition, intangible assets shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses⁴⁹.***
- ***Computer software and licences are amortised over their useful life as detailed in section 12.3***

An intangible asset is defined as: "An identifiable non-monetary asset without physical substance"⁵⁰.

⁴⁷ AASB 138, "Intangible Assets", paragraph 24.

⁴⁸ AASB 138, "Intangible Assets", paragraph Aus 24.1.

⁴⁹ AASB 138, "Intangible Assets", paragraph 74.

⁵⁰ AASB 138, "Intangible Assets", paragraph 8.

16 Investment Property Assets

- ***Investment property shall be measured initially at cost (including transaction costs)⁵¹.***
- ***In respect of not-for-profit entities, where an investment property is acquired at no cost or nominal cost, its cost shall be deemed to be its fair value at the date of acquisition⁵².***
- ***After initial recognition, investment property will be measured using the cost model⁵³.***
- ***Investment property is depreciated in accordance with the useful lives detailed in section 12.3.***

16.1 Definition of Investment Property

AASB 140 "Investment Property" requires that property (land and/or buildings) held for investment purposes is accounted for and disclosed as a separate class of assets from other property. Examples of investment property in the local government context may include off street car parks, markets and saleyards. However, whether these examples are in fact investment properties depends on the particular purpose and use by each local government⁵⁴.

Investment property is defined as:

"property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods and services or for administrative purposes; or
- (b) sale in the ordinary course of business"⁵⁵.

For not-for-profit entities, property may be held to meet service delivery objectives rather than to earn rental or for capital appreciation. If so, this is not investment property and should be accounted for under AASB 116 "Property, Plant and Equipment". Examples include:

- (a) property held for strategic purposes; and
- (b) property held to provide a social service, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property⁵⁶.

⁵¹ AASB 140, "Investment Property", paragraph 20.

⁵² AASB 140, "Investment Property", paragraph Aus 20.1.

⁵³ AASB 140, "Investment Property", paragraph 56.

⁵⁴ "Accounting for non-current physical assets under AASB 116 'Property, plant and equipment' – A guide", 2006, page 6.

⁵⁵ AASB 140, "Investment Property", paragraph 5.

⁵⁶ AASB 140, "Investment Property", paragraph Aus 9.1.



Transfers to or from investment property shall be made only when there is a change in use, evidenced by:

- (a) commencement of owner-occupation
(transfer from investment property to owner occupied property);
- (b) commencement of development with a view to sale
(transfer from investment property to inventories);
- (c) end of owner-occupation
(transfer from owner occupied property to investment property);
- (d) commencement of an operating lease to another party
(transfer from inventories to investment property); and
- (e) end of construction or development
(from development property to investment property)⁵⁷.

⁵⁷ AASB 140, "Investment Property", paragraph 57.

17 Art and Heritage Assets

- ***Art and heritage assets are measured at cost.***
- ***Art and heritage assets are depreciated in accordance with the useful lives detailed in section 12.3.***
- ***The acquisition, disposal and general maintenance of Art and heritage assets are managed by the Art Curator.***
- ***The asset register is maintained and updated by the Financial Accountant upon receipt of stocktake and valuation reports from the Art Curator.***
- ***Impairment tests are performed by the Financial Accountant based on the valuation reports.***

The art and heritage collection is generally managed by the Art Curator. The Art Curator manages the acquisition and disposal of art and heritage assets in accordance with the 'Town Hall Gallery Collection Acquisition Policy'. This document outlines the specific process of acquiring and removing items from the art collection. The details of the cost of acquisition or disposal are passed on to the Financial Accountant, who will update the asset register with this information.

Every three years a valuation of art assets is conducted by an independent organisation specialising in the valuation of art assets held by the City of Boroondara. The valuation is coordinated by the Art Curator. At the conclusion of the valuation process, a valuation report is sent to the Financial Accountant. No adjustments are made to the asset register for increases in value because this asset class is valued using the cost model. However, if a decrease to the asset value in the asset register is required, this is updated to reflect the reduction to the recoverable amount. Impairment testing is also performed based on the valuation report.

A stocktake of art assets is performed annually by the art curator. Stocktake and valuation procedures can be found at in the Town Hall Gallery Collection Asset Management. At the conclusion of the stocktake process, a report is sent to the Financial Accountant.

18 Impairment of Assets

- ***“Council will assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset”⁵⁸.***
- ***An impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at re-valued amount where it is recognised as a revaluation decrease⁵⁹.***
- ***An impairment loss on a re-valued asset is recognised directly against any revaluation reserve for the asset class to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same asset class⁶⁰.***
- ***Council will assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased (i.e. – look for positive indicators). If any such indication exists, the entity shall estimate the recoverable amount of that asset⁶¹.***

An asset is impaired when its carrying amount exceeds its recoverable amount⁶².

Carrying amount is “the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon”⁶³.

Recoverable amount is “the higher of its fair value less costs to sell (price in an arm’s length transaction less the costs of disposal) and its value in use (for not for profits generally means depreciated replacement cost⁶⁴)”⁶⁵.

For local governments ‘value in use’ is deemed to be depreciated replacement cost for those assets whose future economic benefits are not primarily dependent on the asset’s ability to generate net cash inflows, and where the local government would, if deprived of the asset, replace its remaining future economic benefits⁶⁶.

Infrastructure assets are typical examples of such assets, hence, where these assets are already measured at their depreciated replacement cost; the impairment standard has no practical application. The same principle can also be applied in the first instance to certain property assets that generate cash inflows but that do not generate net cash inflows, such as leisure centres, landfills, etc. The prime test is not about generating a commercial return, but what is the purpose and intent of the local government in owning and operating such assets. If assets are held primarily for social or strategic purposes, not for the generation of net cash inflows, it is more likely they will be subject to the deeming provisions of the accounting standards.

⁵⁸ AASB 136, “Impairment of Assets”, paragraph 9.

⁵⁹ AASB 136, “Impairment of Assets”, paragraph 60.

⁶⁰ AASB 136, “Impairment of Assets”, paragraph Aus61.1.

⁶¹ AASB 136, “Impairment of Assets”, paragraph 110.

⁶² AASB 136, “Impairment of Assets”, paragraph 8.

⁶³ AASB 136, “Impairment of Assets”, paragraph 6.

⁶⁴ AASB 136, “Impairment of Assets”, paragraph Aus32.1.

⁶⁵ AASB 136, “Impairment of Assets”, paragraph 6.

⁶⁶ “Local Government: Accounting for non-current physical assets under AASB 116. A guide.” Section 4.3.1. Department for Victorian Communities. May 2006.



For other property assets where the purpose is for generation of net cash inflows, value in use is the present value of the future cash flows expected to be derived from the asset (or cash generating unit)⁶⁷.

In assessing whether there is any indication an asset may be impaired, Council shall consider the following indications⁶⁸:

External

- an asset's market value has declined significantly more than expected;
- significant technological, market, economic or legal environment changes which adversely affect the asset; and
- increases in market interest rates.

Internal

- the asset has been damaged or is now obsolete;
- significant changes with an adverse effect have occurred or are expected to occur which will impact the asset (e.g. – asset will become idle, plans to discontinue or restructure operations, and plans to dispose of the asset); and
- internal reporting indicates the economic performance of the asset is worse or expected to worsen.

The introduction of AASB 136 "Impairment of Assets" is likely to see an impact on assets valued at cost or assets not re-valued regularly rather than those regularly re-valued to fair value.

At the end of each financial year, Finance staff will assess Council's assets against the minimum external and internal indicators that indicate the asset may be impaired. The Chief Financial Officer will sign off on the review and have it filed for audit purposes.

Where an impairment loss is recognised for a particular asset, the carrying amount of that asset is calculated as:

	Asset at Cost or Valuation
<i>Less</i>	Accumulated Depreciation
<i>Less</i>	Accumulated Impairment Losses
<i>Equals</i>	Carrying Amount

⁶⁷ "Local Government: Accounting for non-current physical assets under AASB 116. A guide." Section 4.3.1. Department for Victorian Communities. May 2006.

⁶⁸ AASB 136, "Impairment of Assets", paragraph 12.



19 Asset Stocktakes

- ***Council will undertake an average of ten asset location stocktakes every quarter - 30 September, 31 December, 31 March and 30 June of each year.***
- ***The asset register will be updated for any changes required as a result of these sightings.***

Procedures relating to the stocktake of Council assets are located on Objective. Asset stocktakes are undertaken to verify the existence of assets and to confirm their location. The stocktake will be conducted on a quarterly basis by the Financial Accountant and the relevant department staff. Any discrepancies identified will be assessed and an investigation will be carried out. Where a disposal of an asset is required, an asset disposal notification form is to be signed off by the relevant department manager. This process will ensure the asset register is kept as accurate and up-to-date as possible.

A stocktake plan based on asset class and location has been created. A stocktake timetable has been prepared based on the location and will ensure all asset classes are verified over a five year period. As new assets and new locations are constantly being added to the asset register, the timetable will be updated on an annual basis to reflect these additions.

Land, land under roads, buildings (shell), buildings (fitout) and buildings (non-habitable):

- Buildings (shell, fitout & non-habitable) - independent valuers to inspect 100% of buildings over 6 years (3 valuation cycles).
- Land & land under roads - Finance team to liaise with the Property Services department to perform a land title check each year on a sample of 10 land sites from the asset register to the actual title and 10 land sites from the title to the asset register.

Infrastructure assets - reliance is placed on the condition assessments and inspections performed by the Asset and Capital Planning team and updates to the Conquest system, therefore, no stocktake is performed by the Chief Financial Office.

Art and heritage assets, in particular, the gallery assets will not be subject to a stocktake by Chief Financial Office. Instead, reliance will be placed on the gallery asset stocktake performed by the Art Curator.

Library resources - reliance will be placed on the work performed by the Library department.

Irrigation & Sprinkler systems are difficult to sight. To compensate for this, discussions will be held with the asset owner and a review of departmental lists will be sighted for currency, use and existence. A sample size of approximately 10% will be chosen to physically sight with the sample size extended if required.



20 Current/Future Asset Accounting Issues

20.1 Land Under Roads

In July 2011, the Department of Planning and Community Development (DPCD) issued a Guidance Circular (15/11) regarding the recognition and measurement of land under roads.

To improve the comparability of financial information reported by the Local Government sector, the DPCD recommends that Council should recognise all land under roads (both pre and post 1 July 2008) and these assets should be accounted for at fair value. This will require a change to this Asset Accounting Policy and will require financial adjustments to Council's financial statements.

A benchmarking exercise was undertaken in both the 2012-13 and 2014-15 financial year of 21 Victorian Councils on their treatment of land under roads at 30 June 2012 and 30 June 2014. This exercise showed that of the 21 Councils benchmarked, only two Councils were consistent with the DPCD guidelines, while 18 Councils elected to recognise only land under roads acquired post 1 July 2008 and 11 Councils elected to use the cost method of valuation.

There was no change in the accounting treatment by Councils in the intervening period between surveys.

In December 2014, the Department of Transport, Planning and Local Infrastructure issued a Guidance Circular (29/2014) regarding an extension to the transitional period, with all Councils expected to be compliant by the 2017-18 financial year.

Council's external auditors, after having discussed land under roads with VAGO have stated that there is no requirement to value land under roads at fair value.

After consulting with our external auditors, Council will continue to recognise all land under roads acquired post 1 July 2008 only using the cost method of valuation.

Appendix A - Changes To Asset Policy 2020-21

Ref.	Change	Measurement impact for 2020-21	Additional guidance or policy note
6 (Pg. 5)	<u>Policy Responsible Officer and Contact Details</u> Replace " greg.hall@boroondara.vic.gov.au ." With " callista.clarke@boroondara.vic.gov.au ."	No	No
8.1 (Pg. 8)	<u>Asset Classifications</u> <u>Policies</u> Replace "Department Environment, Land, Water and Planning." With "Local Government Victoria in the Department of Jobs, Precincts and Regions."	No	No
11.2.9 (Pg. 31)	<u>Specific Asset Guideline</u> <u>Asset Class - Land Disposal Guidance</u> Replace "s.189 of the <i>Local Government Act</i> 1989 following public advertising and consideration of submissions under s.223 of the Act." With "s.114 of the Local Government Act 2020 following public advertising and consideration of submissions in accordance with Council's Community Engagement Policy 2021-2026."	No	No
13.1 (Pg. 39)	<u>Revaluation of Assets</u> <u>Policies</u> Replace "Finance and Corporate Planning." With "Chief Financial Office." Replace "Asset Management." With "Asset and Capital Planning."	No	No
13.3 (Pg. 42)	<u>Revaluation Details</u> Replace "Manager Asset Management." With "Manager Asset and Capital Planning."	No	No



Ref.	Change	Measurement impact for 2020-21	Additional guidance or policy note
19 (Pg. 50)	<p><u>Asset Stocktakes</u></p> <p>Replace "Finance and Corporate Planning." With "Chief Financial Office."</p> <p>Replace "Asset Management." With "Asset and Capital Planning."</p>	No	No



Appendix B - Asset Disposal Notification Form

ASSET DISPOSAL NOTIFICATION FORM



ASSET DETAILS

ASSET NO: (if known) _____

ASSET PURCHASING DETAILS:
(if known) date, supplier, order no., etc _____

ASSET DESCRIPTION & DETAILS:
make, model, serial no., etc _____

ASSET ADDRESS/LOCATION: _____

DISPOSAL DETAILS

DISPOSAL DATE: _____

DISPOSAL TYPE: (Sale or Write off) _____

REASON FOR DISPOSAL: _____

% OF ASSET DISPOSED: _____

IF SOLD, NAME OF PURCHASER: _____

IF SOLD, AMOUNT RECEIVED: _____

ASSET TRADED IN: _____

INVOICE NO. / RECEIPT NO.: _____

OTHER NOTES:

AUTHORISATION:

NAME: _____

TITLE: _____

SIGNATURE: _____

DATE: _____

CONTACT OFFICER & EXTENSION: _____

FINANCE ONLY:

WORKSHEET NAME (Asset No): _____


WORKSHEET DATE: _____

ACCOUNTING PERIOD _____

ASSET POSTING:	
Processed by:	_____
Date:	_____



Fraud and Corruption Control Policy and Related Principles 201821



Responsible Directorate: Customer Experience and Business Transformation Governance and Legal
Authorised by: Council
Date of adoption: 25 June 2018 – V1 Revised 2 January 2020 TBC
Review date: June 2024
Policy type: Council

Fraud and Corruption Control Policy and Related Principles 2021
Adopted by Council 25 June 2018 – V1 Revised 2 January 2020

1



Table of contents

1. Introduction	3
1.1. Purpose	3
1.2. Scope	3
2. Background	3
2.1. Context	3
2.2. Consultation	3
2.3. Corporate Framework	4
3. Policy Statement	4
4. Procedures	4
4.1. Investigations of Allegations	4
4.2. Conduct and Discipline	5
4.3. External Notification	5
4.4. IBAC Mandatory Notification	5
5. Implementation & Monitoring	6
5.1. Accountabilities	6
5.2. Financial Implications	8
5.3. Fraud Risk Controls	8
5.4. Employee, Customer and Community Awareness	8
5.5. Fraud, Corruption and Conflict of Interest Reporting	8
6. References	9
6.1. Definitions	9



1. Introduction

The City of Boroondara is committed to the prevention, mitigation and deterrence of all forms of fraud and corrupt conduct. An incident of fraud and corrupt conduct has the potential to adversely impact the Council including financial impact (including both actual cost and cost of investigation and recovery), material breach of legislation or regulation and reputation.

1.1. Purpose

Council Objective

The objective of this policy is to outline Council's approach to fraud and corruption prevention, deterrence and detection. Council is committed to meeting its legislative obligations under the *Local Government Act 1989-2020* (Vic) including: ensuring that resources are maintained in a responsible and accountable manner'.

Council's commitment to fraud control will be met by ensuring an environment in which fraudulent or corrupt conduct is discouraged, and conflicts of interest are avoided. Council is committed to the values of 'integrity, customer service, respect, work together as one, own it follow through, and explore better ways' as demonstrated by the relaunch of the common corporate values including 'how we work' and 'how we lead'.

This policy is consistent with, and supported by, Council's legislative obligations and Council's formal Code of Conduct.

1.2. Scope

This policy statement applies to all Councillors, employees, contractors and volunteers. Councillors are also obliged to maintain standards as mandated by the Local Government Act Relevant training on legislative obligations is provided at Councillor induction sessions. Section 5.1 contains further guidance on Councillor's responsibilities under this policy.

2. Background

2.1. Context

Elected Councillors and Council's administration are committed to policies and practices that prevent, deter and detect fraudulent and corrupt behaviour in the performance of Council activities. The Victorian Auditor-General has recommended all Councils adopt specific fraud control policies that address the risk of fraud and corrupt conduct. Boroondara has established an internal group known as the Fraud Control Group which monitors, reports and guides the implementation of this policy. The Fraud Control Group provides an annual report on its activity to Council's Audit Committee.

2.2. Consultation

This policy has been developed following consultation with the Executive Leadership Team, Fraud Control Group, Manager Governance and Legal, Risk and Assurance, Internal Auditors and internal legal advisors.

¹ Local Government Act 1989 (Vic) s 3D(e);

² Local Government Act 1989 (Vic) Division 3, Council Staff

³ Local Government Act 1989 (Vic) Div 1A, 1B Conduct & Interests, Councillor Conduct



This Policy's contents are communicated across the organisation through articles on council's Intranet site, presentations to department and team meetings and via the contents of a mandatory e-learning module.

2.3. Corporate Framework

This policy is informed by the Boroondara Community Plan (BCP) 2017-27, our key strategic document. The BCP guides our decision making and directly informs the Council Plan, our budgets, strategies, policies and actions. Of particular relevance is:

Civic Leadership and Governance Strategic Objective 7: "Ensure that ethical, financial and socially responsible decision making reflect community needs and are based on principles of accountability, transparency, responsiveness and consultation".

Additionally, this policy supports Council's Mission and Vision by addressing the following objective in the Council Plan 2017-21:

"Ensure Council is open, transparent, inclusive and accountable to the community by having sound processes for making and implementing decisions.

3. Policy Statement

Elected Councillors and Council's administration are committed to preventing, deterring and detecting fraudulent and corrupt behaviour in the performance of all Council activities.

This commitment shall be met by:

- Identification of business processes which are potentially at risk of exposure to fraud and corrupt conduct;
- Controls to mitigate the risk of exposure;
- Procedures to investigate allegations of fraudulent or corrupt conduct;
- Implementation of procedures to appropriately manage incidents of fraud and corrupt conduct;
- Provision of training, awareness and enforcement of Codes of Conduct to ensure employees and contractors are aware of their responsibilities in the prevention and management of fraud and corrupt conduct;
- Ensuring an environment in which fraudulent or corrupt conduct is discouraged.

In order to meet this commitment, any evidence of fraudulent or corrupt conduct must be brought to the attention of management as detailed in section 4 below.¹

4. Procedures

4.1. Investigations of Allegations

Council will implement procedures to facilitate investigation of allegations of fraudulent and corrupt conduct. Where such allegations are substantiated, Council will respond by either reporting the incident to relevant authorities or undertaking disciplinary action under the Code of Conduct.

A flow chart outlining the process to be followed is contained in Appendix 1.

¹ This policy must be read in conjunction with the Council's Public Interest Disclosure Guidelines, which provides the reporting process required in accordance with the *Public Interest Disclosure Act 2012*.



The confidentiality of persons who raise such concerns will be preserved. In the absence of the complaint being about the Chief Executive Officer, the Chief Executive Officer shall determine the resources to be engaged for the purpose of conducting an investigation. Investigation of matters raised will be conducted by the Internal Auditor, or where more appropriate, a suitably qualified external advisor.

4.2. Conduct and Discipline

Council is committed to ensuring a corporate culture of honesty and integrity in which Councillors, staff and contractors are assured that fraud, corruption, dishonest acts and conflicts of interest will be detected and investigated.

Councillors

Council's Code of Conduct notes the *Local Government Act 1989* 2020 has specific provisions that prohibit Councillors from certain conduct. This conduct relates to:

- Misuse of Position
- Improper Direction and Improper Influence
- Confidential Information
- Conflict of Interest
- Electoral Conduct

Any allegation of a breach of the requirements of the Code of Conduct shall be handled in accordance with the process set out in that code.

Employees

Where any matter is investigated and an incident of fraud or corrupt conduct in respect of an employee is affirmed, employment ramifications, including termination will be considered on a case by case basis in accordance with the Performance Improvement and Disciplinary Policy 2018.

4.3. External Notification

Council is committed to ensuring that all allegations, breaches of the Code of Conduct or this policy which are considered to be prima facie cases supported by evidence of fraudulent or corrupt conduct are notified to the appropriate law enforcement or regulatory agency for investigation.

Under the *Public Interest Disclosures Act 2012*, persons can make disclosures to Council and IBAC about improper conduct and detrimental action in relation to the activities and functions of Council. This is encouraged where any person wishes to access the protections afforded by the Act.



4.4. IBAC Mandatory Notification

Mandatory notifications of public sector corruption were introduced in December 2016. This obligation is set out in section 57 of the [Independent Broad-based Anti-corruption Commission Act 2011](#) (the IBAC Act), requiring 'principal officers'² of a Public Sector body to notify IBAC on reasonable grounds of any matter they suspect is occurring or has occurred constituting corrupt conduct.

There is no legislative obligation for relevant principal officers to search out corrupt conduct, only report it when suspected. To meet the threshold for notification to IBAC, the conduct must:

1. Be corrupt conduct as defined in section 4 of the IBAC Act; and
2. Be an indictable offence or a prescribed common-law offence committed in Victoria; and
3. Lead a reasonable person to suspect that corrupt conduct has occurred or is occurring (reasonable suspicion).

² Principal Officer is defined in s3 of the IBAC Act as 'the public sector body head within the meaning of s4(1) of the *Public Administration Act 2004*'.

5. Implementation & Monitoring

5.1. Accountabilities

The assignment of responsibility for the various elements of Fraud and Corruption Control is a critical prerequisite for the establishment of a successful fraud and corruption control strategy.

The ultimate responsibility for ensuring compliance with this policy (except where an allegation is made against the Chief Executive Officer) rests with the Chief Executive Officer (principal officer). The Manager Governance and Legal Director, Corporate Services, shall promulgate and update the policy. All levels of management are expected to take responsibility for compliance within their area of responsibility.

To facilitate the implementation of this policy a Fraud Control Group (FCG) is established. The FCG shall comprise:

- Chair – Integrity Coordinator (and FVG Coordinator) Director Customer Experience and Business Transformation (CXBT)
- Manager, Commercial and Property Services (Fraud Control Group Co-ordinator)
- Executive Manager, People Culture and Development
- Manager, Governance and Legal
- Chief Information Officer
- Cyber Security Officer
- Group Manager, Parks and Infrastructure
- Manager, Arts and Culture Facilities Business
- Manager, Liveable Communities Health Active Ageing and Disability Services
- Manager, Civic Services Local Laws
- Chief Customer Officer Customer Support and Corporate Information Lead
- Team Leader Risk and Assurance
- Senior Coordinator Active Ageing and Disability Services
- Manager Traffic and Transport
- Chief Financial Officer
- Other members of the Senior Management Group shall be rotated through the group to provide expertise and broaden the communication of the group's goals.



- As required, outside experts shall be invited to make presentations to the Fraud Control Group.

The FCG shall meet at least four times a year. The role of the FCG shall include but not be limited to:

- Fraud risk assessment updates
- Fraud awareness training
- Fraud research
- Reviewing the outcomes and lessons of any investigation of events of fraud or corrupt conduct
- Compliance with fraud control and Public Interest Disclosure requirements.

The chair or (delegate appointed by the Chair) shall report directly to the Chief Executive Officer on the operations and activities of the group.

At the conclusion of each financial year, the Chair shall provide a report to the Audit and Risk Committee on the operations and activities of the Fraud Control Group.

The assignment of responsibility for the various elements of fraud and corruption control is a critical prerequisite for the establishment of a successful fraud and corruption control strategy.

Fraud and corruption control responsibilities within Council are summarised below:

Councillor responsibility entails:

- Ensuring an appropriate Fraud and Corruption Control Policy is adopted;
- Maintaining compliance with the Conflict of Interest obligations pursuant to ~~Part 4 of the~~ *Local Government Act 2020* 1989;
- Facilitating accountability at all levels within the Council for fraud and corruption control by ensuring appropriate resources are provided to ensure suitable fraud and corruption information and reporting systems are maintained.
- Maintaining awareness of this policy and its applicability to elected Councillors.

Chief Executive Officer responsibility:

- The CEO has ultimate accountability for fraud and corruption control within Council and ensuring policies and procedures are followed and that appropriate governance structures are in place and are effective.
- Expeditiously reporting to IBAC, relevant agencies and the Audit and Risk Committee in accordance with this policy.

The Fraud Control Group (FCG) is responsible for:

- Establishing and maintaining an overall fraud and corruption management function to manage the requirements of the Policy;
- Raising awareness, of the Fraud and Corruption Control Policy, its principles and related procedures;
- Reviewing the outcomes and lessons of any investigation or incidents of fraud or corruption;
- Reviewing records which are capable of identifying trends in fraudulent or corrupt activity;
- Providing management with guidelines and standards for safeguarding Council's assets;



- Notifying management of any potential fraud risk exposures identified during the course of investigation work in order that current procedures can be reviewed for adequacy.

Fraud Control Group Co-ordinator will:

- Assist the FCG and Management to develop policies, procedures, and processes to effectively manage the risk of fraud and corrupt conduct;
- Maintain and update the Fraud and Corruption Control Policy;
- Coordinate contact point for fraud advice on significant matters;
- Facilitate the circulation of best fraud control practices across Council;
- Assist and consult management in the conduct of fraud and corruption investigations;
- Investigate or coordinate investigations of reported instances of fraud or corrupt conduct;
- Work closely with Risk and Assurance Team Leader and Internal Audit to target high fraud risk areas;
- Assist PCD in the development of fraud training and other ongoing awareness material;
- Notify management of any potential fraud risk exposures identified during the course of investigation work in order that current procedures can be reviewed for adequacy.
- Maintain and update the Fraud Risk Register.

Employees and Officers are responsible for:

- Maintaining compliance with the requirements of this Policy, and all relevant supporting procedures;
- Maintaining awareness of Fraud Prevention and Control responsibilities under this Policy;
- Maintaining awareness of protocols regarding inducements, gifts and incentives in the Acceptance of Gifts and Hospitality Guidelines applicable to Councillors;
- Maintaining compliance with the Gifts and Benefits Policy applicable to all Officers;
- Maintaining compliance with the Conflict of Interest obligations pursuant to Part 4 of the *Local Government Act 2020* 1989 and Council's internal Code of Conduct;
- Reporting breaches or suspected breaches of this policy and Code of Conduct to the Manager, Governance and Legal (or the Public Interest Disclosures Co-ordinator if appropriate);
- Reporting to the Manager, Governance and Legal ~~Commercial and Property Services~~, as soon as possible, improvements or updates required to this policy or control procedures as a result of a new or changed business process impacting this policy.

External Audit responsibility, whilst not responsible for fraud detection, will:

- In accordance with Australian Auditing Standards, identify and assess the risks of material misstatement due to fraud at the financial report level.
- Ensure Audits of the Financial Statements are planned, and procedures designed, to provide reasonable assurance that the financial statements are free from material misstatement due to fraud;
- In the event the external auditor identifies a misstatement, evaluate whether such a misstatement is indicative of fraud. If there is such an indication, the external auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit;



- In the event the external auditor identifies or suspects a fraud, the external auditor shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the external auditor's legal responsibilities may override the duty of confidentiality in some circumstances.

Internal Audit responsibility:

- Internal Audit supports fraud prevention by reviewing conformance with internal controls and providing necessary inputs into Council's responses to fraud.

5.2. Financial Implications

The implementation of this policy is funded from within existing departmental operating budgets.

5.3. Fraud Risk Controls

Council's commitment to the mitigation of fraud and corrupt conduct is supported by Council's implementation of controls and risk mitigation improvement strategies in connection with the enterprise risk framework including the organisation's strategic and organisational risk registers. The potential risk of fraud and corrupt conduct is inherent in all risk assessments and internal audit reviews, allowing the implementation of controls to mitigate the risk of exposure, further strengthening the organisation's ability to resist fraud and corrupt conduct.

5.4. Employee, Customer and Community Awareness

Council's commitment to fraud and corruption control will be accompanied by providing appropriate staff training and utilising existing communication mediums to increase customer and community awareness. Council will also publicise and raise awareness of relevant codes of conduct to ensure employees, contractors, customers and community are aware of their responsibilities or role in combating fraud and corruption.

5.5. Fraud, Corruption and Conflict of Interest Reporting

Council is committed to encouraging staff, customers or community to report suspicious activity at the first available opportunity, to an appropriate reporting point within the Council or where necessary to an outside authority.

6. References**6.1. Definitions****Fraud**

For the purpose of this policy: fraud means an "intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage".³

For the purpose of this policy fraud is not restricted to tangible benefits only and includes intangibles such as information.

A fraudulent act can also be committed by an act of omission, dishonesty or deceitful and misleading behaviour.



Corrupt Conduct

For the purpose of this policy Corrupt Conduct is defined as per section 4 (1) of the *Independent Broad-Based Anti-corruption Commission Act 2011* as conduct:

- (a) of any person that adversely affects the honest performance by a public officer or public body of his or her or its functions as a public officer or public body; or
- (b) of a public officer or public body that constitutes or involves the dishonest performance of his or her or its functions as a public officer or public body; or
- (c) of a public officer or public body that constitutes or involves knowingly or recklessly breaching public trust; or
- (d) of a public officer or a public body that involves the misuse of information or material acquired in the course of the performance of his or her or its functions as a public officer or public body, whether or not for the benefit of the public officer or public body or any other person.

Examples of fraudulent or corrupt conduct include:

- Theft, embezzlement, misappropriation of Council assets including cash
- False claims for reimbursement
- False claims on time sheets
- Forgery or alteration of documents
- Collusive tendering
- Unauthorised use of Council assets or equipment
- Misuse of position to gain personal advantage
- Sale or use of Council information for personal gain.

Conflict of Interest

For the purpose of this policy Conflict of Interest has the same meaning as in the *Local Government Act 2020* 1989.

Principal Officer

A relevant principal officer is defined in the IBAC Act to include:

- the Chief Executive Officer of a council;
- the Chief Executive Officer of Court Services Victoria; and
- the public sector body Head (as set out in the Public Administration Act 2004).

Related Documents

Performance and Improvement and Disciplinary Policy 2018.

³Auditing Standard ASA 240, 2009



7. Policy Responsible Officer and Contact Details

Manager Governance and Legal Commercial and Property Services is the designated responsible officer of this Policy. The responsible officer coordinates the implementation, maintenance and review of this Policy and ensures that stakeholders are aware of their accountabilities.

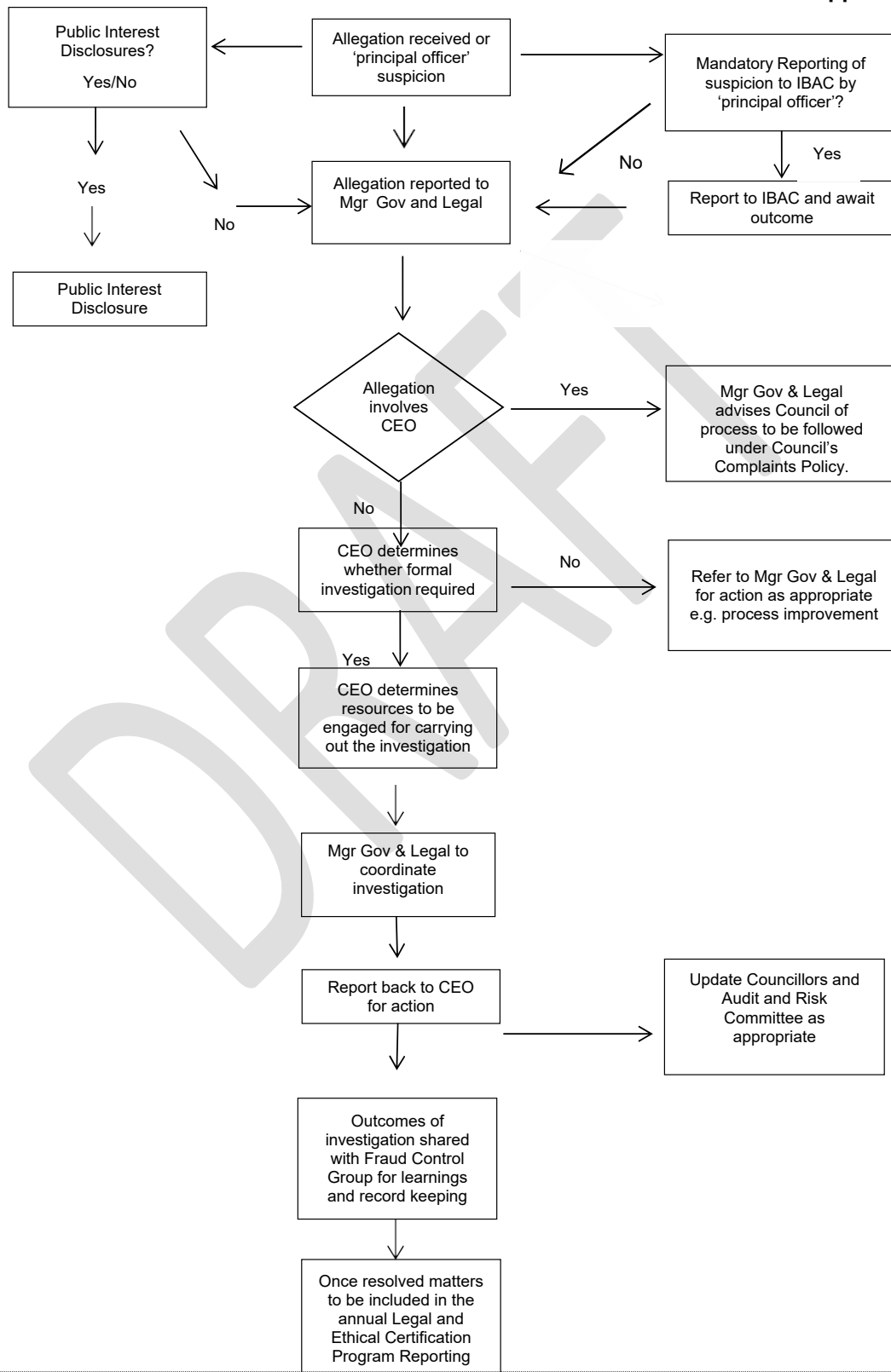
For further information or queries or feedback on this Policy, please contact the above responsible officer.

DRAFT



INVESTIGATION OF ALLEGATIONS

Appendix 1



Fraud and Corruption Control Policy and Related Principles 2021
Adopted by Council 25 June 2018 – V1 Revised 2 January 2020

12

Attachment 1



Audit and Risk Committee Charter

2020

Responsible Directorate: ~~Director Customer Experience and Business~~
~~Transformation Governance and Legal~~
Authorised By: Council
Date of Adoption: 24 August 2020
Review Date: August 2022
Policy Type: Administrative

Audit and Risk Committee Charter

1
Date of adoption 24 August 2020

Table of contents

1	Introduction	3
1.1	Audit and Risk Committee	3
1.2	Internal Auditor	4
2	Corporate Governance.....	4
3	Effective Management of Risks.....	5
4	Reliable Management and Financial Reporting	5
5	Compliance with Laws and Regulations	5
6	Maintenance of Effective and Efficient Audit.....	6
7	Administration	7
8	Appendix A.....	11
9	Appendix B.....	15

1 Introduction

The Audit and Risk Committee is appointed by Council as an advisory Committee to oversee and monitor:

1. Issues relevant to the integrity of Council's financial reporting framework
2. Risk Management framework and policies, internal control frameworks, compliance and internal audit activity; as well as
3. Meeting with the External and Internal Auditors and Management to foster an ethical and accountable environment.

1.1 Audit and Risk Committee

The Audit and Risk Committee's role is to:

- monitor and provide advice regarding the internal control framework including policies and procedures as they apply to:
 - financial reporting and management
 - Information and Communications Technology (ICT) governance and usage
- monitor compliance of Council's policies and procedures with the:
 - overarching governance principles
 - *Local Government Act 2020*
 - Local Government Regulations 2020, and
 - any Ministerial directions.
- monitor Council financial and performance reporting, including
 - review of the application of appropriate accounting policies and procedures including management's judgements, estimates and disclosures
 - Review of processes for the identification, nature, extent and reasonableness of related party transactions.
- monitor and provide advice on risk management and fraud prevention systems and controls, including
 - measures to provide early warning of any issues affecting Council's financial well-being
 - the level and effectiveness of business continuity and disaster recovery planning
 - maintenance and fostering of an ethical environment

- oversee internal and external audit functions
- monitor compliance with applicable laws and regulations

Measures indicative of the achievement of these aims are attached in **Appendix A**.

As an advisory committee established by Council, the Audit and Risk Committee does not exercise any executive powers, management functions or delegated financial responsibility. The Audit and Risk Committee may request additional information in order to fulfil its responsibilities and recommend to Council that independent legal or professional advice be obtained if and when it requires. The Audit and Risk Committee has the right to meet in camera.

1.2 Internal Auditor

The Internal Auditor is ultimately accountable to Council and has access to both the Chief Executive Officer and Audit and Risk Committee.

The Internal Auditor reports to the Audit and Risk Committee for functional purposes and to the Manager Governance and Legal ~~Director Customer Experience and Business Transformation~~ for administrative purposes in carrying out all Internal Audit and Risk activity.

Reporting lines are identified in the matrix contained in **Appendix B**.

The Audit and Risk Committee shall meet separately with the Internal Auditor at least annually to discuss any matters raised by the Audit and Risk Committee or the Internal Auditor.

At each Audit and Risk Committee meeting the meeting Agenda will provide the opportunity for the Internal Auditor to raise any issues or matters pertaining to its obligations as required.

The Internal Auditor will provide the Audit and Risk Committee with independent and objective assurance on internal corporate governance, risk management, internal controls and compliance to the extent identified in the conduct of the work program.

2 Corporate Governance

Council recognises the importance of good corporate governance and is committed to ensuring high standards are set and maintained. The Audit and Risk Committee plays a significant role in monitoring and promoting these high standards.

Recognising that audit programs and internal controls are but one element of good corporate governance, the Audit and Risk Committee will work with management and the Internal Auditor to develop a framework for monitoring the multi-dimensional elements of corporate governance.

The work conducted by regulatory bodies in this area, including the Victorian Local Government Inspectorate, the Victorian Auditor-General's Office, the Ombudsman and the Independent Broad-based Anti-corruption Commission will be closely monitored.

The Chief Executive Officer is responsible to ensure relevant matters are promptly brought to the attention of the Audit and Risk Committee.

3 Effective Management of Risks

Council seeks assurance from the Audit and Risk Committee that plans, systems and processes are in place directed at managing Council's exposure to financial and other risks. The Audit and Risk Committee's responsibilities include:

- Receiving regular reports to gain assurance that effective systems are in place within Council to identify and manage Risk
- Ensuring the Risk Management Framework is effective and efficient to identify and mitigate risks and monitoring reports on identified material business risks and the Strategic Risk profile
- Ensuring that Internal Audit plans are linked to the material business risk
- Reviewing reports (including Internal Audit reports) on the effectiveness of internal control systems
- Receiving and considering audit findings, considering the Auditors' recommendations to address control deficiencies and ensuring Management provides timely responses and implementation of agreed recommendations to enhance internal controls
- Gaining assurance that appropriate insurance arrangements are in place.
- Receiving reports on actual or suspected frauds, thefts and material breaches of legislation
- Monitoring the fraud prevention and detection framework including any action taken with respect to actual and suspected instance of fraud
- Gaining assurance processes are in place to identify emerging risks and appropriate measures are applied to manage these emerging risks
- Gaining assurance that effective Business Continuity Plans have been developed and that appropriate testing practices are in place
- Review of the Procurement Policy prior to its presentation to Council for formal adoption.

4 Reliable Management and Financial Reporting

The Audit and Risk Committee will seek assurance that Council's financial systems produce management and financial reports which have a high degree of integrity by reviewing the effectiveness of management information, including financial controls and reporting.

5 Compliance with Laws and Regulations

The Audit and Risk Committee will seek assurance that Council has measures in place to maintain and monitor compliance with relevant legislation and regulations

governing its operating legal environment. The Audit and Risk Committee receives reports outlining:

- Developments and changes in rules, regulations and laws which generally relate to Council's business operations
- Measures to ensure Council's compliance with legislation
- Assurance that Council has measures in place to maintain and monitor compliance with relevant legislation and regulations governing its operating legal environment, and
- Advice on Council's corporate governance arrangements, including measures for monitoring and compliance with legislation and regulation

6 Maintenance of Effective and Efficient Audit

The Audit and Risk Committee will oversee audit services, ensuring that Council's internal and external audit functions are carried out in an effective and efficient manner by;

- reviewing the performance of Internal Audit and the effectiveness of the Annual External Audit
- ensuring emphasis is placed on areas where Council or its Auditors believe special attention is warranted, and
- ensuring that the internal audit plans are linked to the Strategic Risk Profile.

Where there is a contract to be awarded to appoint an Internal Auditor, the Audit and Risk Committee has a role in considering that appointment by receiving the recommendation of the Tender Evaluation Panel for recommendation to Council. An independent member of the Audit and Risk Committee will also be part of the Tender Evaluation Panel.

Where termination of the contracted Internal Auditor is contemplated, the Chief Executive Officer will provide a report to the Audit and Risk Committee recommending the termination of the Internal Auditor for endorsement by the Audit and Risk Committee and recommendation to Council.

In the event that the Internal Auditor is a staff member employed by Council the Audit and Risk Committee will be advised of any impending change to these arrangements.

Audit and Risk Committee Planning

The Audit and Risk Committee will:

- Review and adopt an annual work program for Council consideration and approval detailing the nature and timing of reports to be presented to the Audit and Risk Committee and subsequently to Council, reflecting the priorities and functions of the Audit and Risk Committee.
- Annually recommend to Council the approval of the Internal Audit Program

rolling three year plan. The audit reports will include, where applicable, management responses, accountabilities and timelines for corrective actions.

- Ensure the Internal Auditor has regard to compliance and ethics risks in the development of the internal audit work plan and in the conduct of internal audit projects and report those issues to the Audit and Risk Committee.

Conflict of Interest and use of Information

The Audit and Risk Committee members will have access to information about the day to day operations of Council including information that may be commercial in confidence. All reports tabled at the Audit and Risk Committee meetings shall be considered as confidential reports.

Members of the Audit and Risk Committee must be fully aware of their responsibilities with regard to the management of their interests in relation to the discharge of their duties as members of the Audit and Risk Committee, in particular, with regard to the use or misuse of confidential information and the disclosure of conflicts of interest. The requirements in Division 2 of Part 6 of the *Local Government Act 2020* regarding conflicts of interest apply to Audit and Risk Committee members. Members of the Committee are required to comply with Division 3 of Part 6 (personal interests returns) of the Act, which include, among other things, the following requirements:

a. Lodgement of personal interest returns on the forms specified by Council in accordance with the Act.

The requirements in Section 123 of the *Local Government Act 2020* regarding misuse of position apply to Audit and Risk Committee members.

7 Administration

Membership and Attendance at Meetings (Selection and Appointment)

The Audit and Risk Committee will :

- (a) include members who are Councillors of the Council; and
- (b) consist of a majority of members who are not Councillors of the Council (independent members) and who collectively have:
 - (i) expertise in financial management and risk; and
 - (ii) experience in public sector management; and
- (c) not include any person who is a member of Council staff.

The Audit and Risk Committee is to comprise three independent members and two Councillors [note: subject to Council decision], and be chaired by an independent member.

Councillor members are appointed by Council annually at the time Council considers the formal Councillor Assignments. Council, in its absolute discretion, may appoint a Councillor member to a two year term.

Independent members shall be appointed for a term of three years or as otherwise determined by Council. At the conclusion of their initial term, existing members will be eligible to apply to be reappointed at the discretion of Council for a further term. A maximum of six years may be served by an independent member. Council will consider the terms of existing independent members when appointing an independent member to stagger the expiry terms of independent members to ensure seamless continuity of the Committee's function.

Independent members will be recruited via public advertising and appointed by Council on the recommendation of a selection panel comprised of the Chief Executive Officer, Mayor or delegate, ~~Director Customer Experience and Business Transformation~~ Manager Governance and Legal and a Councillor member of the Audit and Risk Committee.

The Chairperson is appointed by Council (or its delegate(s)) for a two year term from the independent members of the Audit and Risk Committee on the basis that any independent member (including the incumbent Chair) may nominate for the role. In the absence of the appointed Chairperson, the meeting will appoint an acting Chairperson from the independent members present. In the event that the chair is vacated before the Chairperson's term has expired, Council will appoint an acting Chairperson until a replacement has been selected. Where an independent member resigns mid-term, a new independent member will be recruited as soon as is practicable. This new appointee shall be appointed for a two year term or as otherwise determined by Council.

Should the resignation or retirement of more than one independent member coincide then the Council may extend the remaining independent member's term by one year to ensure continuity.

Fees

Council will pay a fee to independent members of the Audit and Risk Committee as set by Council from time to time. The fee will be indexed each year to the relevant, most recently released movements in the Consumer Price Index (CPI All Groups Melbourne) and adjusted annually on 1 July. The fee amount may be rounded up so as to be divisible by the number of meetings held each year. Payment will be made on receipt of an invoice from independent members after each Audit and Risk Committee meeting.

Role of Chairperson

The role of the Audit and Risk Committee Chairperson includes, but is not limited to:

- Meet with Management before and after each Audit and Risk Committee meeting to assist with ensuring meetings are conducted effectively and cover all required matters.
- Discuss with Management any proposed changes to Audit and Risk Committee member's roles and responsibilities before any reports proposing such changes are prepared for Audit and Risk Committee consideration.

- Chairing meetings of the Audit and Risk Committee in accordance with the formal meeting agenda distributed by Council's Governance Team.
- Providing Committee members an opportunity at the commencement of meetings to nominate additional items for the Agenda at that meeting or subsequent meetings.
- Conduct meetings in a manner that promotes participation, communication, involvement, consensus, mutual respect and listening.
- Providing time during Audit and Risk Committee Meetings for any Committee member to raise any issue they believe relevant.
- Review minutes of Audit and Risk Committee meetings prior to their distribution to Committee members to ensure they accurately reflect agreed meeting outcomes.

The Chairperson has no executive authority on behalf of Council but can be consulted as required, as a sounding board by the Chief Executive Officer or ~~Director Customer Experience and Business Transformation~~ Manager Governance and Legal on matters set out in paragraph 1.1.

Meetings, Quorum and Voting

- The Audit and Risk Committee is to meet as needed on the basis of scheduled dates, however, it is expected it would meet at least four times per annum
- Audit and Risk Committee meetings are to be structured with the use of an agenda and supporting papers
- A quorum for meetings of the Committee will be three members with a minimum of one Councillor member and one independent member.
- All Audit and Risk Committee meetings, agenda papers and discussions are to be treated as confidential.
- The Chief Executive Officer will ensure the preparation and maintenance of agendas, minutes and reports of the Audit and Risk Committee.
- Audit and Risk Committee agendas and supporting papers should be well documented and circulated two weekends prior to the next meeting to allow members time to review the information before the meeting.
- Draft minutes are to be provided to the Chairperson as soon as practicable after the meeting for clearance and then to the Audit and Risk Committee members.
- Following adoption by the Committee, the minutes will be signed by the Chairperson.
- Voting and the resolution of motions before the Audit and Risk Committee are to be conducted according to the City of Boroondara Governance Rules Meeting Procedure Local Law (Note: the Local Law provides for the Chairperson to exercise a casting vote if required).

- The Chief Executive Officer is expected to attend all meetings, and internal auditors will be invited to attend all meetings except in situations where the Chairperson deems such attendance inappropriate. External Auditors may also be invited to attend any Audit and Risk Committee meeting at the discretion of the Chairperson.
- The Chairperson will convene a special meeting of the Audit and Risk Committee at the request of the Council.
- The Chairperson and the CEO may convene a special meeting of the Audit and Risk Committee or at the request of an Audit and Risk Committee member, the Internal Auditor or External Auditor.

Reporting to Council

- The Audit and Risk Committee will prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations, and provide a copy of the biannual report to the Chief Executive Officer for tabling at the next Council meeting.
- The Chairperson may request to brief Council on a significant issue on the recommendation of the Audit and Risk Committee and otherwise as requested by Council.
- Copies of all Audit and Risk Committee, agendas, minutes, formal resolutions are to be provided to Council and confirmation of this will be provided back to the next Audit and Risk Committee meeting. Copies of all reports tabled at Audit and Risk Committee meetings can be accessed at any time by Councillors via the Electronic Business Papers system.
- The Audit and Risk Committee will report to Council at the next practical Council meeting following each Audit and Risk Committee meeting.
- This report will identify the subject matters considered by the Committee and outline the actions of the Committee.
- The report shall also identify any matters requiring a resolution of Council.
- Each report to Council will report on progress of the Committee against the adopted Annual Plan.
- At the end of each financial year, the Chairperson of the Audit and Risk Committee will formally report on the operations of the Audit and Risk Committee to the Council meeting that considers Council's Annual Report. The report will include commentary on agendas, meeting outcomes, and Internal Audit's comment on the operation and performance of the Audit and Risk Committee for the prior year.

Performance and Review

- The Audit and Risk Committee will undertake a self-assessment annually of its performance against the Audit and Risk Committee Charter, and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting.

- The Audit and Risk Committee will review the Audit and Risk Committee Charter annually and may make recommendations to the Council regarding the Charter. Any changes to the Charter must be approved by the Council.

8 Appendix A

Measures to assist identification of Audit and Risk Committee success in carrying out its defined role.

Role	Measures
<p>1. Monitor and provide advice regarding the internal control framework including policies and procedures as they apply to:</p> <ul style="list-style-type: none"> ○ financial reporting and management ○ Information and Communications Technology (ICT) governance and usage 	<p>In addition to the distribution and review of Quarterly Performance Reports (refer below), and the receipt of Internal Audit reports, the Audit and Risk Committee annually reviews all Accounting policies and financial statement disclosures in advance of the preparation of the Annual Financial Statements.</p> <p>The Audit and Risk Committee Annual Plan contains standing reports on IT security, external penetration testing, governance of the Boroondara Customer First program and outcomes of disaster recovery testing.</p>
<p>2. Monitor compliance of Council's policies and procedures with the:</p> <ul style="list-style-type: none"> a. overarching governance principles b. <i>Local Government Act 2020</i> c. Local Government Regulations 2020, and d. any Ministerial directions. 	<p>The Audit and Risk Committee Annual Plan includes the annual Legal and Ethical Certification report.</p> <p>Each meeting agenda provides the Chief Executive Officer the opportunity to bring to the Committee's attention any breaches of legislation.</p> <p>An annual update is provided to the Committee on the outcomes of the Chief Executive Officer's review of the Gifts and Hospitality Register.</p> <p>Each meeting agenda contains an opportunity for the Committee to consider reports by VAGO, IBAC and other regulatory and integrity bodies within the local government sector.</p>

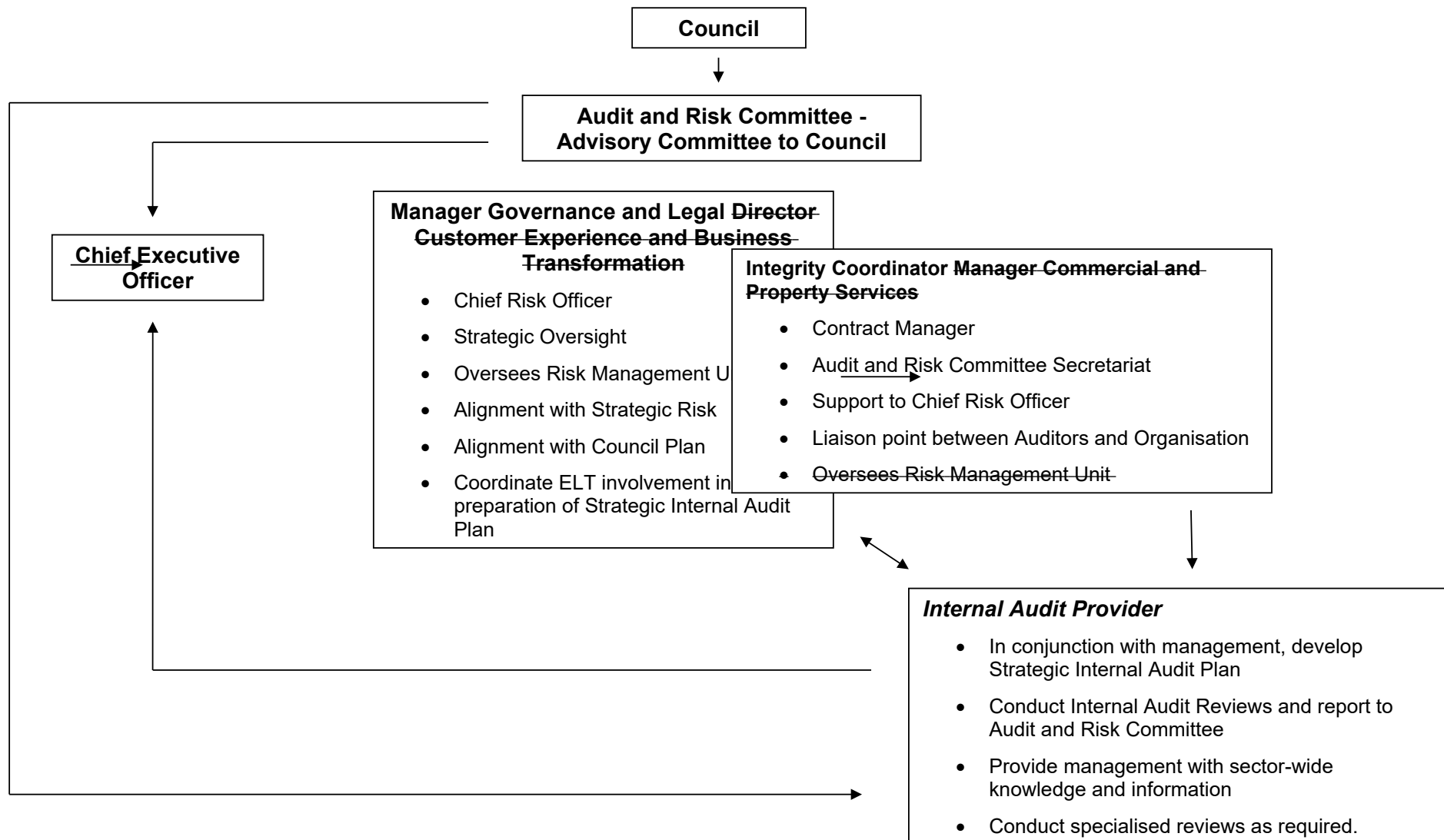
<p>3. Monitor Council financial and performance reporting, including</p> <ul style="list-style-type: none"> a. review of the application of appropriate accounting policies and procedures including management's judgements, estimates and disclosures b. Review of processes for the identification, nature, extent and reasonableness of related party transactions. 	<p>The Audit and Risk Committee members shall receive copies of all Quarterly Performance Reports. An Internal Audit review shall be commissioned periodically to report on the basis of production of the QPR and the reliability of the financial information contained therein.</p> <p>Application of accounting policies will be subject to annual verification and sign off by the Auditor-General during audit of Annual Financial Statements.</p>
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Role	Measures
<p>4. Monitor and provide advice on risk management and fraud prevention systems and controls, including</p> <ul style="list-style-type: none"> a. measures to provide early warning of any issues affecting Council's financial well-being b. the level and effectiveness of business continuity and disaster recovery planning c. maintenance and fostering of an ethical environment d. measures to ensure Council's risk management frameworks and culture respond appropriately to material risks 	<p>Internal Audit programs shall be developed to address major risks identified within Council's Strategic Risk Register.</p> <p>Regarding financial well-being, the Audit and Risk Committee shall receive copies of the Quarterly Performance Report (QPR) and will have the opportunity to ask questions of Officers at Audit and Risk Committee meetings regarding the contents of the QPR.</p> <p>The Audit and Risk Committee shall, as part of its Annual Plan, receive reports documenting the progress of Council's Business Continuity and Disaster Recovery Planning. At appropriate stages of the implementation of resultant strategies, Internal Audit reviews shall be commissioned.</p> <p>The Audit and Risk Committee will provide assistance and guidance to support management's maintenance and fostering of an ethical operating environment</p>
<p>5. Oversee internal and external audit functions</p>	<p>The Audit and Risk Committee shall approve the Annual Internal Audit Program ensuring it is satisfied with the coverage of the proposed reviews and that they can be conducted within budget constraints.</p> <p>The Audit and Risk Committee receives all Internal Audit reports and representatives from Internal Audit shall attend all meetings.</p>

Role	Measures
	<p>The External Auditor shall present the Audit and Risk Committee with an annual work program at the May meeting each year. Representatives from the external audit firm shall be present at Audit and Risk Committee meetings where Annual Financial Statements are tabled for consideration and recommendation to Council.</p> <p>The Audit and Risk Committee will be provided with the opportunity to meet with the External Auditor without Management being present at least annually.</p>
<p>5 Monitor compliance with applicable 6. laws and regulations</p>	<p>The Audit and Risk Committee shall receive audit reviews of Council's compliance status with significant corporate legislative changes.</p> <p>Acceptance and participation in the development and implementation of the highest standards of corporate governance.</p>

9 Appendix B

City of Boroondara - Internal Audit



Attachment 2

**CITY OF BOROONDARA
AUDIT & RISK COMMITTEE ANNUAL WORK PROGRAM -
2021-22**

(in accordance with section 54 (3) Local Government Act 2020 ('LGA 2020'))

TABLE OF CONTENTS

1. Audit and Risk Committee Functions
2. Risk Management Assessment
3. External Audit
4. Internal Audit
5. End of Financial Year Accounting and Reporting
6. Management Accounting, Budgeting and Financial Reporting Practices
7. Compliance with laws and regulations

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

1. Audit and Risk Committee Functions

August meeting	November meeting	March meeting	May meeting
	Bi-Annual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations to be provided to the CEO for tabling at the next Council meeting. (per section 54 (5) of the LGA 2020)		Bi-Annual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations to be provided to the CEO for tabling at the next Council meeting. (per section 54 (5) of the LGA 2020)
Copies of all Audit and Risk Committee reports, agendas, minutes and formal resolutions are to be provided to Council.	Copies of all Audit and Risk Committee reports, agendas, minutes and formal resolutions are to be provided to Council.	Copies of all Audit and Risk Committee reports, agendas, minutes and formal resolutions are to be provided to Council.	Copies of all Audit and Risk Committee reports, agendas, minutes and formal resolutions are to be provided to Council.
			Annual review of the Audit and Risk Committee Charter. (per section 7 COB Audit and Risk Committee Charter)
Opportunity for Audit and Risk Committee to meet in camera with external auditors.		Opportunity for Audit and Risk Committee to meet in camera with external auditors.	Annual review of the criteria for monitoring performance of the Committee for the coming financial year. (NB: Upon completion the annual assessment is to be provided to the CEO for tabling at the next Council meeting) (per section 54 (4) LGA 2020)

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

2. Monitoring Risk Management (per section 54 (2) (c) LGA 2020)

August meeting	November meeting	March meeting	May meeting
Risk Management Update	Strategic Risk Register Update including presentation of annual work plan.	Risk Management Update	Report on the implementation of actions contained within the Risk Management Framework.
		Receive report reviewing the progress of implementation of Business Continuity Planning.	
Receive officer report identifying how Council has managed its Occupational Health and Safety requirements. Report to include appropriate indicators and measurement.			Receive officer report detailing outcomes of IT system security testing undertaken.
Receive report from Fraud Control Group outlining activities undertaken in the year and self-assessing achievement of stated aims. (Per section 54 (2) (d) LGA 2020)			
Receive information on Council insurance claims statistics broken down by type.			

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

Receive report outlining outcomes of IT Disaster Recovery Plan testing conducted annually and review recommendations for Plan amendments. Timing to be variable to allow IT flexibility in scheduling "surprise" disaster recovery exercise. Testing will be conducted annually.			
	Receive update from management on the utilisation and currency of the Business Function Risk Assessment Map (BFRAM)		
Receive minutes of most recent Business Enterprise Risk Committee (BERC) Meeting.	Receive minutes of most recent Business Enterprise Risk Committee (BERC) Meeting.	Receive minutes of most recent Business Enterprise Risk Committee (BERC) Meeting.	Receive minutes of most recent Business Enterprise Risk Committee (BERC) Meeting.
Report to the Audit and Risk Committee in the event an 'extreme operational risk' ever arises.	Report to the Audit and Risk Committee in the event an 'extreme operational risk' ever arises.	Report to the Audit and Risk Committee in the event an 'extreme operational risk' ever arises.	Report to the Audit and Risk Committee in the event an 'extreme operational risk' ever arises.
Receive table of Council's insurance coverage including presentation from Council's insurers.			
Receive and review independent BC1 Program Assurance Reviews at key milestones of the BC1 program and provide any required recommendations to Council to enhance program governance. Timing of presentation will be dependent on achievement of key milestones.	Receive and review independent BC1 Program Assurance Reviews at key milestones of the BC1 program and provide any required recommendations to Council to enhance program governance. Timing of presentation will be dependent on achievement of key milestones.	Receive and review independent BC1 Program Assurance Reviews at key milestones of the BC1 program and provide any required recommendations to Council to enhance program governance. Timing of presentation will be dependent on achievement of key milestones.	Receive and review independent BC1 Program Assurance Reviews at key milestones of the BC1 program and provide any required recommendations to Council to enhance program governance. Timing of presentation will be dependent on achievement of key milestones.

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

(NB: Reviews to be consistent with the framework adopted by the Victorian Department of Treasury and Finance).	(NB: Reviews to be consistent with the framework adopted by the Victorian Department of Treasury and Finance).	(NB: Reviews to be consistent with the framework adopted by the Victorian Department of Treasury and Finance).	(NB: Reviews to be consistent with the framework adopted by the Victorian Department of Treasury and Finance).
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City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

3. External Audit

August meeting	November meeting	March meeting	May meeting
Meet with external auditors to review main issues relating to annual financial statements and also to receive and review the Audit Management Letter and the Management Representation Letter.			Meet with external auditors to review main issues relating to upcoming annual financial statements and review audit plan.
Review external audit reports and management response to matters arising.			Note annual external audit fee advised by Auditor-General
Receive reports to provide assurance that internal and external audit work is co-ordinated for maximum efficiency.			

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

4. Internal Audit

August meeting	November meeting	March meeting	May meeting
		Review the three year Strategic Internal Audit Plan.	
	Review the adequacy of the internal audit budget.		
Review progress against the internal audit program.	Review progress against the internal audit program.	Review progress against the internal audit program.	Review progress against the internal audit program.
Review internal audit reports and management comments arising.	Review internal audit reports and management comments arising.	Review internal audit reports and management comments arising.	Review internal audit reports and management comments arising.

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

5. End of Financial Year Accounting and Reporting

August meeting	November meeting	March meeting	May meeting
Review any major issues pertaining to annual financial statements.			Review any major issues pertaining to upcoming annual financial statements.
Review annual report incorporating annual financial statements for the previous year prior to presentation to Council for adoption.			
Recommend to Council the adoption of annual financial statements.			Receive update on clearance of prior year management letter points.

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

6. Management Accounting, Budgeting and Financial Reporting Practices

August meeting	November meeting	March meeting	May meeting
Review effectiveness of management information as presented in the Quarterly Performance Report to ensure high degree of relevance and integrity. (Per section 54 (2) (b) LGA 2020)	Review effectiveness of management information as presented in the Quarterly Performance Report to ensure high degree of relevance and integrity. (Per section 54 (2) (b) LGA 2020)	Review effectiveness of management information as presented in the Quarterly Performance Report to ensure high degree of relevance and integrity. (Per section 54 (2) (b) LGA 2020)	Review effectiveness of management information as presented in the Quarterly Performance Report to ensure high degree of relevance and integrity. (Per section 54 (2) (b) LGA 2020)
Review and recommend to the Council all significant accounting policy changes.	Review and recommend to the Council all significant accounting policy changes.	Review and recommend to the Council all significant accounting policy changes.	Review and recommend to the Council all significant accounting policy changes.

City of Boroondara Audit & Risk Committee Annual Work Program – 2021-22

7. Compliance with laws and regulations

August meeting	November meeting	March meeting	May meeting
Receive officer reports advising of significant developments and changes in rules, regulations and laws that govern the corporate operations of the Council.	Receive officer reports advising of significant developments and changes in rules, regulations and laws that govern the corporate operations of the Council.	Receive officer reports advising of significant developments and changes in rules, regulations and laws that govern the corporate operations of the Council.	Receive officer reports advising of significant developments and changes in rules, regulations and laws that govern the corporate operations of the Council.
Receive reports reviewing compliance with or progress towards compliance with significant changes in legislation that pertain to the corporate functions of Council.	Receive reports reviewing compliance with or progress towards compliance with significant changes in legislation that pertain to the corporate functions of Council.	Receive reports reviewing compliance with or progress towards compliance with significant changes in legislation that pertain to the corporate functions of Council.	Receive reports reviewing compliance with or progress towards compliance with significant changes in legislation that pertain to the corporate functions of Council.
Receive Legal and Ethical Compliance report that advises of outcomes of the annual certification program.			
Gifts and Hospitality Register update - on Chief Executive Officer review.			

Biannual audit and risk report describing the activities of the Audit and Risk Committee and its findings and recommendations.**Introduction**

Section 54 (5) of the *Local Government Act 2020* ('the Act') states:

"An Audit and Risk Committee must:

- (a) prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and
- (b) provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.

This report has been prepared following the May 2021 Audit and Risk Committee meeting. The next Biannual report will be prepared in December 2021 following the November 2021 Audit and Risk Committee meeting.

Establishment of Audit and Risk Committee

Following adoption of the Act, a new Audit and Risk Committee was established by Council at its meeting of 24 August 2020. A new Audit and Risk Committee Charter was adopted ensuring Council complied with relevant provisions of the Act.

Meetings of the Audit and Risk Committee and findings and recommendations.

During the reporting period the following meetings of the Audit and Risk Committee have been held:

1. 9 December 2020
2. 10 March 2021
3. 19 May 2021

The relevant findings and recommendations from each meeting have been reported to Council through the respective Council reports entitled “Recommendations of Audit and Risk Committee Meeting” which have been presented to Council after each Audit and Risk Committee meeting.

Responding to Emerging Risks

The Committee, and management, continue to pay close attention to identifying and reviewing emerging risks. During the year, the Committee requested reports covering cyber security and information privacy and reviewed Council’s management of these key risks. The Committee also received briefings at each meeting on Council’s response to the COVID-19 Pandemic. A new standing agenda item “Chief Executive Officer Update” has been introduced to enable the Committee to be briefed on current and emerging issues within the municipality and organisation.

Internal Audit

All Internal Audit report recommendations are recorded on a register with their appropriate implementation actions and timeframes. This register of actions is formally followed up and progress is reported to the Committee at each meeting.

The Committee notes management has shown diligence in implementing internal audit recommendations in a prompt and accountable manner.

Conclusion

The Committee looks forward to continuing to fulfil its role and working with management, Council and its auditors during the 2021-22 financial year and will provide its next Biannual report in December 2021 following the November 2021 Audit and Risk Committee meeting.