



MELTON CITY COUNCIL

**Minutes of the Audit and Risk Committee
Meeting of the Melton City Council**

8 September 2021

**THESE MINUTES CONTAIN REPORTS DEALT WITH AT A
CLOSED MEETING OF COUNCIL**

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING8 SEPTEMBER 2021**MELTON CITY COUNCIL****MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING OF THE
MELTON CITY COUNCIL HELD IN THE VIA A VIDEOCONFERENCE
ON 8 SEPTEMBER 2021 AT 12 NOON**

Present: Mr R. Tommasini, Chairperson, Independent External Member
Mr F. Mansoor, Independent External Member
Ms C. Gregory, Independent External Member
Cr K. Majdlik, Mayor
Cr J. Shannon, Councillor

Attendance: Mr K. Tori, Chief Executive Officer
Mr B. Dosser, Manager Legal & Governance
Mr S. Rumoro, Manager Finance
Mr D. Caligari, Manager Capital Projects
Ms. S. Romazsko, Manager Engineering Services
Ms N. Marino, Coordinator Accounting Services
Mr A. Ramdas, Risk Officer
Mr N. Walker, External Auditor
Ms C. Santoro, Senior Administration Officer

1. WELCOME / ELECTION OF CHAIR (IF REQUIRED)

The Chairperson opened the meeting at 12.03 pm and welcomed the committee members and other attendees.

2. APOLOGIES AND LEAVE OF ABSENCE

Nil.

3. DECLARATION OF INTEREST AND / OR CONFLICT OF INTEREST

Nil.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING8 SEPTEMBER 2021**4. MINUTES OF PREVIOUS MEETINGS****RECOMMENDATION:**

That the Minutes of the Audit and Risk Committee Meeting held on 4 August 2021 and adopted by Council at the Ordinary Meeting held on 30 August 2021 be noted.

Motion

Cr. Majdlik/Cr Shannon.

That the Minutes of the Audit and Risk Committee Meeting held on 4 August 2021 and adopted by Council at the Ordinary Meeting held on 30 August 2021 be noted.

CARRIED

5. OTHER BUSINESS CARRIED OVER FROM A PREVIOUS MEETING

CEO Mr Tori advised the Committee of his resignation, finishing on 29 October 2021, and noted that this would be his last Audit & Risk Committee meeting.

The Committee members thanked Mr Tori for his guidance and support over the years and wished him all the best in his retirement.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

6. PRESENTATION OF STAFF REPORTS**6.1 ANNUAL WORK PLAN FOR 2021 AND TRACKING REPORT FOR AUDIT & RISK COMMITTEE ACTIONS**

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Bradley Dosser - Manager Legal & Governance

PURPOSE OF REPORT

To allow the Committee to check the agenda for this meeting against the *Annual Work Plan 2021* and to present to the *Tracking Report for Audit & Risk Committee Actions* as at September 2021.

RECOMMENDATION:

That the Council note that the Audit and Risk Committee checked the agenda against the *Annual Work Plan 2021* and reviewed the *Tracking Report for Audit & Risk Committee Actions* as at September 2021 and that no further action is required.

Recommendation 1

Cr. Majdlik/Mr. Mansoor

That the Council note that the Audit & Risk Committee checked the agenda against the *Annual Work Plan for 2021* and reviewed the *Tracking Report for Audit & Risk Committee Actions* as at September 2021 incorporating the action items listed below.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

Discussion took place on the following matters raised by Committee Members:

- A recommendation was put forward by the Chairperson, and accepted by the committee, that the Chairperson's second bi-annual report to Council, due in September, be held over until after the Chairperson attends the annual meeting with Councillors which has been organised for the 11 October 2021 Council briefing meeting.

The Committee members all agreed to this recommendation.

- In relation to the Tracking report as at September 2021, the following items to remain open until further action has been addressed:
 - 6.3 The Change Management Procedure is endorsed by Executive
 - 6.9 Report from Council's Insurers regarding sufficient level of coverage in relation to Cyber Liability and Commercial Crime.
 - 6.10 Update of the Procurement Manual in relation to cumulative spend.
 - 6.18 Legal report on outcome from Harwood Andrews in relation to MK Datanet matter.

Action:

That the above items remain open within the Tracking report until the appropriate action has been addressed.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

REPORT**1. Executive Summary**

As requested at the Audit Committee meeting held 11 December 2019, the *Annual Work Plan*, approved annually and the *Tracking report for Audit & Risk Committee Actions* are presented to the Committee as a standing item on this agenda.

This agenda addresses all items in the Annual Work Plan 2021 scheduled for September 2021 and actions within the Tracking report with the exception of the following items which will be held over and presented to the September 2021 Audit and Risk Committee meeting:

- Report on action taken by Council addressing recommendations within the VAGO report on 'Maintaining Local Roads'
- Recommendations 1,2 & 4 covered off as part of completion of annual Financial Statements and audit in relation to VAGO report on 'Results of 2019-20 Audits: Local Government'.

2. Background/Issues

The *Annual Work Plan 2021* is attached as **Appendix 1** and the *Tracking report for Audit and Risk Committee Actions* as at September 2021 is attached as **Appendix 2**.

This agenda addresses all items in the Annual Work Plan 2021 scheduled for September 2021 and Tracking report with the exception of the following items which will be held over and presented to the September 2021 Audit and Risk Committee meeting:

- Report on action taken by Council addressing recommendations within the VAGO report on 'Maintaining Local Roads'
- Recommendations 1,2 & 4 covered off as part of completion of annual Financial Statements and audit in relation to VAGO report on 'Results of 2019-20 Audits: Local Government'.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

37. AC Charter

4. Financial Considerations

N/A

5. Consultation/Public Submissions

N/A

6. Risk Analysis

N/A

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

7. Options

Make a different recommendation to Council based on the Tracking Report.

LIST OF APPENDICES

1. Audit & Risk Committee Annual Work Plan 2021
2. Audit & Risk Committee Tracking Report as at September 2021

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.1 Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions

Appendix 1 Audit & Risk Committee Annual Work Plan 2021

Melton City Council Audit & Risk Committee Annual Work Plan for 2021									
No	Charter Requirement	Charter Ref	Timing	Feb	May	Aug	Sep	Nov	Officer
Financial & Performance Reporting									
1	Review changes in significant accounting policies and disclosures	10.A.2	As Required						FM
2	Review Local Government Performance Reporting Framework changes	10.C.2	Annually			✓			LGM
3	Review outcomes of audit, annual financial report and annual performance statement	10.C.3.84 & 10.A.2&3	Annually				✓		FM
4	Recommend adoption of annual financial report and performance report	10.C.7	Annually				✓		FM
5	Review Quarterly Financial Management Reports	10.C.1 & 3	Quarterly	✓	✓		✓	✓	FM
6	Quarterly Investment Holdings Report	10.C.1	Quarterly	✓	✓	✓		✓	FM
7	End of Year Capital Expenditure Report	10.C.1	Annually					✓	CPM
8	Draft Budget	10.C.1	Annually		✓				FM
9	Long Term Financial Plan	10.C.1	Annually			✓			FM
Internal Control Environment									
10	Review the adequacy and effectiveness of key policies, systems and controls and their consistency with Local Government Principles. - Refer attached plan	10.D.1&5 and 10.F.1	Half Yearly		✓			✓	Various Managers
11	Annual report on key systems and controls, any changes with same and any testing for compliance	10.D.2, 3 & 4	Annually		✓				LGM
Risk Management									
12	Review status report of the risk register and actions being taken to manage identified strategic risks; ensure material risks are being dealt with appropriately	10.E.1-4	Annually			✓			LGM
13	Review progress of any significant legal matters/proceedings facing Council	10.E.6 & 10.C.6	Quarterly	✓	✓	✓	✓	✓	LGM
14	Review Council's insurance programme	10.E.5	Annually		✓				FM
15	Review BCP framework and testing regime	10.E.7	Annually		✓				OM
Fraud Prevention Systems & Controls									
16	Review Council's fraud and corruption plan including in relation to financial and non-financial controls	10.F.4 & 5	Annually		✓				LGM
17	Review reports of any subsequent investigation including suspected cases of fraud and reports to integrity bodies	10.F.3.86	As Required						LGM
Internal Audit									
18	Review and approve 3 year and annual internal audit plans	10.B.2.3&6	Annually	✓					LGM
19	Review status of delivery of annual internal audit plan	10.B.8	Quarterly		✓	✓		✓	LGM
20	Review scopes of proposed internal audit reviews	10.B.4 & 1	Quarterly	✓	✓	✓		✓	LGM
21	Review reports on internal audit reviews	10.B.5	Quarterly	✓	✓	✓		✓	LGM
22	Meet with internal auditor in the absence of management	10.B.9&10	Quarterly	✓	✓	✓		✓	ARC
23	Review progress by management on open audit recommendations	10.B.5	Quarterly	✓	✓	✓		✓	LGM
24	Review effectiveness of the internal audit function - achievement of Service Levels Performance Measures outlined in the Contract (commencing in 2nd year of any contract)	10.B.11	Annually (comm 2nd year)						LGM
25	Chairperson involvement in appointment of internal audit service provider	10.B.12 & 7	As Required						
External Audit									
26	Review and approve external audit scope and plan	10.A.1	Annually	✓					FM
27	Discuss any audit issues encountered during the course of the audit	10.A.4	Annually					✓	ARC
28	Review report on management responses to any audit findings and ensure appropriate and timely	10.A.5	Annually		✓				FM
29	Review performance of external auditor	10.A.8	Annually					✓	ARC
30	Meet with external auditor in absence of management	10.A.6	Annually					✓	ARC
Compliance Management									
31	Review systems and processes to monitor compliance with legislation and regulations and management follow up of instances of non compliance	10.G.1	Annually					✓	LGM
32	Review processes for communicating Council's Employee Code of Conduct to employees and contractors and for monitoring compliance	10.G.2	Annually		✓				LGM & PCM
33	Review Reports/Registers for Gifts, Benefits, Hospitality and Entertainment for Councilors and staff including Councilor reimbursement pursuant to Policy and s49(2) of the Act	10.D.4	Annually					✓	FM & LGM
34	Consider reports by regulatory and integrity agencies on investigations and relevance for Council (eg. VAGO/Ombudsman/BAC/Local Gov. Inspectorate)	10.G.4	Quarterly	✓	✓	✓		✓	LGM
Reporting to Council									
35	Provide Minutes to Council	9	Every Meeting	✓	✓	✓	✓	✓	LGM
Performance Evaluation									
36	Assessment of Committee performance	6	Annually			✓			ARC & LGM
Review of Charter									
37	Review of Audit & Risk Committee Charter	11	Biennially (even years)			✓			LGM
Other Matters									
38	Committee member induction		As Required						LGM
39	Appointment of Chairperson	3	Annually	✓					ARC
40	Consider other matters referred by Council		As Required						CEO
41	Local Government Act 2020 Implementation		Quarterly	✓	✓	✓		✓	LGM
Meeting Schedule									
42	Set Committee meeting schedule	5	Annually					✓	LGM

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.1 Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions

Appendix 1 Audit & Risk Committee Annual Work Plan 2021

Additional Reports - A&RC Reports									
(i) The Chairperson will prepare a report to Council through the Chief Executive Officer on the Committee's activities twice per annum.	9								
One of these reports will be prepared after the meeting at which the annual financial report and the annual performance statement have been considered and recommended to Council for adoption, such report indicating how the Committee has discharged its responsibilities as set out in this Charter for the previous year.	9								
This report will need to be provided to the CEO with the approved minutes of the September meeting for presentation to Council at its meeting on 27 September 2021							✓		
The second report is suggested to be in May. To be provided upon approval of the minutes to be included in the Council report for the Meeting to be held on 7 June 2021					✓				

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.1 Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions

Appendix 2 Audit & Risk Committee Tracking Report as at September 2021

Tracking Report for Audit & Risk Committee Actions as at September 2021

Audit & Risk Committee Meeting Date	Item No.	Report Title	Action	Responsible Officer(s)	Status	Completed
12/05/2021	8.1	VAGO Report on Maintaining Local Roads	Council Officers report on action taken by Council addressing the recommendations within the report	S.Romaszko - Manager Engineering Services	Actioned	Report tabled at September 2021 meeting.
12/05/2021	8.1	VAGO Report on Results of 2019-20 Audits:Local Government	Council Officers report on action taken by Council addressing the recommendations within the report	LJ.Mellan - Acting Legal & Governance Manager	Recommendations 1, 2 & 4 covered off as part of completion of annual financial statements and audit	Recommendations 1, 2 & 4 covered off as part of completion of annual financial statements and audit
4/08/2021	6.1	Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions	Amend item 8 in the Annual Work Plan 2021, moving the draft Budget from the August meeting to the May meeting.	C. Santoro - Senior Administration Officer	Actioned	Annual Work Plan 2021 Amended
4/08/2021	6.1	Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions	Amend item 13 in the Annual Work Plan 2021, to include this report within the September meeting.	C. Santoro - Senior Administration Officer	Actioned	Annual Work Plan 2021 Amended
4/08/2021	6.1	Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions	Set up a meeting for the Audit and Risk Committee Chairperson to meet with Councillors on an annual basis.	C. Santoro - Senior Administration Officer	Actioned	Chairperson to attend 11 October 2021 Council Briefing meeting.
4/08/2021	6.2	Information Security Risk Associated with the Ombudsman's Report into Council Engagement of IT Contractor MK Datane	That all names and signatures be removed from the attached Appendices prior to the Minutes being tabled at the next Council meeting.	M. Domma - IT Manager	Actioned	Names and Signatures removed from Appendices prior to Minutes being tabled at the 30 August Council meeting.
4/08/2021	6.3	VAGO Audit Report Progress Update (Reference 20.1) ICT Security Policy & Documentation	The 'Change Management Procedure' be amended to include that all Councillors are to be notified on any IT planned outages.	M. Domma - IT Manager	Actioned	Completed, councillors now receive outage notices. Procedure to be endorsed by Executive by end of September 2021.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.1 Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions

Appendix 2 Audit & Risk Committee Tracking Report as at September 2021

Audit & Risk Committee Meeting Date	Item No.	Report Title	Action	Responsible Officer(s)	Status	Completed
4/08/2021	6.3	VAGO Audit Report Progress Update (Reference 20.1) ICT Security Policy & Documentation	That a report be tabled back to the Audit & Risk Committee in relation to the required updates within the Disaster Recovery Procedure.	M. Domma - IT Manager	Report to be tabled at November A&RC meeting.	Procedure is being updated and will be endorsed by the Executive by end of September 2021 and once endorsed by Executive by end of September, a report will be tabled to the November A&RC on the required updates within the Disaster Recovery Procedure.
4/08/2021	6.4	VAGO 2019-20 Results of Local Government Audit Recommendation No. 3 IT Controls	Training for all Councillors to be scheduled.	M. Domma - IT Manager		Request for 45min for councillor briefing. Awaiting response from Mayor's Office.
4/08/2021	6.9	Review of Annual Insurance Programme	Amend item 14 in the Annual Work Plan 2021, moving the review of Council's Insurance Programme from the August meeting to the May meeting	C. Santoro - Senior Administration Officer	Actioned	Annual Work Plan 2021 Amended

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.1 Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions

Appendix 2 Audit & Risk Committee Tracking Report as at September 2021

Audit & Risk Committee Meeting Date	Item No.	Report Title	Action	Responsible Officer(s)	Status	Completed
4/08/2021	6.9	Review of Annual Insurance Programme	Report back to Audit and Risk Committee providing clarity from Council's Insurers, that the level of insurance coverage is sufficient in relation to Council's Cyber Liability and Commercial Crime policies	S. Rumoro - Finance Manager	Report to be tabled at November A&RC meeting.	Essentially both are considered adequate & comparable to standard cover for the sector. From Cyber Liability coverage perspective, Council's limit of indemnity currently falls within the majority of Victoria councils. Circa 85% of Vic - councils are currently on \$2mil limit of liability and Melton have also selected the additional cover for an automatic re-instatement. This means, if Council suffer a \$2mil Cyber loss, the limit will automatically re-instate by another \$2mil for the remainder of the year. Currently working with our insurer on criminal insurance, while our cover is in line with many Councils, some metropolitan Councils have increased their cover between \$2m to \$3m (ours is \$1.5 million). Further discussion with our insurer as to why certain Councils have increased their cover and whether this appropriate for us. Especially given latest incident of fraud at Melton.
4/08/2021	6.10	Procurement Process Declaration	That Management consider amending the Procurement Process Declaration forms to include an analysis on cumulative spend in relation to a preferred supplier.	LJ Mellan - Executive Manager Property & Projects	December 2021 in line with Stage 4 implementation of the LG Act 2020	Procurement area has recently developed data analytics tests to assist with tracking cumulative spend on suppliers. Updated wording in relation to cumulative spend will be incorporated into Procurement Manual along with updates in relation to Stage 4 implementation of the LG Act 2020
4/08/2021	6.13	Internal Audit Report on Integrity Framework	A quarterly status report on the policy and procedure workplan, addressing the actions identified, including the resourcing allocation and priority, should be tabled at the Audit and Risk Committee meetings	B. Dossier - Legal, Governance & Risk Manager	Actioned	Progress Report tabled at September 2021 meeting.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.1 Annual Work Plan for 2021 and Tracking Report for Audit & Risk Committee Actions

Appendix 2 Audit & Risk Committee Tracking Report as at September 2021

Audit & Risk Committee Meeting Date	Item No.	Report Title	Action	Responsible Officer(s)	Status	Completed
4/08/2021	6.13	Internal Audit Report on Integrity Framework	CEO to consider realigning quarterly Executive Risk Management Committee meetings to meet prior to Audit and Risk Committee meetings and Legal and Governance Manager to attend.	B. Dossier - Legal, Governance & Risk Manager	Actioned	Raised at Risk Management Committee and agreed to. Will be discussed in Report for Item 6.13, above.
4/08/2021	6.14	Internal Audit Recommendation Tracking Report For August 2021	Amend Recommendation 2522 back to the Auditor's original Audit Recommendation	C. Santoro - Senior Administration Officer	Actioned	Recommendation 2522 has been reinstated back to original recommendation
4/08/2021	6.15	Assessment of Audit and Risk Committee Performance	The template be emailed to all Committee members and relevant Council Officers and returned to Senior Administration Officer within 14 days.	C. Santoro - Senior Administration Officer	Actioned	Assessment of A&RC Performance survey emailed to all Committee members and relevant staff members on 10 August 2021.
4/08/2021	6.18	Quarterly Legal Report	A report be tabled to the Audit and Risk Committee on the outcome received from Harwood Andrews in relation to MK Datanet Pty Ltd matter.	B. Dossier - Legal, Governance & Risk Manager		No update to existing matters previously reported or new matters for inclusion here. No Legal Quarterly Report to be presented. Harwood Andrews response not expected to be received until closer to November meeting. Further update to be provided once received.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING8 SEPTEMBER 2021**6.2 DRAFT EXTERNAL AUDIT MANAGEMENT LETTER 2020-21**

Author: Sam Rumoro - Manager Finance
Presenter: Nick Walker – External Auditor

PURPOSE OF REPORT

To report to the Audit and Risk Committee the draft external audit management letter findings from the 2021 audit.

RECOMMENDATION:

That Council note that the Audit and Risk Committee have reviewed contents of this report and no further action is required.

Recommendation 2

Mr. Mansoor/Cr. Majdlik

That the Council note that the Audit and Risk Committee reviewed the contents of the final External Audit Management letter and Closing Report for 2020-21 and no further action is required.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

Discussion took place on the following matters raised by Committee Members:

- The Committee members expressed their concerns that Council does not have an ICT Physical Security document established, or review periodically the current ICT documents, and sought clarification from the External Auditor, N. Walker on this matter.

The External Auditor, N. Walker, informed the Committee that the IT Auditors recognised the current systems and processes in place were sufficient, but lack of documentation and tightening of policies needs to be addressed.

- The Committee enquired whether the timelines to address the audit findings are achievable.

The Finance Manager, S. Rumoro, informed the Committee that the timelines were endorsed by the General Manager and IT Manager.

REPORT**1. Executive Summary**

HLB Mann Judd, VAGO Audit Service provider completed the 30 June 2021 audit and are presenting their management letter finds to the Audit and Risk Committee.

There is one open finding from prior year and one resolved item.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

2. Background/Issues

The Draft External Management Letter will be discussed at the Audit and Risk Committee meeting on 8 September 2021.

Included in the report is the assessment of the audit significance of the findings, which fall into the following categories:

- internal control weaknesses ; and
- financial reporting and performance statement reporting.

There was one unresolved finding in relation to internal control weakness which was related to

- ICT physical security policy document has not been established. Furthermore, the ICT documents developed by Council have not been reviewed periodically.

Internal control item was assessed as moderate. Council Officers have set a target month of December 2021 to resolve matter.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

3. Review outcomes of audit, annual Financial report and annual Performance statement

4. Financial Considerations

Financial considerations are outlined in the report.

5. Consultation/Public Submissions

Consultation with Council Officers was undertaken by external auditors HLB Mann Judd in the preparation of this report.

6. Risk Analysis

Risk analysis information is contained in the body of the attached Draft External Management Letter.

7. Options

The Audit and Risk Committee can recommend to Council that it:

1. Request further information/clarification if deemed necessary

LIST OF APPENDICES

1. Draft external management letter

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
Item 6.2 Draft External Audit Management Letter 2020-21
Appendix 1 Draft external management letter

8 SEPTEMBER 2021

OFFICIAL



Final Management Letter

2020-2021 Financial report and Performance Statement of
Melton City Council

| Victorian Auditor-General's Report

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
Item 6.2 Draft External Audit Management Letter 2020-21
Appendix 1 Draft external management letter

8 SEPTEMBER 2021

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Background

I attach for your information the final management letter for the year ended 30 June 2021. The final management letter provides a summary of results of our audit. This report will be discussed at the Audit and Risk committee meeting on 8 September 2021.

Acknowledgement

I also take this opportunity to thank your executive team and staff for the time they made available to us during our audit.

Yours sincerely

Nick Walker
Partner
HLB Mann Judd – Chartered Accountants
VAGO Audit Service Provider

Melbourne
XX September 2021

DRAFT

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2020-2021 Financial report and Performance Statement of Melton City Council | Victorian Auditor-General's Report

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Introduction

We have completed the 30 June 2021 audit and now bring our findings to your attention. Please read this document in conjunction with the closing report, which we presented to the Audit and Risk Committee on 8 September 2021. We include our assessment of the audit significance of the findings, which fall into the following categories:

- internal control weaknesses
- financial reporting and performance statement reporting

Appendix A explains the rating criteria we used, and the management action required.

Internal control weaknesses

As part of our audit, we assess the design and implementation of internal controls relevant to financial reporting and performance statement reporting. If we intend to rely on these controls, we test how effectively they are operating.

Financial reporting and performance statement reporting

We may identify errors and weaknesses in management's approach to financial reporting and performance statement reporting, which may lead to material misstatement. We consider how your entity has complied with the Australian Accounting Standards and other reporting frameworks.

Reporting and tracking internal control and financial reporting findings

This letter includes:

- our assessment of the significance of the findings
- our recommended actions
- management comments and dates for implementation.

Scope and purpose of the audit

The objective of our audit is to enable the Auditor-General to express an opinion on your financial report and performance statement. When designing our audit procedures, we consider the internal controls relevant to your financial report and performance statement. Our audit strategy communicated our planned approach and level of reliance on internal controls. Expressing an opinion on the effectiveness of internal controls is not part of our audit scope.

1 | Melton City Council - Final Management Letter 2021

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.2 Draft External Audit Management Letter 2020-21
Appendix 1 Draft external management letter

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We do not carry out a comprehensive audit of all the processes and systems in your entity's internal controls. We do not try to uncover all deficiencies, breaches and irregularities. Inherent limitations in any process and system of internal controls may mean that we do not detect some errors or irregularities.

Reports to Parliament

In a report to parliament, the Auditor-General may include findings that we rated as high in this letter. Before it is tabled, we will send you a draft of the report to parliament and invite your comments.

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.2 Draft External Audit Management Letter 2020-21

Appendix 1 Draft external management letter

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Summary of audit findings

The table below summarises all management letter findings in two areas: either resolved during the period; or open issues, which include 'unresolved', 'partially resolved' or 'substantially resolved' as of the date of this letter.

Finding first raised (month / year)	Reference	Findings	Rating	Classification of deficiency		Area	Resolved (R)/ unresolved (U)	Management acceptance	Agreed implementation date
				Internal control	Financial / performance reporting				
Open issues (current and prior period)									
June 2020	20.1	An ICT physical security policy document has not been formally adopted. Furthermore, ICT documents developed by Melton have not been periodically reviewed.	Moderate	X	-	Information systems	Unresolved	Yes	December 2021
Prior period issues resolved during the period									
June 2020	20.2	Password settings do not align with industry better practice.	Moderate	X	-	Information systems	Resolved	Yes	July 2020

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Detailed audit findings-open issues

Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
20.1	<p>ICT physical security policy document has not been established. Furthermore, the ICT documents developed by Melton have not been reviewed periodically.</p> <p>Finding: Review of ICT policies identified the following exceptions:</p> <ul style="list-style-type: none"> - Our review noted that the below documentation still needs to be developed, as part of the overall security documentation suite. <ul style="list-style-type: none"> o ICT Physical Security Policy o User Access Management Policy o Privileged User Management Policy o Software Asset Management Policy - ICT security policies/process are in draft, not updated periodically and could potentially be out of date. These include: <ul style="list-style-type: none"> o Information Security Policy (currently in draft) o Change Management Process (currently in draft) o IT Asset Management Policy (last reviewed on 30 March 2007) o MCC DR As Built (last reviewed on 05 December 2018) <p>Implication: Inconsistent operations due to the absence and out of date policy documentation.</p>	<p>Management should:</p> <ul style="list-style-type: none"> - Develop the missing documentation, obtain relevant approvals, and promulgate these documentations across the organisation. - Review and update (as appropriate) all security related documentation on annual basis as per industry better practice and ensure that these are aligned with the organisational environment, processes, and procedures. <p>Update 26 May 2021</p> <p>The following policy documents have been created:</p> <ul style="list-style-type: none"> o ICT Physical Security Policy (Approved on 6 May 2021). o Information Security Policy (Approved on 6 May 2021). o Change Management Process (Approved on 6 May 2021) <p>The following policy documents have not been established:</p> <ul style="list-style-type: none"> o User Access Management Policy o Privileged User Management Policy o Software Asset Management Policy <p>ICT security policies/process are in draft, not updated periodically and could potentially be out of date. These include:</p> <p>IT Asset Management Policy (last reviewed on 30 March 2007)</p>	<p>Recommendation</p> <p>Responsible officer: IT Manager</p> <p>Implementation date: Dec 2021</p> <p>Management response:</p> <p>2020 - Melton City Council agrees with the findings. As part of our information security program, IT is currently reviewing and updating policies and procedure framework and underlying documentations that includes updating and finalising the draft copy of the document.</p> <p>MCC DR As Built document has been updated recently; we acknowledge that the version number and update history hasn't changed, but we use version control and date issued by ECM (Document repository system) to maintain the document and latest update.</p> <p>2021 – Melton City Council agrees with the findings We have as part of our new role structure will be creating the following documentations:</p> <ul style="list-style-type: none"> - IT Access Control Policy, will include both User Access management procedures and Privileged Access Management. This document is due in September 2021 - Software Asset Management Policy- This is a newly established document and will be completed by December 2021

4 | Melton City Council -Final Management Letter 2021

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APPENDIX A

Rating definitions and actions

Rating	Description of rating	Management action required
High	→ A material misstatement in the financial report has occurred or is likely to occur. It could result in a modified audit opinion if the entity does not take urgent action.	→ Executive management must correct the misstatement in the financial report or take urgent action to avoid a modified audit opinion.
	→ A control weakness could cause, or is causing, a major disruption to the entity's ability to achieve process objectives and comply with relevant legislation.	→ Management must immediately create a detailed action plan that the entity will implement within one month.
Moderate	→ A non-material misstatement, which has the potential to become material, has occurred, or is likely to occur, in the financial report.	→ Management must immediately create a detailed action plan that the entity will implement within three to six months.
	→ A control weakness could have, or is having, a moderately adverse effect on the entity's ability to achieve process objectives and comply with relevant legislation.	
Low	→ A misstatement (not expected to be material) is likely to occur in the financial report.	→ Management must immediately create a detailed action plan that the entity will implement within 12 months.
	→ A minor control weakness, with minimal but reportable impact, is affecting the entity's ability to achieve process objectives and comply with relevant legislation.	

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING8 SEPTEMBER 2021

6.3 DRAFT ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT - 30 JUNE 2021**Author: Sam Rumoro - Manager Finance**
Presenter: Sam Rumoro - Manager Finance**PURPOSE OF REPORT**

To present to Audit and Risk Committee for approval the draft Annual Financial Statements and Performance Statement for 30 June 2021, prior to reports being submitted to Council's Auditor, in accordance with section 99(2) of the Local Government Act 2020.

RECOMMENDATION:

That Council:

1. Approve and adopt in principle, the draft Annual Financial Statements and Performance Statement for 30 June 2021 at **Appendix 1** and **2**, subject to any changes required by the Auditors.
2. Authorise the Mayor, Cr Kathy Majdlik and Deputy Mayor, Cr Goran Kesic to approve the Statements in their final form after any changes recommended, or agreed, by the Auditor have been made, pursuant to sections 99(2) and 99(3) of the Local Government Act 2020.

Recommendation 3

Ms. Gregory/Mr. Mansoor

That Council:

1. Approve and adopt in principle, the draft Annual Financial Statements and Performance Statement for 30 June 2021 at **Appendix 1** and **2**, subject to any changes made by the Auditors.
2. Authorise the Mayor, Cr Kathy Majdlik and Deputy Mayor, Cr Goran Kesic to approve the Statements in their final form after any changes recommended, or agreed, by the Auditor have been made, pursuant to sections 99(2) and 99(3) of the Local Government Act 2020.

CARRIED

An overview on the outcome of the draft Financial Statements and Performance Statement for 2020-21 was presented by the Finance Manager, Mr Rumoro.

AUDIT & RISK COMMITTEE DISCUSSION POINTS

Discussion took place on the following matters raised by Committee Members:

- Rates and Charges, Covid-19 impact, bad and doubtful debts and trade and other receivables.
- That the 'Materials Variations' comment under 'Unrestricted Cash' within the Performance Statement, be amended with the correct financial years.

The Committee members thanked the Finance Manager, Mr Rumoro and the Finance team on a job well done in relation to the completion of the draft Financial Statements and Performance Statement for 2020-21.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

REPORT**1. Executive Summary**

Each year, individual local governments across Victoria are required to present a set of audited financial statements and performance statements to their Council and community.

The financial statements contain information on the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021. The format of the financial statements is standard across all Victorian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by Local Government Victoria.

The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 2020 and Local Government (Planning and Reporting) Regulations 2014.

There were no adverse audit finds in relation to the 2020-21 financial statements and performance statement.

Council remains in a strong financial position with a strong balance sheet and the 2020-21 underlying financial performance was favourable to budget and in surplus despite the impacts of the COVID-19 global pandemic.

2. Background/Issues

The performance and financial statements must be certified by senior staff and Councillors as "presenting fairly" the Council's financial results for the year as well as Council's financial position, and are required to be adopted by Council.

Council's financial statements and performance statements are required to be audited by external auditors. The auditor provide audit reports which gives an opinion on whether the statements present fairly the Council's financial performance, position and other indicators.

The financial statements and performance statements are publicly available documents and are used by (but not limited to) Councillors, residents and ratepayers, employees, suppliers, contractors, customers, Local Government Victoria, state and federal governments, and financiers including banks and other financial institutions.

While the pandemic had an unfavourable impact on investment returns due to a lower cash rate, Council's revenues remained strong and favourable to budget due largely to a continued growth in development activity which was buoyed by economic stimulus provided by State and Federal Governments. Continued prudent management of Councils operating costs enabled a modest underlying surplus to be generated by Council in 2020-2021.

Council's overall comprehensive result was a surplus of \$312.38 million which was largely attributable to \$272.28 million in contributed monetary and non-monetary assets from developers.

Council's has a total of \$368.18 million in cash and term deposits at year end. This balance includes general and restricted investments representing carry forward expenditure, employee entitlements, and developer contributions received for future capital works. The working capital ratio for the YTD period is a healthy 1:3.75.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

3. Audit Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

4. Recommend adoption of Annual Financial Report and Annual Performance report

4. Financial Considerations

Financial considerations are contained in the respective reports listed as appendices.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

Presentation and certification of Annual Financial Statements and Performance Statement for 30 June 2021 will ensure Council's continued compliance with the legislative requirements and ensure transparency with regards to its financial performance.

7. Options

The Audit and Risk Committee:

1. Note the report;
2. Request further information/clarification if deemed necessary.

LIST OF APPENDICES

1. Draft Annual Financial Report - Financial Statements 30 June 2021
2. Performance Statement 30 June 2021
3. Closing report for the financial year ending 30 June 2021

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

Appendix 1 Draft Annual Financial Report - Financial Statements 30 June 2021

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Melton City Council

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2021

A Thriving Community Where Everyone Belongs



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

Appendix 1 Draft Annual Financial Report - Financial Statements 30 June 2021

Melton City Council

2020/2021 Financial Report

Annual Financial Report

for the year ended 30 June 2021

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Melton City Council

2020/2021 Financial Report

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for the year ended 30 June 2021

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Content Overview

- i. These financial statements are General Purpose Financial Statements and cover the consolidated operations for Melton City Council.
- ii. All figures presented in these financial statements are presented in Australian Currency.
- iii. These financial statements were authorised for issue by the Council on dd/mm/yy. Council has the power to amend and reissue these financial statements.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Melton City Council

2020/2021 Financial Report

Annual Financial Report
for the year ended 30 June 2021

Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014 (as per the transitional provisions of the Local Government Act 2020)*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Sam Rumoro CPA
Responsible Accounting Officer
Date:
232 High Street, Melton VIC

In our opinion the accompanying financial statements present fairly the financial transactions of Melton City Council for the year ended 30 June 2021 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Cr Kathy Majdlik
Mayor
Date:
232 High Street, Melton VIC

Cr Goran Kesic
Deputy Mayor
Date:
232 High Street, Melton VIC

Kelvin Tori
Chief Executive Officer
Date:
232 High Street, Melton VIC

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Annual Financial Report
for the year ended 30 June 2021

Victorian Auditor-General's Office Report

Insert VAGO Report here

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2020/2021 Financial Report

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Insert VAGO Report here

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Melton City Council

2020/2021 Financial Report

Comprehensive Income Statement
for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Income			
Rates and charges	3.1	134,841	124,314
Statutory fees and fines	3.2	10,460	10,448
User fees	3.3	9,802	9,652
Grants - operating	3.4	33,733	30,004
Grants - capital	3.4	5,454	8,659
Contributions - monetary	3.5	33,000	63,127
Contributions - non monetary	3.5	239,280	211,066
Net gain on disposal of property, infrastructure, plant and equipment	3.6	11,592	-
Other income	3.7	5,866	9,620
Total income		484,028	466,890
Expenses			
Employee costs	4.1	58,590	53,806
Materials and services	4.2	87,825	91,704
Depreciation	4.3	44,415	38,989
Amortisation - Intangible assets	4.4	327	327
Amortisation - Right of use assets	4.5	350	127
Bad and doubtful debts	4.6	1,182	437
Borrowing costs	4.7	494	632
Finance Costs - Leases	4.8	25	10
Net loss on disposal of property, infrastructure, plant and equipment	3.6	-	11,114
Fair value decrement on investment properties	6.3	200	228
Other expenses	4.9	-	606
Total expenses		193,408	197,980
Surplus/(deficit) for the year		290,620	268,910
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	21,756	(7,200)
Total other comprehensive income for the year		21,756	(7,200)
Total comprehensive result		312,376	261,710

The above comprehensive income statement should be read in conjunction with the accompanying notes.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

Appendix 1 Draft Annual Financial Report - Financial Statements 30 June 2021

Melton City Council

2020/2021 Financial Report

Balance Sheet

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	75,460	146,866
Non-current assets classified as "held for sale"	6.1	674	1,618
Trade and other receivables	5.1	22,806	43,867
Other financial assets	5.1	292,719	104,334
Inventories	5.2	28	41
Other assets	5.2	16,931	14,432
Total current assets		408,618	311,158
Non-current assets			
Inventories	5.2	65	67
Property, infrastructure, plant and equipment	6.2	2,771,558	2,509,570
Investment property	6.3	6,975	7,175
Intangible assets	5.2	2,704	3,031
Right-of-use assets	5.8	1,136	613
Total non-current assets		2,782,438	2,520,456
Total assets		3,191,056	2,831,614
Liabilities			
Current liabilities			
Trade and other payables	5.3	51,744	30,241
Trust funds and deposits	5.3	18,055	8,946
Unearned income	5.3	22,886	5,701
Provisions	5.5	13,084	11,846
Interest-bearing liabilities	5.4	2,402	2,306
Lease liabilities	5.8(b)	640	255
Total current liabilities		108,811	59,295
Non-current liabilities			
Trust funds and deposits	5.3	9,238	9,245
Provisions	5.5	1,503	1,668
Interest-bearing liabilities	5.4	8,272	10,674
Lease liabilities	5.8(b)	508	384
Total non-current liabilities		19,521	21,971
Total liabilities		128,332	81,266
Net assets		3,062,724	2,750,348
Equity			
Accumulated surplus		1,847,702	1,584,786
Reserves	9.1	1,215,022	1,165,562
Total Equity		3,062,724	2,750,348

The above balance sheet should be read in conjunction with the accompanying notes.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

Appendix 1 Draft Annual Financial Report - Financial Statements 30 June 2021

Melton City Council

2020/2021 Financial Report

Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2021					
Balance at beginning of the financial year		2,750,348	1,584,786	931,889	233,673
Adjusted opening balance		2,750,348	1,584,786	931,889	233,673
Surplus/(deficit) for the year		290,620	290,620	-	-
Other comprehensive income					
- Net asset revaluation increment/(decrement)		21,756	-	21,756	-
Other comprehensive income		21,756	-	21,756	-
Total comprehensive income		312,376	290,620	21,756	-
Transfers to other reserves	9.1	-	91,927	-	(91,927)
Transfers from other reserves	9.1	-	(119,631)	-	119,631
Balance at end of the financial year		3,062,724	1,847,702	953,645	261,377
2020					
Balance at beginning of the financial year		2,492,853	1,397,244	939,089	156,520
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities		(4,215)	(4,215)	-	-
Adjusted opening balance		2,488,638	1,393,029	939,089	156,520
Surplus/(deficit) for the year		268,910	268,910	-	-
Other comprehensive income					
- Net asset revaluation increment/(decrement)		(7,200)	-	(7,200)	-
Other comprehensive income		(7,200)	-	(7,200)	-
Total comprehensive income		261,710	268,910	(7,200)	-
Transfers to other reserves	9.1	-	(115,666)	-	115,666
Transfers from other reserves	9.1	-	38,513	-	(38,513)
Balance at end of the financial year		2,750,348	1,584,786	931,889	233,673

The above statement of changes in equity should be read in conjunction with the accompanying notes.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Melton City Council

2020/2021 Financial Report

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 Inflows/ (Outflows) \$ '000	2020 Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Rates and charges		134,733	119,639
Statutory fees and fines		11,090	10,448
User fees		9,802	9,652
Grants - operating		38,396	30,004
Grants - capital		17,098	4,444
Contributions - monetary		33,000	63,127
Interest received		2,125	3,432
Trust funds and deposits taken		9,102	10,423
Other receipts		23,210	1,052
Net GST refund/payment		17,564	20,760
Employee costs		(57,517)	(53,318)
Materials and services		(83,706)	(88,595)
Other payments		(4,280)	(4,347)
Net cash provided by/(used in) operating activities	9.2	150,617	126,721
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(58,215)	(57,232)
Proceeds from sale of property, infrastructure, plant and equipment		27,966	5,694
Payments for investments		(188,585)	(42,160)
Net cash provided by/(used in) investing activities		(218,834)	(93,698)
Cash flows from financing activities			
Finance costs		(494)	(632)
Repayment of borrowings		(2,306)	(2,963)
Interest paid - lease liability		(25)	(10)
Repayment of lease liabilities		(364)	(101)
Net cash flow provided by/(used in) financing activities		(3,189)	(3,706)
Net Increase (decrease) in cash and cash equivalents		(71,406)	29,317
Cash and cash equivalents at the beginning of the financial year		146,866	117,549
Cash and cash equivalents at the end of the financial year		75,460	146,866
Financing arrangements	5.6	2,000	2,000
Restrictions on cash assets	5.1	195,757	157,428

The above statement of cash flows should be read in conjunction with the accompanying notes.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

Appendix 1 Draft Annual Financial Report - Financial Statements 30 June 2021

Melton City Council

2020/2021 Financial Report

Statement of Capital Works
for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Property		
Land	-	-
Total land	-	-
Buildings	31,116	21,557
Total buildings	31,116	21,557
Total property	31,116	21,557
Plant and equipment		
Plant, machinery and equipment	26	991
Fixtures, fittings and furniture	37	-
Computers and telecommunications	198	698
Library books	493	478
Total plant and equipment	754	2,167
Infrastructure		
Roads	9,322	9,568
Bridges	429	166
Footpaths and cycleways	1,211	1,254
Drainage	298	579
Recreational, leisure and community facilities	14,151	15,281
Other infrastructure	933	275
Total infrastructure	26,344	27,123
Total capital works expenditure	58,214	50,847
Represented by:		
New asset expenditure	38,540	14,912
Asset renewal expenditure	6,942	8,300
Asset expansion expenditure	2,966	2,225
Asset upgrade expenditure	9,766	25,410
Total capital works expenditure	58,214	50,847

The above statement of capital works should be read in conjunction with the accompanying notes.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

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Appendix 1 Draft Annual Financial Report - Financial Statements 30 June 2021

Melton City Council

2020/2021 Financial Report

Annual Financial Report
for the year ended 30 June 2021

Overview

Introduction

The Melton City Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.

The Council's main office is located at 232 High Street, Melton

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2.)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2.).
- the determination of employee provisions (refer to Note 5.5.).
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not AASB 1059 Service Concession Arrangements: Grantors is applicable (refer to Note 8.2)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

(b) Impact of Covid-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat throughout the 2020-2021 financial year, Council has noted the following significant impacts on its financial operations.

Council is charged with the ongoing delivery of community services as well as renewing and constructing new infrastructure for our growing community. The ongoing pandemic event and staged restrictions have presented unprecedented challenges which Council is navigating.

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for the year ended 30 June 2021

Overview (continued)

In response to the pandemic, Council considered all financial support packages being provided by both Federal and State Governments to support members of the public as well as business owner. Council formulated a position that integrated with the offerings at both a Federal and State level but also provided assistance in areas which were missed by Federal and State support packages. Examples of support provided by Council during the pandemic are as follows;

- \$200 waiver on fourth rate installment to eligible ratepayers (2019-2020)
- Delivered meals (MOW) – expanded service
- Taxi support for medical appointments
- Freeze all library fines and extended hiring dates
- For a period of time ceased all fees and charges for Sporting Clubs and Associations
- Various support packages for local businesses and economy
- Planning fees waived for period of time relating to commercial use and development
- Waiver of 2020/21 business permit renewal fees
- Amenity Protection – waived Street Trader Permits
- Relaxation of animal registration and parking enforcement
- Waiver of food & health registrations
- Extra immunisation sessions for eligible residents to attend for influenza vaccination.

During 2020-2021 Council continued to operate under its COVID-19 Financial Assistance Policy where those residents in financial hardship were offered relaxed payment terms or deferral of payments in certain circumstances without penalty. Council suspended of all legal action for rates & charges.

During periods of lock-down Council maintained the existing workforce, redeploying staff where remote working was not possible, or standing down staff with pay. All employees have access to the Employee Assistance Program, whereby counselling services and independent support can be obtained at no charge. Council continues to support employees through the restrictions.

Council has maintained a healthy working capital position with a significant amount of cash and financial assets (Note 5.1). Cash flow from rates instalments have remained strong, improving over the last half of the financial year. Council has reviewed the provision for doubtful debts, recognising that some impairment exists across infringement debt portfolio as a result of the pandemic (Note 4.6).

Council's underlying financial performance was favourable to budget, while the pandemic had an unfavourable impact on investment returns due to a lower cash rate. Council's revenues remained strong and favourable to budget due largely to a continued growth in development activity which was buoyed by economic stimulus provided by State and Federal Governments. Continued prudent management of Councils operating costs enabled a modest underlying surplus to be generated by Council in 2020-2021.

Council has not identified any subsequent events that may impact the organisations ability to continue as a going concern and has determined that the going concern assumption remains the appropriate basis to prepare Council's financial report.

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Note 1. Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2014*.

	Budget 2021 \$ '000	Actual 2021 \$ '000	Variance 2021 \$ '000	Variance 2021 %	Ref
1.1 Income and expenditure					
Income					
Rates and charges	132,203	134,841	2,638	2%	1
Statutory fees and fines	8,852	10,460	1,608	18%	2
User fees	7,028	9,802	2,774	39%	3
Grants - operating	29,591	33,733	4,142	14%	4
Grants - capital	9,202	5,454	(3,748)	(41)%	5
Contributions - monetary	66,487	33,000	(33,487)	(50)%	6
Contributions - non monetary	174,948	239,280	64,332	37%	6
Net gain on disposal of property, infrastructure, plant and equipment	4,799	11,592	6,793	142%	7
Other income	7,970	5,866	(2,104)	(26)%	8
Total income	441,080	484,028	42,948	10%	
Expenses					
Employee costs	63,342	58,590	4,752	8%	9
Materials and services	79,575	87,825	(8,250)	(10)%	10
Depreciation	41,520	44,415	(2,895)	(7)%	11
Amortisation - intangible assets	327	327	-	0%	
Amortisation - right of use assets	238	350	(112)	(47)%	12
Bad and doubtful debts	458	1,182	(724)	(158)%	13
Borrowing costs	525	494	31	6%	
Finance costs - leases	19	25	(6)	(32)%	
Fair value decrement on investment properties	-	200	(200)	∞	14
Other expenses	8,120	-	8,120	100%	15
Total expenses	194,124	193,408	716	0%	
Surplus/(deficit) for the year	246,956	290,620	43,664	18%	

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Note 1. Performance against budget (continued)

(i) Explanation of material variations

1. Favourable variance for the year is attributable to supplementary rates received being higher than budgeted due to a higher number of properties titled than expected.
2. The favourable variance to budget for Statutory Fees & Fines was due to:
 - Higher than budgeted Property Information Requests due to an increase in new development and building activities across Council.
 - Higher than budgeted infringement revenues in Litter and Building compliance.
3. The favourable variance to budget for User Fees and Charges is due to the below listed factors:
 - Increased demand for subdivision construction supervision fees and nonstandard street lighting fees in Engineering Services due to higher land development activity.
 - Higher than anticipated asset protection permits fees.
 - Higher than anticipated planning information and permit fees.
4. Favourable variance to budget was due to unbudgeted operating grants, including funding for:
 - COVID-19 Working for Victoria
 - Outdoor Eating & Entertainment Package
 - CALD Communities Taskforce
 - Youth Learning Pathways
 - Sleep and Settling
5. Unfavourable variance to budget was due to non-completion of several projects by year end, leading to associated grant funding received being held on balance sheet until performance obligations are met in future years. The most significant of these projects include:
 - Melton Recycling Facility - Stage 2
 - Brookside Pavilion redevelopment

These favourable variances were partly offset by the receipt and recognition of various unbudgeted capital grants.
6. In aggregate, Developer Contributions received during the year were higher than budget due to a significant increase in the level of development activity during the year than was projected. While total contributions were higher than budgeted on aggregate, the contribution split relative to budget saw Council receive greater than budgeted Non-Monetary Contributions (i.e. gifted assets), and lower than budgeted Monetary Contributions.
7. Higher than anticipated land sales volume within the Atherstone development is the main contributor to the favourable variance. This is partly offset by unbudgeted disposal of various infrastructure assets.
8. The unfavourable variance in Other Income is attributable to interest on investments providing lower returns than budgeted due to a fall in the cash rate.
9. Employee costs are favourable to budget due to unfilled vacancies. Savings are particularly concentrated in the Community Services division because of COVID-19 impacting demand for services, which saw recruitment for vacant positions being delayed. This is partly offset by the costs of contract labour required to fill some of these vacant roles as reported under Materials and Services, and expenditure on COVID-19 Working for Victoria projects which are funded by unbudgeted external grants received during the year.
10. This unfavourable variance to budget is attributable to:
 - Increased contract labour costs required to fill vacant budgeted positions (as noted above), as well as other temporary staff assignments.
 - Increase in Parks and Open Space costs due to development of new subdivisions and assistance provided to maintain City Vista for George Cross during COVID-19.
 - Works offset by unbudgeted funding received from Working for Victoria Grant.

These unfavourable variances were partly offset by:

 - Realised savings from Melton Recycling Facility site restrictions,
 - Lower than budgeted maintenance as less people using Council facilities resulted in reduced need for reactive maintenance, compounded by delays in programmed attendance due to COVID-19 lockdowns.
 - Underspend in Graffiti and Cleaning Services primarily due to site restrictions in the first half of the year as a result of COVID-19.
11. Actual depreciation was higher than anticipated due to higher than anticipated increase in asset base.
12. Amortisation of Right of Use Assets and associated Finance Costs have been recognised as per AASB16 and are higher than budgeted due to Council entering new lease arrangements for their fleet renewal program.
13. Bad and Doubtful debts is unfavourable to budget, attributable to higher than anticipated write off of infringement debts deemed unrecoverable due to impacts of COVID-19.
14. Unbudgeted decrease in the Fair Value of Council's investment property had occurred in 2020/21. These included Melton Country Club and Melton Valley Golf Club.
15. The favourable variance to budget is mostly due to Utilities expenditure being reported under Materials and Services, while budgeted as Other Expenses.

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Note 1. Performance against budget (continued)

	Budget 2021 \$ '000	Actual 2021 \$ '000	Variance 2021 \$ '000	Variance 2021 %	Ref
1.2 Capital works					
Property					
Land	1,350	–	(1,350)	100%	1
Total land	1,350	–	(1,350)	100%	
Buildings	49,799	31,116	(18,683)	(38)%	2
Total buildings	49,799	31,116	(18,683)	(38)%	
Total property	51,149	31,116	(20,033)	(39)%	
Plant and equipment					
Plant, machinery and equipment	1,364	26	(1,338)	(98)%	3
Fixtures, fittings and furniture	120	37	(83)	(69)%	4
Computers and telecommunications	535	198	(337)	(63)%	5
Library books	518	493	(25)	(5)%	
Total plant and equipment	2,537	754	(1,783)	(70)%	
Infrastructure					
Roads	34,154	9,322	(24,832)	(73)%	6
Bridges	234	429	195	83%	7
Footpaths and cycleways	1,336	1,211	(125)	(9)%	8
Drainage	397	298	(99)	(25)%	9
Recreational, leisure and community facilities	18,493	14,151	(4,342)	(23)%	10
Other infrastructure	5,214	933	(4,281)	(82)%	11
Total infrastructure	59,828	26,344	(33,484)	(56)%	
Total capital works expenditure	113,514	58,214	(55,300)	(49)%	
Represented by:					
New asset expenditure	66,676	38,540	(28,136)	(42)%	
Asset renewal expenditure	10,944	6,942	(4,002)	(37)%	
Asset expansion expenditure	19,089	2,966	(16,123)	(84)%	
Asset upgrade expenditure	16,805	9,766	(7,039)	(42)%	
Total capital works expenditure	113,514	58,214	(55,300)	(49)%	

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for the year ended 30 June 2021

Note 1. Performance against budget (continued)

(i) Explanation of material variations

1. Budgeted land purchases within development areas are now planned to take place during 2021/22 financial year. This includes Shogaki Drive.
2. Under expenditure compared to budget was due to the following projects did not complete the full scope of budgeted works and being delayed until 2021/22:
 - Melton Recycling Facility Improvement Stage 2
 - Taylors Hill Youth & Community Centre Extension & Upgrade
 - Brookside Pavilion redevelopment works
 - Western Region Emergency Network Warehouse
 - Diggers Rest Community Pavilion and Oval No. 02
 - Cobblebank Indoor stadium, Community Pavilion and Grandstand
3. Council has begun transitioning its fleet to leasing arrangements, hence vehicle purchases have been largely halted.
4. Furniture and fittings purchases saw realised savings relative to budget due to lower use as a significant amount of staff worked from home throughout the year.
5. The favourable variance to budget is due to much of the Annual Computer Replacement Project being brought forward in 2019/20 in response to afford staff the flexibility to work remotely during COVID-19 restrictions, hence there was less need for the funds in 2020/21.
6. The variance is largely due to budgeted road projects being in the design phase, and to a lesser degree government regulation, social distancing and other COVID-19 restrictions delaying projects which will be carried forward for completion in 2020/21. These include:
 - Taylors Road and Westwood Drive intersection – service authority relocation requirements resulting in delays;
 - Boundary Road (Mt. Cottrell Rd) – negotiations delayed this joint project;
 - Caroline Springs Boulevard and Rockbank Middle Road signalised intersection – service authority relocation requirements resulting in delays;
 - Brooklyn Road and Station Road signalised intersection – service authority relocation requirements resulting in delays;
 - Sealed roads renewal program - Outstanding road rehabilitation projects have been tendered and currently under evaluation;
 - Alfred Rd, Cobblebank-Rd Construction
 - Taylors Rd (City Vista-Gourlay)–Rd Duplication & Signals - service authority relocation requirements resulting in delays.
7. Bridgeworks on Sinclairs Road, Deanside were brought forward from 2021/22.
8. Some sub-projects in the Footpath Construction Program have been delayed until 2021/22.
9. The Water Sensitive Urban Design (WSUD) has completed its annual program under budget while delivery of the Drainage infrastructure programs has been delayed due to the impacts of COVID-19.
10. Under expenditure compared to budget was due to the following projects being delayed until 2021/22:
 - Melton Secondary College Sports Field - Project is no longer being delivered by Council is now being delivered by the VSBA. Project on hold whilst VSBA finalise agreement and procurement.
 - Parks Development Program
 - Eynesbury Sporting Facility
11. Under expenditure compared to budget was due to the following projects being delayed until 2021/22:
 - Solar Retrofit Program
 - Silverdale Estate - Sound Walls
 - Renewal of Synthetic Playing Surfaces

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Melton City Council

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for the year ended 30 June 2021

Note 2. Analysis of Council results by program

2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

CEO and governance

The office of the CEO incorporates Legal Services and Governance Services.

Corporate services

The Corporate Services directorate incorporates the Finance, Information Technology, Engagement & Advocacy, Capital Projects and People & Culture service units. The Corporate Services directorate provides internal support to Council Staff, and engages in advocacy on behalf of the municipality.

Community services

The Community Services directorate incorporates the Community Care, Families & Children, Community Planning, Recreation & Youth and Libraries service units. The Community Services directorate provides a range of services to people within our community, through provision of leisure and sporting infrastructure, libraries, care services for families, children, the elderly and those with disabilities.

Planning and Development

The Planning & Development directorate incorporates the Engineering Services, Operations, Planning Services, Compliance, City Design and Strategy & Environment and Waste service units. The Planning & Development directorate provides planning, engineering, environmental health and building services to the community.

2.2 Summary of revenues, expenses, assets and capital expenses by program

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
2021					
CEO and governance	1,592	5,314	(3,722)	–	–
Corporate services	436,752	77,616	359,136	16,441	416,017
Community services	15,817	31,236	(15,419)	13,972	69,373
Planning and development	29,867	79,242	(49,375)	8,775	2,707,091
Unattributed	–	–	–	–	(1,425)
Total functions and activities	484,028	193,408	290,620	39,188	3,191,056
2020					
CEO and governance	824	3,302	(2,478)	–	–
Corporate services	420,607	86,790	333,817	16,768	1,008,687
Community services	15,122	32,309	(17,187)	13,132	56,798
Planning and development	30,337	75,579	(45,242)	8,763	1,766,129
Total functions and activities	466,890	197,980	268,910	38,663	2,831,614

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Note 3. Funding for the delivery of our services

	2021	2020
	\$ '000	\$ '000

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and improvements.

The valuation base used to calculate general rates for 2020/21 was \$37,338 million (2019/20: \$34,853 million).

General rates	83,028	76,545
Municipal charge	9,770	8,891
Supplementary rates and rate adjustments	6,504	5,964
Interest on rates and charges	750	491
Commercial	6,293	5,945
Industrial	7,881	6,825
Rural	4,482	4,750
Garbage charge	16,133	14,903
Total rates and charges	134,841	124,314

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will be first applied in the rating year commencing 1 July 2020.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Infringements and costs	1,976	3,012
Court recoveries	88	529
Land information certificates	238	159
Permits	5,136	4,720
Property information requests	2,002	1,282
Other	1,020	746
Total statutory fees and fines	10,460	10,448

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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Note 3. Funding for the delivery of our services (continued)

	2021 \$ '000	2020 \$ '000
3.3 User fees		
Aged and health services	345	440
Leisure centre and recreation	770	1,257
Child care/children's programs	647	533
Registration and other permits	630	433
Building services	903	592
Youth program fees	32	49
Subdivision fees	5,103	4,931
Other fees and charges	1,372	1,417
Total user fees	9,802	9,652
User fees by timing of revenue recognition		
User fees recognised over time	430	-
User fees recognised at a point in time	9,372	-
Total user fees	9,802	-

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Funding for the delivery of our services (continued)

	2021 \$ '000	2020 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	22,549	22,891
State funded grants	16,638	15,772
Total grants received	39,187	38,663
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grant	17,597	16,768
Family day care	1,534	1,470
Other	2,551	3,369
Recurrent - State Government		
Aged care	569	1,204
Libraries	960	937
Children's services	3,231	3,127
Community support and development	1,369	1,171
Community health	86	102
Youth services	414	506
Other community	215	155
Other	518	486
Total recurrent operating grants	29,044	29,295
Non-recurrent - State Government		
Community health	69	44
Family and children	145	33
Children's services	496	43
Community support and development	440	179
Community safety	33	4
Environment	47	100
Family, youth and housing	136	78
Other	3,323	228
Total non-recurrent operating grants	4,689	709
Total operating grants	33,733	30,004

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Note 3. Funding for the delivery of our services (continued)

	2021 \$ '000	2020 \$ '000
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	712	1,284
Roads	55	-
Foot Paths	100	-
<i>Recurrent - State Government</i>		
Other	23	23
Total recurrent capital grants	890	1,307
<i>Non-recurrent - State Government</i>		
Buildings	1,698	2,342
Recreation	2,866	4,775
Other	-	235
Total non-recurrent capital grants	4,564	7,352
Total capital grants	5,454	8,659
(c) Unspent grants received on condition that they be spent in a specific manner:		
<i>Operating</i>		
Balance at start of year	-	2,220
Received during the financial year and remained unspent at balance date	5,645	(2,220)
Balance at year end	5,645	-
<i>Capital</i>		
Balance at start of year	-	-
Received during the financial year and remained unspent at balance date	16,811	-
Received in prior years and spent during the financial year	-	-
Balance at year end	16,811	-

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

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Note 3. Funding for the delivery of our services (continued)

	2021 \$ '000	2020 \$ '000
3.5 Contributions		
Monetary	33,000	63,127
Non-monetary	239,280	211,066
Total contributions	272,280	274,193

Contributions of non monetary assets were received in relation to the following asset classes.

Land	55,310	23,438
Land under roads	30,784	34,362
Roads	58,239	57,064
Footpaths	17,613	16,433
Drainage	35,319	56,658
Recreation	4,762	716
Kerb and channel	20,738	13,550
Traffic management	4,758	5,578
Bridges	7,685	300
Car parks	4,072	2,967
Total non-monetary contributions	239,280	211,066

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Land Held for Sale		
Proceeds of sale	25,876	5,287
Written down value of assets disposed	(9,058)	(6,020)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	16,818	(733)
Buildings		
Written down value of assets disposed	-	(394)
Total net gain/(loss) on disposal of land and buildings	-	(394)
Plant and equipment		
Proceeds of sale	2,090	407
Written down value of assets disposed	(1,216)	(528)
Total net gain/(loss) on disposal of plant and equipment	874	(121)
Infrastructure Assets		
Written down value of assets disposed	(6,100)	(9,866)
Total net gain/(loss) on disposal of Infrastructure Assets	(6,100)	(9,866)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	11,592	(11,114)

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

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Note 3. Funding for the delivery of our services (continued)

	2021	2020
	\$ '000	\$ '000
3.7 Other income		
Interest	1,928	3,432
Investment property rental	501	617
Festival sponsorship	6	113
Program revenue	292	607
Waste facility	2,331	3,763
Other	808	1,088
Total other income	5,866	9,620

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Interest income has been affected by lower interest rates on investments as a result of lower market interest rates on term deposits which was primarily due to impact of COVID-19 pandemic.

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Note 4. The cost of delivering services

	2021 \$ '000	2020 \$ '000
4.1 Employee costs		
(a). Employee costs		
Wages and salaries	51,775	46,729
WorkCover	1,033	904
Casual staff	516	860
Superannuation	4,663	4,348
Fringe benefits tax	70	136
Other	533	829
Total employee costs	58,590	53,806
(b). Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	93	163
	93	163
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,386	2,262
Employer contributions - other funds	2,184	1,923
	4,570	4,185
Total superannuation costs	4,663	4,348
Refer to Note 9.3. for further information relating to Council's superannuation obligations.		
4.2 Materials and services		
Contract payments	35,897	38,272
General maintenance	8,101	11,166
Utilities	6,971	6,555
Information technology	3,110	2,761
Insurance	1,696	1,189
Consultants	491	334
Garbage collection and disposal	3,591	2,891
Contract labour	8,651	9,864
Administrative support	7,498	6,530
Program expenses	4,832	4,568
Professional fees	2,679	3,322
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	57	56
Auditors' remuneration - internal	70	108
Contributions and donations	535	559
Councillors allowances	385	380
Transport and vehicle operations	280	406
Other	2,981	2,743
Total materials and services	87,825	91,704

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Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.3 Depreciation		
Property		
Buildings - specialised	6,518	5,828
Buildings - non specialised	721	591
Total depreciation - property	7,239	6,419
Plant and equipment		
Plant machinery and equipment	737	832
Fixtures fittings and furniture	46	44
Computers and telecomms	434	233
Library books	194	180
Total depreciation - plant and equipment	1,411	1,289
Infrastructure		
Roads	11,502	10,277
Bridges	1,285	1,256
Footpaths and cycleways	3,743	3,520
Drainage	5,120	4,674
Recreational, leisure and community	5,420	3,521
Off street car parks	520	457
Kerb and channel	4,398	4,092
Traffic management	3,686	3,393
Other infrastructure	91	91
Total depreciation - infrastructure	35,765	31,281
Total depreciation	44,415	38,989

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Intangible assets

Intangible assets	327	327
Total Amortisation - Intangible assets	327	327

4.5 Amortisation - Right of use assets

Vehicles	146	-
Equipment	204	127
Total Amortisation - Right of use assets	350	127

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Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.6 Bad and doubtful debts		
Parking fine debtors	12	36
Other debtors	3	184
Infringements	1,167	217
Total bad and doubtful debts	1,182	437
Movement in provisions for doubtful debts - other debtors		
Balance at the beginning of the year	491	549
New provisions recognised during the year	341	184
Amounts already provided for and written off as uncollectible	(362)	(242)
Balance at end of year	470	491
Movement in provisions for doubtful debts - infringements		
Balance at the beginning of the year	2,968	2,995
New provisions recognised during the year	1,336	893
Amounts already provided for and written off as uncollectible	(176)	(920)
Balance at end of year	4,128	2,968

Provision for doubtful debt is recognised based on an expected credit loss model.

This model considers both historic and forward looking information in determining the level of impairment.

4.7 Borrowing costs

Interest - Borrowings	494	632
Total borrowing costs	494	632

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

4.8 Finance Costs - Leases

Interest - Lease Liabilities	25	10
Total finance costs	25	10

4.9 Other expenses

Other	-	300
Loss on Sale of Financial Assets	-	306
Total other expenses	-	606

Council's share of Regional Kitchen Pty Ltd was sold during 2019/20 to Western Health (ABN 61 166 735 672), a State Government entity.

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Note 5. Our financial position

	Notes	2021 \$ '000	2020 \$ '000
5.1 Financial assets			
(a) Cash and cash equivalents			
Current			
Cash on hand		8	8
Cash at bank		3,348	2,904
Term deposits		72,104	143,954
Total current cash and cash equivalents		75,460	146,866
(b) Other financial assets			
Current			
Term deposits		292,719	104,334
Total current other financial assets		292,719	104,334
Total current financial assets		368,179	251,200
External restrictions			
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3	27,293	18,191
Reserves		167,921	137,546
Fire services levy		543	1,691
Total restricted funds		195,757	157,428
Total unrestricted cash and cash equivalents		(120,297)	(10,562)
Intended allocations			
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:			
Cash held to fund carried forward capital works		50,569	27,368
Total funds subject to intended allocations		50,569	27,368

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

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Note 5. Our financial position (continued)

	2021	2020
	\$ '000	\$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	11,470	11,362
Infringement debtors	5,125	4,616
<i>Non-statutory receivables</i>		
Accrued interest	19	221
Other debtors	10,790	31,127
<i>Provisions for doubtful debts</i>		
Provision for doubtful debts - other debtors	(470)	(491)
Provision for doubtful debts - infringements	(4,128)	(2,968)
Total current trade and other receivables	22,806	43,867
Total trade and other receivables	22,806	43,867

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of receivables

The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	7,957	1,733
Past due by up to 30 days	1,833	11,493
Past due between 31 and 180 days	239	15,849
Past due between 181 and 365 days	315	1,782
Total trade and other receivables	10,344	30,857

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$470,093 (2020: \$491,563) were impaired. The amount of the provision raised against these debtors was \$470,093 (2020: \$491,563). They individually have been impaired as a result of their doubtful collection.

Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of receivables that have been individually determined as impaired at reporting date was:

Past due between 181 and 365 days	470	491
Total trade and other receivables	470	491

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Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
5.2 Non-financial assets		
(a) Inventories		
Current		
Land for interment purposes at cost	28	41
Total current inventories	28	41
Non-Current		
Land for interment purposes at cost	65	67
Total non-current inventories	65	67

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

Current		
Prepayments	295	1,215
Accrued income	16,636	13,217
Total current other assets	16,931	14,432

(c) Intangible assets

Non-exclusive licences - Caroline Springs College Creekside Campus	216	290
Non-exclusive licences - Springside Children's and Community Centre	938	1,036
Non-exclusive licences - Kororoit Creek Early Learning Centre	1,550	1,705
Total intangible assets	2,704	3,031

The Department of Education and Early Childhood Development and the Caroline Springs College have granted non-exclusive licences to the Melton City Council to use the Creekside facility. Amortisation of the licence is expensed over the term of the licence until 30 June 2026. The Department of Education and Early Childhood Development has granted non-exclusive licences to the Melton City Council to use the Springside and Kororoit Creek facilities. Amortisation of the licence is expensed over the term of the licence until 30 June 2029 (Springside) and 30 June 2031 (Kororoit Creek).

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Note 5. Our financial position (continued)

	Non-exclusive licences			Total \$ '000
	Caroline Springs College Creekside Campus \$ '000	Springside Children's and Community Centre \$ '000	Kororoit Creek Early Learning Centre \$ '000	
Gross Carrying Amount				
Balance at 1 July 2020	1,478	1,962	3,100	6,540
Balance at 1 July 2021	1,478	1,962	3,100	6,540
Accumulated amortisation and impairment				
Balance at 1 July 2020	1,188	926	1,395	3,509
Amortisation expense	74	98	155	327
Balance at 1 July 2021	1,262	1,024	1,550	3,836
Net book value at 30 June 2020	290	1,036	1,705	3,031
Net book value at 30 June 2021	216	938	1,550	2,704

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

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Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
5.3 Payables		
(a) Trade and other payables		
Current		
Trade payables	43,482	21,442
Accrued expenses	7,719	7,108
Fire services levy	543	1,691
Total current trade and other payables	51,744	30,241
(b) Trust funds and deposits		
Current		
Refundable deposits	17,941	8,832
Construction retention monies	114	114
Total current trust funds and deposits	18,055	8,946
Non-current		
Refundable deposits	9,096	9,100
Other refundable deposits	142	145
Total non-current trust funds and deposits	9,238	9,245
(c) Unearned income		
Current		
Grants received in advance:		
Grants received in advance - operating	5,645	982
Grants received in advance - capital	16,811	4,654
Total grants received in advance	22,456	5,636
User fees received in advance:		
Income received in advance - contracts with customers	430	65
Total user fees received in advance	430	65
Total unearned income	22,886	5,701

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the State Government in line with that process.

Refundable deposits - Deposits are taken by Council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

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Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
5.4 Interest-bearing liabilities		
Current		
Borrowings - secured	2,402	2,306
	<u>2,402</u>	<u>2,306</u>
Non-current		
Borrowings - secured	8,272	10,674
	<u>8,272</u>	<u>10,674</u>
Total	10,674	12,980

Borrowings are secured by way of mortgages over the general rates of the Council.

a) The maturity profile for Council's borrowings is:

Not later than one year	2,402	2,306
Later than one year and not later than five years	8,272	9,752
Later than five years	-	922
	<u>10,674</u>	<u>12,980</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

	Employee provisions \$ '000	Total \$ '000
5.5 Provisions		
2021		
Balance at the beginning of the financial year	13,515	13,515
Additional provisions	4,808	4,808
Amounts used	(3,735)	(3,735)
Balance at the end of the financial year	14,588	14,588
2020		
Balance at the beginning of the financial year	12,264	12,264
Additional provisions	4,855	4,855
Amounts used	(3,604)	(3,604)
Balance at the end of the financial year	13,515	13,515

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Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,658	3,312
Long service leave	927	887
	4,585	4,199
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,656	1,334
Long service leave	6,843	6,313
	8,499	7,647
Total current employee provisions	13,084	11,846
Non-Current		
Long service leave	1,503	1,668
Total Non-Current Employee Provisions	1,503	1,668
Aggregate Carrying Amount of Employee Provisions:		
Current	13,084	11,846
Non-current	1,503	1,668
Total Aggregate Carrying Amount of Employee Provisions	14,587	13,514

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:

- discount rate	1.49%	0.56%
- index rate	2.95%	4.25%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2021

Bank overdraft	1,800	1,800
Credit card facilities	200	200
Total Facilities	2,000	2,000
Used facilities	71	53
Unused facilities	1,929	1,947

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Note 5. Our financial position (continued)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
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5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2021

Operating

Recycling facility operations	4,800	-	-	-	4,800
Garbage and recycling collection	10,400	11,100	28,000	-	49,500
Facility maintenance	544	-	-	-	544
Health/cleaning services	1,590	-	-	-	1,590
Parks maintenance services	5,386	-	-	-	5,386
Road maintenance	6,442	1,400	1,500	-	9,342
IT services	3,670	3,415	3,415	-	10,500
Recreation/Leisure services	153	-	-	-	153
Total	32,985	15,915	32,915	-	81,815

Capital

Buildings	15,317	34,475	2,114	14	51,920
Roads	765	370	10	20	1,165
Recreational	2,415	25	25	-	2,465
Other	535	535	535	-	1,605
Total	19,032	35,405	2,684	34	57,155

2020

Operating

Recycling facility operations	4,875	5,000	-	-	9,875
Garbage and recycling collection	8,265	9,200	26,952	9,000	53,417
Health/cleaning services	1,450	-	-	-	1,450
Parks maintenance services	5,305	5,386	-	-	10,691
Road maintenance	6,366	6,500	2,990	-	15,856
IT services	784	580	580	-	1,944
Recreation/Leisure services	384	10	-	-	394
Total	27,429	26,676	30,522	9,000	93,627

Capital

Buildings	22,700	500	-	-	23,200
Roads	298	-	-	-	298
Recreational	8,924	50	-	-	8,974
Total	31,922	550	-	-	32,472

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Note 5. Our financial position (continued)

5.8 Leases

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under AASB 16 Leases which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

(a) Right-of-Use Assets

	Vehicles \$ '000	Equipment \$ '000	Total \$ '000
2021			
Balance at 1 July	–	613	613
Additions	873	–	873
Amortisation charge	(146)	(204)	(350)
Balance at 30 June	727	409	1,136
2020			
Balance at 1 July	–	740	740
Amortisation charge	–	(127)	(127)
Balance at 30 June	–	613	613

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Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(b) Lease Liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	721	337
One to five years	559	471
Total undiscounted lease liabilities as at 30 June:	1,280	808
Lease liabilities included in the Balance Sheet at 30 June:		
Current	640	255
Non-current	508	384
Total lease liabilities	1,148	639

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Council had no short-term leases or leases of low value assets during the financial year.

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Note 6. Assets we manage

	2021	2020
	\$ '000	\$ '000

6.1 Non-current assets classified as "held for sale"

Current

Fair value of land	674	1,618
Total non current assets classified as held for sale	674	1,618

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

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Note 6. Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	At Fair Value 30 June 2020		Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Depreciation \$ '000	Disposal \$ '000	Write-off \$ '000	Transfers \$ '000	At Fair Value 30 June 2021	
	\$ '000	\$ '000								\$ '000	\$ '000
Property	681,310	1,764	87,089	—	(7,239)	(46)	—	—	1,283	764,161	
Plant and equipment	4,291	608	—	—	(1,411)	(1,215)	—	—	—	2,273	
Infrastructure	1,801,547	2,043	153,185	21,756	(35,765)	(5,738)	—	—	4,680	1,941,708	
Work in progress	22,422	57,812	—	—	—	—	—	(2,180)	(14,608)	63,446	
Total	2,509,570	62,227	240,274	21,756	(44,415)	(6,999)	(2,180)	(8,645)	(8,645)	2,771,588	
Summary of Work in Progress					Opening WIP \$ '000	Additions \$ '000	Write-off \$ '000	Transfers \$ '000	Closing WIP \$ '000		
Property					1,041	31,379	(55)	(6,158)	26,207		
Infrastructure					21,381	26,433	(2,125)	(8,450)	37,239		
Total					22,422	57,812	(2,180)	(14,608)	63,446		

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Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land under roads \$ '000	Total land and land improvements \$ '000	Buildings specialised \$ '000	Buildings non specialised \$ '000	Total buildings \$ '000	Work in progress \$ '000	Total work in progress \$ '000	Total property \$ '000
Property										
At fair value 1 July 2020	324,323	90,546	86,256	501,125	255,093	30,669	285,762	1,041	1,041	787,928
Accumulated depreciation at 1 July 2020	-	-	-	-	(94,149)	(11,428)	(105,577)	-	-	(105,577)
Carrying value - 1 July 2020	324,323	90,546	86,256	501,125	160,944	19,241	180,185	1,041	1,041	682,351
Movements in fair value										
Additions	-	-	-	-	1,764	-	1,764	31,379	31,379	33,143
Contributions	56,305	-	30,784	87,089	-	-	-	-	-	87,089
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	(110)	-	(110)	-	-	(110)
Write-off	-	-	-	-	-	-	-	(55)	(55)	(55)
Transfers	(4,875)	-	-	(4,875)	6,158	-	6,158	(6,158)	(6,158)	(4,875)
Total movements in fair value	51,430	-	30,784	82,214	7,812	-	7,812	25,166	25,166	115,192
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	-	(6,518)	(721)	(7,239)	-	-	(7,239)
Accumulated depreciation of disposals	-	-	-	-	64	-	64	-	-	64
Total movements in accumulated depreciation	-	-	-	-	(6,454)	(721)	(7,175)	-	-	(7,175)
At fair value 30 June 2021	375,753	90,546	117,040	583,339	262,875	30,669	293,544	26,207	26,207	903,090
Accumulated depreciation at 30 June 2021	-	-	-	-	(101,324)	(11,428)	(112,752)	-	-	(112,752)
Carrying value - 30 June 2021	375,753	90,546	117,040	583,339	161,551	19,241	180,792	26,207	26,207	790,338

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	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Library books \$ '000	Total plant and equipment \$ '000
Plant and Equipment					
At fair value 1 July 2020	5,399	800	6,949	1,675	14,823
Accumulated depreciation at 1 July 2020	(3,091)	(754)	(5,983)	(704)	(10,532)
Carrying value - 1 July 2020	2,308	46	966	971	4,291
Movements in fair value					
Additions	-	-	115	493	608
Disposal	(3,257)	-	-	(285)	(3,542)
Total movements in fair value	(3,257)	-	115	208	(2,934)
Movements in accumulated depreciation					
Depreciation and amortisation	(737)	(46)	(434)	(194)	(1,411)
Accumulated depreciation of disposals	2,210	-	-	117	2,327
Total movements in accumulated depreciation	1,473	(46)	(434)	(77)	916
At fair value 30 June 2021	2,142	800	7,065	1,882	11,889
Accumulated depreciation at 30 June 2021	(1,618)	(800)	(6,417)	(781)	(9,616)
Carrying value - 30 June 2021	524	-	648	1,101	2,273

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Note 6. Assets we manage

	Roads \$ '000	Bridges \$ '000	Foot- paths and cycle- ways \$ '000	Drainage \$ '000	Recreat- ional, leisure and comm- unity \$ '000	Off street car parks \$ '000	Kerb and channel \$ '000	Traffic manage- ment \$ '000	Other infra- structure \$ '000	Total \$ '000	Work in progress \$ '000	Total work in progress \$ '000	Total infra- structure \$ '000
Infrastructure													
At fair value 1 July 2020	939,787	87,553	208,948	478,665	84,143	32,958	254,967	96,014	2,874	2,185,909	21,381	21,381	2,207,290
Accumulated depreciation at 1 July 2020	(137,364)	(16,683)	(45,923)	(68,742)	(27,345)	(5,605)	(57,827)	(23,241)	(1,652)	(384,362)	-	-	(384,362)
Carrying value - 1 July 2020	802,423	70,890	163,025	409,923	56,798	27,353	197,140	72,773	1,222	1,801,547	21,381	21,381	1,822,928
Movements in fair value													
Additions	-	-	594	127	-	456	186	680	-	2,043	26,433	26,433	28,476
Contributions	58,239	7,685	17,613	35,319	4,762	4,072	20,738	4,757	-	153,185	-	-	153,185
Revaluation	-	-	-	-	18,326	-	-	6,175	-	24,501	-	-	24,501
Disposal	(2,199)	-	(1)	(2,837)	(3,794)	(48)	(39)	-	-	(8,918)	-	-	(8,918)
Write-off	-	-	-	-	-	-	-	-	-	-	(2,125)	(2,125)	(2,125)
Transfers	2,699	439	449	165	(5,750)	-	-	6,678	-	4,680	(6,450)	(6,450)	(3,770)
Total movements in fair value	58,739	8,124	18,655	32,774	13,544	4,480	20,885	18,290	-	175,491	15,858	15,858	191,349
Movements in accumulated depreciation													
Depreciation and amortisation	(11,502)	(1,285)	(3,743)	(5,120)	(5,420)	(520)	(4,398)	(3,686)	(91)	(35,765)	-	-	(35,765)
Accumulated depreciation of disposals	1,510	-	316	146	1,185	16	7	(2,175)	-	3,180	-	-	3,180
Revaluation	-	-	-	-	(570)	-	-	(2,175)	-	(2,745)	-	-	(2,745)
Transfers	-	-	-	-	2,515	-	-	(2,515)	-	-	-	-	-
Total movements in accumulated depreciation	(9,992)	(1,285)	(3,427)	(4,974)	(2,290)	(504)	(4,391)	(8,376)	(91)	(35,330)	-	-	(35,330)
At fair value 30 June 2021	998,526	95,677	227,603	511,439	97,688	37,437	275,853	114,304	2,874	2,361,401	37,238	37,238	2,398,639
Accumulated depreciation at 30 June 2021	(147,355)	(17,948)	(49,350)	(73,716)	(29,636)	(6,108)	(62,219)	(31,617)	(1,743)	(419,692)	-	-	(419,692)
Carrying value - 30 June 2021	851,171	77,729	178,253	437,723	68,052	31,329	213,634	82,687	1,131	1,941,709	37,238	37,238	1,978,947

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Note 6. Assets we manage (continued)

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is 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.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Asset recognition thresholds and depreciation periods

	Depreciation Period years	Threshold Limit \$ '000
Land and land improvements		
Land	N/A	–
Land under roads	N/A	–
Buildings		
Buildings	50	–
Plant and Equipment		
Plant and machinery	5	5
Furniture and equipment	3-5	5
Library assets	10	–
Infrastructure		
Roads	10-100	10
Bridges	25-100	25
Other	20-100	–
Footpaths	10-70	10
Car parks	10-70	10
Drainage works	80-100	25
Recreation facilities	3-30	1
Kerb and channel	10-70	10
Traffic management	10-70	10

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

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Note 6. Assets we manage (continued)

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Valuation of land and buildings

Valuation of land and buildings were undertaken by qualified independent valuers Opteon Pty Ltd and FG Dixon Group respectively. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 1 2021 \$ '000	Level 2 2021 \$ '000	Level 3 2021 \$ '000	Date of valuation
Non-specialised Land	-	90,546	-	30/06/20
Specialised land	-	-	374,743	30/06/20
Land Under Roads	-	-	117,040	30/06/20
Buildings	-	-	293,544	01/07/18
Total	-	90,546	785,327	

Valuation of Infrastructure

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Infrastructure Management Group and Ray Hutchinson & Associates.

The Park Active Areas component of Recreational Open Space Facilities class of assets were revalued as at 30 June 2021 as well as the OS Lighting Assets component of Transportation Open Space Facilities class of assets.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 1 2021 \$ '000	Level 2 2021 \$ '000	Level 3 2021 \$ '000	Date of independe nt valuation
Roads	-	-	851,171	30/06/19
Bridges	-	-	77,729	30/06/19
Footpaths and cycleways	-	-	178,253	30/06/20
Drainage	-	-	437,723	30/06/16
Recreational, leisure & community facilities	-	-	68,052	30/06/20
Off street car parks	-	-	31,329	30/06/19
Traffic management	-	-	82,687	30/06/17
Other Infrastructure	-	-	1,131	30/06/14
Kerb and channel	-	-	213,634	30/06/19
Total	-	-	1,941,709	

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Note 6. Assets we manage (continued)

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique.

Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$815 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$240 to \$6,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	2021 \$ '000	2020 \$ '000
Land under roads	374,743	324,323
Parks and reserves	-	-
Total specialised land	374,743	324,323

6.3 Investment property

Balance at beginning of financial year	7,175	7,300
Additions	-	103
Fair value decrement	(200)	(228)
Balance at end of financial year	6,975	7,175

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by Opteon Pty Ltd who has recent experience in the location and category of the property being valued.

The valuation is at fair value, based on the current market value.

The market that the assets are transacted in is being impacted by a high degree of uncertainty caused by the COVID-19 pandemic. The extent to which Covid-19 has impacted fair value measurements is not available and market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

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Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Melton City Council is the parent entity.

Subsidiaries and Associates

Council has no interests in subsidiaries or associates.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Councillor Lara Carli (Mayor to 9 November 2020)
 Councillor Bob Turner
 Councillor Steve Abboushi
 Councillor Ken Hardy (Councillor to 9 November 2020)
 Councillor Goran Kesic
 Councillor Kathy Majdik (Mayor from 9 November 2020)
 Councillor Michelle Mendes (Councillor to 9 November 2020)
 Councillor Sophie Ramsey
 Councillor Yvonne Sebire (Councillor to 9 November 2020)
 Councillor Ashleigh Vandenberg (Councillor from 9 November 2020)
 Councillor Julie Shannon (Councillor from 9 November 2020)
 Councillor Moira Deeming (Councillor from 9 November 2020)

	No. 2021	No. 2020
Total Number of Councillors	12	9
Chief Executive Officer	Kelvin Tori	1
General Manager - Corporate Services	Peter Bean	1
General Manager - Community Services	Maurie Heaney	1
General Manager - Planning & Development	Luke Shannon	1
Executive Manager - Property & Projects	Laura-Jo Mellan	1
Total Number of Key Management Personnel	17	14

	2021 Actual	2020 Actual
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,784	1,573
Long-term benefits	36	33
Post employment benefits	136	113
Total	1,956	1,719

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Note 7. People and relationships (continued)

	No. 2021	No. 2020
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	3	-
\$20,000 - \$29,999	3	-
\$30,000 - \$39,999	4	7
\$50,000 - \$59,999	1	2
\$80,000 - \$89,999	1	-
\$90,000 - \$99,999	-	1
\$230,000 - \$239,999	1	-
\$280,000 - \$289,999	-	3
\$300,000 - \$309,999	3	-
\$400,000 - \$409,999	-	1
\$410,000 - \$419,999	1	-
	17	14

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

The number of Senior Officers are shown below in their relevant income bands:

	No. 2021	No. 2020
Income Range:		
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	1	-
\$70,000 - \$79,999	1	-
\$100,000 - \$109,999	1	-
\$151,000 - \$169,999	-	3
\$170,000 - \$179,999	6	6
\$180,000 - \$189,999	6	6
\$190,000 - \$199,999	3	3
	19	18

	2021 Actual	2020 Actual
Total Remuneration for the reporting year for Senior Officers included above amounted to*:	3,107	3,095

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Note 7. People and relationships (continued)

	2021	2020
	\$ '000	\$ '000

7.2 Related party disclosure

(a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Key Management Personnel, or Related Parties of such Key Management Personnel during the reporting year. All transactions are at arms-length.

Salaries paid to close family members of Key Management Personnel	272	233
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(b) Outstanding balances with related parties

There are no outstanding balances with related parties as at 30 June 2021 (2020: Nil).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by the Council to Key Management Personnel of the Council during the reporting period (2020: Nil).

(d) Commitments to/from related parties

There are no commitments to or from related parties as at 30 June 2021 (2020: Nil).

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Note 8. Managing uncertainties

	2021	2020
	\$ '000	\$ '000

8.1 Contingent assets and liabilities

(a) Contingent assets

Developer contributions to be received in respect of estates currently under development is expected to be in the range of \$250m to \$270m (2020: \$140m to \$160m).

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold buildings.

These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 5 years.

All leases include a CPI based revision of the rental charge annually.

Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	1,091	1,035
Later than one year and not later than five years	3,201	3,301
	4,292	4,336

(b) Contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above scheme as at 30 June 2021. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 are \$209,643.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

MAV Workcare

Council is a participant of the MAV WorkCare Scheme. The MAV WorkCare scheme provides workers compensation insurance. The MAV WorkCare Scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

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Note 8. Managing uncertainties (continued)

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of Council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 2020. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council has exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- Council has a policy for establishing credit limits for the entities Council deals with;
- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

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Note 8. Managing uncertainties (continued)

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provides a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 0.25 % and - 0.25 % in market interest rates (AUD) from year-end rates of 0.35%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

8.4 Fair value measurement

Fair Value Hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

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Note 8. Managing uncertainties (continued)

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being 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. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

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Note 8. Managing uncertainties (continued)

8.5 Events occurring after balance date

The COVID-19 pandemic continues to create a level of economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the City of Melton at the reporting date.

This event does not affect amounts recognised in the 2020-21 financial statements.

Council continues to monitor and review the financial impacts of COVID-19 on its operating budget. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the City of Melton, the results of the operations or the state of affairs of the City of Melton in future financial years.

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Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Share of incr. (decr) on revaluation of the asset class by an associate \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves				
(a) Asset revaluation reserves				
2021				
Property				
Land - non specialised	226,355	-	-	226,355
Buildings	7,789	-	-	7,789
	234,144			234,144
Infrastructure				
Roads	518,407	-	-	518,407
Bridges	51,858	-	-	51,858
Drainage	123,430	-	-	123,430
Recreational, leisure and community facilities	3,371	17,756	-	21,127
Traffic management	-	4,000	-	4,000
Other infrastructure	679	-	-	679
	697,745	21,756		719,501
Total asset revaluation reserves	931,889	21,756		953,645
2020				
Property				
Land - non specialised	226,355	-	-	226,355
Buildings	7,789	-	-	7,789
	234,144			234,144
Infrastructure				
Roads	528,065	(9,658)	-	518,407
Bridges	51,858	-	-	51,858
Drainage	123,430	-	-	123,430
Recreational, leisure and community facilities	913	2,458	-	3,371
Other infrastructure	679	-	-	679
	704,945	(7,200)		697,745
Total asset revaluation reserves	939,089	(7,200)		931,889

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

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Note 9. Other matters (continued)

	Balance at beginning of reporting period \$ '000	Transfer from Accumulated Surplus \$ '000	Transfer to Accumulated Surplus \$ '000	Balance at end of reporting period \$ '000
(b) Other reserves				
2021				
Restricted reserves				
Street trees/drainage	942	7	-	949
Community infrastructure	136,604	91,578	(61,210)	166,972
Total restricted reserves	137,546	91,585	(61,210)	167,921
Discretionary reserves				
Asset replacement	2,756	21	(2,777)	-
Perpetual maintenance	131	1	-	132
Public art	104	1	(46)	59
Defined benefit call	372	3	-	375
Accommodation reserve	6,884	-	(6,884)	-
Infrastructure and strategic investment	85,880	28,020	(21,010)	92,890
Total discretionary reserves	96,127	28,046	(30,717)	93,456
Total Other reserves	233,673	119,631	(91,927)	261,377
2020				
Restricted reserves				
Street trees/drainage	924	18	-	942
Community infrastructure	77,713	90,460	(31,569)	136,604
Total restricted reserves	78,637	90,478	(31,569)	137,546
Discretionary reserves				
Asset replacement	3,691	65	(1,000)	2,756
Perpetual maintenance	129	2	-	131
Public art	169	3	(68)	104
Defined benefit call	365	7	-	372
Accommodation reserve	7,858	-	(974)	6,884
Infrastructure and strategic investment	65,671	25,111	(4,902)	85,880
Total discretionary reserves	77,883	25,188	(6,944)	96,127
Total Other reserves	156,520	115,666	(38,513)	233,673

Street trees/drainage

Developer contributions for provision of drainage assets and street beautification.

Community infrastructure

Developer contributions collected to deliver community infrastructure within PSP and non-PSP areas in accordance with the Planning and Environment Act and section 173 agreements.

Asset replacement

Provision of ongoing replacement of plant and equipment for Council operations.

Perpetual maintenance

Provision for perpetual maintenance of Melton Cemetery.

Public art

Provision for installation and maintenance of public art throughout the municipality.

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Note 9. Other matters (continued)

Defined benefit call

Provision for potential future funding call under the Defined Benefits Superannuation scheme.

Accommodation reserve

Provision for update of staff accommodation.

Infrastructure and strategic investment

Income generated from Atherstone estate set aside for strategic investment and major capital works.

	2021	2020
	\$ '000	\$ '000

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

Surplus/(deficit) for the year	290,620	268,910
Depreciation/amortisation	45,092	39,443
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(11,592)	11,114
Fair value adjustments for investment property	200	228
Contributions - Non-monetary assets	(239,280)	(211,066)
Amounts disclosed in financing activities	519	642
Adjustment for unearned grants	19,877	-
Adjustment for prior year income under AASB1058	-	(4,215)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	21,061	(16,262)
(Increase)/decrease in inventories	15	52
(Increase)/decrease in prepayments	920	(45)
Increase/(decrease) in accrued income	(3,419)	16,222
Increase/(decrease) in trade and other payables	(756)	10,025
Increase/(decrease) in provisions	1,073	1,250
(Decrease)/increase in other liabilities	9,102	10,423
Increase/(decrease) in unearned income	17,185	-
Net cash provided by/(used in) operating activities	150,617	126,721

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

Council makes both employer and employee contributions to The Fund's accumulation category, Vision MySuper/Vision Super Saver, on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2021, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot

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Note 9. Other matters (continued)

be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 Employee Benefits.

Funding Arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

Net investment returns 5.6% pa
Salary information 2.5% pa for two years and 2.75% pa thereafter
Price inflation (CPI) 2.0% pa.

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category.

Vision Super has advised that the estimated VBI at 30 June 2021 was 109.7%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions**Regular contributions**

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2019/2020). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2021 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2020 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020.

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Note 9. Other matters (continued)

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2020 (Triennial) \$m	2019 (Interim) \$m
- A VBI Surplus	100.0	151.3
- A total service liability surplus	200.0	233.4
- A discounted accrued benefits surplus	217.8	256.7

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2020.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2020.

Council was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021.

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2021 are detailed below:

Scheme	Type of scheme	Rate	2021 \$ '000	2020 \$ '000
Vision Super	Defined benefits	0.0%	93	163
Vision Super	Accumulation fund	0.0%	2,386	2,262

In addition to the above contributions, Council has paid no unfunded liability payments to Vision Super during the 2020/21 year (2019/20 nil).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$209,643.

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Note 10. Changes in accounting policies

10.1 Changes in accounting policies due to adoption of new accounting standards – not retrospective

i) Impact of adoption of new accounting standards

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)Council has adopted AASB 1059 *Service Concession Arrangements: Grantors*, from 1 July 2020.

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)Council has adopted AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*, from 1 July 2020.The Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.**AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)**Council has adopted AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework* from 1 July 2020.

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

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Melton City Council

PERFORMANCE STATEMENT
for the year ended 30 June 2021

A Thriving Community Where
Everyone Belongs



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Appendix 2 Performance Statement 30 June 2021

Performance Statement

For the year ended 30 June 2021

Description of municipality

The Melton City Council (the council) is one of the fastest growing municipalities in Australia, offering the best in urban and rural lifestyles and affordable land within a comfortable commuting distance from Melbourne, Victoria and links to Melbourne's key freeways, airports and the Port of Melbourne.

The City of Melton embraces a series of townships and communities including Caroline Springs (19 kilometres west of Melbourne's CBD) and Melton (35 kilometres west of Melbourne's CBD).

The council is also the home of harness racing. Tabcorp Park, the harness racing and entertainment complex in Melton, along with many horse trainers, training facilities and breeders located in the City of Melton enhances the City's reputation as one of the premier equine municipalities in the country.

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Other Information

For the year ended 30 June 2021

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report.

The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 2020* and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current and three preceding years and for the prescribed financial performance indicators and measures, the results forecast mainly by Council's budget and Financial Plan process. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are mainly those adopted by Council in its Budget document adopted on 28 June 2021 and which forms part of the Council Financial Plan. The Budget document and Financial Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Budget Document can be obtained from Council's website (www.melton.vic.gov.au) or by contacting Council.

For the year ended 30 June 2021 the COVID-19 pandemic impacted Council's operations with the closure of a number of facilities and revised modes of operation for some services. The impacts of the pandemic are detailed within the performance statements for the period.

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Appendix 2 Performance Statement 30 June 2021

Sustainable Capacity Indicators

For the year ended 30 June 2021

Indicator / measure	Results			Material Variations
	2018	2019	2020	
Population				
Expenses per head of municipal population [Total expenses / Municipal population]	\$1,005.32	\$1,009.26	\$1,078.38	\$1,070.71 Council continue to manage expenditure prudently despite the high level of growth experienced within the municipality, ratio has moved in a favourable direction in 2021.
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$10,136.42	\$11,268.03	\$11,604.68	\$12,133.97 Infrastructure constructed within the municipality has and will continue to increase at levels higher than population growth. Increase over the last 4 years is due to the significant amount of contributed assets which is due to a high level of development activity. Recent trend is likely to continue.
Population density per length of road [Municipal population / Kilometres of local roads]	138.71	141.62	138.79	136.74 Results reflect a significant investment in road infrastructure.
Own-source revenue				
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$993.37	\$833.34	\$824.47	\$955.30 Indicator is impacted by fluctuations in populations data. The 2020-21 result was impacted by strong performance of Atherstone land development which increased income.
Recurrent grants				
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$189.32	\$188.07	\$176.82	\$165.71 Population growth has outpaced growth in recurrent government grant funding. This is likely to continue in short term with Grants Commission funding likely increase only modestly.
Disadvantage				
Relative socio-economic disadvantage	5	5	5	5 Results have been consistent over the past four years.
Workforce turnover				
Resignations and terminations compared to average staff [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	15.99%	13.40%	15.65%	14.20% Staff turnover rate varies from year to year. The 2020-21 result was impacted by COVID-19 with staff looking to remain in stable employment.

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Service Performance Indicators
For the year ended 30 June 2021

Service/indicator /measure	Results				Material Variations
	2018	2019	2020	2021	
Aquatic facilities					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.69	1.57	0.96	0.43	Attendance figures were much lower due to closure of facilities and reduced services during pandemic periods/lock downs.
Animal management					
Health and safety					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions/Number of animal management prosecutions] x100	n/a	n/a	86%	100%	There were 15 prosecutions listed for court in the year. Owing to Covid-19, only 12 matters have been heard and all were proven.
Health and safety					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	14	20	n/a	n/a	This measure was discontinued in 2019-20.
Food safety					
Health and safety					
<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	0.00%	0.00%	0.00%	0.00%	No notifications received this year as has been the case for past three years.

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Service/Indicator /measure	Results			Material Variations
	2018	2019	2020	
Governance				
Satisfaction				
<i>Satisfaction with council decisions</i>	60	68	67	66
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]				The result indicates the community is generally satisfied with the decisions that Council makes and trend is steady.
Libraries				
Participation				
<i>Active library borrowers in municipality</i>	9.43%	9.09%	8.66%	6.74%
[Number of active library borrowers / Municipal population] x100				Active library membership has declined due to Covid-enforced closure of the service in 2020-21. Libraries were forced to close for 142 days, which restricted patrons' capacity to borrow physical items. Library opening times were restricted for remaining days when we could open to the public. Use of e-collections saw some increase.
Maternal and child health				
Participation				
<i>Participation in the MCH service</i>	68.95%	66.92%	64.86%	62.66%
[Number of children who attend the MCH service at least once (in the year) / Number of children]				Providing telehealth during COVID was difficult for families and some families declined the service. This has contributed to a small decrease in the result compared to previous years.
Participation				
<i>Participation in the MCH service by Aboriginal children</i>	57.31%	57.28%	70.63%	71.07%
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100				A conscious effort by the Outreach Nurse to provide a stronger connection with the local Aboriginal community has contributed to a small increase in the results compared to the previous year and coupled with improvements to the service in the previous year has resulted in a significant increase over the earlier years.
Roads				
Satisfaction				
<i>Satisfaction with sealed local roads</i>	63	71	67	64
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]				The result is marginally down on previous years. As reflected in the increase in local road requests, the communities on the fringes of growth development may wish for better road performance.

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Service/Indicator /measure	Results			Material Variations
	2018	2019	2020	
Statutory Planning				
Decision making				
<i>Council planning decisions upheld at VCAT</i>				
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	25.00%	40.00%	100.00%	There has been a significant increase in the number of appeals lodged with VCAT (15) against decisions made in favour of Council in relation to planning applications over the past 12 months. This is due to the increasing complexity of applications received. However, more than half of the decisions made by VCAT supported (i.e. did not set aside) Council's original decision in relation to these planning applications (8).
Waste Collection				
Waste diversion				
<i>Kerbside collection waste diverted from landfill</i>				
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	49.30%	40.26%	43.41%	Population growth, state lockdowns and the introduction of food waste to our kerbside organics collections has seen an overall increase of just under 5,000 Tonnes in kerbside waste.

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Financial Performance Indicators

For the year ended 30 June 2021

Dimension/Indicator /measure	Results						Forecasts			Material Variations
	2018	2019	2020	2021	2022	2023	2024	2025		
Efficiency										
Revenue level										
Average rate per property assessment [General rates and Municipal charges/ Number of property assessments]	n/a	n/a	\$1,583.94	\$1,685.11	\$1,620.59	\$1,634.22	\$1,648.07	\$1,677.10	Fluctuations with regards to this indicator are due to timing of assessment growth.	
Revenue level										
Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]	\$1,690.12	\$1,746.06	n/a	n/a	n/a	n/a	n/a	n/a	This measure was discontinued in 2019-20.	
Expenditure level										
Expenses per property assessment [Total expenses / Number of property assessments]	\$2,764.22	\$2,805.53	\$2,871.35	\$2,762.97	\$2,698.46	\$2,530.08	\$2,377.73	\$2,362.25	Council has managed to keep expenditure contained and in line with growth in assessments with prudent financial management. This trend is forecast to continue.	
Liquidity										
Working capital										
Current assets compared to current liabilities [Current assets / Current liabilities] x100	633.96%	570.97%	524.76%	375.53%	558.43%	566.32%	633.00%	508.74%	Short term unfavourable movement in this ratio is largely due to an increase in payables which is cyclical in nature. Overall Council's liquidity remains strong in dollar terms and is forecasted to remain so with substantial cash reserves in place over the medium term.	

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Dimension/indicator /measure	Results					Forecasts			Material Variations
	2018	2019	2020	2021	2022	2023	2024	2025	
Unrestricted cash									
Unrestricted cash compared to current liabilities	125.47%	49.76%	-61.11%	-156.53%	61.65%	102.42%	174.95%	222.24%	Movements in actual figures in years 2018-19 and 2019-20 relates to classification of term deposits greater than 90 days as Other Financial Assets. Forecasts assume term deposits are classified as cash. Positive trend is due to projected operating surpluses in future years.
[Unrestricted cash / Current liabilities] x100									
Obligations									
Asset renewal and upgrade									
Asset renewal and upgrade compared to depreciation	n/a	n/a	86.46%	37.62%	119.01%	68.80%	39.12%	53.69%	Asset renewal expenditure is based on engineering data not depreciation calculations. Council will have significant growth in assets in the medium to long term and therefore higher depreciation charge. Council assets are largely new and therefore don't require significant renewal expenditure in the short to medium term.
[Asset renewal and asset upgrade expenses/ Asset depreciation] x100									
Asset renewal									
Asset renewal compared to depreciation	39.22%	28.41%	n/a	n/a	n/a	n/a	n/a	n/a	This measure was discontinued in 2019-20.
[Asset renewal expenses / Asset depreciation] x100									
Loans and borrowings									
Loans and borrowings compared to rates	17.68%	14.05%	10.44%	7.92%	14.57%	10.52%	4.70%	2.82%	Council has over recent years repaid borrowings as they mature. Council has had sufficient cash inflows to achieve this. There will be a need to borrow to fund significant infrastructure investment in years 2021-22 and 2022-23.
[Interest bearing loans and borrowings / Rate revenue] x100									

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Dimension/indicator /measure	Results					Forecasts			Material Variations
	2018	2019	2020	2021	2022	2023	2024	2025	
Loans and borrowings repayments compared to rates	4.07%	3.23%	2.89%	2.08%	4.57%	5.47%	4.79%	1.57%	Council has over recent years repaid borrowings as they mature. Council has had sufficient cash inflows to achieve this. There will be a need to borrow to fund significant infrastructure investment in years 2021-22 and 2022-23.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Obligations (cont.)									
Indebtedness									
Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	14.16%	14.46%	15.40%	11.31%	17.47%	12.56%	10.25%	8.74%	Council's Non Current Liabilities continue to remain stable and at a manageable levels. Increase projected in year 2021-22 and 2022-23 relates to borrowings to fund significant investment in infrastructure.
Operating position									
Adjusted underlying result									
Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	15.44%	1.19%	-7.26%	19.48%	33.45%	26.19%	25.45%	23.65%	Underlying surplus is and is forecasted to continue to be strong with growth in income forecasted to remain high due to development activity. Council has managed to absorb the challenges of COVID-19 pandemic and perform well financially.

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Dimension/indicator /measure	Results					Forecasts				Material Variations	
	2018	2019	2020	2021	2022	2023	2024	2025			
Stability											
Rates concentration											
Rates compared to adjusted underlying revenue	57.22%	67.35%	71.44%	56.14%	46.30%	54.51%	58.49%	61.08%			Council has and will continue to have a high level of growth in rate revenue. Fluctuations in land sales income will impact this indicator.
[Rate revenue / Adjusted underlying revenue] x100											
Rates effort											
Rates compared to property values	0.42%	0.34%	0.33%	0.34%	0.36%	0.39%	0.41%	0.42%			This measure has remained stable over recent years, Council is projected to have a high level of growth in rates revenue.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100											

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Certification of Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014 (as per the transitional provisions of the Local Government Act 2020).

Sam Rumoro CPA
Principal Accounting Officer

Dated:

In our opinion, the accompanying performance statement of the Melton City Council for the year ended 30 June 2021 presents fairly the results of the council's performance in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify the performance statement in their final form.

Cr Kathy Majdlik
Mayor

Dated:
232 High Street, Melton VIC

Cr Goran Kesic
Deputy Mayor

Dated:
232 High Street, Melton VIC

Kelvin Tori
Chief Executive Officer

Dated:
232 High Street, Melton VIC

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Melton City Council

Closing Report

For the financial year ending 30 June 2021

Presented to the Audit Committee on 8 September 2021

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Background

I enclose for your information the closing report for the year ended 30 June 2021. The closing report provides a summary of results of our audit of the Melton City Council. This report will be discussed at the Audit Committee meeting on 8 September 2021.

Acknowledgement

I also take this opportunity to thank your executive team and staff for the time they made available to us during our audit.

Yours sincerely

Nick Walker
Partner
HLB Mann Judd
VAGO Audit Service Provider
Melbourne
30 August 2021

For the financial year ending 30 June 2021

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Introduction

Purpose of the closing report

- Our closing report summarises the results of our audit and communicates significant findings from the final audit phase.
- Please read this document in conjunction with our Audit Strategy Memorandum 10 February 2021.

Scope and purpose of the audit

- The *Audit Act 1994* requires the Auditor-General to form an opinion on your financial report and performance statement and provide a copy of the audit report to you.
- Copies of the report are also provided to the minister(s) responsible for the entity, and where applicable (i.e. when modified or when the AG directs) to the Assistant Treasurer, who is the minister responsible for administering Part 7 of the *Financial Management Act 1994*.

The Auditor-General

The Auditor-General is:

- an independent officer of the Victorian Parliament
- appointed under legislation to examine, on behalf of parliament and taxpayers, the management of resources within the public sector
- not subject to the control or direction of either parliament or the government.



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Audit completion status

We have substantially completed our audit of the financial report and the performance statement. We performed our audit in accordance with the *Audit Act 1994* and the terms of our engagement letter. We can provide reasonable assurance that the financial report and performance statement presented fairly under the *Local Government Act 2020*.

Expected audit opinion

Based on our audit, we expect to conclude that the financial report is presented fairly. We also expect to conclude that the performance statement is presented fairly. We expect to issue an unmodified audit opinion.

Outstanding audit matters

We can conclude our audit opinion when we finalise our audit process. Outstanding audit matters include:

- Solicitor Confirmations
- Bank Confirmations
- A final review of the financial report and performance statement
- A review of the signed management representation letter
- Completion of the review of subsequent events.

Appendix A provides a detailed list of all outstanding audit matters.

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Areas of audit focus

Our audit focused on the financial report balances / disclosures / areas that we rated as higher risk for material misstatement in your financial report and performance statement.

Our procedures enabled us to conclude, with reasonable assurance, whether the risks resulted in a material misstatement. The outcome of our procedures is summarised in this section.

Risk of material misstatement	Our audit response	Results of our key procedures
<p>1. Valuation of property, infrastructure, plant and equipment</p> <p>Property, infrastructure, plant and equipment assets represents a significant part of the Council's total assets, with the majority of these assets carried at fair value. Determining the fair value of these assets is a highly complex process that relies on numerous assumptions underpinning the valuation methodology, the engagement of valuation experts and the use of management's judgement.</p> <p>The financial report may include a material misstatement if the valuation is not performed in line with a suitable methodology, by unqualified experts or is based on inappropriate assumptions and judgements. Valuations may be inaccurate due to the judgement and complexities associated with applying AASB 13 <i>Fair Value Measurement</i>. Disclosures may be incorrect or insufficient</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the nature and extent of management's oversight and review of the fair value measurement by valuation experts reviewed the valuer's report to evaluate the appropriateness of the methodology adopted, assumptions and estimates used and the overall reasonableness of the valuation assessed the valuer's competence, skills and experience to conduct an appropriate valuation reviewed any indexation calculations prepared by management reviewed management's impairment assessments reviewed the journals posted by management to support the figures within the financial statements. 	<p>Park Active Areas</p> <p>InsideEDGE (Sport and leisure planning consultants) completed a condition assessment and revaluation of Council's park active areas. The valuation was effective as on 1 July 2020. The valuations were based on depreciated replacement cost.</p> <p>We reviewed the valuation in August 2021, and assessed both the qualifications of the valuer, the methodology applied, and the appropriateness and accuracy of the adjustments processed.</p> <p>The valuation assessment resulted in a fair value adjustment to park active areas as per note 6.2 of the financial statements.</p> <p>We are satisfied that the carrying amount of park active areas approximates fair value.</p> <p>Open Space Lighting assets</p> <p>Precision Lighting and Electrical Consultants completed a condition assessment and revaluation of Council's open space lighting assets. The valuation was effective at 1 July 2020. The valuations were determined at depreciated replacement cost.</p> <p>We reviewed the valuation in August 2021, and assessed both the qualifications of the valuer, the</p>

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		methodology applied, and the appropriateness and accuracy of the adjustments processed. The valuation assessment resulted in a fair value adjustment to park active areas as per note 6.2 of the financial statements. We are satisfied that the carrying amount of park active areas approximates fair value.
2. Changes to Those Charged with Governance (TCWG) due to Local Government Council elections during 2020-21	<p>We have:</p> <ul style="list-style-type: none"> made enquiries of management on impact of any changes reviewed minutes and management reports for large or unusual transactions monitored and assessed any subsequent events for disclosure requirements issued a new engagement / arrangement letter to confirm the terms of engagement monitored developments regarding the strategic direction, organisational structure and assess the impact of changes on the internal control environment gained an understanding of the qualifications and experience of key personnel and assess capability from a corporate governance perspective considered impact of changes on internal controls, as applicable, to determine whether they have operated effectively across the period reviewed the KMP remuneration disclosures within the financial report to determine accuracy of details regarding start or end date and level of remuneration disclosed. 	Based on our audit response we consider that the risk has been addressed and no exceptions were noted.
3. Developer contributions Developer contributions are substantial to the financial statements, particularly non-monetary contributions and subject to	<p>We have:</p> <ul style="list-style-type: none"> reviewed the Council's process for capturing and disclosing developer contributions 	Based on our audit response we consider that the risk has been addressed and no exceptions were noted.

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estimates in regard to valuation and timing of recognition.

- substantiated developer contributions and considered the completeness and accuracy of revenue
- performed testing over a sample of developer contributions to verify compliance with AASB 1058 *Income of Not-for-Profit Entities*.

4. Performance Statement

The Local Government Amendment (Performance Reporting and Accountability) Act 2014 and associated regulations set out the mandatory performance reporting framework which Councils must comply with. The performance statement contains both financial and non-financial information.

While councils should have mature processes in place to provide assurance around financial performance information, the environment for reporting non-financial performance information about services and outcomes has not historically been as robust.

The performance statement may not be prepared in accordance with legislative requirements. Inadequate systems may generate incomplete or inaccurate information that can result in significant misstatement in the performance statement.

A lack of quality assurance over the preparation of the performance statement may also result in undetected errors, omissions or misstatements.

We have:

- reviewed the systems in place to capture the financial and non-financial data
- determined the reliability and completeness of the available records for compiling that indicator
- checked the calculations of reported figures
- assessed the reasonableness of explanations included in the report of significant variations
- confirmed that the performance statement complies with legislative requirements
- reviewed the impact of any changes to systems, processes and internal controls due to COVID 19
- reviewed additional disclosure requirement to present impact of COVID 19 in the performance statement.

Based on our audit response we consider that the risk has been addressed and no exceptions were noted.

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Audit findings—financial report

Materiality assessment

Misstatements are considered material if they individually or collectively could influence economic decisions of users of the financial report. Users could be influenced by either the amount (quantity) or the nature (quality) of the matter.

We have updated the materiality levels indicated in our audit strategy memorandum.

Final overall materiality for the financial report has been set at 5% of the expenditure of \$191,143,950.

Final specific overall materiality for particular statements, account balances or disclosures has been set at 5% of the total property, infrastructure, plant and equipment balance of \$2,519,222,400.

In our view:

- total uncorrected errors above this amount for particular statements, account balances or disclosures would mislead the users of the financial report.
- risk that there may be material error in the financial report increases with the level of accumulated uncorrected error below this threshold.

Adjusted audit differences

The effect of adjusted audit differences on the financial report is decrease of \$ 285,751 in the net result, and decrease of \$ 285,751 in net assets. We identified adjustments related to:

Appendix B presents the adjusted audit differences.

Unadjusted immaterial differences

Our audit procedures did not identify any unadjusted differences

Control environment

The Australian Auditing Standards require us to write to those charged with governance about any significant deficiencies we identified during the audit.

As part of our audit process, we consider, but do not assess or provide an opinion on, the effectiveness of your internal control framework. If we identify any significant weaknesses in internal control during our audit, we communicate them to you in our management letters.

Appendix D contains a list of the draft findings that we intend to include in our final management letter.

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Audit findings—performance statement

Materiality assessment

Misstatements are considered material if they individually or collectively could influence economic decisions of users of the performance statement. Users could be influenced by either the amount (quantity) or the nature (quality) of the matter.

We set materiality for each indicator reported in a performance statement after we consider the qualitative and quantitative factors that influence each indicator. We cannot set an overall materiality level for the performance statement due to its nature.

Adjusted differences

We identified no audit differences in the performance statement.

Unadjusted immaterial differences

We identified no unadjusted immaterial differences in the performance statement.

Control environment

The Australian Auditing Standards require us to write to those charged with governance about any significant deficiencies we identified during the audit.

As part of our audit process, we consider, but do not assess or provide an opinion on, the effectiveness of your internal control framework. If we identify any significant weaknesses in internal control during our audit, we communicate them to you in our management letters.

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Other audit findings

Fraud, irregularities, or regulatory non-compliance

When performing our risk assessments and conducting our audit procedures, we consider the risk of material misstatement in the financial report and performance statement that may be due to fraud. We are not responsible for preventing or detecting fraud.

Based on our review of the Audit and Risk Committee meeting minutes, we noted that an incident was identified and investigated by the Victorian Ombudsman involving a senior IT employee who used his position to direct IT work to one of his own companies to the worth of \$1.6mn over the period of two years. Subsequent to this incident Council has conducted an extensive review of its IT structure and has set out a governance framework that will ensure higher level of oversight and control.

Waste, probity & financial prudence

Our procedures are not specifically designed to detect matters of waste, probity and financial prudence but we may detect these matters. Our audit procedures did not identify any material issues concerning waste, probity or lack of financial prudence.

Accounting policies

Your entity's material accounting policies, material transactions and/or events that occurred during the financial year are in accordance with the Australian accounting standards.

Disagreements with management

No issues noted.

Difficulties encountered in performing the audit

No issues noted.

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Reports to Parliament

Results of the 2020-21 Audits: Local Government

Melton City Council will be included in the *Results of the 30 June 2021 Audits: Local Government*. We aim to table this report by the end of November 2021. The report will analyse the financial performance and position, and sustainability risks of each sector. The report also informs Parliament about the strengths and weaknesses in the control environments at entities within the we focused on the impact of the COVID-19 pandemic and implementation of new accounting standards on the sector.

We will release an interactive dashboard to accompany the Parliamentary report. This will enable users to visualise:

- sector results over the last five years
- trends and composition analyses for specific entities
- compare results between entities over time.

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VAGO links and resources



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[VAGO's role](#)

[Annual work plan](#)

[Strategic plan](#)

[Our reports](#)

[Audits in progress](#)

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APPENDIX A

Outstanding audit matters

The following items are outstanding at the date of this report and need to be resolved before we can issue our audit report.

Item	Action required	Responsibility
Solicitors representation letter	<ul style="list-style-type: none"> • Waiting on Solicitor Confirmations from: <ul style="list-style-type: none"> - Best Hooper - PE Law - Harwood Andrews 	Management
Bank confirmation request	Waiting on bank confirmation for: <ul style="list-style-type: none"> - AMP - ANZ - Macquarie Bank 	Management
Subsequent events update	Provide details of significant transactions and events up to date of signing. Audit will assess for any impact on the financial report	Management and audit
Financial report and performance statement certification	To be signed on adoption of the accounts by the Board	Management
Management representation letter	To be signed on same date as the certification of the financial report	Management

After we issue our audit report, we are required to undertake the following procedures. We will report any issues we find to your accountable officer for appropriate remedial action.

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021
Appendix 3 Closing report for the financial year ending 30 June 2021

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Item	Our procedure
Annual report	We will review your annual report to confirm that it includes the correct version of the signed financial report, performance report and auditor's report. We will also check that all information in the annual report is materially consistent with the financial report. We request you provision of an electronic copy of the printers' proof of the annual report.
Website publication of annual report	We will review your annual report on your website to confirm that it includes the correct versions of the signed financial report, performance report and auditor's report. We request your notification to us of your publication of your annual report on your website.

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

Appendix 3 Closing report for the financial year ending 30 June 2021

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APPENDIX B

Adjusted audit differences

Adjusted dollar differences

Financial report component(s)	Adjusted \$	Basis for the adjustment
Accrued expenses	Dr 1,464,886	To recognise payment of wages to employees on 30 Jun 2021 which was initially treated as bank reconciling item. Payment made on 30 Jun 2021. Portion for FY22 as prepayment
Prepayment	Dr 162,765	
Bank	Cr 1,627,651	
Accrued Income – Other	Dr 38,724	To accrue city circle recycling royalty charges for the period Apr-21 to Jun-21.
Sundry revenue	Cr 38,724	
Provision – Annual Leave	Dr 325,475	To adjust for overprovision of AL
Annual Leave Loading	Cr 325,475	
Term Deposits >90days	Dr 7,000,000	To reclassify term deposit from cash and cash equivalent to financial assets and recognise accrued interest at amortised cost.
Investment General	Cr 5,000,000	
Investment Reserve	Cr 2,000,000	
Term Deposits >90days	Dr 5,303	
Accrued Income	Cr 5,303	
Land Held for Resale (Assets held for sale) Cost/ Valuation of land (PP&E)	Dr 1,010,293 Cr 1,010,293	To reclassify land held for sale for lots not released and to be excluded and for lots already settled

Adjusted differences of disclosures in your financial report and indicators in your performance statement

Financial report disclosure / performance statement indicator	Adjustment	Basis for the adjustment
None Noted		

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Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

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APPENDIX C
Final management letter

We provide a draft version of the final management letter as a separate attachment.

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021
Appendix 3 Closing report for the financial year ending 30 June 2021

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APPENDIX D

Management representation letter

As part of gathering audit evidence, we obtain formal management representations about your entity's financial report and performance statement. We look at the completeness, preparation, and presentation of the information in the report and statement.

We do not rely solely on the management representations, except when they are the only evidence reasonably available.

A draft version of the management representation letter is provided as a separate attachment.

When forming our audit opinion, we did not rely solely on management representations.

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.3 Draft Annual Financial Statements and Performance Statement - 30 June 2021

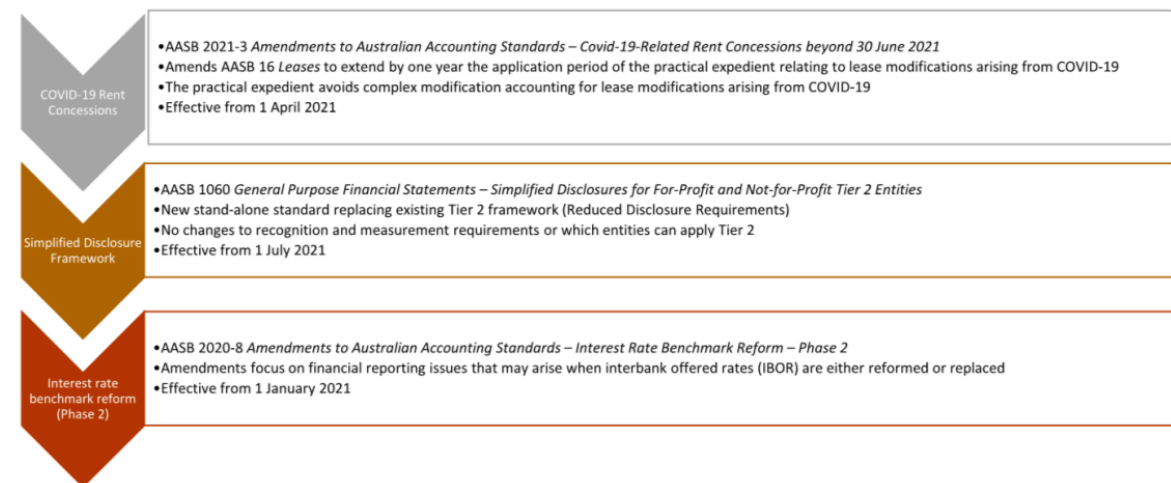
Appendix 3 Closing report for the financial year ending 30 June 2021

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APPENDIX E

New Accounting Standards

Changes to accounting standards that will come into effect in the public sector during 2021–22 are provided below. Whilst of less significance than prior period agencies, should assess their impact and as appropriate, plan for these changes.



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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

The Chairperson enquired whether there was a need for an in-camera meeting with the External Auditor, Mr Walker.

Mr Walker informed the Committee there was no need for an in-camera meeting, as the staff were helpful and accommodating in relation to this audit.

Mr Walker departed from meeting at 12.54 pm.

6.4 EXTERNAL AUDITOR PERFORMANCE 2020-21**Author: Sam Rumoro - Manager Finance****Presenter: Sam Rumoro - Manager Finance****PURPOSE OF REPORT**

To report to the Audit and Risk Committee on the performance of the external auditor.

RECOMMENDATION:

That Council note that the Audit and Risk Committee have reviewed contents of this report and no further action is required.

Recommendation 4

Agreed that this Agenda item be discussed under Confidential Business.

CARRIED

REPORT**1. Executive Summary**

Manager Finance has assessed the performance of the external auditor as very good, given challenges faced in the current environment. Manager Finance will provide further detail verbally at the Audit and Risk Committee meeting 8 September 2021.

2. Background/Issues

Manager Finance has assessed the performance of the external auditor as very good, given challenges faced in the current environment. There was a change in audit personnel undertaking the 2020/21 audit, despite this, knowledge of Council's operations, systems and processes remained solid.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

29. Review performance of External Auditor

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

4. Financial Considerations

N/A.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

N/A.

7. Options

The Audit and Risk Committee can recommend to Council that it:

1. Request further information/clarification if deemed necessary

LIST OF APPENDICES

Nil.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

6.5 FINANCE REPORT - PERIOD ENDED 30 JUNE 2021**Author: Sam Rumoro - Manager Finance
Presenter: Sam Rumoro - Manager Finance****PURPOSE OF REPORT**

To present the 2020/2021 Finance report for the 12 months ended 30 June 2021 (the Report).

RECOMMENDATION:

That Council notes that the Audit and Risk Committee has reviewed the Report and that no further action is required.

Recommendation 5

Ms. Gregory/Mr. Mansoor

That Council notes that the Audit and Risk Committee reviewed the Report, noting the action item listed below.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

The Committee enquired regarding the 54.2% of completed capital expenditure for 2020-21.

Mr. Caligari gave a brief overview of the challenging environment Council faced in delivering the capital expenditure budget, with the major factors being covid19 restrictions, availability of materials and approvals from various external parties.

The Committee discussed the year-end result of \$368.18 million in cash and term deposits and requested a summary table be included in the report to Council on what this money represents.

Action:

A summary table providing comments on the breakdown of the \$368.18 million in cash and term deposits be included in the report to Council.

REPORT**1. Executive Summary**

This quarterly report compares 12 months ending 30 June 2021 YTD results with the approved budget for the same period.

2. Background/Issues

The underlying operating surplus for the 12 months ended June was \$1.294 million. This compared with a budgeted result of \$8.48 million deficit, resulted in a favourable variance of \$9.774 million.

While the pandemic had an unfavourable impact on investment returns due to a lower cash rate, Council's revenues remained strong and favourable to budget due largely to a continued growth in development activity which was buoyed by economic stimulus provided

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MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

by State and Federal Governments. Continued prudent management of Councils operating costs enabled a modest underlying surplus to be generated by Council in 2020-2021.

Council's overall comprehensive result was a surplus of \$312.38 million which was largely attributable to \$272.28 million in contributed monetary and non-monetary assets from developers.

The actual capital expenditure completed at the end of June was \$61.6 million or 54.2% of the total budget.

Council's has a total of \$368.18 million in cash and term deposits at year end. This balance includes general and restricted investments representing carry forward expenditure, employee entitlements, and developer contributions received for future capital works. The working capital ratio for the YTD period is a healthy 1:3.75.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

17. Financial Reporting including Capital Works Progress

4. Financial Considerations

Note the operating and comprehensive result for the 12 month period.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

Financial reporting will ensure Council's continued compliance with the legislative requirements.

7. Options

The Audit and Risk Committee:

1. Note the report;
2. Request further information/clarification if deemed necessary.

LIST OF APPENDICES

1. Finance Report - Period Ended 30 June 2021

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021



Melton City Council
Finance Report 2020/2021
Year Ended 30 June 2021

A thriving community where everyone belongs



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

**Finance Report**

Year Ended - June 2021

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Melton City Council

Finance Report for the 12 months period ended June 2021.

Executive Summary

Operating Results

This report compares the June 2021 results with the Full-Year approved budget.

The operating surplus before transfers for the June 2021 period was \$290.6m. This was \$43.7m favourable relative to the full-year budget of \$246.9m.

Detailed analysis of operating revenue and expenditure variances by line items against the budget are outlined on page 4-5 of this report.

Capital Expenditure

The Council Capital expenditure budget for 2020/21 is a total of \$113.5m. This consists of \$27.3m carry forwards component of from 2019/20.

The actual capital expenditure completed at the end of June was \$61.6m or 54.2% of the total Council capital expenditure budget including carry forwards. Annual accounts capital works statement cites 2020/21 actuals as \$58.2m due to expenditure not meeting capitalisation criteria and classified as operating.

Total capital works relating funds from 2020/21 to be spent in 2021/22 is \$65.0m made up of cash held to fund carried forward capital works and capital grants received but remaining unspent at 30 June 2021.

A project level analysis of YTD capital expenditure by capital works by business unit is provided on page 14.

Cash on hand and Investments

Council's cash position at the end of the year is \$75.5 million. It should be noted that Council holds a further \$292.7 million in term deposits with a maturity of over 3 months classified as other financial assets. This balance includes \$195.8m of general and restricted investments representing carry forward expenditure, employee entitlements, and developer contributions received for future capital works. The amount of cash on hand at end of month is \$172.4m. Increase in general and restricted investments is due to creation of the Infrastructure and Strategic Investment Reserve by Council.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Debtors

Receivables outstanding totalled \$22.8m (net of doubtful debts provisions) of which \$11.5m relates to rates debtors. Infringement Debtors amounted to \$0.99m and other sundry debtors was \$10.3m (net of doubtful debt provision).

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Monthly Management Report 2020/2021						
Operating Statement by Income / Expenditure line items						
for the 12 Months ended 30 June 2021						
2019/2020 YTD Actuals (000's)	Income/Expenditure Type	Year-End Actuals (000's)	Full Year Approved Budget (000's)	Year-End Variance (000's)	3rd Qtr Forecast (000's)	3rd Quarter Forecast Variance to Year-End Actuals (000's)
	Income					
124,314	Rates & Charges	134,841	132,203	2,638	134,085	756
10,448	Statutory Fees and Fines	10,460	8,852	1,608	10,124	337
9,652	User Fees	9,802	7,028	2,774	9,854	(52)
30,004	Grants- Operating	33,733	29,591	4,142	36,973	(3,240)
8,659	Grants- Capital	5,454	9,202	(3,748)	20,262	(14,808)
63,127	Contributions Monetary	33,000	66,487	(33,487)	56,308	(23,308)
211,066	Contributions Non Monetary	239,280	174,948	64,332	243,336	(4,056)
(11,114)	Total Net Gain/(Loss) on Disposal of IPP&E	11,592	4,799	6,793	9,975	1,617
9,620	Other Revenue	5,866	7,970	(2,104)	6,007	(141)
455,775	Total Income	484,028	441,080	42,948	526,924	(42,896)
	Expenditure					
53,806	Employee Costs	58,590	63,342	4,752	61,802	3,212
91,704	Material Costs	87,825	79,575	(8,250)	91,687	3,862
437	Bad and Doubtful Debts	1,182	458	(724)	678	(504)
39,443	Depreciation and Amortisation	45,092	42,085	(3,007)	42,797	(2,295)
632	Borrowing Costs	494	525	31	525	31
10	Finance Cost- Leases	25	19	(6)	27	2
228	Fair Value Adjustment on investment properties	200	0	(200)	0	(200)
606	Other Expenses	0	8,120	8,120	0	0
186,866	Total Expenditure	193,408	194,124	716	197,516	4,109
268,910	Total Surplus/Deficit Before Transfers.	290,620	246,956	43,664	329,408	(38,788)
	Other Comprehensive Income					
(7,200)	Net asset Revaluation Increment/(decrement)	21,756	0	21,756	0	21,756
261,710	Total comprehensive Result	312,376	246,956	65,420	329,408	(17,032)
	Reserve Transfers					
38,513	Transfers From Reserves	85,883	58,996	26,887	86,306	424
(115,666)	Transfer to Reserve	(119,631)	(83,524)	(36,106)	(124,791)	(5,160)
(77,153)	Total Net Transfers - Income/(Exp)	(33,748)	(24,528)	(9,220)	(38,485)	(4,736)
191,757	Total Surplus/(Deficit) Net of Transfers	278,628	222,428	56,200	290,924	(21,768)
(2,828)	Undelying Surplus/(Deficit)	1,294	(8,480)	9,774	(473)	1,768

* Negative values in the year-end variance and forecast variance columns indicate an unfavourable Variance.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Monthly Management Report 2020/21
Operating Statement - Significant Variance Comments
For the Year ended 30 June 2021

Income/Expenditure Type	YTD Actual (000's)	2020/21 Full-Year Budget (000's)	Variance - Fav/(Unfav) (000's)	YTD Actuals to YTD Budget Variance Explanations
Income				
Rates & Charges	134,841	132,203	2,638	Favourable variance for the year is attributable to supplementary rates received being higher than budgeted due to a higher number of properties titled than expected.
Statutory Fees and Fines	10,460	8,852	1,608	The favourable variance to budget for Statutory Fees & Fines was due to: <ul style="list-style-type: none"> Higher than budgeted Property Information Requests due to an increase in new development and building activities across Council and Higher than budgeted infringement revenues in Litter and Building compliance.
User Fees	9,802	7,028	2,774	The favourable variance to budget for User Fees and Charges is due to the below listed factors: <ul style="list-style-type: none"> Increased demand for subdivision construction supervision fees and nonstandard street lighting fees in Engineering Services due to higher land development activity. Higher than anticipated asset protection permits fees and Higher than anticipated planning information and permit fees.
Grants- Operating	33,733	29,591	4,142	Favourable variance to budget was due to unbudgeted operating grants, including funding for: <ul style="list-style-type: none"> COVID-19 Working for Victoria, Outdoor Eating & Entertainment Package, CALD Communities Taskforce, Youth Learning Pathways and Sleep and Settling.
Grants- Capital	5,454	9,202	(3,748)	Unfavourable variance to budget was due to non-completion of several projects by year end, leading to associated grant funding received being held on balance sheet until performance obligations are met in future years. The most significant of these projects include: <ul style="list-style-type: none"> Milton Recycling Facility - Stage 2 and Brookside Pavilion redevelopment.
Contributions Monetary	33,000	66,487	(33,487)	These favourable variances were partly offset by the receipt and recognition of various unbudgeted capital grants. In aggregate, Developer Contributions received during the year were higher than budget due to a significant increase in the level of development activity during the year than was projected. While total contributions were higher than budgeted on aggregate, the contribution split relative to budget saw Council receive greater than budgeted Non-Monetary Contributions (i.e. gifted assets), and lower than budgeted Monetary Contributions
Contributions Non Monetary	239,280	174,948	64,332	
Total Net Gain/(Loss) on Disposal of IPP&E	11,592	4,799	6,793	Higher than anticipated land sales volume within the Atherstone development is the main contributor to the favourable variance. This is partly offset by unbudgeted disposal of various infrastructure assets.
Other Revenue	5,866	7,970	(2,104)	Attributable mainly to interest on investments providing lower returns than budgeted due to a fall in the cash rate.
Total Income	484,028	441,080	42,948	
Expenditure				
Employee Costs	58,590	63,342	(4,752)	Employee costs are favourable to budget due to unfilled vacancies. Savings are particularly concentrated in the Community Services division because of COVID-19 impacting demand for services, which saw recruitment for vacant positions being delayed. This is partly offset by the costs of contract labour required to fill some of these vacant roles as reported under Materials and Services, and expenditure on COVID-19 Working for Victoria projects which are funded by unbudgeted external grants received during the year.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Monthly Management Report 2020/21
Operating Statement - Significant Variance Comments
For the Year ended 30 June 2021

Income/Expenditure Type	YTD Actual (000's)	2020/21 Full-Year Budget (000's)	Variance - Fav/(Unfav) (000's)	YTD Actuals to YTD Budget Variance Explanations
Material Costs				This unfavourable variance to budget is attributable to: <ul style="list-style-type: none"> Increased contract labour costs required to fill vacant budgeted positions (as noted above), as well as other temporary staff assignments; Increase in Parks and Open Space costs due to development of new subdivisions and assistance provided to maintain City Vista for George Cross during COVID-19; Works offset by unbudgeted funding received from Working for Victoria Grant. These unfavourable variances were partly offset by: <ul style="list-style-type: none"> Realised savings from Melton Recycling Facility site restrictions; Lower than budgeted maintenance as less people using Council facilities resulted in reduced need for reactive maintenance, compounded by delays in programmed attendance due to COVID-19 lockdowns; and Underspend in Graffiti and Cleaning Services primarily due to site restrictions in the first half of the year as a result of COVID-19.
Bad and Doubtful Debts	87,825	79,575	(8,250)	Bad and Doubtful debts is unfavourable to budget, attributable to higher than anticipated write off of infringement debts deemed unrecoverable due to impacts of COVID-19
Depreciation and Amortisation	1,182	458	(724)	Actual depreciation was higher than anticipated due to higher than anticipated increase in asset base
Borrowing Costs	45,092	42,085	(3,007)	Amortisation of Right of Use Assets and associated Finance Costs have been recognised as per AASB16 and are higher than budgeted due to Council entering new lease arrangements for their fleet renewal program.
Finance Cost- Leases	494	525	31	
Fair Value Adjustment on investment properties	25	19	(6)	
Other Expenses	200	0	(200)	Unbudgeted decrease in the Fair Value of Council's investment property had occurred in 2020/21. These included Melton Country Club and Melton Valley Golf Club.
Total Expenditure	193,408	194,124	716	The favourable variance to budget is mainly due to Utilities expenditure being reported under Materials and Services, while budgeted as Other Expenses
Total Surplus/Deficit Before Transfers.	290,020	246,956	43,064	

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

BALANCE SHEET	ACTUALS		BUDGET
	This Year	Last Year	This Year
	As at end Jun-21 \$(000's)	As at end Jun-20 \$(000's)	Full Year 2020/2021 \$(000's)
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	75,460	146,866	259,389
Trade and Other Receivable	22,806	43,867	7,800
Other Financial Assets	292,719	104,334	3,897
Inventories	28	41	20
Assets Classified as Held for Resale	674	1,618	12,428
Other Assets	16,931	14,432	12,395
TOTAL CURRENT ASSETS	408,618	311,158	295,930
NON CURRENT ASSETS			
INFRA, PROPERTY PLANT & EQUIPMENT	2,771,558	2,509,570	2,784,216
INVENTORIES	65	67	145
INVESTMENT PROPERTY	6,975	7,175	7,500
OTHER FINANCIAL ASSETS	0	0	375
INTANGIBLES	2,704	3,031	2,703
Right of Use Assets	1,136	613	375
TOTAL NON CURRENT ASSETS	2,782,438	2,520,456	2,795,314
TOTAL ASSETS	3,191,056	2,831,614	3,091,244
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	51,744	30,241	26,600
TRUST FUNDS AND DEPOSITS and OTHER LIABILITIES	18,055	8,946	1,935
UNEARNED INCOME	22,886	5,701	0
PROVISIONS	13,084	11,846	11,351
INTEREST-BEARING LOANS AND BORROWINGS	2,402	2,306	3,565
LEASE LIABILITY	640	255	255
TOTAL CURRENT LIABILITIES	108,811	59,295	43,706
NON CURRENT LIABILITIES			
PROVISIONS	1,503	1,668	2,227
INTEREST-BEARING LOANS AND BORROWINGS	8,272	10,674	14,585
LEASE LIABILITY	508	384	385
OTHER NON CURRENT LIABILITIES (incl Trust Funds)	9,238	9,245	14,020
TOTAL NON CURRENT LIABILITIES	19,521	21,971	31,216
TOTAL LIABILITIES	128,332	81,266	74,921
NET ASSETS	3,062,724	2,750,348	3,016,324
EQUITY			
ACCUMULATED SURPLUS	1,847,702	1,584,786	1,713,823
REVALUATION RESERVES	953,645	931,889	1,035,488
OTHER RESERVES	261,377	233,673	267,013
TOTAL EQUITY	3,062,724	2,750,348	3,016,324

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Balance Sheet - Comments**General:**

The following comments relate to the balance sheet and the cash flow statement on page 6 and 9 respectively.

Current Assets:**Cash & Investments**

Council's cash position (including Investments), as at 30 June 2021 was \$75.46m, which represents a decrease of \$71.41m from the \$146.86m opening cash position as at 1 July 2020. Details of inflow and outflow of funds are detailed in the Cash Flow Statement on page 9.

	\$'000's	\$'000's
Cash at 1 st July 2020		\$146,866
Plus: Net Inflow/(Outflow) from operating activities	\$150,617	
Less Net Inflow/(Outflow) from Investing activities	(\$218,834)	
Less Net Inflow/(Outflow) from financing activities	(\$3,189)	
Net Increase/(decrease) in cash held		(\$71,406)
Cash and Investments on hand at 30 June 2021		\$75,460

Receivables:

Total receivables outstanding as at end June 2021 amounted to \$22.8m, which included rate debtors of \$11.5m. The total outstanding receivables comprised: -

Receivables	30 June 2021 (000's)	30 June 2020 (000's)
Rate Debtors	\$11,470	\$11,362
Infringements & Local Laws Debtors (net of provision for doubtful debts)	\$997	\$1,648
Sundry & other debtors net of provision for doubtful debts (30 June 2021 figure includes PSP works in-kind debtors of \$5.77m.)	\$10,339	\$30,857
Total Receivables	\$22,806	\$43,867

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Non-Current Assets:

Infrastructure, Plant & Equipment

The value of Council's property, plant & equipment has increased to \$2.77billion. This increase is in the balance sheet includes the total capital expenditure spent in the year-to-date period plus any work-in progress carried forward from 2019/20.

Intangible Asset

The intangible assets of \$2.7m represent non-exclusive licence granted to Melton City Council by Department of Education and the Caroline Springs College for the use of CS College Creekside Campus and the Springside Children's and Childcare facility built on DOE land and Kororoit Creek Learning Centre. The balance represents Council's contributions net of amortisations.

Current & Non-Current Liabilities:

Payables

Creditors have increased by \$21.5m from the June 2020 balance of \$30.24m to \$51.74m at balance date. The outstanding payables amount varies from month to month depending upon the status of the accounts payable cycle.

Employee Benefits

Employee benefits represent current and non-current components of annual and long service leave liabilities at balance date. Current component of the liability being the amounts to be settled within the 12 months after the reporting period estimated at \$13.08m, with the non-current at \$1.5m.

Interest Bearing Liabilities:

Total loan liability as at year-end 2021 is \$10.67m. Principal repayment for the year amounted to \$2.3m.

Working Capital and Liquidity:

The working capital ratio is used to assess Council's ability to meet current commitments and is derived by dividing current assets by current liabilities. The working capital ratio for the YTD period is 1:3.75. The after removing the impact of rate debtors is 1:3.64

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Last Year	CASH FLOW STATEMENT	Actuals	This Year
2019/2020		2020/2021	Budget
YTD Actual Jun-20 \$(000's)		As at End Jun-21 \$(000's)	2020/2021 Annual Budget \$(000's)
	Cash Flow from Operating Activities		
	Finance Report		
119,639	General Rates	134,733	131,953
20,100	User Fees and Statutory Fees & Fines	20,892	15,780
34,448	Grants Income - Operating & Capital	55,494	42,963
3,432	Interest	2,125	4,367
63,127	Monetary Contributions & Reimbursements	33,000	66,487
10,423	Trust Funds and Deposits Taken	9,102	0
1,052	Other Revenue	23,210	3,467
20,760	Net GST Refund/Payment	17,564	0
	PAYMENTS		
(53,318)	Employee Costs	(57,517)	(62,906)
(88,595)	Materials and Services	(83,706)	(86,869)
(4,347)	Other Payments	(4,280)	0
126,721	NET CASH FROM OPERATING ACTIVITIES	150,617	115,242
	CASH FLOW FROM INVESTING ACTIVITIES		
(57,232)	Payments for Acquisition of Non-Current Assets	(58,215)	(113,514)
5,694	Proceeds from Sale of Non-Current Assets	27,966	10,770
(42,160)	Proceeds from Sale of Investments	(188,585)	0
(93,698)	NET CASH FROM INVESTING ACTIVITIES	(218,834)	(102,744)
	CASH FLOW FROM FINANCING ACTIVITIES		
(2,963)	Repayment of borrowings	(2,306)	(2,306)
(632)	Finance Costs	(494)	(525)
0	Proceeds from Borrowings	0	4,650
(10)	Interest Paid - Lease Liability	(25)	0
(101)	Repayment of Lease Liability	(364)	0
(3,706)	NET CASH FROM FINANCING ACTIVITIES	(3,189)	1,819
29,317	NET INCREASE/(DECREASE) IN CASH HELD	(71,406)	14,317
	CASH POSITION		
117,549	Cash Balance at Beginning- as at 1st July	146,866	245,072
146,866	Cash Balance at End of Period	75,460	259,389

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

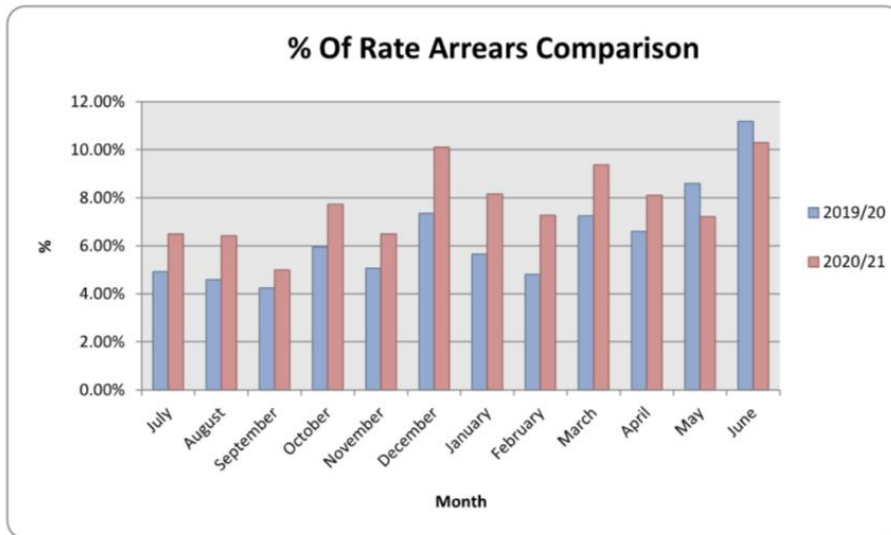
Appendix 1 Finance Report - Period Ended 30 June 2021

Analysis of Overdue Instalment Rate Debtors - June 2021

(Excluding Fire Service Levy)

Overdue Rate Debtors	No of Properties	Debts Outstanding (\$)
Owings		
Less Than \$1000	6,510	2,839,351
\$1000 to \$1999	1,621	2,326,663
\$2000 to \$4999	1,392	4,253,763
\$5000 to \$10,000	349	2,392,135
Greater Than 10,000	158	2,931,638
Total	10,030	14,743,550

There are 5,756 Properties in credit. Total Credit is \$3,273,550



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

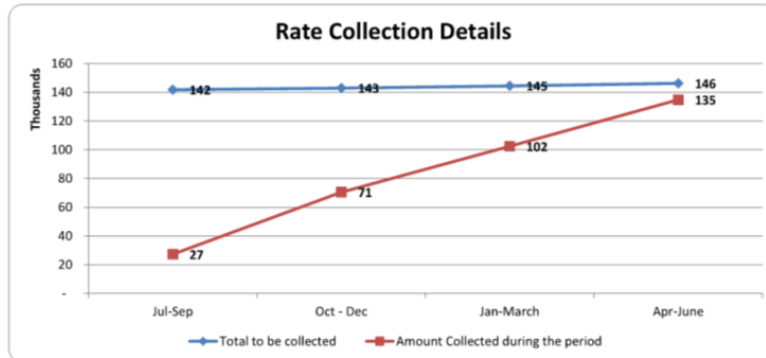
Summary of Overdue Rate Debt Arrears & Recovery Actions - June 2021

SUMMARY OF OVERDUE RATE DEBT ARREARS & RECOVERY AS AT 30 June 2021	NO OF PROPERTIES	RATE DEBTS OUTSTANDING \$000'S
Summons issued	121	785
Judgements issued	23	206
Summons for Oral Examination	125	1,262
Legal Arrangements	-	-
Other action - Demand Letters etc	295	1,684
Total Debt Recovery Action In Progress	564	3,937
Arrangements in place - Non Legal	1,333	1,421
Properties that Midstate are doing Courtesy Calls for	2,099	3,652
Properties with no recovery/arrangements in place	6,034	5,733
TOTAL	10,030	14,743

Note all legal action is on hold.

Rate Balances & Collection Details

Rate Collection Details	Jul-Sep (\$'000)	Oct - Dec (\$'000)	Jan-March (\$'000)	Apr-June (\$'000)
Outstanding debtor balance as at 1 July	11,362			
Rates raised in 2020-2021	130,105			
Interest raised to date		44	391	315
Rebates, adjustment and unallocated Pmts	(4,225)	300	19	1,370
Supplementary rates raised	4,506	874	1,124	18
Total to be collected	141,748	142,966	144,500	146,203
Amount Collected during the period	27,275	70,548	102,407	134,733
Balance to be collected	114,473	72,418	42,093	11,470



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.5 Finance Report - Period Ended 30 June 2021

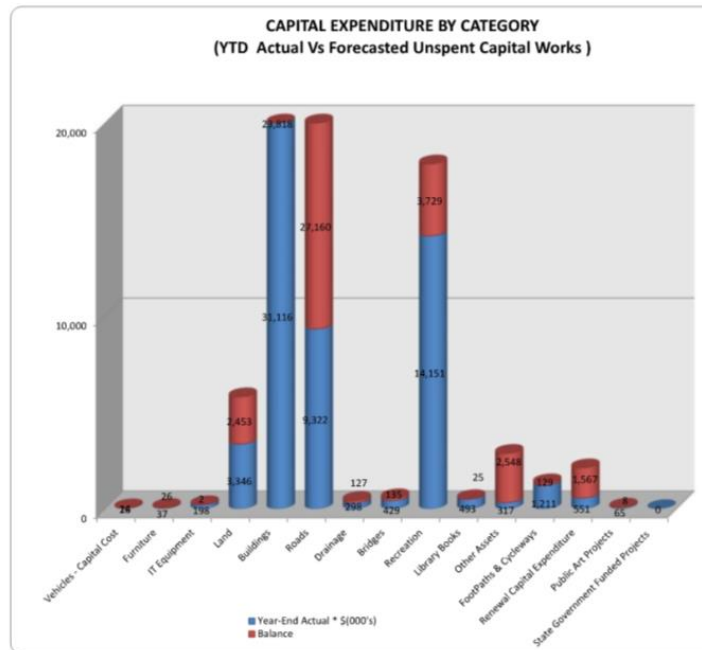
Appendix 1 Finance Report - Period Ended 30 June 2021

CAPITAL EXPENDITURE BY CATEGORY

Year- Ended 30 June 2021
2020/2021 FINANCIAL YEAR

CAPITAL EXPENDITURE	Year-End Actual *	2020/21 Approved Budget	Year-End Variance	3rd Qtr Forecast	3rd Qtr Forecast to Year-End Actual Variance
	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)
Vehicles - Capital Cost	26	1,364	1,338	40	14
Furniture	37	120	83	63	26
IT Equipment	198	535	337	200	2
Land	3,346	1,350	(1,996)	5,799	2,453
Buildings	31,116	47,629	16,513	54,934	23,818
Roads	9,322	34,154	24,832	36,482	27,160
Drainage	298	397	100	424	127
Bridges	429	234	(195)	564	135
Recreation	14,151	16,493	2,343	17,880	3,729
Library Books	493	518	25	518	25
Other Assets	317	2,838	2,521	2,865	2,548
FootPaths & Cycleways	1,211	1,336	125	1,340	129
Renewal Capital Expenditure	551	2,117	1,567	2,117	1,567
Public Art Projects	65	258	193	73	8
State Government Funded Projects	0	4,170	4,170	2,170	2,170
Total Capex Excl Capital DCP In Kind	61,560	113,514	51,956	125,468	63,911
Capital DCP in Kind	74,038	35,279	(38,759)	99,926	25,888
Total Capital Expenditure	135,598	148,793	13,195	225,395	89,797

* Annual accounts capital works statement cites a 2020/21 actuals figure of \$58.214m which is lower than the \$61.560m above. This is due to expenditure not meeting capitalisation criteria and classified as operating.



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

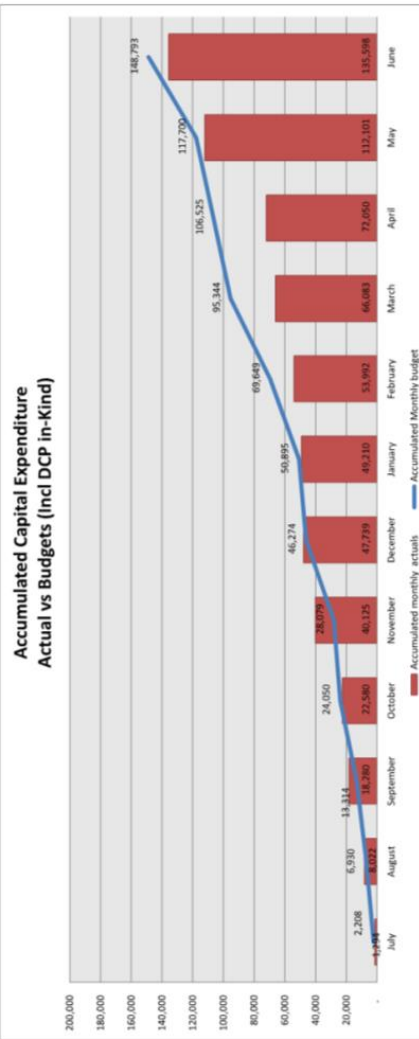
8 SEPTEMBER 2021

Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

MONTHLY ANALYSIS OF CAPITAL EXPENDITURE
2020/2021 FINANCIAL YEAR

CAPITAL EXPENDITURE	2020/2021 FINANCIAL YEAR												
	Total \$(000's)	JUL \$(000's)	AUG \$(000's)	SEP \$(000's)	OCT \$(000's)	NOV \$(000's)	DEC \$(000's)	JAN \$(000's)	FEB \$(000's)	MAR \$(000's)	APR \$(000's)	MAY \$(000's)	JUN \$(000's)
0601 - Vehicles - Capital Cost	26	0	0	0	26	0	0	0	0	0	0	0	0
0602 - Furniture	37	0	0	2	0	0	0	1	1	6	1	1	25
0603 - IT Equipment	198	15	0	43	37	16	(12)	18	0	31	34	15	0
0604 - Land	3,346	0	0	1,100	0	2,246	0	0	0	0	0	0	0
0605 - Buildings	31,116	25	4,514	1,911	1,954	3,047	5,313	75	2,155	2,925	2,293	2,222	4,682
0606 - Roads	9,322	200	327	393	770	1,893	230	1,100	433	869	1,668	653	787
0607 - Drainage	298	17	0	8	66	1	26	2	58	0	90	1	30
0608 - Bridges	429	0	1	138	66	1	0	19	1	67	0	45	91
0609 - Recreation	14,151	873	1,111	935	1,271	6,388	(3,416)	221	2,040	1,125	1,647	875	1,083
0610 - Library Books	493	64	68	28	10	46	16	21	18	26	29	77	90
0611 - Other Assets	317	27	24	19	0	24	11	0	30	0	1	22	159
0613 - Footpaths & Cycleways	1,211	73	686	117	86	105	41	3	20	7	0	22	49
0614 - Renewal Capital Expenditure	551	0	13	117	14	41	12	11	10	57	4	59	212
0620 - Public Art Projects	65	0	(15)	0	0	15	0	0	16	3	0	2	44
0646 - State Government Funded projects	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure Excl Capital DCP	61,560	1,294	6,728	4,810	4,300	13,823	2,222	1,471	4,782	5,115	5,768	3,994	7,252
In Kind	74,038	0	0	5,447	0	3,722	5,392	0	0	6,975	200	36,057	16,244
TOTAL CAPITAL EXPENDITURE	135,598	1,294	6,728	10,258	4,300	17,545	7,614	1,471	4,782	12,090	5,968	40,051	23,497



MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Master Account Description	Total Budget 2020/21	Total Budgeted Grants 2020/21	YTD Budgeted Grants received 2020/21	Unbudgeted Capital Grants 2020/21	Total Funds Available 2020/21	YTD Actuals 2020/21	Pre Budget Capital Forwards to 2021/22	Post Budget Capital Carry Forwards to 2021/22	Total Funds Spent or Committed Forwards to 2020/21	Variance Commentary Against the Original Budget
Totals	113,513,938	13,372,369	22,285,170	12,520,357	126,034,295	61,559,765	44,989,812	20,055,343	126,587,920	
01510 - Furniture & Equipment	70,000	0	0	0	70,000	13,250	0	0	13,250	Savings due to decline in furniture purchase due to Covid
01600 - Plant Operation	0	0	0	0	0	0	0	0	0	Minor expenditure. Variance not significant.
01605 - Plant Purchases/Replacement	1,364,000	0	0	0	1,364,000	26,433	0	0	26,433	Council has moved to revealed leasing and therefore vehicle replacement has not occurred.
01656 - 3-13 McDonald Street, Sewer Works	0	0	0	0	0	52,837	0	0	52,837	Sewer relocation maintenance works relating to prior year.
02033 - Annual IT Device Replacement	535,000	0	0	0	535,000	182,125	0	0	182,125	Savings due to decline in IT equipment purchase due to Office accommodation Project and Covid
02206 - Planning Improvements	0	0	0	0	0	14,550	0	0	14,550	Minor expenditure. Variance not significant.
02005 - Library Collection	485,000	0	0	0	485,000	489,918	0	0	489,918	This project is now complete. Slight underspend due to not being able to procure physical items in community languages.
02008 - Library Operations and Resources - Administration	50,000	0	0	0	50,000	23,031	0	0	23,031	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
02311 - Premier's Reading Challenge	23,000	0	0	0	23,000	23,000	0	0	23,000	No variance or carry forward.
03000 - IDA Works Program	90,000	0	0	0	90,000	107,050	0	0	107,050	This program is now complete. Program overspent slightly due to a variation associated with labra services.
03021 - PSP1 ICP Infrastructure Design	238,412	0	0	0	238,412	0	0	0	0	This is an ICP allocation for staff costs. Expenditure is captured in another ledger.
03050 - Guard Rails	0	0	0	0	0	1,800	0	0	1,800	Minor expenditure. Variance not significant.
03000 - Car Park Upgrades	1,062,500	0	0	0	1,062,500	0	0	0	0	Unbudgeted income for various carpark upgrades that will be undertaken in 2021/22.
03110 - Shared Path Construction Program	857,520	200,000	100,000	100,000	857,520	702,841	60,000	94,678	857,520	Program mostly complete. Minor carry forward required from complete program in 2021/22.
03124 - New Footpaths Construction Program	60,300	0	0	0	60,300	214,906	0	0	214,906	Over expenditure is offset by under expenditure in ledger 04536 - Footpath Construction Program.
03160 - Footpath Renewal Program	1,154,899	0	0	0	1,154,899	1,201,629	0	0	1,201,629	Variance is due to savings related to the Footpath and Shared Path Construction Programs.
03170 - Renewal Program - Sealed Roads (P) (8736)	4,545,624	0	0	0	4,545,624	2,407,184	2,645,624	0	5,052,808	This program is made up of various road rehabilitation projects including the asphalt contract. The asphalt contract is now complete. Outstanding road rehabilitation projects will be delivered in the 2021/22 FY.
03186 - PR183 Westwood Drive Bridge	0	0	0	0	0	47,365	0	0	47,365	Minor expenditure on completed project
03222 - Bridge Road Extension	0	0	0	0	0	155,745	0	0	155,745	Project budgeted in previous financial year and not carried forward.
03290 - Renewal Program - Kerb and Channel	151,109	0	0	0	151,109	150,981	0	0	150,981	Variance not significant
03252 - Water Sensitive Urban Design Program	178,800	0	0	0	178,800	121,100	58,600	0	179,700	Minor carry forward to complete program in 2021/22
03433 - Westwood Drive, Burnside - Pedestrian Crossing	20,000	0	0	0	20,000	17,720	0	0	17,720	Variance not significant
03517 - Melton Recycling Facility - Stage 2	3,298,000	3,000,000	3,000,000	3,000,000	3,298,000	197,670	3,298,000	0	3,495,670	Project delayed due to budget constraints and delivery methodology.
03575 - PR23 - Melton Recycling Facility Expansion	462,742	0	0	0	462,742	483,231	0	0	482,742	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
03721 - Traffic Management Devices Program	362,237	0	0	0	362,237	235,742	130,000	0	365,742	This program is made up of various projects, with delivery impacted by the COVID pandemic. Outstanding projects will be delivered in the 2021/22 FY.
03723 - Road Safety Around School Program	100,000	0	0	0	100,000	304,307	0	0	304,307	Overspend relates to Traffic Management Devices in ledger 3721
03728 - Toolern Vale Roads - Design	60,000	0	0	0	60,000	70,722	0	0	70,722	Variance not significant
03732 - Major Traffic Management Upgrade Program	981,000	0	0	0	981,000	55,324	681,000	0	981,032	This is a multi-year program. Carry forward required to complete projects that were delayed in 2020/21.
03787 - Improving Pedestrian and Cycling Safety, Security	0	0	0	0	0	9,000	0	0	9,000	Minor expenditure. Variance not significant.
03904 - PSP Council Funded Perfor WK/Land	0	0	0	0	0	1,807,575	0	0	1,807,575	Unbudgeted payments required in accordance with DCP triggers.
03908 - PSP-public Open Space Compensation	0	0	0	0	0	1,538,300	0	0	1,538,300	Unbudgeted payments required in accordance with DCP triggers.
04532 - Bridge Rehabilitation Program	0	0	0	0	0	211,339	0	0	211,339	Unbudgeted expenditure due to damage from traffic accidents
04536 - Footpath Construction Program	180,711	0	0	0	180,711	0	0	0	0	Under expenditure is offset by over expenditure in ledger 03124 - New Footpaths Construction Program.
04547 - Licensed Playspace Upgrade Program	100,000	0	0	0	100,000	23,004	77,000	0	100,004	Delay in project due to scoping and strategic direction. To be carried forward
05000 - Administration Capital works	0	0	0	0	0	1,658	0	0	1,658	Minor expenditure. Variance not significant.
05114 - Hillside Rec. Reserve-Grass Stand Seating	27,800	0	0	0	27,800	1,560	0	0	26,340	Project commenced in 2020/21. Carry forward required to complete project in 2021/22.
05129 - Bancroft Grove Reserve - Shade Sail Installation	35,300	0	0	0	35,300	0	0	0	35,300	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
05142 - Hillside Recreation Pavilion Refurbishment	468,360	0	0	0	468,360	42,550	408,360	0	468,360	Project delayed due to extended value management to achieve budget.
05165 - PR20 - Playground Renewal Program	187,331	100,000	50,000	50,000	187,331	178,756	0	0	178,756	Variance not significant
05167 - Renewal Program - Sportsground Furniture	51,546	0	0	0	51,546	9,741	0	0	51,546	Minor carry forward.
05175 - Melton Secondary College Sports Field	2,330,000	2,000,000	2,000,000	2,000,000	2,330,000	0	0	0	2,330,000	Project abandoned by Victorian School Building Authority.
05406 - Brookside Pavilion redevelopment	2,124,500	850,000	850,000	850,000	2,124,500	359,533	1,100,000	0	2,252,525	Minor expenditure. Variance not significant.
06003 - PR21 - Open Space Structures Renewal Program	268,041	0	0	0	268,041	17,110	250,631	0	1,513,333	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
06008 - PR28 - Installation of New Park Furniture	199,855	20,000	10,000	10,000	199,855	175,321	0	0	268,041	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
06013 - PR16 - Renewal of Synthetic Playing Surfaces	1,087,000	0	0	0	1,087,000	193,881	0	0	1,75,321	Variance not significant
06017 - Renewal Program - Irrigation Systems	235,591	0	0	0	235,591	193,881	0	0	1,087,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
06021 - Kurunang Tennis Courts	658,463	0	0	0	658,463	564,885	0	0	193,881	Variance not significant

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Appendix 1 Finance Report - Period Ended 30 June 2021

Master Account Description	Total Budget 2020/21	Total Budgeted Grants 2020/21	YTD Capital Grants received 2020/21	Unbudgeted Capital Grants 2020/21	Total Funds Available 2020/21	YTD Actuals 2020/21	Pre Budget Capital Carry Forwards to 2021/22	Post Budget Capital Carry Forwards to 2021/22	Total Funds Spent or Carried Forward 2020/21	Variance Commentary Against the Original Budget
07033 - Renewal Program - Public Conveniences replacement	295,355	0	0	0	295,355	46,225	0	249,130	295,355	Program delayed due to Covid. Carry forward required to complete project in 2021/22.
07035 - PR468 Female Change Room Upgrade	709,256	0	0	0	709,256	0	400,256	40,244	441,900	This is a multi-year program with multiple loggers for individual projects. Carry forward required to complete projects that were delayed in 2020/21.
07117 - Installation of new open space fencing	100,000	0	0	0	100,000	121,555	0	171,555	171,555	Variance not significant
07221 - PR74 Morton Homestead Play Space	10,000	0	0	0	10,000	16,378	0	16,378	16,378	Minor expenditure. Variance not significant.
07626 - PR 66 Public Art Rehabilitation Program	10,000	0	0	0	10,000	19,381	0	250,000	250,000	Variance not significant
08021 - Caroline Springs Community Facility	250,000	0	0	0	250,000	36,250	0	150,000	150,000	Unbudgeted income earned forward to undertake project in 2021/22.
08082 - Caroline Springs Scout Group - Fencing of Grounds	35,000	0	0	0	35,000	36,250	0	150,000	150,000	Unbudgeted income earned forward to undertake project in 2021/22.
08090 - Black Knight Way Park Revitaliation	0	0	0	0	150,000	0	0	150,000	150,000	Unbudgeted income earned forward to undertake project in 2021/22.
08091 - Centenary Park Revitaliation	0	0	0	0	150,000	0	0	150,000	150,000	Unbudgeted income earned forward to undertake project in 2021/22.
08091 - Centenary Park Revitaliation	0	0	0	0	150,000	0	0	150,000	150,000	Unbudgeted income earned forward to undertake project in 2021/22.
08371 - Reserve Shelter Shade Program	80,000	0	0	0	80,000	0	0	80,000	80,000	Program delayed due to Covid. Carry forward required to complete project in 2021/22.
08402 - Brookside/Kurrajong Synthetics	0	0	0	0	0	1,336	0	0	1,336	Minor expenditure. Variance not significant.
08415 - PR640 Cricket Facility Improvement Program	60,000	0	0	0	60,000	62,025	0	0	62,025	Variance not significant
08417 - Taylors Hill Rec Res Dev - Stage 1	0	0	0	0	0	603	0	0	603	Minor expenditure. Variance not significant.
08423 - Burnside Heights Rec Reserve-Ball Sports Cube	20,000	0	0	0	20,000	46,200	0	152,000	152,000	Unbudgeted income for improvements at Melton Botanical Gardens that will be undertaken in 2021/22.
08431 - Melton Botanic Gardens Improvements	0	0	0	0	152,000	0	0	152,000	152,000	Unbudgeted income for improvements at Melton Botanical Gardens that will be undertaken in 2021/22.
08435 - PR778 Plumpton Aquatic & Leisure Centre	4,000,000	0	0	0	4,000,000	0	4,000,000	0	4,000,000	Allocation for land purchase for the Plumpton Aquatic Centre.
08607 - Burnside Heights Recreation Reserve Upgrades	100,000	0	0	0	362,545	0	90,000	362,545	362,545	Unbudgeted income for improvements at Burnside Recreation Reserve that will be undertaken in 2021/22.
08703 - Systemian Hillside CG Improvements	30,000	0	0	0	30,000	0	0	30,000	30,000	Unbudgeted income for improvements at Burnside Recreation Reserve that will be undertaken in 2021/22.
08710 - Renewal Program - Cricket Facilities	156,702	0	0	0	156,702	0	0	0	0	Program delayed due to Covid. Carry forward required to complete project in 2021/22.
08711 - Diggins Rec Community Cent/BURRS improve to full	0	0	0	0	1,350,000	0	0	0	0	Budget not required
08713 - Renewal Program - Netball Courts	315,257	0	0	0	315,257	1,180	0	314,077	315,257	Unbudgeted income for Diggins Rec oval refurbishment that will be undertaken in 2021/22.
08716 - Sports Facilities & Ground Lighting Maintenance Pr	0	0	0	0	140,400	10,537	0	14,463	25,000	Program delayed due to Covid. Carry forward required to complete project in 2021/22.
08719 - PR59 Car Springs Sub Regional Tennis Centre	25,000	0	0	0	25,000	10,537	0	14,463	25,000	Unbudgeted income earned forward to undertake project in 2021/22.
08726 - Drainage Infrastructure Program	203,550	0	0	0	203,550	135,678	53,000	14,972	203,550	Program mostly complete. Minor carry forward.
08727 - Renewal Program - Tennis/Netball Courts	370,000	0	0	0	370,000	254,889	0	3,400	3,400	Budget not required
08729 - Roadside Hazard Safety Improvements Program	417,856	0	0	0	417,856	162,856	0	477,845	477,845	Minor carry forward
08731 - PR31 Streetscape Improvements	350,000	0	0	0	350,000	455,074	35,000	490,074	490,074	Project rectification works for raised crossing outside Melton Library. Additional expenditure approved by Council.
08736 - Renewal Program - Sealed Roads (FY 3170)	717,802	1,260,918	1,765,285	594,367	1,222,168	105,668	0	105,668	105,668	The program is made up of various road rehabilitation projects including the asphalt contract. The asphalt contract is now complete. Outstanding road rehabilitation projects will be delivered in the 2021/22 FY.
08763 - PR101 City Vista Sports Facility (THW)	100,000	0	0	0	100,000	52,830	0	47,170	100,000	Project complete. Minor carry forward.
08770 - Renewal Program - Building Components	2,010,000	200,000	100,000	100,000	2,010,000	715,224	0	1,078,884	1,794,108	Various projects delayed due to Covid. Carry forward required to complete project in 2021/22.
08775 - PR103 Fraser Rise Community Centre	100,000	0	0	0	100,000	117,936	0	117,936	117,936	Variance not significant
08781 - Pedestrian Br-ellowing to Isabelle-50/50 Brimbank	80,000	0	0	0	80,000	15,740	0	64,260	80,000	Project is being partly undertaken by Brimbank and Melton Councils. Design work undertaken by Brimbank has been delayed. Carry forward required to complete project in 2021/22.
08790 - Passive Reserve Development Program	45,000	0	0	0	45,000	3,338	0	40,000	40,000	Minor expenditure. Variance not significant.
08794 - Bridge Rd Regional Hockey Facility	0	0	0	0	87,500	0	0	0	0	Project commenced in 2020/21. Carry forward required to complete project in 2021/22.
08811 - Toolern Hub 6 - Bridge Road Reserve - Athletics Fa	0	0	0	0	22,500	5,260	0	0	5,260	Minor expenditure. Variance not significant.
08815 - PR80 Burnside Heights Recreation Reserve-Car park	220,000	0	0	0	220,000	265,252	0	0	265,252	Variance not significant
08825 - Bus stop Works Program	90,000	0	0	0	90,000	6,350	0	0	6,350	The program is made up of various projects, with delivery impacted by the COVID pandemic. Outstanding projects will be delivered in the 2021/22 FY.
08826 - Moreton Homestead, Taylors Hill YCB	0	0	0	0	265,000	0	0	265,000	265,000	Unbudgeted income for improvements at Moreton Homestead that will be undertaken in 2021/22.
08829 - Ball Protection Fencing Program	80,000	60,000	30,000	30,000	80,000	4,990	0	75,010	80,000	Program delayed due to Covid. Carry forward required to complete project in 2021/22.
08831 - Renewal Program - Bridges	153,750	0	0	0	153,750	0	0	0	0	Budget not required
08835 - PR2716 Greenview Pt Flood Protection Work	15,000	0	0	0	15,000	40,330	0	0	40,330	Variance not significant
08838 - PR429 Burnside SH2 Multipurpose Community Centre	4,170,472	0	0	0	4,170,472	103,431	0	4,073,894	4,177,325	This project has delays incurred due to service authority relocation requirements. The project will be completed in 2021/22 FY.
08846 - Caroline Springs Blvd/Footbank Middle Rd Signals	400,000	0	0	0	400,000	0	320,000	80,000	400,000	This project has been delayed experienced. Design services have been awarded and are underway, with completion scheduled in the 2021/22 FY.
08847 - Caroline Springs Blvd/The Crossing-Signalled Inle	400,000	0	0	0	400,000	0	0	0	0	Minor expenditure on completed project.
08857 - PR3 Waterford Park & Walland Landscape Works	0	0	0	0	0	30,867	0	0	30,867	Minor expenditure on completed project.
08863 - Burnside Recreational Reserve modifications	0	0	0	0	0	12,004	0	0	12,004	Minor expenditure on completed project.
08871 - Home Drive Stage 2-Caldor Park Dr- Goutley Rd 8896	500,000	0	0	0	500,000	27,048	446,250	7,698	500,000	Design has been delayed

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Master Account Description	Total Budget 2020/21	Total Budgeted Grants 2020/21	YTD Capital Grants received 2020/21	Unbudgeted Capital Grants 2020/21	Total Funds Available 2020/21	YTD Actuals 2020/21	Pre Budget Capital Forwards to 2021/22	Post Budget Capital Carry Forwards to 2021/22	Total Funds Spent or Carried Forward 2020/21	Variance Commentary Against the Original Budget
58872 - PR98 Macpherson Park Redevelopment - Stage 1	0	0	590,000	590,000	590,000	21,852	0	0	21,852	Unbudgeted income for improvements at MacPherson Park that will be undertaken in 2021/22.
58874 - PR87 Kununungur Neighbourhood House	60,000	60,000	0	0	60,000	94,991	0	0	94,991	Variance not significant.
58885 - PR57 Athlete Community Hub	60,000	60,000	39,500	39,500	60,000	112,700	0	0	112,700	Variance not significant.
58892 - PR48 Eyresbury Sporting Facility	10,381,259	2,134,033	2,124,033	2,124,033	10,381,259	9,341,269	500,000	539,437	10,381,259	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
58896 - Hume Drive Dedication (FY 8/21)	0	0	0	0	0	9,397	0	0	9,397	Minor expenditure. Variance not significant.
58901 - PR31 Melton Central Community Centre (Whitehouse)	180,891	0	0	0	180,891	150,142	0	30,748	180,891	Project complete. Minor carry forward.
58903 - PR35 Hawthth Walks Park Upgrade	0	0	0	0	0	34,381	0	0	34,381	Minor expenditure on completed project.
58904 - PR42 Albany Road Reserve Upgrade	31,971	0	0	0	31,971	29,261	0	2,710	31,971	Minor expenditure on completed project.
58905 - PR83 Bill Canal Reserve Upgrade	0	0	0	0	0	23,788	0	0	23,788	Minor expenditure on completed project.
58906 - Macpherson Park - Unleashed Car Park	0	0	0	0	0	566,048	0	0	566,048	Variance not significant.
58908 - PR58 1718 Alameda Cheek PlaySpace	9,099	0	0	0	9,099	17,922	0	0	17,922	Minor expenditure on completed project.
58910 - PR20 Cobblebank Indoor stadium	22,000,000	45,000	0	0	22,000,000	21,007,102	0	996,403	22,005,500	Program delayed due to Covid. Carry forward required to complete project in 2021/22.
12001 - Sunville City United Soccer Club	77,320	0	0	0	77,320	77,320	0	0	77,320	Minor carry forward.
13000 - Public Art Installation	6,060	0	0	0	6,060	7,840	0	0	7,840	Minor carry forward.
13008 - Street Lighting Improvement Program	247,896	0	0	0	247,896	45,683	0	0	202,253	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
13011 - Pedestrian Crossings: Taylors Road, Goudray Road	50,000	110,000	0	55,000	50,000	9,030	0	0	9,030	Variance not significant.
13012 - Toilet facility at Tenterfield Park, Burnside Heig	200,000	0	0	0	200,000	300	0	0	50,000	This project is currently within the design phase.
13015 - Pedestrian Level Crossing Upgrades	0	0	0	0	0	1,431,888	0	0	1,431,888	Costs associated with the pedestrian crossings funded through the DCPs - There is a DC allocation to offset this expenditure.
13016 - Banchory Green in Banchory Park Rejuvenation	0	0	352,000	352,000	352,000	0	0	0	0	Unbudgeted income for upgrades to Banchory Park that will be undertaken in 2021/22.
13020 - Taylors Rd (West Belmont Dr) to West City Vista	917,718	0	0	0	917,718	144,970	793,000	0	793,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13022 - Bullmans Road, West Melton - Urbanisation	334,670	0	0	0	334,670	144,970	0	0	339,267	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13028 - Taylors Rd/Weswood Dr - Signalised Intersection	5,300,000	0	0	0	5,300,000	42,151	5,235,458	0	5,277,006	This project has seen delays incurred due to service authority relocation requirements. The project will be tendered in the 2021/22 FY.
13030 - PR53 City Vista Court	684,050	0	0	0	684,050	886,286	0	0	886,286	Variance not significant.
13032 - City Vista Dr Pedestrian Signals	24,500	0	0	0	24,500	0	0	0	0	Variance not significant.
13033 - PR65 Ferns Rd Hollogrowth Dr Intersection	1,350,000	0	0	0	1,350,000	74,027	0	0	74,027	Minor expenditure on completed project.
13035 - Shogaki Drive, Cobblebank Road Construction	1,350,000	0	0	0	1,350,000	0	1,350,000	0	1,350,000	Land purchase negotiations are currently occurring.
13048 - CS Lake Tenterfield Park Public Toilet	185,307	0	0	0	185,307	35,827	149,480	0	165,307	Project delayed due to Council resolution to relocate toilet. Carry forward required to complete project in 2021/22.
13057 - PR80 Atbour Boulevard Reserve Play Space	0	0	0	0	0	25,863	0	0	25,863	Minor expenditure on completed project.
13058 - PR77 Bloombury Drive Play Space	0	0	0	0	0	20,034	0	0	20,034	Minor expenditure on completed project.
13059 - PR99 CS Community Pavilion Extension	760,375	0	0	0	760,375	145,354	150,000	0	295,354	Project complete. Carry forward required to finalise contract.
13062 - Road Safety Project - Creamery Road, Toolern Vale	0	0	600,000	600,000	600,000	0	0	0	0	Unbudgeted income for road safety improvement in Creamery Road Toolern Vale that will be undertaken in 2021/22.
13064 - PR76 Marlo Drive reserve development	0	0	0	0	0	38,230	0	0	38,230	Minor expenditure on completed project.
13065 - PR65 Stan Payne Reserve Play Space	69,178	0	0	0	69,178	77,495	0	0	77,495	Variance not significant.
13066 - PR7 Diggers Rest Kindergarten Extension	62,539	17,500	17,500	17,500	62,539	32,783	29,756	0	62,539	Project complete. Minor carry forward.
13068 - Eyresbury Station Early Learning Centre	3,624,357	2,170,000	1,611,054	3,624,357	3,624,357	2,695,381	800,000	0	3,695,381	Project claim from the Victorian School Building Authority yet to be finalised.
13071 - Bridge Road Sports Precinct Oval 2 Design	60,000	0	0	0	60,000	33,808	26,351	0	60,159	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
13074 - Sinclair Road, Deanside - Bridge Construction	1,400,000	0	0	0	1,400,000	181,051	1,220,000	0	1,81,051	Unbudgeted project commenced early.
13076 - PR89 Salar Halfcut Program	1,400,000	0	0	0	1,400,000	59,094	1,320,000	20,906	1,400,000	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
13077 - Boundary Road (M. Cotter Rd) - (FY 3060)	4,411,922	0	0	0	4,411,922	2,775	4,411,922	0	4,414,697	Project being jointly delivered by Wyndham and Melton Council. Project delayed due to protracted MOA negotiations regarding cost sharing. Carry forward required to complete project in 2021/22.
13078 - Brooklyn Station Rd-Signalised Intersection/Ped Cr	2,821,340	0	0	0	2,821,340	56,818	2,488,772	16,050	2,821,340	This project has seen delays incurred due to service authority relocation requirements. The project will be tendered in the 2021/22 FY.
13080 - PR 14 Park Signage Program	50,000	0	0	0	50,000	38,129	0	0	38,129	Variance not significant.
13082 - Diggers Rest Community Pavilion and Oval No. 02	1,633,762	0	2,500,000	2,500,000	4,133,762	340,326	733,762	3,059,672	4,133,762	Project spans multiple financial years. Carry forward required to complete project in 2021/22. Unbudgeted income of \$2.5M for improvements at Diggers Rest Recreation Reserve that will be undertaken in 2021/22.
13083 - Silverdale Estate - Sound Walls	1,100,000	0	0	0	1,100,000	52,764	1,080,000	0	1,132,764	Project has been delayed due to challenges in meeting project requirements for the available budget.
13086 - Cobblebank Community Pavilion and Grandstand	500,000	0	0	0	500,000	0	500,000	0	500,000	Project being delivered by Developer that has been delayed. Carry forward required to complete project in 2021/22.
13088 - Melton Community Pavilion	300,000	0	0	0	300,000	72,863	227,137	0	300,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13089 - Bridge Road Recreation Reserve-Community Pavilion	170,000	0	0	0	170,000	5,480	159,040	5,480	170,000	Project complete. Minor carry forward.

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Item 6.5 Finance Report - Period Ended 30 June 2021

Appendix 1 Finance Report - Period Ended 30 June 2021

Master Account Description	Total Budget 2020/21	Total Budgeted Grants 2020/21	YTD Capital Grants Received 2020/21	Unbudgeted Capital Grants 2020/21	Total Funds Available 2020/21	YTD Actuals 2020/21	Pre Budget Capital Forwards to 30/06/21	Post Budget Capital Forwards to 30/06/21	Total Funds Spent or Committed Forward 2020/21	Variance Commentary Against the Original Budget
13001 - Taylors Road/Plumpton Road-Signalled Intersection	550,000	0	0	0	550,000	76,288	340,000	0	466,288	This project has seen delays incurred due to service authority relocation requirements. The project will be tendered in the 2021/22 FY.
13004 - Melton Health Refurbishment	0	0	4,000	0	0	4,000	0	0	4,000	Minor expenditure. Variance not significant.
13009 - Toolern Vale Playground Update	41,000	0	280	0	41,000	280	0	0	41,720	Delay in project due to scoping.
13100 - Royal Crescent Park Playground	38,000	0	720	0	38,000	720	41,000	0	41,596	Variance not significant.
13101 - Goutley Rd Play Poles	127,483	0	185,168	0	127,483	185,168	0	0	165,168	Variance not significant.
13102 - Taylors Hill Shopping Centre - Turning Lane	235,000	0	187,106	0	235,000	187,106	43,000	0	235,000	Project complete. Minor carry forward.
13104 - Courthouse Cafe	100,000	0	0	0	100,000	0	0	0	25,000	Project complete. Minor carry forward.
13109 - PR1461 Melton Waves External Fabric Renewals	0	0	9,000	0	0	9,000	0	0	9,000	Budget is against ledger 07035 - PR48 Female Change Room Upgrade
13111 - Female Friendly Change room upgrade - Ian Cowie	0	0	249,950	0	0	249,950	0	0	249,950	Budget is against ledger 07035 - PR48 Female Change Room Upgrade
13112 - Female Friendly Change room upgrade - Burnside	0	0	0	0	0	0	0	0	0	
13113 - Bourne/Spring/Childsmink/Communcier Temp CarPark	130,000	0	0	0	130,000	0	130,000	0	130,000	Project delayed due to issues with land access. Carry forward required to complete project in 2021/22.
13116 - Parks Development Program	1,063,400	445,916	222,859	0	1,063,400	0	120,000	908,177	1,028,177	This is a multi-year program. Carry forward required to complete projects that were delayed in 2020/21.
13117 - Troops Rd South (Greigs to Boundary) - Road Corsh	500,000	0	0	0	500,000	237,063	400,000	0	637,063	This is a multi-year program. Carry forward required to complete projects that were delayed in 2020/21.
13118 - Mt Almond East Community Hub (PY 13172)	1,115,500	0	3,380,000	3,380,000	3,380,000	0	168,000	3,212,000	3,380,000	Unbudgeted income for the Mt Almond East Community Hub that will be undertaken in 2021/22.
13120 - Taylors Rd(City Vista-Courley)-Rd Duplon & Signals	600,000	0	1,115,500	0	1,115,500	0	0	0	1,115,500	This project has seen delays incurred due to service authority relocation requirements. The project will be tendered in the 2021/22 FY.
13121 - Annolds Creek Children & Community Centre 3rd Room	600,000	0	75,000	75,000	675,000	693,413	0	0	693,413	Minor expenditure. Variance not significant.
13122 - Taylors Rd/Sindlers Rd - Signalled Intersection	500,000	0	0	0	500,000	67,696	360,000	66,334	496,056	The project has seen delays incurred due to service authority relocation requirements. The project will be tendered in the 2021/22 FY.
13127 - Taylors Hill Youth & Community Ctr- Ext & Upgrade	1,940,000	0	39,256	1,690,000	1,940,000	39,256	1,690,000	10,744	1,940,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13128 - Alfred Rd, Cobblebank-Rd Construction (Contribu)	1,500,000	0	0	1,500,000	1,500,000	0	1,500,000	0	1,500,000	This is a contribution to the construction activity occurring that will be seen in the 2021/22 FY.
13129 - Western Region Emergency Network Warehouse	1,940,000	500,000	199,156	800,000	1,940,000	199,156	800,000	949,844	1,940,000	Project delayed due to Covid. Carry forward required to complete project in 2021/22.
13130 - Boronia Drive Recreation Reserve-Car Park	77,600	0	0	0	77,600	1,110	77,600	0	78,710	Others have been expensed due to cultural heritage requirements. The project will be delivered in the 2021/22 FY.
13131 - Sporting Ground Upgrade	252,200	156,000	0	0	252,200	24,245	222,200	5,735	252,200	Project complete. Minor carry forward.
13133 - Taylors Rd Duplication & Int Upgrade of Goutley Rd	1,000,000	0	0	0	1,000,000	376,760	1,965,500	0	2,342,260	This project has seen delays incurred due to service authority relocation requirements. The project will be tendered in the 2021/22 FY.
13140 - Parks Dev. Program - Carina Reserve	0	0	0	0	0	13,855	0	13,855	13,855	Budget is against ledger 13116 - Parks Development Program
13141 - Parks Dev. Program - Kirkton Park	0	0	0	0	0	11,975	0	10,543	22,518	Budget is against ledger 13116 - Parks Development Program
13142 - Parks Dev. Program - Obbia Ave Reserve	0	0	0	0	0	9,881	0	9,881	9,881	Budget is against ledger 13116 - Parks Development Program
13143 - Unsealed Car Parks Upgrade - Vancos	0	0	0	0	0	9,249	0	1,011,200	1,062,500	Spending against LRGI funding which has not yet been received to meet Dec 21 project completion deadline.
13144 - Female Friendly Changeroom Project-Melton Sh Rec	0	100,000	100,000	100,000	100,000	0	0	0	0	Unbudgeted income for female friendly change room improvement at Melton South recreation reserve that will be undertaken in 2021/22.
13145 - Female Friendly Changeroom Projects - Mt Carberry	0	100,000	100,000	100,000	100,000	0	0	0	0	Unbudgeted income for female friendly change room improvement at Mount Carberry recreation reserve that will be undertaken in 2021/22.
13146 - Springside Recreation Reserve	0	362,545	362,545	362,545	362,545	0	0	362,545	362,545	Unbudgeted income for improvements at Springside Recreation Reserve that will be undertaken in 2021/22.
13150 - PR08 Macpherson Park Redevelopment - Stage 2	1,500,000	0	1,663,236	472,000	1,972,000	1,663,236	0	308,800	1,972,036	Unbudgeted income for improvements at MacPherson Park that will be undertaken in 2021/22.
13170 - Melton Bowling Club Fencing	15,000	0	0	0	15,000	0	0	0	15,000	Minor carry forward.
13172 - Mt Almond Childrens & Community Centre (FY1318)	669,000	0	299,873	0	669,000	299,873	0	353,127	658,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13173 - Renewal Program - Tennis Courts (Wildside Rec Res)	60,000	0	0	0	60,000	0	0	60,000	60,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13174 - Diggins Net Reserve Scoreboard	60,000	50,000	25,000	0	60,000	0	0	60,000	60,000	Project spans multiple financial years. Carry forward required to complete project in 2021/22.
13177 - MGC Accommodation Refit	1,250,000	0	0	0	1,250,000	3,593,449	0	0	3,593,449	Council approved additional expenditure on the civic centre accommodation project that is funded from the accommodation interest.
13178 - Burnside Recreation Reserve - Oval Construction	0	0	0	0	0	865	0	0	865	Minor expenditure. Variance not significant.
13180 - Melton Pabst Club-Upgrade of Fine Access Track	15,000	0	0	0	15,000	0	0	15,000	15,000	Minor carry forward.
13180 - MacPherson Park Stage 2- Soccer Pavilion	0	0	816,395	0	0	816,395	0	0	816,395	Unbudgeted income for improvements at Diggins West Recreation Reserve that will be undertaken in 2021/22.
14005 - Diggins Rest Rec Reserve - Cricket net relocation	0	90,000	90,000	90,000	90,000	0	0	90,000	90,000	Unbudgeted income for improvements at Diggins West Recreation Reserve that will be undertaken in 2021/22.
14011 - Springside Reserve Refurbishing	0	0	0	0	0	1,204	0	0	1,204	Minor expenditure. Variance not significant.
14025 - Paynter's Rd Community Centre	0	0	0	0	0	30,250	0	0	30,250	Minor expenditure. Variance not significant.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING8 SEPTEMBER 2021

6.6 DEBT COLLECTION POLICY 2021

Author: Catherine Nichols - Rates Coordinator
Presenter: Sam Rumoro – Finance Manager

PURPOSE OF REPORT

To seek approval of the updated Debt Collection Policy.

RECOMMENDATION:

That Council notes that the Audit and Risk Committee has reviewed the Policy and the updated Debt Collection Policy be considered by the Policy Review Panel for approval.

Recommendation 6

Cr. Majdlik/Cr. Shannon

That Council notes that the Audit and Risk Committee reviewed the Policy and the updated Debt Collection Policy be considered by the Policy Review Panel for approval, including the suggested comments listed below by the Audit and Risk Committee.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

The Committee discussed the draft Policy and suggested the following amendments:

- In the Endorsement section amend Audit Committee to Audit & Risk Committee
- In section 3 Definitions, under 'Necessitous Circumstances' include *illness*
- In section 4.1.1.1 under 'Failure to pay Instalments due' include the year of the Local Government Act.
- In section 4.1.1.4 under Sale of Property to recover outstanding rates- Section 181 of the Act, include year of Act and also add to the end of the first sentence '*to Executive and then to Council if action is required as per the Local Government Act*'.
- In section 4.1.2 the last paragraph, change ratepayer to '*debtor*'.
- Any future draft policies tabled to Audit and Risk Committee to show amendments marked up in red, for ease of distinction.

Action:

The above amendments to be incorporated into the draft Debt Collection Policy prior to being considered by the Policy Review Panel for approval.

REPORT**1. Executive Summary**

Debt Collection Policy provides a framework for the efficient and effective collection of all outstanding debts and compliance with statutory requirements in relation to collection of rates, charges, fees and other debts.

The Policy attached has been reviewed and endorsed by Executive as well as had a gender impact assessment as required by the new Gender Equality Act 2020.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

2. Background/Issues

Council is required to have a Debt Collection Policy reviewed at regular intervals. Amendments to Policy have centred around reducing the need to take legal action with the utilisation of sms, phone call campaigns, email and field calls to engage with ratepayers, with legal action used as a last resort. Council has been successful in reducing the amount of legal action it has undertaken in recent years while improving collection rates. Family violence considerations were also added to the Policy document.

3. Audit and Risk Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

1. Review changes in significant accounting policies and disclosures

4. Financial Considerations

There are no direct financial considerations with the recommendations in this report.

5. Consultation/Public Submissions

The policy was reviewed in consultation with Executive and has had a gender impact assessment undertaken.

6. Risk Analysis

There are no risks associated with the recommendations in this report.

7. Options

The Audit Committee can recommend to Council that it:

1. Note the report as per the recommendation;
2. Request further information/clarification if deemed necessary.

LIST OF APPENDICES

1. Debt Collection Policy 2021

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.6 Debt Collection Policy 2021

Appendix 1 Debt Collection Policy 2021

	Debt Collection Policy
Version No.	V4, 24 February 2021
Endorsement	General Manager Corporate Services Executive Audit Committee Policy Review Panel
Authorisation	Council
Expiry date:	31 December 2023
Responsible officer:	Revenue Coordinator
Policy owner	Manager Finance

1. Purpose

To provide a framework for the efficient and effective collection of all outstanding debts and compliance with statutory requirements in relation to collection of rates, charges, fees and other debts.

2. Scope

This policy applies to all rates and charges levied by council in accordance with the Local Government Act 1989, and other receivables that are owed to council for performing works and services.

This policy is not applicable to Infringements which are subject to different collection process.

3. Definitions**Compassionate Grounds:**

Short term circumstances of a compassionate nature that if deferment of payment was not granted, it would lead to a situation of financial hardship and other difficulties.

Financial Hardship:

The debtor is unable to pay the outstanding monies owing due to any adverse financial situation.

Necessitous Circumstances:

Circumstances beyond the control of the ratepayer /debtor that makes payment of outstanding money owed to council impracticable on a short term basis only e.g. death in the family, those affected by family violence.

Special Circumstances:

Circumstances where the ratepayer/ debtor has a demonstrable need, outside their control

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

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Item 6.6 Debt Collection Policy 2021

Appendix 1 Debt Collection Policy 2021

4. Policy

Council has a responsibility to ensure monies owed to it are collected in a timely, effective and efficient manner to finance its operations and ensure effective cash flow management. Whilst carrying out this responsibility, Council will:

- Ensure that the process is transparent to everyone;
- Treat all people fairly and consistently under this policy;
- Treat all matters under this policy confidentially; and
- Treat people with respect and sensitivity in considering their circumstances.

The management and recovery of outstanding debt is an important aspect of the Council's Financial Management function. The powers available to Council in pursuing outstanding debts is set out in the Local Government Act 1989.

4.1 Debt Groupings

Amounts owed to Council can be categorised into several broad base groups including

- Rates and Charges
- Special Rates and Charges
- Loans and Lease agreements
- Sundry Debtors

Each grouping, by its particular nature, requires distinct methods of debt collection procedures and will be considered accordingly. The detailed collection procedures applying to these groups of debtors are attached to this policy. Collection processes to be followed for each debtor groupings are:

4.1.1 Rates and Charges debts**Standard collection process****4.1.1.1 Failure to pay Instalments due**

Council currently offers payment by instalment on 30 September, 30 November, 28 February and 31 May each year. Statutory interest charges will be charged, in accordance of section 172 of the Local Government Act, for payments not made on the due dates mentioned above.

4.1.1.2 Reminder Notices

Reminder notices are forwarded to all unpaid rates accounts within 14 days of the instalment due dates, requiring payments within 10 days or to negotiate and enter a "Payment Arrangement". Any such payment arrangements should clear the debt within a 6-12 month period. Extended payment arrangements of more than 12 months duration will be considered under Council's Financial Assistance (Rates & Charges) Policy.

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4.1.1.3 Magistrate Court Actions

Ratepayers who do not respond to "Reminder Notice" will be subject to the following formal collection processes.

- SMS, phone call, email
- Debt Collection Agency Final Notice
- Solicitors Demand letter
- Field call
- Issue of Complaint
- Issue of Judgement Order
- Summons for Oral Examination of debt at the Magistrates Court
- Warrant of Apprehension served for failure to attend Courts for Oral Examination
- Contact by Debt Collection Contractor to follow up the repayment arrangement
- Issue of Warrant to Seize Property, Attachment of Earnings Application, Garnishee of Wages
- Reporting to mortgage financier of ratepayer's indebtedness to Council
- Bankruptcy proceeding
- Winding up of companies.

The above actions incur the Magistrates Courts Civil Procedures-Scale of Costs, all of which are recoverable from the ratepayer.

Discretion of the Manager Finance is exercised in proceeding with any of the above actions, dependent upon size of the debt, length of debt accrual and past history of ratepayer.

If Council officers have been alerted of necessitous circumstances impacting a ratepayer such as family violence, Revenue Coordinator and Manager Finance are to be informed of the matter. Any proposed collection activity will require approval by Revenue Coordinator and Manager Finance.

4.1.1.4 Sale of Property to recover outstanding rates-Section 181 of the Act

The Manager Finance will prepare a report of properties proposed for sale to recover unpaid rates and charges on a yearly basis.

The report is to reflect those properties where all measures to collect the debt has been unsuccessful and officers believe proceeding to sell the property is justified and worthwhile. The report will be supported by a confidential listing of all required details for council to make an informed determination on each individual debtor, including the debtor's financial circumstances if known, debt history, costs involved and any other relevant matters.

4.1.2 Special Rates and Charges:**Standard Collection Process:**

Initial accounts, for any special rates and charges, are forwarded once the special rate or charges has been formally declared. The payment terms will be as agreed in the declaration of special charges and rates for each scheme.

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4.1.2.1 Reminder notices:

Reminder notices are forwarded when payments are not received on due date.

4.1.2.2 Follow up action:

As per rates and charges procedures.

4.1.3 Loans and Lease Agreements**Standard Collection Process**

Council has several loans and lease agreements with community organisations and businesses. Repayments are identified in the agreement and a repayment schedule is provided. Notices for these are forwarded one month prior to the due dates.

4.1.3.1 Reminder notices

Monthly statements are sent to unpaid accounts.

4.1.3.2 Over 90 days overdue

Accounts not settled for more than 90 days are referred to the responsible Council Officer for follow up.

4.1.3.3 Final Notices:

In the absence of any suitable payment arrangement / non-compliance of payment arrangements, final notices are initiated as a step before legal recovery processes commence.

Future use of Council facilities may be restricted if no satisfactory payment plan is entered into.

4.1.4 Sundry Debtors**Standard Collection Process**

Statement of accounts / invoices are forwarded on a monthly basis

4.1.4.1 Reminder Accounts

Statement of accounts incorporating arrears outstanding to be sent in following month.

4.1.4.2 Overdue accounts

Respective Council Officers are provided with a list of overdue accounts. Responsible Officers advise Finance of further actions.

4.1.4.3 Credit notes

A "Request for Credit Note" must be completed using Council's Customer Action Request (CAR) system.

4.1.4.4 Write Off of Bad Debts

Debts may be written off where there is no expectation of recovering the amount owing.

Any write offs must be authorised by the Manager Finance.

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If Council officers have been alerted of necessitous circumstances impacting a ratepayer such as family violence, Revenue Coordinator and Manager Finance are to be informed of the matter. Any proposed collection activity will require approval by Revenue Coordinator and Manager Finance.

4.2 Financial Assistance (Rates & Charges) Policy

Provision of Council's Financial Assistance (Rates & Charges) Policy will be used to assist Council's debtors where applicable before other debt collection procedures are enforced.

5. Responsibility**5.1 Debt Recovery Officer**

Responsible for day to day enforcement of the policy with necessary guidance from Revenue Coordinator.

5.2 Revenue Coordinator

Responsible to ensure that the policy is implemented in a consistent manner across all areas of Council, with necessary approval from the senior management of the Council.

5.3 Staff

This policy seeks to maintain and enhance Council's integrity and standing in its dealings with its debtors. It is expected that when Council staff have dealings with Council's debtors, that:

- All debtors are shown utmost respect, courtesy, and diligence in all dealings.
- High levels of ethics are adhered to, particularly when dealing with those debtors regarded as being in necessitous or disadvantaged circumstances.
- All debt collection arrangements are treated as strictly confidential.
- Maximum possible collection targets are sought by Council.
- Any negotiated arrangements are as per the documented guidelines stipulated in subsequent sections of this policy.

6. References and links to other documents**6.1 Legislation**

- Local Government Act 1989 with references to the following Sections
 - Section 170 Deferred payment of rates and charges
 - Section 171 Waiver of rate or charge or interest
 - Section 172 Council may charge interest on unpaid rates and charges
 - Section 177 Council may require occupier to pay rent
 - Section 180 Council may take legal action to recover unpaid rates and charges
 - Section 181 Council may sell land to recover unpaid rates and charges
- The Privacy and Data Protection Act (2014) Penalty Interest Rate Act 1983

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6.2 Council documents

- Debt Recovery Procedures
- Delegation conferred on the Manager Finance
- Financial Assistance (Rates & Charges) Policy

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6.7 VAGO REPORT; MAINTAINING LOCAL ROADS (MARCH 2021)

Author: Sam Romaszko - Manager Engineering Services
Presenter: Sam Romaszko - Manager Engineering Services

PURPOSE OF REPORT

To advise the Committee on the recommendations from the Victorian Auditor General's report, 'Maintaining Local Roads' (March 2021).

RECOMMENDATION:

That Council notes that the Audit and Risk Committee have reviewed the progress and proposed actions to implement the recommendations of the VAGO Maintaining Local Roads report.

Recommendation 7

Cr. Majdlik/Ms. Gregory

That Council notes that the Audit and Risk Committee reviewed the progress and proposed actions to implement the recommendations of the VAGO Maintaining Local Roads report.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

Discussion took place around the following items:

- decline of road satisfaction from residents pertaining from the annual satisfaction survey.
- Use of modern surveying equipment for road condition audits.
- The timeframe for those recommendations that are currently being worked on or are underway.

Action:

An exception report be tabled to the Audit and Risk Committee on the recommendations not completed according to schedule.

REPORT**1. Executive Summary**

The Victorian Auditor General's Officer (VAGO) examined whether councils use asset data, budget information and community feedback to inform their planning for road maintenance.

VAGO audited five Councils and conducted a sector-wide questionnaire to collect road maintenance data. All 79 Councils participated.

VAGO found that *Councils cannot determine whether they are achieving value for money when maintaining their road network.*

The report identifies 12 recommendations based on findings of the audit, of which 10 recommendations are applicable to Melton City Council. A response to each

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recommendation and actions required, if necessary, are outlined in the table within Section 2 of this report below.

2. Background/Issues

The Victorian Auditor General's Officer (VAGO) examined whether councils are achieving value for money in maintaining their local roads and use asset data, budget information and community feedback to inform their planning for road maintenance. Also considered was whether councils are finding and implementing solutions to achieve value for money and maintain roads in a timely manner. This report can be found in **Appendix 1**.

It is noted that 132,420km of local roads are managed by councils, equating to 87% of the State's total road network. Of this, 53% of local roads are unsealed, and an estimated \$870M was spent on the road network by councils.

VAGO audited five Councils and conducted a sector-wide questionnaire to collect road maintenance data. All 79 Councils participated and provided a survey response.

VAGO found that;

Councils cannot determine whether they are achieving value for money when maintaining their road network. This is because councils lack the detailed cost data they need to analyse and benchmark their performance.

In addition, some councils:

- have gaps in their road condition data
- are not effectively engaging their communities to understand road users' needs.

Recommendations set out in the VAGO report, based on finding of the audit, are outlined below.

Recommendations about maintenance planning (Report reference: Page 4)

VAGO Recommendation	Officer Comment
1. Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's Best practice guide for sealed roads 2020 and Best practice guide for unsealed roads 2020 (see Section 2.1)	Council assesses the condition of our road network on a cyclical basis (every four years), in accordance with Council's Asset Valuation and Revaluation Policy. This is consistent with ARRB's best practice guides.
2. Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Council's latest road condition audit included a range of modern surveying equipment and methods including laser based devices. Further investigation is currently

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	underway relating to other methods, with recommended options included in the next road condition audit which is scheduled to occur in the 2022/23 financial year.
3. Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Council has a comprehensive asset management framework that is implemented that sees effective management of our \$2.7B asset portfolio. A predictive modelling module is used to determine maintenance (renewal) expenditure, that ensures funds are directed to those assets that have been prioritised based on condition.
4. Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	<p>Council's draft Asset Management Strategy and Asset Management Plans have recently been socialised with the community through the Integrated Planning Project, which has seen these documents considered through the deliberative engagement process.</p> <p>Officers are currently working to ensure this recommendation is implemented within our standard processes moving forward, that will see feedback obtained every two years.</p> <p>In relation to reactive maintenance practices, Council's Road Management Plan provides guidance relating to inspection frequencies, intervention levels and response timeframes. A community consultation process was recently undertaken to ensure feedback was considered prior to adoption of Council's Road Management Plan which occurred at the Ordinary Meeting of Council on 07 June 2021.</p>
5. Set unit rates for reactive maintenance to: <ul style="list-style-type: none"> ▪ determine the adequacy of planned maintenance in reducing reactive 	Council has a contract in place relating to reactive maintenance activities that are required on our road network that includes set unit rates for various activities. We do, however have a system in place to monitor reactive

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<p>maintenance costs</p> <ul style="list-style-type: none"> ▪ compare costs of different road maintenance activities (see Section 2.3). 	<p>maintenance expenditure on individual assets.</p> <p>The development and implementation of a maintenance management system is currently underway, which will allow officers to accurately record reactive expenditure. This system will integrate into Council's Asset Management System, with the view to ensuring reactive maintenance expenditure is considered through the development of Council's annual maintenance (renewal) programs.</p>
<p>6.</p> <p>Record and maintain road condition data for its unsealed road network (see Section 2.1).</p>	<p>This action is specific to Yarra Ranges Shire Council only.</p>

Recommendations about achieving value for money (Report reference: Page 6)

VAGO Recommendation	Officer Comment
<p>7.</p> <p>Ensure data reported to Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by:</p> <ul style="list-style-type: none"> ▪ complying with relevant instructions ▪ establishing quality assurance processes over data collection and submission ▪ periodically reviewing data to identify errors (see Section 3.1) 	<p>Officers undertake regular reporting activities on our asset base, including LGPRF.</p> <p>A process review will be undertaken to ensure consistency associated with our submissions.</p>
<p>8.</p> <p>Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including:</p> <ul style="list-style-type: none"> ▪ expenditure on planned and reactive maintenance ▪ use of different seal types ▪ amount of resealing completed (see Section 3.1) 	<p>Through the use of predictive modelling software, officers regularly undertake scenario modelling on various treatments (including seal types) to determine the most appropriate treatment. Following the implementation of Council's maintenance management system, actual expenditure will be monitored and further modelling undertaken with consideration to future reactive maintenance proposed.</p>

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	Officers will be prepare advice for presentation to the Asset Management Steering Committee and Executive in response to this recommendation.
9. Undertake self-assessments of the cost of road maintenance against similar councils by: <ul style="list-style-type: none"> ▪ using publicly available data from Victorian Local Government Grants Commission and the Local Government Performance Reporting Framework ▪ incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	Officers utilise this data and review benchmarking that has been undertaken, to ascertain our level of expenditure and various treatment types in relation to other growth area councils.
10. Document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1).	This action is specific to Maribyrnong City Council only.

Recommendations about RMP compliance (Report reference: Page 8)

VAGO Recommendation	Officer Comment
11. Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	Council has a contract in place relating to maintenance activities associated with road management plan compliance, of which data is collected and retained to determine compliance. The implementation of a maintenance management system will ensure this information is readily available to contract managers, general staff and Executive at any time.
12. Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	Key performance indicators as identified within Council's road maintenance contract is linked to road management plan performance measures. The implementation of a maintenance management system will ensure this information is readily available in real time, and also provide contract

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	managers the necessary data to ensure compliance with the contract.
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3. Audit and Risk Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

34. Consider reports by regulatory and integrity agencies on investigations and relevance for Council (eg. VAGO/Ombudsman/IBAC/Local Govt. Inspectorate)

4. Financial Considerations

Not applicable

5. Consultation/Public Submissions

Consultation of recommendations and associated actions will be undertaken in various forms including surveys, letter drops and online via our community engagement platform.

6. Risk Analysis

Implementation of the recommendations associated with this VAGO Audit will strengthen asset management principles across the organisation and ensure best practice asset management.

7. Options

That the Audit and Risk Committee note this report.

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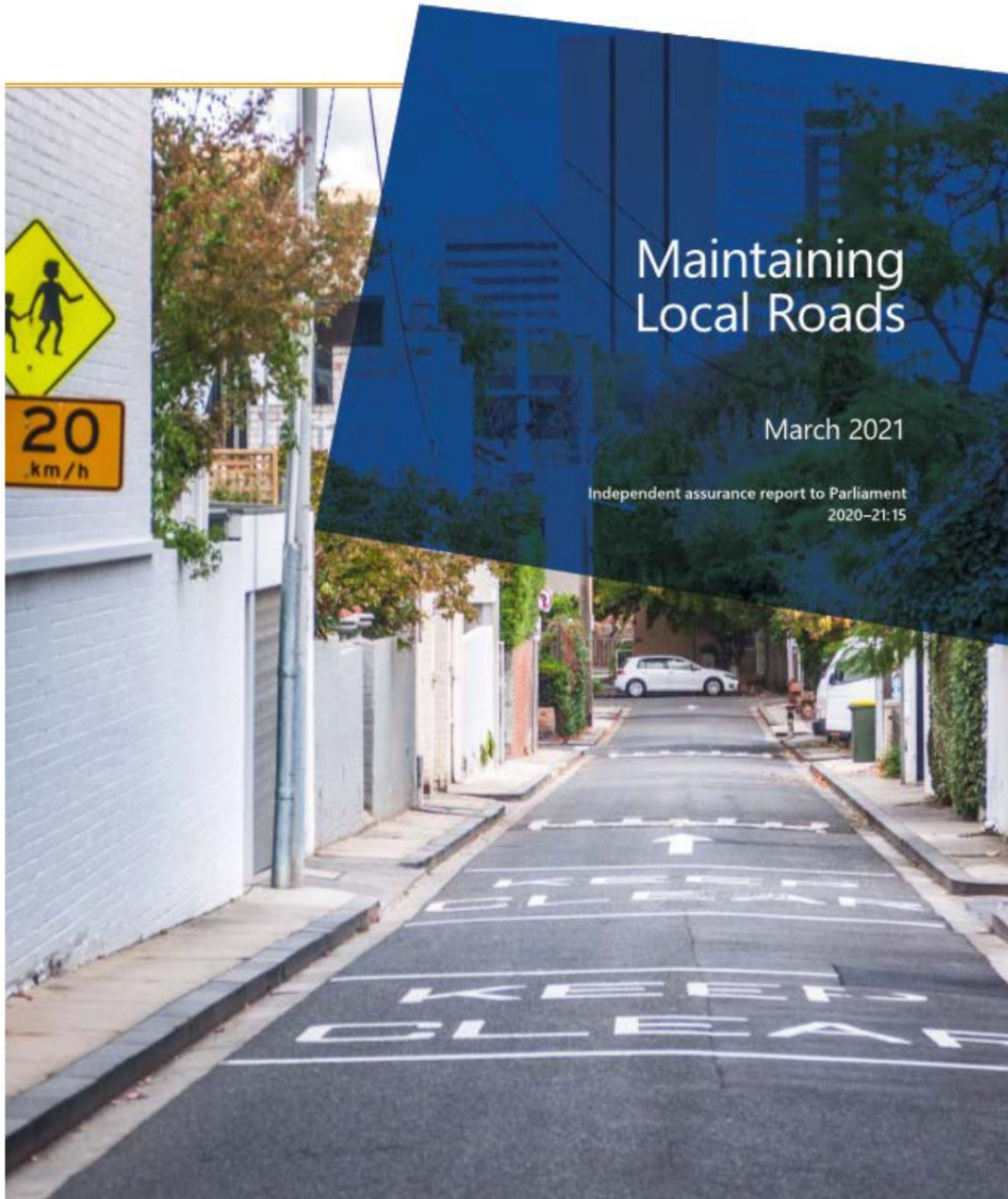
1. VAGO Report; Maintaining Local Roads (March 2021)

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Maintaining Local Roads

Independent assurance report to Parliament

Ordered to be published

VICTORIAN GOVERNMENT PRINTER

March 2021

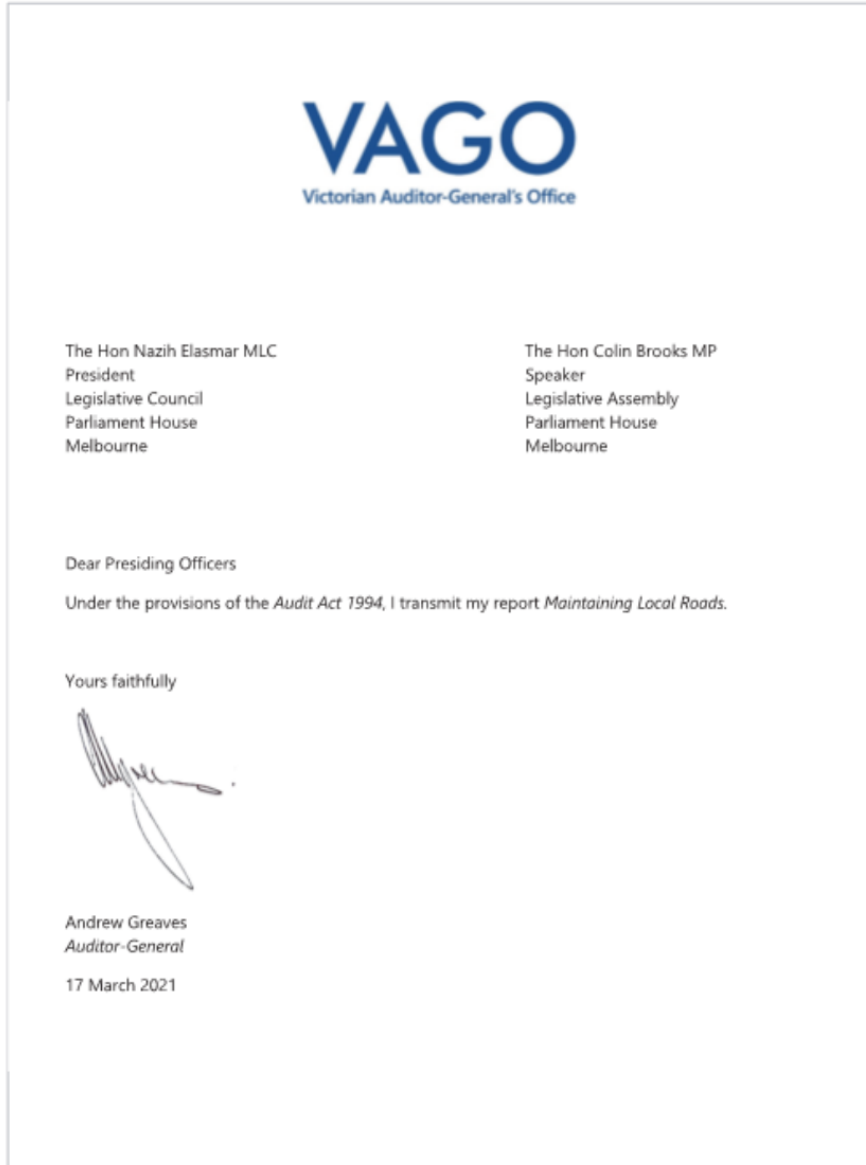
PP no 211, Session 2018–21

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The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

Maintaining Local Roads | Victorian Auditor-General's Report

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Audit snapshot

Are councils achieving value for money in maintaining their local roads?

Why this audit is important

Road maintenance ensures roads are safe and functional. In Victoria, councils manage local roads, which comprise 87 per cent of the state's road network. Local roads represent 10 per cent of council expenditure, so councils need to maintain them in a cost-efficient and financially sustainable way.

What we examined

We examined whether councils use asset data, budget information and community feedback to inform their planning for road maintenance. We also looked at

whether councils are finding and implementing ways to achieve value for money and maintain roads in a timely manner.

Who we examined

We audited five councils across a spread of types and sizes:

- City of Greater Bendigo
- Gannawarra Shire Council
- Maribyrnong City Council
- Northern Grampians Shire Council
- Yarra Ranges Shire Council.

We also conducted a sector-wide questionnaire to collect road

maintenance data. All 79 councils participated.

What we concluded

Councils cannot determine whether they are achieving value for money when maintaining their road network. This is because councils lack the detailed cost data they need to analyse and benchmark their performance. In addition, some councils:

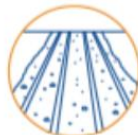
- have gaps in their road condition data
- are not effectively engaging their communities to understand road users' needs.

Key facts



132 420km

of local roads are managed by councils (which is 87% of Victoria's total road network) 2018-19



53%

of local roads are unsealed 2018-19



\$870m

was spent on roads by councils (which is 10% of total council expenditure) 2018-19



Over 1/3

of councils spent more than expected on road maintenance 2016-17 to 2018-19

Source: Victorian Local Government Grants Commission, 2016-17 to 2018-19.

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What we found and recommend

We consulted with the audited councils and considered their views when reaching our conclusions. The councils' full responses are in Appendix A.

Planning for road maintenance

Accurate and comprehensive data helps councils ensure they are planning cost-efficient and effective road maintenance services. All five audited councils record road inventory data and budget information, but gaps in the data limit its usefulness.

Road condition data

The Australian Road Research Board's (ARRB) *Best practice guide for sealed roads 2020* and the *Best practice guide for unsealed roads 2020* (ARRB best practice guides) recommend councils survey their road network every two to five years, depending on the type of road, to collect road condition data. This data provides councils with insight on what roads they should prioritise for maintenance.

All audited councils, except Yarra Ranges Shire Council (Yarra Ranges), survey both sealed and unsealed roads on their road network within the ARRB timeframes. Yarra Ranges does not survey its unsealed roads, even though they make up 65 per cent of its total road network. The council grades its unsealed roads three to six times per year. It relies on inspections it completes as part of this grading program to understand the condition of its unsealed roads. However, the council does not then update its asset management system to reflect the information it gathers. This means the council is not ensuring it incorporates up-to-date data on unsealed roads into its planning processes.

Reliance on visual surveying

Three audited councils—City of Greater Bendigo (Bendigo), Gannawarra Shire Council (Gannawarra) and Maribyrnong City Council (Maribyrnong)—rely on visual surveying to collect road condition data. Visual surveying can be less accurate and more time-consuming than surveying using modern equipment such as laser-based devices. It also does not identify many sub-surface defects.

These three councils advised us that more advanced surveying is unaffordable or not cost-effective. However, the other two audited councils are working to address the costs of surveying to benefit from modern technologies:

ARRB is a national transport research organisation. It developed a suite of best practice guides on roads for councils.

Unsealed roads are roads without a waterproof top layer. Roads that do have this layer are called **sealed roads**.

Grading is the process of restoring the surface of a road by redistributing gravel and removing irregularities, such as potholes.

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- Yarra Ranges worked with other councils to collaboratively tender for surveying equipment.
- Northern Grampians Shire Council (Northern Grampians) uses modern equipment on a representative sample of unsealed roads and then extrapolates the results to determine the condition of the broader unsealed road network.

Predictive modelling

Predictive modelling software forecasts road conditions and predicts where maintenance is needed. All audited councils use predictive modelling software. In addition, they all verify the outputs of the software by inspecting actual road conditions.

However, there are limitations in the software audited councils use, which makes planning more time-consuming and prone to errors:

- Maribyrnong, Northern Grampians and Yarra Ranges have to manually input data into the modeller as it is not integrated with the councils' other road data systems. Yarra Ranges advised us it plans to implement a whole-of-council enterprise system in late 2021 that should allow it to customise modelling and reduce manual processing.
- Bendigo's software can only model the overall condition of the road network and not specific roads. Bendigo advised us that it plans to recruit an officer to develop specifications for more functional modelling software.
- Northern Grampians' software upgrades road condition ratings based on the assumption that the council has performed all predicted road maintenance, creating a risk that it may assign incorrect ratings to roads that the council missed during maintenance.

Community engagement

Councils must proactively engage with their communities to understand what they need and expect from the road network. Community engagement is also an opportunity for councils to educate communities on planning considerations, such as budgets and service levels.

All audited councils engage their communities as required under the *Local Government Act 2020*, such as through seeking feedback on proposed council budgets. They also capture feedback through methods such as Local Government Victoria's (LGV) annual community satisfaction survey. However, the audited councils are not gaining a full picture of community needs because:

- communities can only provide feedback on the information that audited councils publish online, which is only a portion of all their road maintenance work
- audited councils do not educate their communities on expenditure trade-offs related to road maintenance
- with the exception of Bendigo, the audited councils do not routinely consult with community groups on road maintenance.

Understanding road maintenance costs

All audited councils set road maintenance budgets based on their previous year's expenditure, but they do not analyse this in detail to determine if they are doing

An **enterprise system** is a type of software that combines multiple data and business systems used by an organisation into one program.

Service level refers to the quality of a service, including road maintenance, that the council commits to providing to the community. For example, the service level of a road includes the quality of the road, its accessibility and how it functions.

LGV is part of the Department of Jobs, Precincts and Regions. It works with councils to improve practices, provides policy advice to the Minister for Local Government and oversees relevant legislation. It also runs an annual community satisfaction survey of residents on behalf of councils.

Planned maintenance involves preventative road works.

Reactive maintenance is when councils respond to defects when someone finds and reports them.

A **unit rate** is the cost per unit to build or repair an asset.

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enough planned maintenance to reduce reactive maintenance costs. In addition, none of the audited councils have unit rates for reactive maintenance activities to inform their budgets.

Recommendations about maintenance planning

We recommend that:	Response	
All Victorian councils	1. set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads 2020</i> and <i>Best practice guide for unsealed roads 2020</i> (see Section 2.1)	Accepted by all audited councils
	2. review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Accepted by all audited councils
	3. review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Accepted by all audited councils
	4. provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	Accepted by all audited councils
	5. set unit rates for reactive maintenance to: <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	Accepted by all audited councils
Yarra Ranges Shire Council	6. record and maintain road condition data for its unsealed road network (see Section 2.1).	Accepted

Achieving value for money

Councils do not collect the detailed data they need to monitor the costs of maintaining their local roads network or benchmark them with other councils. Even where data is available, councils do not make good use of it to understand the cost and effectiveness of their road maintenance program. As a result, councils cannot determine whether they are achieving value for money.

Limitations in available data

LGV collects data from councils annually as part of the Local Government Performance Reporting Framework (LGPRF). This includes one measure on the cost of resealing roads, and one on the cost of reconstructing them.

The LGPRF measures allow for basic benchmarking and are intended to provide indicative information on overall council performance. Reported results against the measures do not show the direct cost to the council of the actual work performed each year. They also do not account for factors that may make road maintenance more expensive, such as climate or traffic volume. Generating more granular data would allow councils to compare their costs in a meaningful way and determine whether higher costs were due to legitimate need.

Under the **LGPRF**, councils report their performance in delivering council services against 59 performance indicators. LGV collects and publishes this data online.

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In addition, not all LGPRF data is audited and can contain significant errors. For example, one council reported a cost of resealing per square metre in 2014–15 that was 18 times higher than what the council actually spent. This was because the council relied on rough estimation and calculations.

Accuracy is also an issue for the expenditure data that the Victorian Local Government Grants Commission (VLGGC) collects, especially data it collects on behalf of the Australian Local Government Association, which is not audited. For example, in 2018–19, four councils reported to VLGGC that they spent less than \$15 000 on road maintenance that year. The state median is \$9 million. These were obvious errors in council reporting but were not identified and corrected. Partly due to these limitations, none of the audited councils use LGPRF or VLGGC data to benchmark their costs.

Benchmarking council costs

Despite these limitations, councils can still use data from these sources to gain insights into their road management programs. For example, using this data we found that over one third of councils spent more than their total expected network costs between 2016–17 and 2018–19. In the same period, eleven councils spent more than double their total expected network costs and ten councils spent less than half.

These discrepancies indicate that either:

- as noted above, the data councils provide to VLGGC about their expenditure is inaccurate or inconsistent, or
- some councils are spending significantly more or less than their network requires.

Underspending on planned maintenance

Underspending on roads can indicate that councils are not completing enough preventative road maintenance. As outlined in the ARRB best practice guides, insufficient planned maintenance can result in councils facing increased costs for reactive maintenance or road rehabilitation in later years.

LGPRF data from 2014–15 to 2019–20 shows that, on average, councils had 4 per cent of their sealed roads above intervention level. While only one council maintained all of its sealed roads below intervention level, eight councils had more than 10 per cent of their sealed road network requiring maintenance.

We found that 15 per cent of Maribyrnong's sealed road network was above intervention level in the same period, well above the average for all councils. Maribyrnong advised us that it based its decision to defer works on the judgement of council engineers, but it did not document this decision. Relying on staff judgement to make decisions, in the absence of reliable data about roads, creates a risk that councils will not make evidence-based decisions. This may increase the need to do more expensive reactive maintenance. Maribyrnong's performance on this measure has improved over time. In 2019–20, less than 7 per cent of its network was above intervention level.

Choice of seal type

The cost data available to councils makes it difficult to understand if and why some councils are spending significantly more than others on roads. Some councils may spend more over a certain period to invest in durable seal types, but these

VLGGC makes recommendations about how the Australian Government should allocate its financial assistance grants to local councils.

The **Australian Local Government Association** is a federation of state and territory local government associations.

VLGGC calculates **total expected network costs** using data on the size of a council's road network, its traffic volume and the cost modifiers outlined in Section 1.5.

Intervention level refers to the condition of a road beyond which a council will not allow it to deteriorate. When a road goes above the intervention level, it requires action to ensure its quality, such as maintenance or capital renewal.

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investments may reduce maintenance costs in later years. LGPRF cost measures do not reflect this.

We found that, overall, councils use more expensive and durable seal types for roads with higher traffic volume. This is in line with the ARRB best practice guides. However, without the necessary cost and road condition data, individual councils cannot analyse whether their choice of seal type is achieving long-term value for money.

Recommendations about achieving value for money

We recommend that:	Response
Victorian councils	Accepted by all audited councils
7. ensure data reported to Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to identify errors (see Section 3.1) 	Accepted by all audited councils
8. identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including: <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	Accepted by all audited councils
9. undertake self-assessments of the cost of road maintenance against similar councils by: <ul style="list-style-type: none"> • using publicly available data from Victorian Local Government Grants Commission and the Local Government Performance Reporting Framework • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	Accepted by all audited councils
Maribyrnong City Council	Accepted
10. document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1).	

Road management plans

Compliance with road management plans

Under the *Road Management Act 2004*, councils can develop a road management plan (RMP) that details their standards for road maintenance. This includes how often they will inspect roads and how quickly they will respond to defects. Although it is voluntary, having and complying with an RMP allows councils to defend civil cases brought against them for road defects.

Timeliness of RMP compliance

None of the audited councils completed all planned inspections within the timeframes outlined in their RMPs for 2014–15 to 2018–19. Yarra Ranges was the closest to full compliance, completing 99 per cent of inspections on time for three of

We selected the period 2014–15 to 2018–19 to be consistent with our questionnaire data (see Appendix D). At the time of our questionnaire, 2019–20 data was not available.

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these years. In contrast, Gannawarra's highest rate of compliance was 86 per cent in 2018–19. Similarly, none of the councils complied fully with the defect response times set out in their RMP.

Failure to complete maintenance within the timeframes set out in their RMP exposes the audited councils to legal liability. In *Kennedy v Shire of Campaspe*, the council failed to inspect a footpath within the 18-month window set in its RMP by a period of only two days. Because it missed this window, the Victorian Court of Appeal found that the council could not rely on the RMP as a defence against the plaintiff's claim.

Recording RMP compliance

Four of the audited councils had gaps in their records of RMP compliance:

- Gannawarra's records showed inspections they completed on the due date as late because its system incorrectly set an earlier time for completion. It has since updated its system to address this.
- Northern Grampians and Yarra Ranges incorrectly marked a proportion of defect rectifications as incomplete even when they had repaired them as part of other road projects.
- Maribyrnong and Northern Grampians cannot access inspections and defect response data prior to 2016, when they replaced their road management system.

Maribyrnong's road management system produces dashboards that report its overall compliance rates, outstanding works, and the number of defects for each road type. Similarly, Bendigo's system allows it to automatically produce data on compliance with its RMP. The other audited councils do not have this feature in their road management systems. This means they cannot easily gain insight on factors that can contribute to non-compliance with RMP standards.

These data gaps mean councils cannot show they are meeting their responsibilities in delivering road maintenance if they receive a civil claim or complaint.

Measuring RMP performance

Measuring performance against RMPs allows councils to evaluate their performance over time and identify factors that make it difficult to comply with RMP standards.

Bendigo, Maribyrnong, Northern Grampians and Yarra Ranges set out an approach to monitoring compliance in their RMPs. However, Bendigo is the only audited council that includes clear performance measures. Bendigo's quarterly reviews of its performance have allowed it to identify and respond to resourcing issues that were impairing its maintenance delivery.

Using clear performance measures provides councils with valuable insight into how well they are complying with their RMP and can identify opportunities for improvement and better compliance.

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Recommendations about RMP compliance

We recommend that:	Response
All Victorian councils	
11. collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	Accepted by all audited councils
12. establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	Accepted by all audited councils

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1.

Audit context

Victoria has over 132 000 kilometres of local roads, making up 87 per cent of the state's total road network.

Councils are responsible for maintaining these roads so that they are safe and functional.

This chapter provides essential background information about:

- Victoria's road network
 - Types of road maintenance
 - Local roads data
 - Sources of road maintenance funding
 - Regulation of local road maintenance
 - Past reviews of road maintenance
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1.1 Why this audit is important

The condition of a road inevitably declines due to traffic and exposure to water. Road maintenance avoids safety risks to road users and prevents costly repairs.

Roads account for around 10 per cent of council expenditure. This makes it important for councils to take the most cost-efficient approach to maintaining their roads.

1.2 Victoria's road network

Victoria's road network comprises:

- municipal roads, also known as local roads, managed by councils
- freeways and arterial roads, managed by VicRoads
- toll roads managed by private operators.

Councils manage most of the Victorian road network. As at June 2019, councils manage a reported 132 420 kilometres of local roads. By comparison, VicRoads manages around 23 000 kilometres of freeways and arterial roads.

Sealed and unsealed roads

This audit focuses on the maintenance of both sealed and unsealed local roads (see Figure 1A). Sealed roads have a waterproof top layer, and unsealed roads do not. In this report, we refer to the top layer of a sealed road as a seal.

FIGURE 1A: Examples of a sealed and unsealed road



Source: VAGO.

Unsealed roads make up 53 per cent of the local roads network. As shown in Figure 1B, metropolitan and interface councils are the only cohorts that collectively have more sealed than unsealed roads.

Interface councils are the municipalities that form a ring around metropolitan Melbourne.

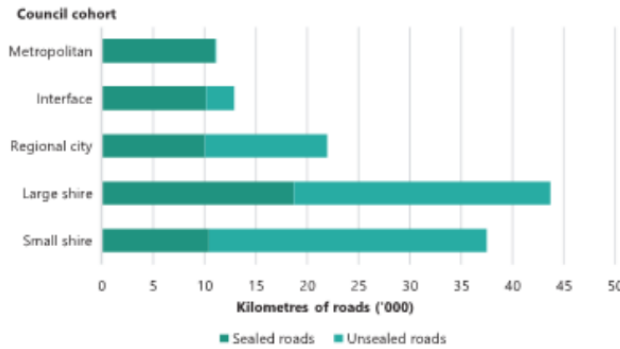
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FIGURE 1B: Amount of sealed and unsealed roads across council cohorts



Note: This figure is based on road length. VLGGC tells councils to consider roads with multiple lanes as one length and roads on boundaries of adjoining councils to be included at half-length. Metropolitan councils have a total of 134 kilometres of unsealed roads, making up 1.2 per cent of the total metropolitan road network.
Source: VAGO, based on 2018-19 VLGGC ALG1 data (see Section 1.4).

Road structure

Sealed and unsealed roads have different layers. Figure 1C shows the general structure of a sealed road and three types of unsealed roads.

FIGURE 1C: Layers of sealed and unsealed roads



Unlike **formed roads**, **unformed roads** have not been significantly shaped or improved. For example, councils may have only cleared vegetation for them or they may be the result of vehicles travelling over the same path over time.

Source: VAGO, based on information from ARRB.

The layers of sealed and unsealed roads have different purposes:

- The seal protects the layers below from moisture, reduces the rate of wear to pavement and extends road life.
- The base and sub-base transfer the weight of heavy vehicles to the subgrade. The base also acts as the wearing surface for roads that do not have a seal.

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Seal types

Seal types vary in life expectancy depending on the material used, such as asphalt, bitumen or concrete. Surfaces that last longer and are more durable are more expensive. Figure 1D shows the hierarchy of seal types based on these aspects.

FIGURE 1D: Hierarchy of seal types based on life expectancy, durability and cost



Source: VAGO, based on information from ARRB.

1.3 Types of road maintenance

As a road surface or seal deteriorates, it can develop potholes, cracks and other defects. Timely maintenance prevents these. It also stops water from entering and weakening the pavement.

Planned and reactive maintenance

Road maintenance falls into two categories: planned and reactive. Figure 1E describes their differences and the types of works they cover.

FIGURE 1E: Planned and reactive maintenance



Source: VAGO, based on information from ARRB.

Planned maintenance helps avoid the need for more expensive road works, such as rehabilitation or reconstruction.

Councils inspect their roads to evaluate overall road conditions or find road defects. Inspections can be proactive, or in response to a report from a member of the public or a council officer. After an inspection, councils may then decide to perform planned or reactive maintenance on the road.

Rehabilitation is restoring a road to a near original condition.
Reconstruction is rebuilding a road to a new condition.

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Achieving value for money

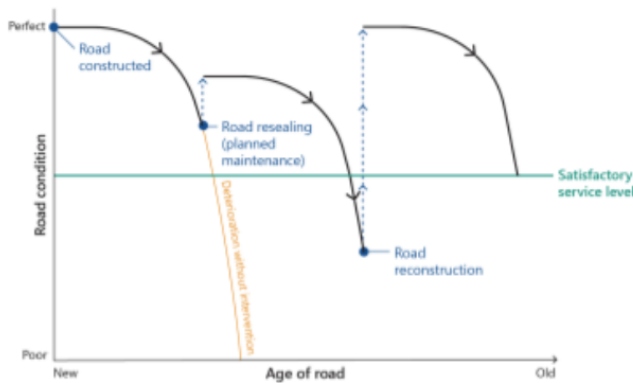
Councils achieve the best value when they provide a satisfactory service level for road users at the lowest cost over the long term. This requires councils to:

- understand the needs of road users to ensure service levels are appropriate
- determine the right mix of planned and reactive maintenance.

Relying on reactive maintenance may save councils money in the short term but will be more expensive and less effective in the long term. Reactive maintenance does not improve the overall condition of the road. Therefore, the road will continue to deteriorate and in time will require more substantial work to raise its condition to a satisfactory service level.

Figure 1F shows how the condition of a typical road deteriorates over time and the road works that are required to remedy this.

FIGURE 1F: Road deterioration graph



Source: VAGO, based on ARRB and Audit New Zealand.

1.4 Local roads data**VAGO questionnaire**

As part of this audit, in May 2020 we sent a voluntary questionnaire to all 79 Victorian councils that asked about:

- the size of their sealed and unsealed network
- costs of planned and reactive maintenance for sealed and unsealed roads
- the proportion of the council's road network with different seal types

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- the amount of resealing and resurfacing work undertaken
- factors that increased or reduced road maintenance costs
- the accuracy of their roads data.

All councils provided us with data from 2014–15 to 2018–19. We selected this period to balance the need to analyse data over time without burdening councils. At the time of the questionnaire, 2019–20 data was not yet available. See Appendix D for more information about this questionnaire.

Council systems

Councils use various information systems to inform road maintenance planning and delivery. This generally includes their:

- finance system—budget and expenditure information
- asset management system—captures, manages and analyses asset information
- predictive modelling software—models deterioration of roads over time and forecasts future road condition
- geographic information system—stores and generates mapping data
- records information management system—stores council documentation.

LGV

LGV, part of the Department of Jobs, Precincts and Regions, works with councils to improve their business and governance practices, and oversees legislation relevant to councils. It also collects data on council performance.

Community satisfaction survey

LGV conducts a community satisfaction survey on behalf of participating councils every year. It collects feedback from local residents on their council's performance across a range of services, including the condition of sealed local roads and the maintenance of unsealed roads.

LGPRF

The LGPRF is a mandatory system of performance reporting for all councils. Under the LGPRF, councils report on 59 performance indicators relating to services that they deliver every year, including five on local roads. LGV is responsible for collecting and publishing this data.

This publicly available roads data provides councils with performance information for benchmarking purposes and to inform strategic decision-making. The data also gives communities access to information about their council's performance.

Figure 1G describes the five LGPRF indicators relating to roads.

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FIGURE 1G: LGPRF road performance indicators

Indicator	Definition
Sealed local road requests	Number of customer requests for rectifications regarding the sealed local road network per 100 kilometres of sealed local road
Sealed local roads maintained to condition standards	Percentage of sealed local roads that are below the renewal intervention level set by council and not requiring renewal ^(a)
Cost of sealed local road reconstruction	Direct reconstruction cost per square metre of sealed local roads reconstructed ^(b)
Cost of sealed local road resealing	Direct resealing cost per square metre of sealed local roads resealed
Satisfaction with sealed local roads	Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads

^(a)The renewal intervention level is the road condition when resealing is required to return to its original condition.

^(b)Direct reconstruction costs are how much councils spend to reconstruct the road pavement and seal, which include administrative and overhead costs.

Source: Department of Environment, Land, Water and Planning, Performance Reporting Framework Indicator Workbook 2019–20.

VLGGC

VLGGC makes recommendations to the Australian Government, through the Victorian Minister for Local Government, as to how it should allocate local roads grants across individual councils. It collects three data sets on road data from councils every year through its annual questionnaire:

- VGC1: Expenditure and revenue data, which includes recurrent expenditure on local roads and bridges.
- VGC3: Local roads data, which covers road lengths, road type, strategic routes and bridges.
- ALG1: Road inventory expenditure and financial data, which VLGGC collects on behalf of the Australian Local Government Association. As VLGGC does not use this data, it does not perform quality assurance processes on it.

VLGGC uses the first two datasets to make recommendations to the Australian Government about allocations for local roads grants (discussed further in Section 1.5).

Prior to 1 July 2020, VLGGC was known as the Victoria Grants Commission.

1.5 Local roads funding and expenditure

Council expenditure

In 2018–19, councils spent \$870 million on sealed and unsealed roads (see Figure 1H). From 2014–15 to 2018–19, most road expenditure has been on sealed roads. At the time of publishing this report, VLGGC had not finalised data from 2019–20.

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FIGURE 1H: Total annual expenditure for sealed and unsealed roads



Note: Total annual expenditure for unsealed roads includes roads with formed, sheeted, and natural surfaces. This figure does not include road ancillary expenditure, which are all items other than the roadway, bridges and culverts part of the road asset. Examples of road ancillary items are traffic signs and footpaths.

Source: VAGO, based on VLGGC ALG1 data (see Section 1.4).

Australian Government funding

The Australian Government allocates local roads grants to each state and territory to cover costs of maintaining local roads and bridges. Victoria receives 20.6 per cent of Australia’s local roads grants each year, the second highest allocation after New South Wales. These allocations are fixed and do not change from year to year.

In 2018–19, the Australian Government allocated \$142.4 million in grants for local roads, with councils receiving between \$4.4 million and \$58 455. As shown in Figure 1I, this grant includes a larger proportion of local roads expenditure for regional and rural councils compared to metropolitan councils.

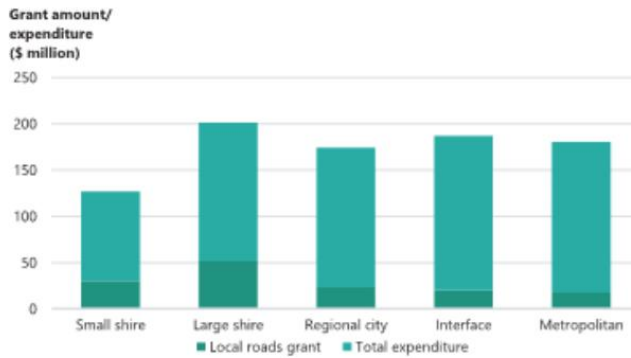
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FIGURE 1I: Local roads grants as a proportion of total road expenditure across council cohorts



Note: A proportion of local roads grants are for bridges. We have excluded that from this chart.
Source: VAGO, based on 2018-19 VLGGC data.

Figure 1J describes VLGGC’s process in calculating its recommendations for grant amounts.

FIGURE 1J: VLGGC’s methodology of grant calculation

VLGGC calculates each council’s total network cost by applying a formula based on road length, traffic volume and overall cost modifier. It determines each council’s grant amount based on the available funding in proportion to its total network cost.

Cost modifiers are factors that increase a council’s road maintenance cost. VLGGC gives councils a score against each of the five cost modifiers and multiplies them together for an overall value. The cost modifiers are:

- climate
- materials—local availability of road materials
- subgrades—seasonal swelling and shrinkage of the subgrade
- freight—higher volumes of heavy vehicles
- strategic routes—local roads that must be maintained to a higher standard because of their characteristics or functions, such as bus routes.

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Some councils receive less grant funding due to the cost modifiers, and others receive more. In 2018–19, 9 per cent of the total local roads grant allocation was redistributed due to the cost modifiers.

Source: VAGO, based on information from Victoria Grants Commission *Annual Report 2018–19*.

1.6 Relevant legislation and best practice guides

Road Management Act 2004

The *Road Management Act 2004* lists the roles and responsibilities of different authorities across Victoria's road networks. It establishes the functions and powers of councils as the road authority for local roads. Under section 40, councils have a statutory duty to inspect, maintain and repair public roads. This legislation also requires councils to maintain a register of all roads for which they are responsible.

RMPs

Under the *Road Management Act 2004*, councils can choose to develop an RMP that details standards or policies on how they will perform their road management duties. This includes:

- service levels
- criteria on what defects to repair
- what type of response the council will use for different defects.

It is not compulsory for councils to develop an RMP. However, an RMP can provide a defence to civil cases brought against a council for damages related to their roads. Councils need to comply with the standards set out in their RMP and maintain records of compliance in order to rely on this defence, as shown in Figure 1K.

FIGURE 1K: *Kennedy v Shire of Campaspe*

In August 2007, the plaintiff sought damages from the Shire of Campaspe after tripping on a footpath defect and injuring their wrist. The council's RMP required it to inspect that footpath every 18 months. However, the last inspection was 18 months and two days after the previous inspection. The court found that because the council had missed the standard in its RMP by two days, the council could not rely on compliance with the RMP as a defence to the plaintiff's claim.

Source: VAGO.

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Councils that choose to have an RMP must consult their community on it.

Local Government Act 2020

The *Local Government Act 2020* describes principles that councils must apply when performing their roles, including:

- strategic planning and community engagement
- pursuing innovations and continuous improvement
- ensuring the council's financial viability.

This means that councils need to use their resources efficiently and effectively to deliver services that meet community needs.

The *Local Government Act 2020* also requires councils to adopt and maintain a community engagement policy that they must apply when developing:

- planning and financial management
- community vision
- a council plan
- a financial plan
- revenue and rating planning
- an asset plan.

The *Local Government Act 2020* requires all councils to have this by 1 March 2021.

Best practice guides

In 2020, ARRB published a suite of best practice guides for local councils on road infrastructure. The ARRB best practice guides provide councils with information about planning and delivery of road maintenance services, and asset management practices.

Councils can also use LGV's *Local Government Asset Management Better Practice Guide* (2015) or the Institute of Public Works Engineering Australasia's *National Asset Management Strategy* to guide their road maintenance.

1.7 Previous VAGO audits on road maintenance

As shown in Figure 1L, VAGO has conducted multiple audits on asset management and road maintenance. These audits highlight the importance of:

- taking a proactive approach to maintenance to prevent more expensive future maintenance and reconstruction
- assessing financial data and understanding reasons for its changes
- planning for maintenance activities using financial data.

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FIGURE 1L: Past VAGO audits related to road maintenance

Date	Title	Key findings
2014	<i>Asset Management and Maintenance by Councils</i>	The audit found gaps in asset renewal planning and practice, the quality of asset management plans, asset management information systems, and in monitoring and evaluating asset management. Audited councils budgeted less than required to renew their assets, which increased the amount of asset renewal funding needed.
2017	<i>Maintaining State-Controlled Roadways</i>	VicRoads could not demonstrate that it was making best use of its maintenance funding. It had a reactive approach to maintenance and lacked strategies for early interventions. This means it was unable to keep up with the rate at which road pavements were deteriorating.
2019	<i>Local Government Assets: Asset Management and Compliance</i>	Audited councils did not have enough comprehensive and accurate information to support asset planning and did not make enough use of the information that they had. However, all audited councils had and used better information about their roads than other asset classes, largely because of their obligations under the <i>Road Management Act 2004</i> . Audited councils did not know how much their road maintenance programs cost at an overall level or the cost of maintaining each road.

Source: VAGO.

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2. Planning road maintenance

Conclusion

The audited councils are determining their planned road maintenance based on limited information, increasing the risk of waste or not meeting desired service levels.

All audited councils use asset data and budget information to plan for road maintenance. However, gaps and inaccuracies in road condition and cost data, and a lack of understanding of community expectations for service levels, significantly reduce councils' evidence base for decision-making.

This chapter discusses:

- Understanding the local road network
 - Understanding community needs
 - Understanding costs
-

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2.1 Understanding the local road network

Accurate and comprehensive asset information helps councils plan and maintain their local road networks effectively and efficiently. This information should include:

- road inventory data covering the number, type and description of local roads in their municipality
- road condition data
- predictive data modelling.

Road inventory data

All five audited councils maintain road inventory data on:

- whether roads are sealed or unsealed
- the length of the road
- the width of sealed and unsealed roads (with the exception of Bendigo, which applies a standard width of 4 metres to its unsealed roads)
- points of longitude and latitude
- road components such as seals, pavements, kerbs, and drains.

Staff and contractors at audited councils can look up individual roads in their asset management systems, including on mobile applications. This allows them to find relevant information while inspecting roads for defects and planned maintenance, and report any found assets.

The audited councils have effective procedures for updating their asset information when circumstances change. Their planning and development units inform the business units responsible for road maintenance of any:

- new roads in residential or commercial subdivisions of land
- existing roads for which other authorities, such as VicRoads, become responsible due to changes in the road type.

Road inventory data and the VLGGC

Providing accurate road inventory information to VLGGC is important, because it determines how much money the council receives. VLGGC apportions councils more funds for the maintenance of strategic routes than other local roads.

During random testing, we found some examples at Yarra Ranges where the council had failed to identify some local roads as strategic routes. Consequently, the council missed securing additional grant funding. It advised us that it last reviewed which of its roads were strategic routes in 2016 and plans to do so again in 2020–21. There is a risk that other local councils are also not accurately categorising their roads and missing potential funding opportunities.

Road condition data

Accurate and updated road condition data is essential for planning road maintenance. It allows councils to prioritise council funds for roads that need it the most.

Predictive data modelling allows councils to forecast road maintenance needs using software and road condition data they have collected.

Found assets are assets that the councils had not known about or previously recorded.

A **strategic route** is a road that requires more maintenance because of certain characteristics, such as if it is a bus route or near farm irrigation.

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The ARRB best practice guides recommend surveying sealed and unsealed roads periodically to collect road condition data and using this to determine when to maintain them.

The ARRB best practice guides outline different survey timeframes depending on factors such as the type of road, its traffic volume and deterioration. For example, councils should survey sealed roads with average traffic and deterioration every two to three years, compared to every five years for roads with low traffic and deterioration.

With the exception of Bendigo, which has an annual inspection approach, the audited councils align with the ARRB guidance to survey their sealed road networks every three to four years, as outlined in Figure 2A.

FIGURE 2A: Audited councils' approach to condition surveys of sealed and unsealed roads

Council	Sealed	Unsealed
Bendigo	Every year, inspecting at least one third of the overall road network each time	Every year, inspecting at least one third of the overall road network each time
Gannawarra	Once every three to four years	Once every three to four years
Maribymong	Once every four years	Once every four years
Northern Grampians	Once every four years	Once every four years
Yarra Ranges	Once every three years	Does not survey unsealed roads

Source: VAGO, based on information from audited councils.

However, except Bendigo, none of the audited councils have documented timeframes for condition surveys. Doing so would more clearly communicate expectations and provide a basis against which to assess performance in collecting up-to-date road condition data to inform maintenance planning.

Condition data on unsealed roads

For the past six years, maintenance of unsealed roads was the worst performing council service across the state according to LGV data. As shown in Figure 2B, community satisfaction with unsealed road maintenance is significantly lower than residents' rating of its importance.

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FIGURE 2B: Community satisfaction with unsealed road maintenance



Note: Results are calculated using an index score out of 100. LGV then ranks council services based on the gap between residents' rating of their importance and their perceived performance.
 Source: VAGO, based on LGV's 2020 Local Government Community Satisfaction Survey.

As outlined earlier in Figure 2A, all audited councils survey the condition of the sealed road network. However, unsealed roads also form an important part of local road networks, especially for rural and regional councils. Although these roads generally have less traffic than sealed roads, councils should still survey them to collect condition data to inform maintenance planning.

With the exception of Yarra Ranges, all audited councils survey their unsealed road network. Yarra Ranges' RMP does not require it to inspect unsealed roads, although they make up 65 per cent of the council's road network. The council advised us that it reviews the condition of its unsealed roads between three to six times a year through inspections it completes as part of its grading program. However, Yarra Ranges does not collect this data or input it into its road management system. As a result, Yarra Ranges is not ensuring it incorporates up-to-date data on unsealed roads into its planning processes.

Reliance on visual surveying

ARRB and Austroads recommend that councils use modern road surveying equipment and methods to ensure surveys are accurate and comprehensive. Examples of such equipment include:

- laser-based devices, which detect the surface texture of roads
- monitoring equipment, such as survey vehicles, to gather strength, roughness and texture data
- ground-penetrating radar to estimate gravel loss from unsealed roads
- cameras affixed to garbage trucks, or other vehicles delivering council services.

Surveying refers to evaluating the road network's overall condition.
Inspecting refers to looking at roads for defects.

Austroads is an organisation representing Australian and New Zealand road transport agencies.

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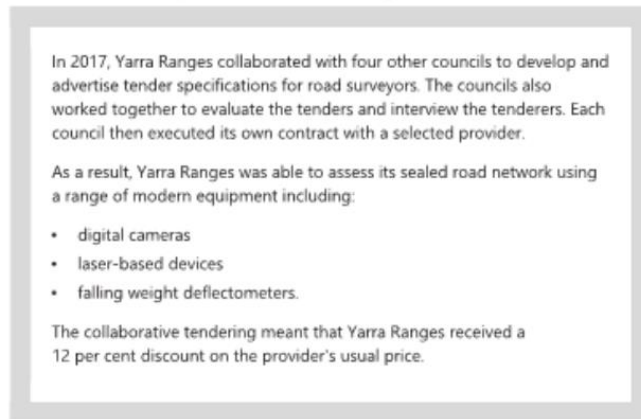
Bendigo, Gannawarra and Maribyrnong do not use this equipment. Instead, they rely on visual surveying to collect road condition data. This method allows councils to identify some defects on road surfaces. However, compared with modern equipment, visual surveying:

- cannot detect many sub-surface defects that are critical to planning
- can be less reliable due to the potential for human error
- can be less efficient, particularly for long road networks
- poses more safety risks, because surveyors need to leave their vehicles and stand on roads more often.

Although more technologically advanced surveying is more effective, it can be expensive to access equipment and providers. The audited councils that relied only on visual surveying said they did so because it was more affordable or cost-effective for their council.

One way to address this barrier is to work with other councils to share the cost of accessing equipment or providers. Figure 2C outlines an example from Yarra Ranges.

FIGURE 2C: **Yarra Ranges collaborative tendering**



Source: VAGO, based on information from Yarra Ranges.

Another approach to reducing the cost is to use modern equipment to survey only a representative sample of roads, as outlined in Figure 2D.

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FIGURE 2D: Northern Grampians depth-testing

In 2018, Northern Grampians contracted specialists to depth-test a representative sample of gravel surfaces on its unsealed roads. This is consistent with the ARRB best practice guides, which state that depth is one of the main drivers of determining whether an unsealed road needs maintenance work.

Source: VAGO, based on information from Northern Grampians.

Predictive modelling for planned maintenance

The audited councils showed how their predictive modelling software assists planning by:

- generating analysis that shows the condition of specific roads, or the overall condition of the network, in different budget scenarios
- predicting when roads will require maintenance to avoid going above the intervention level the council has set for them.

Councils need to inspect actual conditions to verify whether they need planned maintenance as predicted by their modelling software. This is known as ground-truthing. All the audited councils adjusted their planned works program based on ground-truthing.

Predictive modelling requires up-to-date condition data for sealed and unsealed roads. Because Yarra Ranges does not maintain up-to-date road condition data for unsealed roads, it is lacking important data to support predictive modelling.

Predictive modelling software

Councils advised us that limitations in their predictive modelling software consume staff time and undermine the quality of maintenance planning.

Maribyrnong, Northern Grampians and Yarra Ranges have not integrated their modelling software with their other road maintenance systems, such as their asset management system. As a result, these councils have to manually input correct data for the models. This takes time and creates a risk of inputting incorrect data. Yarra Ranges advised us that it plans to implement a new whole-of-council enterprise system in late 2021 that should allow it to customise modelling and reduce manual processing.

Another limitation of predictive models is that councils cannot always directly use the data they provide. For example, Bendigo and Northern Grampians need to manually change the modelling data before they can use it for maintenance planning, as described in Figure 2E.

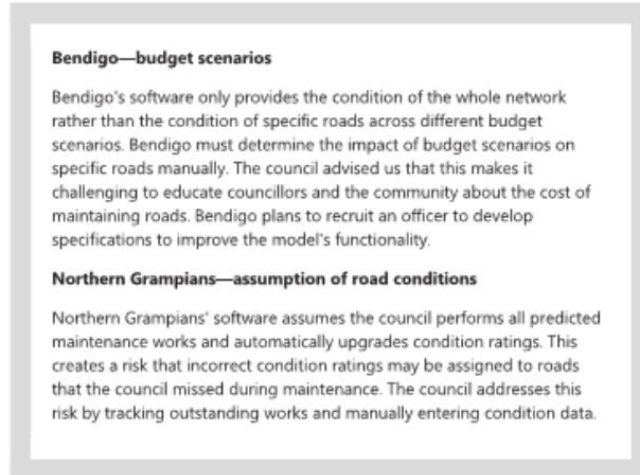
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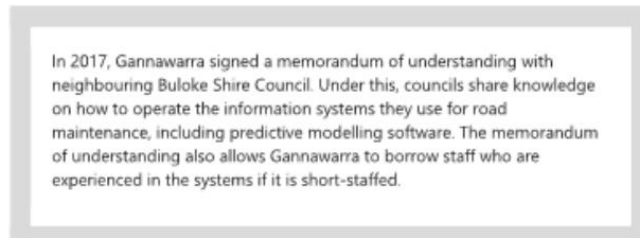
FIGURE 2E: Examples of limited software functionality



Source: VAGO, based on information from Bendigo and Northern Grampians.

The complexity of predictive modelling means that audited councils rely on a small number of employees to operate the software and explain its outputs. This creates a risk that councils may not be able to perform modelling effectively if these key employees are unavailable or leave the council. Figure 2F outlines a better-practice example of addressing this risk.

FIGURE 2F: Case study—Gannawarra



Source: VAGO, based on information from Gannawarra.

2.2 Understanding community needs

As part of maintaining any asset, councils need to understand how the community uses it so they can set service expectations and standards. Collecting information

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about what road users need out of the local road network can help councils prioritise expenditure.

It also allows councils to educate the community about the trade-offs required when budgeting for road maintenance. For example, councils can explain that maintaining existing assets to a certain condition may reduce the amount the council can spend on new infrastructure or other services.

Despite the advantages, none of the audited councils effectively engage with the community to understand their preferences around road service levels.

Processes for engaging the community

Audited councils interact with the community through a range of processes. These allow councils to gather some information about community needs. However, none of these processes:

- give them a full picture of community needs
- allow councils to engage in discussions about expenditure trade-offs.

Audited councils consult the community through ...

However, this does not give councils a full picture of community needs because ...

LGV's annual community satisfaction survey, which provides an indication of how satisfied residents are with sealed and unsealed roads.

survey results do not specify reasons why residents give high or low satisfaction ratings.

seeking feedback on proposed council budgets in line with obligations under the *Local Government Act 2020*.

proposed budgets are high-level, so feedback on them is not detailed enough for councils to understand what road users need.

notifying residents of upcoming maintenance work that may affect them through emails or letter drops. Councils advised us that members of the public often respond to these notifications with their views on the works.

councils only notify residents of maintenance that they have already decided to complete.

engaging community groups to discuss road maintenance.

not all councils are doing this consistently. Only Bendigo engages community groups in an ongoing manner, such as through its Farming Advisory Committee. Gannawarra had a road advisory group, but it has not met since 2010. Northern Grampians' 2019 consultation with the community called 'Roads, Rates and Rubbish' did not include council engineers. As a result, the consultation did not cover road service levels or maintenance costs.

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Consulting communities about service levels

Audited councils rely on their RMPs to communicate with the public about their service levels for roads. However, RMPs only cover a subset of reactive maintenance and councils do not update them every year.

In addition, as the *Road Management Act 2004* does not require it, RMPs do not cover planned maintenance. This means the community does not know when the council intends to reseal roads or the intervention levels councils have set.

As a result:

- councils are not providing their communities with detailed information about the intended quality of their roads
- communities can only give feedback on limited information about service levels
- audited councils miss the opportunity to base service levels on a full understanding of community needs.

Yarra Ranges has improved its website to better inform the community about its road maintenance programs. For example, residents can now search when the council will grade specific roads.

2.3 Understanding costs

Costing planned and reactive maintenance

As it is preventative in nature, effective planned maintenance can reduce reactive maintenance costs. Analysing the expenditure on both types of road maintenance can help councils:

- set their capital renewal budget for planned maintenance and operational budget for reactive maintenance
- understand how planned maintenance impacts the cost of reactive maintenance.

Although all audited councils track their expenditure and use this to set budgets, none have analysed it to determine whether their planned maintenance is reducing their expenditure on reactive maintenance.

Unit rates for reactive maintenance

Using unit rates allows councils to compare the costs of different reactive maintenance activities and provides useful data to help councils set their budgets. However, none of the audited councils have determined unit rates for reactive maintenance activities to inform their budgets. Instead, the audited councils set their budget for reactive maintenance by updating the previous year's expenditure to reflect:

- changes in the council's RMP
- defects reported by the public
- increases in the cost of labour and material.

Although councils understand the overall cost of their road maintenance programs, the lack of a unit rate makes it difficult for councils to analyse the cost of maintaining

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each road. This reduces councils' ability to compare the cost of maintaining the road with the value it provides to the community. Setting unit rates can be challenging, as the cost of reactive maintenance can be influenced by external factors such as weather and road condition.

Northern Grampians advised us that its road management system has an option to track unit costs for reactive maintenance, but it has not implemented this.

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3.

Delivery of road maintenance

Conclusion

Councils do not know whether they are achieving value for money in maintaining their road network. This is because they lack the data that would allow them to analyse or benchmark their performance. Even where data is available, councils do not use it to understand their efficiency.

The audited councils are not compliant with the timeliness standards in their RMPs for planned inspections and reactive maintenance. This exposes them to legal liability and risks reducing the quality of their roads over time.

Audited councils, with the exception of Bendigo, also lack performance measures for their RMPs that would enable them to assess the effectiveness and efficiency of their road maintenance.

This chapter discusses:

- Achieving value for money
 - Compliance with RMPs
 - Measuring RMP performance
-

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3.1 Achieving value for money

Under section 106 of the *Local Government Act 2020*, councils must set quality and costs standards for their services that provide good value to the community. As outlined in Section 1.3, achieving value for money requires the right mix of planned and reactive maintenance to meet road users' needs at the lowest cost over time.

However, councils lack the detailed and reliable data necessary to understand whether their road maintenance program provides value to the community. Better data would enable councils to:

- compare their costs and road condition outcomes with similar councils to identify areas for improvement
- monitor their costs and road condition over time to ensure they are maintaining road networks efficiently.

LGPRF cost measures

As outlined in Section 1.4, councils report on the cost of resealing and reconstruction as part of the LGPRF. Although this is a good starting point for comparing costs, councils cannot rely on the measures alone to determine whether they are achieving value for money. LGV advised us that the measures only provide indicative information on the overall performance of councils and cannot be relied on as an authoritative source of information on road management costs or quality.

The LGPRF measures on resealing and reconstruction costs ...	This means councils need their own data to ...
do not account for factors that may make road maintenance more expensive, such as higher traffic volume.	compare their costs in a meaningful way or determine whether higher costs are due to legitimate need.
only measure the direct cost of the actual planned maintenance councils complete each year, without context about the actual amount of resealing or reconstruction they performed.	determine whether council decisions about the amount of resealing or reconstruction to perform will achieve value for money over time.
only cover planned maintenance of sealed roads.	benchmark the costs of: <ul style="list-style-type: none"> • reactive maintenance of sealed and unsealed roads • planned maintenance of unsealed roads.

Inconsistencies in council reporting

Between LGPRF and VLGGC data, councils can access a considerable amount of data to understand and benchmark their performance in maintaining local roads. However, inconsistencies in council reporting limit the full potential of these data sources. As

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part of validating data for this report, six out of the 25 councils we checked (24 per cent) had to rectify at least two datapoints they had previously submitted to the LGPRF regarding road maintenance.

Figure 3A outlines an example of a council reporting an error in the LGPRF.

FIGURE 3A: Example of errors in LGPRF data

A large shire council reported incorrect resealing costs to the LGPRF from 2014–15 to 2018–19. In 2014–15, its reported cost of resealing per square metre was 18 times higher than what the council actually spent that year.

Through our data validation process (as outlined in Appendix D) we identified that this was because of miscalculations in both the amount of resealing the council had performed, and the amount spent.

In the following four years, the council continued to report costs of resealing per square metre higher than actual expenditure, although the size of the discrepancy lowered.

The council advised us that its engineering team completed the initial calculations through estimation and rough calculation. When we followed up with the council, it provided updated calculations from its assets team. The council advised us that its assets team will complete future LGPRF calculations to improve accuracy.

Note: The council in this case study is unnamed because it is not an audited council.
Source: VAGO, based on information provided by the council.

These issues reflect the findings of our 2019 audit *Reporting on Local Government Performance*. This audit found weaknesses in audited councils' quality assurance over LGPRF measures and incorrect or inconsistent interpretation of LGPRF reporting rules.

In its three most recent annual reports, VLGGC noted its ongoing concern over the accuracy of the data councils provide about their roads. We found examples of this:

- Four councils reported spending under \$15 000 on road maintenance in 2018–19, significantly below the state median of \$9 million.
- Three councils reported the size of their road network differently across two VLGGC datasets in the same year—the differences were between 8 and 26 per cent.
- Bendigo did not report expenditure data to the VLGGC from 2011–12 to 2017–18. Bendigo advised this was an oversight and has since recommenced providing this information to the VLGGC from 2018–19.

The errors we found were in the ALG1 dataset. VLGGC collects ALG1 data on behalf of the Australian Local Government Association and so does not audit councils' responses. It does not use ALG1 data to determine grant allocations to councils.

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These issues discourage councils from using LGPRF and VLGGC data for performance monitoring or benchmarking. For example, none of the audited councils use the LGPRF or VLGGC to benchmark their costs or determine whether they are achieving value for money. By not accurately reporting their roads data, councils are wasting potentially rich datasets.

In 2019–20, VLGGC completed a pilot study demonstrating that it could streamline its data requirements with the Victorian Government's spatial mapping tools. It plans to continue this work in 2021.

Total expected network costs

Despite inaccuracies in available data, the VLGGC and LGPRF datasets present some opportunities for councils to analyse or benchmark their costs. One way to do this is to compare councils' actual expenditure against VLGGC's total expected network costs. VLGGC uses this figure as a basis for its recommendations to the Australian Government about grants to councils to help them maintain their road network.

Our analysis of VLGGC data from 2016–17 to 2018–19 showed that:

- 11 councils spent more than double their total expected network costs
- 10 councils spent less than half of their total expected network costs.

Metropolitan councils were the most likely to spend more than expected costs. Figure 3B shows how councils compare.

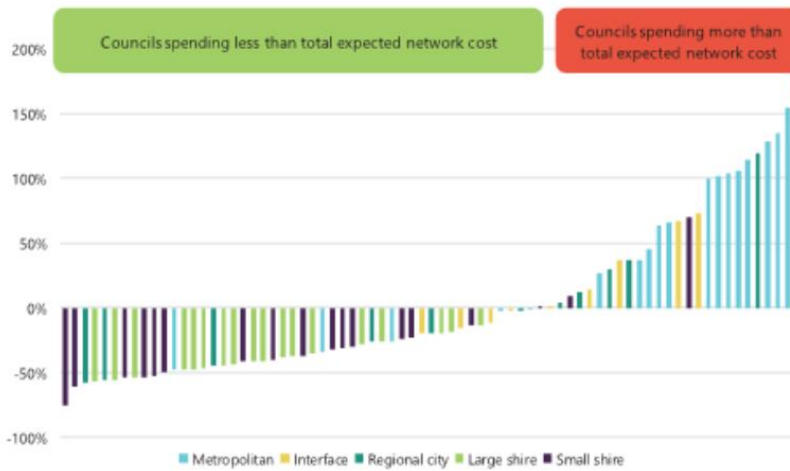
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FIGURE 3B. Percentage difference between road maintenance expenditure and total expected network costs across councils, 2016–17 to 2018–19



Note: We calculated road maintenance expenditure using the ALG1 dataset, excluding capital expansion. The ALG1 dataset is not audited and contains council reporting errors. This chart excludes Melbourne City Council, which spent 492 per cent more than total expected network costs; three councils who inaccurately reported spending close to zero or approximately 100 per cent less than total expected network costs. Bendigo did not originally provide expenditure data from 2016–17 and 2017–18 to VLGGC but has provided updated data to VAGO, which is reflected in this chart.

Source: VAGO, based on 2016–17 to 2018–19 VLGGC annual reports and ALG1 data.

These discrepancies indicate that either:

- as noted above, the data councils provide to VLGGC about their expenditure is inaccurate or inconsistent, or
- some councils are spending a significant amount more or less than their network requires.

Although this information is publicly available and covers all 79 councils, none of the audited councils have used it to develop more detailed benchmarking of road costs. We did not find any evidence that audited councils compare or analyse their own roads' expenditure against the total expected network costs calculated by VLGGC. This is a missed opportunity for councils to utilise a large dataset to see where they stand compared to similar councils.

Long-term impacts of underspending

Expenditure significantly below total expected network costs reflects a potential risk of councils underspending on their roads. This can result in councils not completing enough preventative road maintenance and facing increased costs in later years.

For example, a road that has not received enough planned maintenance may need rehabilitation or reconstruction, which is more expensive. LGPRF data shows that from

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2014–15 to 2019–20, on average, councils spent over six times more to reconstruct a square metre of sealed road (\$82) than to reseal it (\$13). Additionally, maintaining roads below intervention level can help reduce the need for some reactive maintenance, such as fixing potholes.

To assess whether councils' low expenditure puts them at risk of increased costs later, councils could monitor:

- the proportion of their road network they are keeping below intervention level
- the amount of resealing they perform every year compared with road life span.

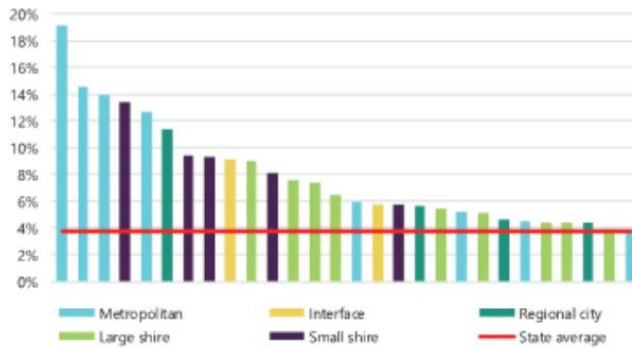
Intervention levels

LGPRF data from 2014–15 to 2019–20 shows that, on average, councils had 4 per cent of their sealed roads above intervention level. This means that the roads were in a condition that required the council to carry out maintenance to ensure the quality of the road.

Only one council maintained all of its sealed roads below its intervention level for this period. Six councils, four of which are metropolitan, had more than 10 per cent of their sealed road network above their intervention level.

Figure 3C shows the councils that have a higher percentage of roads above their intervention level than the state average.

FIGURE 3C: Councils with a higher percentage of sealed roads above intervention level than the state average



Note: On average across the state between 2014–15 to 2019–20, councils had 3.8 per cent of their roads above their intervention level. LGPRF advises councils that where different intervention levels exist for categories or components of roads, the condition standard should be set at the category or component level and an average taken for reporting purposes.

Source: VAGO, based on 2014–15 to 2018–19 LGPRF data.

From 2014–15 to 2019–20, on average, 15 per cent of Maribyrnong's sealed road network was above its intervention level. This is 11 percentage points higher than the statewide average. Maribyrnong advised us that it deferred works on the judgement

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of council engineers, but could not provide any documentary evidence of this. Relying on staff judgement, in the absence of objective data and documented rationale, risks councils making costly mistakes when planning maintenance.

Manlybromong's performance on this measure has improved over time. In 2019–20, less than 7 per cent of its network was above intervention level.

For any council, having a high proportion of roads above intervention level suggests that:

- the council's intervention level is not practical or evidence-based and requires review
- the council will face increased future costs, such as more costly road repairs, reconstruction, and reactive maintenance.

Amount of resealing performed annually

Another way to assess a council's long-term asset planning is to consider its rate of resealing in the context of the life span of roads in its network.

The life span of a road varies and depends on factors such as surface type and traffic volume. For example, spray and geotextile seals generally last between five to 15 years. The ARRB best practice guides advise that sprayed seals have lower life expectancy than asphalt surfaces and require more frequent maintenance.

Data from our questionnaire shows that there were 11 councils who resealed less than 2 per cent of their sealed network on average per year between 2014–15 and 2018–19. If the councils maintain this rate, it will take them 50 years to reseat or resurface their entire network. One council resealed just 0.5 per cent of its sealed road network in a year. For this rate of planned maintenance to be appropriate, the council's sealed roads would need to have a useful life of 185 years, which is clearly not the case.

This suggests these councils could be allowing their roads to deteriorate to a point where they cease to protect the pavement underneath and lead to costlier repairs.

We asked the 11 councils why they had resealed less than 2 per cent of their sealed network:

- Six said they had reduced their expenditure, had limited budget or had not resealed as much they would like to.
- Four said their roads are in an overall condition that does not require resealing.
- One said it was undertaking a high amount of road rehabilitation and reconstruction due to population growth instead of resealing in the relevant years.

Resealing less due to budgetary constraints means councils are setting themselves up for increased costs in the future, as this would lead to the need for rehabilitation and reconstruction. As shown in Figure 1F, not resealing at the appropriate time leads to deterioration of sealed roads that may eventually require more expensive rehabilitation.

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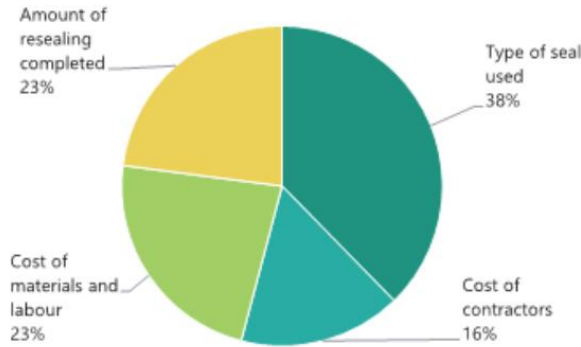
Choice of seal type

There are a number of reasons why expenditure may be significantly above total expected network costs, including councils:

- spending above what their communities require
- making larger upfront investments to reduce long-term costs
- lacking cost-efficient road maintenance programs.

When reporting to the LGPRF, councils can outline reasons for variations in their performance from year to year. Of the councils that gave reasons in 2019–20 for resealing costs higher or lower than previous years, over one third pointed to the type of treatment or seal used, as shown in Figure 3D.

FIGURE 3D: Reasons given for variation in resealing costs



Source: VAGO, based on 2019–20 LGPRF data.

As outlined in Section 1.2, there are five broad categories of seal type. More expensive types are more durable, last longer, and are less vulnerable to factors such as high volumes of traffic.

To analyse the relationship between seal type and cost, we collected data on seal types for all 79 councils. Our data confirmed the relationship between the cost of resealing and the seal type councils use. Ten councils that reported using thin or thick asphalt for their entire network had an average resealing cost of \$26.92 per square metre. By comparison, the seven councils that reported using only spray seal had an average resealing cost of \$4.45 per square metre.

Figure 3E shows the relationship between the percentage of councils' roads with higher traffic volume and the percentage of a council's road network with the two most expensive seal types, thin and thick asphalt.

Asphalt seals can be either thick or thin asphalt seals. Spray seals are geotextile/membrane, double or single spray seal. See Appendix D for information on how we collected this data.

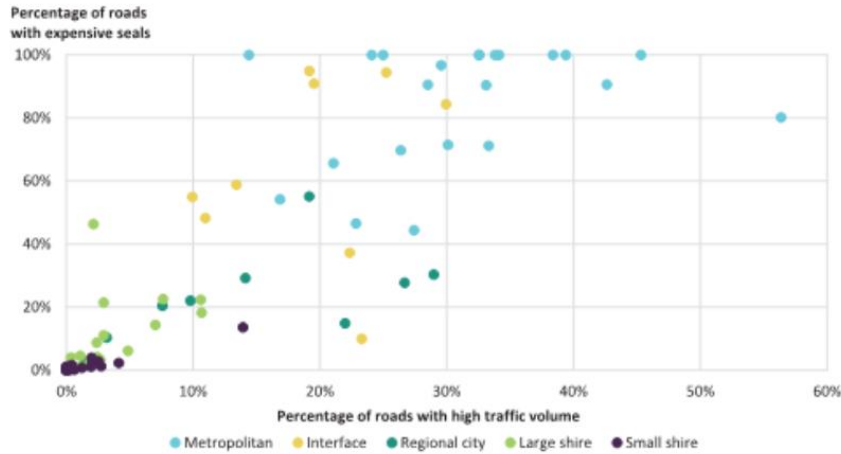
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FIGURE 3E: Percentage of roads with expensive seals compared to high traffic volume roads



Note: High traffic volume roads are those with more than 1 000 vehicles on them per day. Expensive seals are thin and thick asphalt.
Source: VAGO, based on VAGO questionnaire data and 2018–19 VLGGC data.

Figure 3E shows that rural and regional councils are significantly more likely to use less expensive seal types. These councils, overall, have less traffic volume on their roads. Metropolitan councils, with higher traffic volumes, mostly use more expensive seals. This is in line with the ARRB best practice guides, which note that the stresses imposed by traffic should influence choice of seal type.

However, Figure 3E also demonstrates that some councils are using more or less expensive seal types than other councils with similar traffic volume. For example, one large shire uses expensive seals for 46 per cent of its roads. One interface council has expensive seals on only 10 per cent. Both are significantly different from their council cohorts.

We also found that 10 metropolitan councils used the most expensive seal types—thin and thick asphalt—for their entire sealed road network. Eight of the councils did so despite having low traffic volume for between 38 and 64 per cent of their network. Similarly, Figure 3F outlines an example of how this type of data analysis can reveal potential overspending.

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FIGURE 3F: Comparison of seal types at two metropolitan councils

Using data from VLGGC and our questionnaire, we compared two neighbouring metropolitan councils' use of different seal types. Council A and Council B had similar:

- sizes for their sealed network
- results on VLGGC's cost modifiers (see Section 1.5)
- percentages of high and low traffic roads in their municipality.

Despite these similarities, the councils did not have the same distribution of seal type. Council A used asphalt for its entire network, whereas Council B used less expensive spray seals on 25 per cent of its network.

This indicates that Council A may be using the same seal type regardless of the traffic and cost modifier factors on its roads. This creates a risk that the council is not achieving value for money for its community.

Note: Councils are not named as they were not audited councils.

Source: VAGO, based on analysis of 2018–19 VLGGC data and VAGO questionnaire data.

The relationship between cost, traffic volume and seal type is one factor that can explain variations in performance on the LGPRF resealing measure. However, without this type of data available, councils cannot analyse the extent to which it caused their variation. They also cannot analyse whether their choice of seal type meets community needs. Appendix E shows the seal types used by all councils.

Reducing maintenance costs

Monitoring costs

Analysing maintenance costs for sealed and unsealed roads provides insight into factors that can increase or reduce maintenance costs on these types of roads. Figure 3G outlines an example of this, where Northern Grampians changed its grading program to increase cost-efficiency after reviewing unsealed road maintenance costs. The council only started tracking costs for unsealed roads from 2017–18.

FIGURE 3G: Northern Grampians—grading of unsealed roads

In 2017–18, Northern Grampians graded 1 044 kilometres of road at an average rate of \$700 per kilometre.

After reviewing its unsealed road maintenance costs, the council found that grading in dry conditions increased operating costs by over four times. The average operating cost was \$550 per kilometre in winter

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compared to \$2 300 per kilometre in summer. Operating costs are lower in winter because staff do not have to spend time wetting the road before grading.

In 2018–19, Northern Grampians reduced the amount of grading works completed in dry conditions. As a result, the council:

- graded an extra 214 kilometres of road compared to the previous year, which is a 20 per cent increase in productivity
- reduced operating costs by 21 per cent.

Source: VAGO, based on information from Northern Grampians.

Joint procurement

Councils can work together to jointly procure works, materials or condition surveys to reduce road maintenance costs. As part of our questionnaire, we asked councils whether joint procurement or collaborative tendering had increased or reduced their resealing or resurfacing costs.

As shown in Figure 3H, 18 of 79 Victorian local councils reported that they used joint procurement between 2014–15 to 2018–19 and that it reduced their resealing or resurfacing costs. None of the interface councils reported having joint procurement that reduced costs.

Two councils reported increased costs from joint procurement. However, these costs were related to an increase or change in the type of maintenance the council performed.

FIGURE 3H: Council cohorts reporting reduced costs from joint procurement for 2014–15 to 2018–19

Council category	Councils reporting reduced costs	Total number of councils in the cohort
Metropolitan	3	22
Interface	0	9
Regional city	2	10
Large shire	3	19
Small shire	10	19
Total	18	79

Note: Joint procurement includes collaborative tendering. This figure only shows councils that reported having joint procurement that reduced costs. It does not include councils that may have joint procurement that increased, or did not have an impact on, costs.

Source: VAGO questionnaire data.

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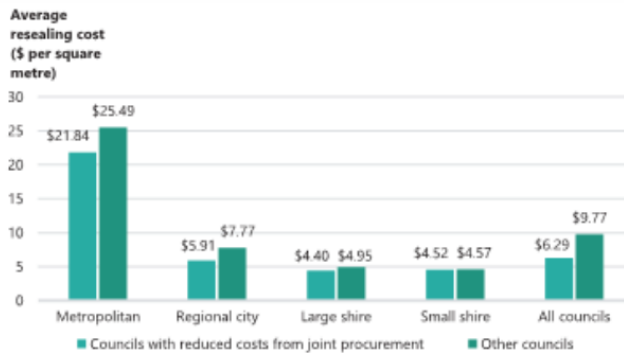
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As shown in Figure 31, the average resealing cost per square metre was lower for the 18 councils with joint procurement (\$6.29) than for councils who did not use it (\$9.77). Councils with joint procurement also had lower average costs compared to the average cost of their council category. This difference in average cost was smallest for small shire councils (1 per cent) and largest for regional city councils (24 per cent).

FIGURE 31: Joint procurement and resealing costs



Note: Interface councils are not included in this figure as none reported joint procurement reducing or increasing resealing and resurfacing costs. Resealing costs from 2019–20 are not included in order to match the reporting period for our questionnaire.
 Source: VAGO, based on VAGO questionnaire data and 2014–15 to 2018–19 LGPRF data.

Northern Grampians is the only audited council that has a joint procurement arrangement for road maintenance. It is a member of the Wimmera Regional Procurement Excellence Network with four other councils:

- Hindmarsh Shire Council
- Horsham Rural City Council
- West Wimmera Shire Council
- Yarriambiack Shire Council.

In 2014, the network ran a collaborative tender process and entered a five-year contract for a bituminous surfacing program with a contractor from 2014 to 2019. Northern Grampians could not quantify the costs saved through the procurement process. However, it noted that the councils involved considered the financial and capability benefits of the provider during tender evaluation.

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3.2 Compliance with RMPs

Complying with RMPs is important because:

- completion of planned inspections provides a defence for councils against civil claims for road defects
- delays in scheduled inspections or maintenance could compromise the quality of the road for users
- failure to complete planned maintenance may lead to increased council expenditure on reactive maintenance.

Meeting RMP timeliness standards

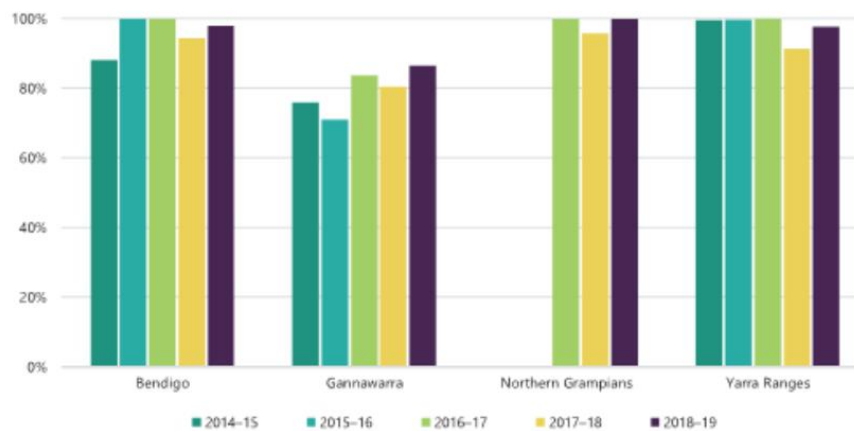
Inspections

Councils' RMPs outline the number of proactive inspections the council will perform for different classes of road across a set period, usually one year.

Failure to comply with timeliness standards in their RMPs may expose councils to civil liability, as discussed in Section 1.6.

Figure 3J shows that none of the audited councils have completed all planned inspections outlined in their RMPs for 2014–15 to 2018–19 on time. Yarra Ranges was the closest to full compliance, with three years above 99 per cent completion on time.

FIGURE 3J: Percentage of inspections that met RMP response timelines



Note: This figure is based on inspections that have completion dates recorded. For Northern Grampians, this figure does not include inspections data for urban link roads and any roads that require inspections less than once a year. Northern Grampians could not provide proactive inspections data for 2014–15 or 2015–16. Maribymong could not provide sufficient proactive inspections data for 2014–15 to 2018–19 to allow for this calculation.
Source: VAGO, based on data from audited councils.

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Defect responses

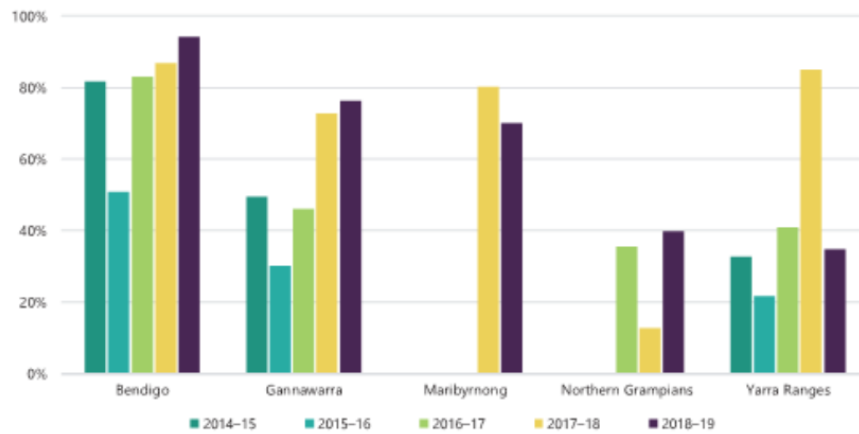
Councils' RMPs also outline response times for different defects across their road networks. For example, Bendigo's RMP notes that the council will respond within two weeks to potholes that are:

- in the traffic lane of a sealed road
- larger than 300 millimetres in diameter and 50 millimetres in depth
- on a hierarchy 1 road.

As shown in Figure 3K, the audited councils' completion of defect responses within set timeframes was lower than for inspections.

Councils set their own definitions of road hierarchies in their RMPs based on factors such as type of road, traffic volume and speed and general use.

FIGURE 3K: Percentage of defect responses that met RMP response timelines



Note: Figure is based on defects that have completion dates recorded. Maribyrnong was unable to provide data for 2014-15, 2015-16 and 2016-17. Northern Grampians was unable to provide data for 2014-15 and 2015-16. Source: VAGO, based on data from audited councils.

Documenting RMP compliance

All audited councils, with the exception of Bendigo, had gaps in their records of RMP compliance. This makes it difficult for councils to:

- determine whether they have met the timeliness standards set out in their RMP
- show they are meeting road maintenance duties if a civil claim or complaint is made against them.

Inaccuracy

Three audited councils had inaccurate records of dates they completed inspections or defects.

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Gannawarra's records incorrectly showed inspections it completed on the due date as late because its system incorrectly set an earlier time for completion. As a result, Gannawarra showed a higher percentage of non-compliance for inspections. It updated its system during our audit to address this.

Northern Grampians and Yarra Ranges incorrectly marked a proportion of defect rectifications as incomplete even when they had repaired them as part of other road projects or programs. For example:

- Northern Grampians did not update their records for 228 edge break defects repaired under its shoulder grading program.
- Yarra Ranges repaired surface cracks as part of their resealing and resurfacing program but did not record their completion dates.

An **edge break** is a broken or irregular edge of a road seal.

These gaps in data mean the councils cannot be assured of how many outstanding inspections or defects they have, and if they had completed them on time.

Access to previous RMP compliance data

Both Maribyrnong and Northern Grampians cannot access inspections and defect response data recorded prior to implementing new road management systems:

- Maribyrnong does not have inspections data covering 2014–15 to 2018–19 or defect response data prior to September 2017.
- Northern Grampians does not have inspections or defects data prior to July 2016.

Northern Grampians advised us it was unable to integrate the data from the old system to its new system. As a result, staff were initially required to work from both systems and did not address some defects.

The lack of historical data means that Maribyrnong and Northern Grampians cannot assure past compliance. It also makes it difficult for these councils to evaluate whether their RMP standards are practical for the council to meet. It also prevents them from looking at trends in their performance in relation to their RMPs, which we discuss in Section 3.3.

Accessibility of data

Easily accessible data helps councils to regularly monitor their compliance and use the data to inform their decisions on resourcing and work allocations.

Maribyrnong has a road management system that produces dashboards that report:

- its overall compliance rates
- outstanding works
- number of defects for each road asset type.

These also allow council staff to set date parameters to allow for comparisons over days, months or years. This information allows Maribyrnong to easily identify resourcing issues and road asset types that need to be prioritised. This data also provides insight on factors that can contribute to non-compliance of RMP standards. Figure 3L is a sample of Maribyrnong's dashboard.

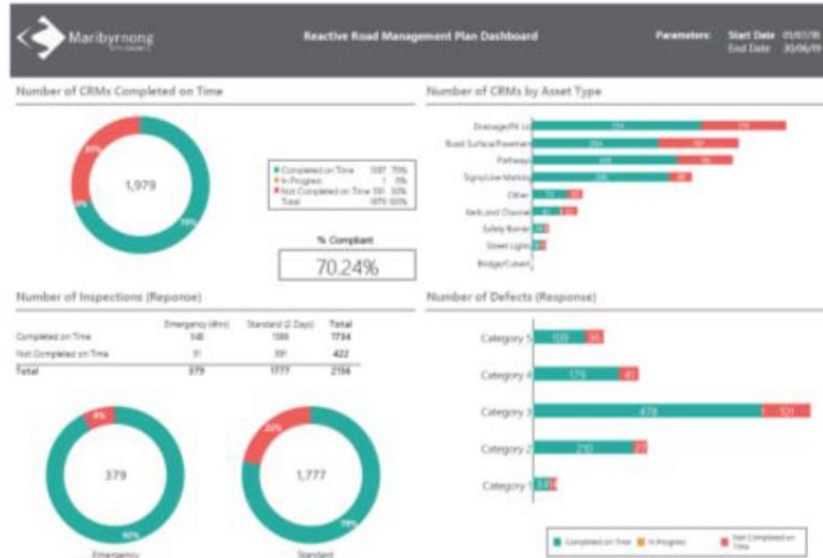
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FIGURE 3L: Maribyrnong's 2018-19 reactive maintenance dashboard



Source: Maribyrnong

Similarly, Bendigo's road management system allows it to automatically produce RMP compliance reports. Except Bendigo and Maribyrnong, audited councils rely on manual calculations to determine RMP compliance rates. This can be time-consuming and risks inaccuracies.

3.3 Measuring RMP performance

Measuring performance against RMP standards is important because it helps councils:

- understand whether they are meeting RMP standards
- identify factors that affect their performance, such as a lack of staff
- evaluate their performance over time through collecting the same data for each reporting period.

Four out of five audited councils' RMPs describe an approach to monitoring compliance of RMP standards (see Figure 3M).

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Gannawarra is the only audited council that does not include this information in its RMP. Without this, Gannawarra cannot show its community that it has formal reporting requirements and that it is consistently monitoring compliance.

FIGURE 3M: Compliance monitoring approach outlined in council RMP

Audited council	Compliance monitoring approach
Bendigo	Measures council performance against RMP on a quarterly basis (see Figure 3N)
Gannawarra	Under development
Maribymong	Inspects roads to determine if they comply with service levels
Northern Grampians	Conducts internal audits every six months to test effectiveness of RMP
Yarra Ranges	Produces annual performance and compliance reports Conducts regular audits to ensure all management systems for roads are delivering adopted service levels

Source: VAGO, based on audited councils' RMPs.

Bendigo is the only audited council that has clear performance measures outlined in its RMP. As shown in Figure 3N, Bendigo's quarterly reviews of its performance have allowed it to identify and respond to resourcing issues.

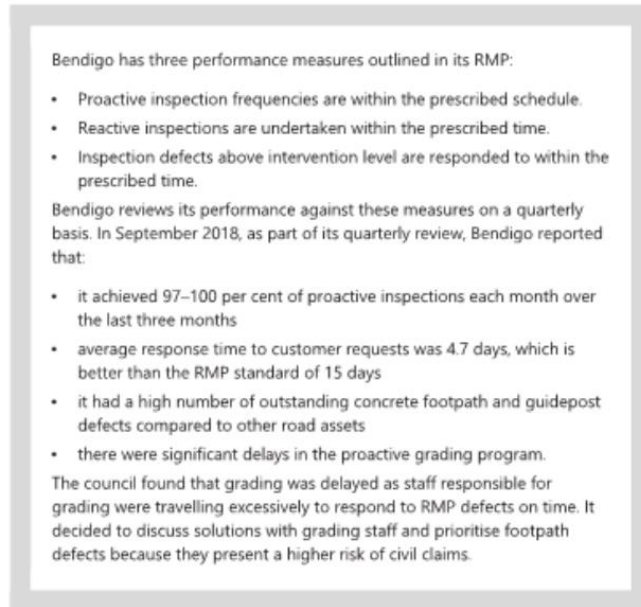
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FIGURE 3N: Bendigo's performance measures



Source: VAGO, based on information from Bendigo.

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APPENDIX A

Submissions and comments

We have consulted with Bendigo, Gannawarra, Maribyrnong, Northern Grampians, and Yarra Ranges, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Bendigo.....	50
Gannawarra.....	55
Maribyrnong.....	60
Northern Grampians.....	65
Yarra Ranges.....	70

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Response provided by the Director Presentation and Assets, City of Greater Bendigo



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Response provided by the Director Presentation and Assets, City of Greater Bendigo—continued

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Greater Bendigo City Council action plan to address recommendations from *Maintaining Local Roads*

No.	VAGO recommendation	Action	Completion date
1	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's Best practice guide for sealed roads and Best practice guide for unsealed roads	The City of Greater Bendigo (CoGB) documents the timeframes for both sealed and unsealed road condition inspections in its "Asset Valuation and Revaluation Policy. When this policy is reviewed the existing documented timeframes will be reviewed with consideration of ARR's best practice guidelines	November 2021
2	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment	CoGB will review the current visual road surveying practices and documentation to ensure consistent and repeatable data collection is being obtained using the current visual survey technique. The benefits and costs associated with use of alternative road surveying techniques will be explored and compared with the current visual survey techniques.	December 2021
3	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose	A response to this recommendation has commenced with additional staff resources engaged to consider alternative predictive modelling software that best suits the organisation. A review of the existing software will be undertaken along with evaluation of alternative software. If a change in software is recommended, then this will be considered by Council as part of the preparation of future budgets.	November 2021

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Response provided by the Director Presentation and Assets, City of Greater Bendigo—continued

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4	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years	Engagement of the community in matters of Council maintenance has been a challenge for the sector for many years. Currently the review and adoption of changes to Councils Road Management Plan has required public consultation. However typically the level of interest and input from the community has been low. With unsealed roads, the ability to meet service standards is particularly challenging due to weather impacting on the ability to undertake maintenance treatments that are long lasting at certain periods during the year. The CoGB will engage with the community through the current review of the RMP and broader development of the Community Plan. Further development of a communication strategy for community engagement in relation to road maintenance will be developed.	February 2022
5	Set unit rates for reactive maintenance to: * Determine the adequacy of planned maintenance in reducing reactive maintenance costs * Compare costs of different road maintenance activities	CoGB has costs for a range of maintenance treatments. These treatments are evaluated by experienced engineering staff however it is recognised that benefits could be achieved by improved evaluation and documentation of the planned maintenance treatments. Linking routine maintenance costs with planned maintenance treatments is a challenge for individual councils given the variables and timeframes associated with gaining data. CoGB will continue to rely on industry information such as that produced by AARRB and evaluation by experienced engineering staff. Information is known regarding the quantity	December 2021

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Response provided by the Director Presentation and Assets, City of Greater Bendigo—continued

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		and location of reactive maintenance works. CoGB will explore options to better record the costs of reactive maintenance treatments by type and asset to produce unit rates for the types of reactive maintenance works and assist in quantifying the cost of reactive maintenance works.	
6	Record and maintain road condition data for its unsealed road network	As outlined in the report, CoGB currently undertake this task and will continue to do so in accordance with the current inspection timelines.	Ongoing
7	Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: <ul style="list-style-type: none"> * Complying with relevant instructions * Establishing quality assurance processes over data collection and submission * Periodically reviewing data to identify errors 	Quality Management procedures are in place for the preparation of data to other authorities. These procedures will be reviewed and updated as appropriate.	June 2021
8	Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including: <ul style="list-style-type: none"> * Expenditure on planned and reactive maintenance * Use of different seal types * Amount of resealing completed 	CoGB has a range of information that can be further evaluated to meet the recommendation. As highlighted above much of this work is being undertaken as part of management of the road network however the value of additional evaluation and reporting is recognised.	December 2021

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Response provided by the Director Presentation and Assets, City of Greater Bendigo—continued

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9	Undertake self-assessments of the cost of road maintenance against similar councils by: * Using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission * Incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs	As highlighted in the report the quality of data along with variations between Councils in relation to a wide range of variables such as traffic volumes, maintenance treatments, asset condition, etc make it difficult to compare councils based on the available data. The City will review the available benchmark data, but greater benefit is seen by the ongoing review of internal processes to ensure that the most appropriate and cost effective planned and reactive maintenance is undertaken.	July 2021
10	Document all council decisions about road maintenance, including decisions to defer resealing	N/A – Maribyrnong City Council	N/A
11	Collect and retain data on compliance with timeliness standards in road management plans	CoGB has a comprehensive and complete data base of RMP compliance regarding timelines defined in the RMP. This information is available to supervising staff in real time.	Ongoing
12	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans	The CoGB RMP contains comprehensive performance measures and also specifies that the reviews of these performance measures be undertaken quarterly and annually. This information is automatically generated into reports that are presented to and discussed with Senior Management at the quarterly and annual meetings.	Ongoing

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council



Our Ref: 3.000168
IN21/1EBA712D
CG:MS
2 March 2021

Mr Andrew Greaves
Auditor General
Victorian Auditor-General's Office

Dear Mr Greaves

Proposed Performance Audit Report – Maintaining Local Roads

The Gannawarra Shire Council would like to thank the Auditor General for the Audit Report which demonstrates the complexity of road maintenance. We have completed and submitted our action plan and comments, which we understand will be attached with the parliamentary report.

Council is committed to providing an affordable and reasonable level of service to meet the community's expectation of our extensive road network. Whilst our Council has made excellent progress in minimising our renewal gap, we understand that closing the renewal gap still is a major challenge for many rural and regional Councils across the Victorian sector.

Council was pleased to contribute input into this important audit and equally provide context of the importance and challenges of road maintenance from a small rural council perspective.

Yours sincerely



Cr Charlie Gillingham
MAYOR



Tom O'Reilly
CHIEF EXECUTIVE OFFICER

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council—continued

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Gannawarra Shire Council action plan to address recommendations from Maintaining Local Roads

No.	VAGO recommendation	Action	Completion date
1	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads and Best practice guide for unsealed roads</i> (see Section 2.1)	Council is actively reviewing and/or redrafting all of its asset management documentation. The development of an action plan, as part of a newly redrafted Asset Management Strategy, lists the revision of asset inventory and condition assessment manuals as a high priority for action in 2022. Council last inspected sealed and unsealed roads during 2019 and currently inspects roads on a three year cycle. Council will next undertake a survey of roads during 2022.	December 2022
2	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Council does not see economic advantages in broadscale use of advanced technology to assess the condition of its road network and will continue to rely heavily on visual assessment. Notwithstanding the preceding comment, Council will investigate the efficacy of advanced technology on selected roads such as those with high traffic volumes. Current limitations on resources preclude such investigations for the near future.	December 2022
3	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Prior to the consideration of predictive modelling software, Council will progressively improve the quality of its road data such that predictive analysis might be undertaken with some expectation of reliability. Procurement of predictive modelling software will again be reviewed in 2023. (Refer also the response to point 1 above)	December 2023
4	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	Council is currently planning the review of its Road Management Plan. As part of this review, a redraft of service levels is proposed with the aim of improved community awareness and feedback. This process will have commenced by June 2021 and is aimed for completion by December 2021. The redrafted RMP will incorporate updated review and community feedback provisions.	December 2021

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council—continued

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5	<p>Set unit rates for reactive maintenance to:</p> <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	<p>The implementation of a maintenance management system integrated with both finance and asset management systems will improve the understanding of maintenance effort, effectiveness, and efficiency. Such implementation is referred to the current draft asset management strategy and its action plan. Council will review its existing MMS arrangements for its adequacy to report reactive maintenance costs. A revised/new MMS will allow Council to better report and analyse costs and document unit rates. In the context of council's strategic asset management action plan, this is a low priority and set for 2023.</p>	December 2023
6	<p>Record and maintain road condition data for its unsealed road network (see Section 2.1)</p>	<p>N/A Yarra Ranges Shire Council only.</p>	N/A
7	<p>Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by:</p> <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to identify errors (see Section 3.1) 	<p>Improved data accuracy will come from both the revised system (assessment manuals) and diligence in recording of asset data. Refer also 1 above. Improved data will be available in 2023. The document review (1 above) also seeks to review and redraft the suite of valuation processes that seek to better record and report asset inventory and valuations. Council will also seek to address the level of resources devoted to asset management.</p>	December 2023
8	<p>Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value</p>	<p>Improved data acquisition (refer to response 1 above) and the implementation of a new/revised maintenance management system (refer to response 5 above) will provide Council with a body of data that can be reported to Council and</p>	December 2023

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	<p>for money in road maintenance, including:</p> <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	<p>analysed. Council will continue to provide flexibility within contractual arrangements to consider and use alternative seal types as and when they can demonstrate cost efficiency and effectiveness. Council has adopted and demonstrated that it achieves a near 15-year cycle (when including construction effort) in resealing treatments. Council considers this to be sound value for money and proposes to continue this practice.</p>	
9	<p>Undertake self-assessments of the cost of road maintenance against similar councils by:</p> <ul style="list-style-type: none"> • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	<p>Council currently undertakes self-assessment of the cost of road maintenance using publicly available data. Improvements to the value of such comparisons are expected following the implementation of the steps outlined in the responses 1, 5 and 7 above.</p>	December 2022
10	<p>Document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1)</p>	<p>N/A Maribyrnong City Council only</p>	N/A
11	<p>Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)</p>	<p>Council currently collects and retains data relating to compliance with its Road Management Plan (RMP). Council plans to review the RMP this year and aims to improve documentation, undertake an education program for system users, and improve compliance. Council intends to have the review started by July 2021 and be complete by December 2021.</p>	December 2021

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council—continued

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12	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3)	As part of the RMP review referred to in response 11 above, revised performance measures will be drafted. Similarly, review processes within the plan intend that performance against the nominated measures will be reported annually to Council.	December 2021
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Response provided by the Chief Executive Officer, Maribyrnong City Council

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3 March 2021

Mr Andrew Greaves
 Auditor – General
 Victorian Auditor – General’s Office
 Level 331/35 Collins St
 Melbourne VIC 3000

Dear Auditor – General

Proposed Performance Audit Report – Maintaining Local Roads

Thank you for your letter dated 17 February 2021 inviting submissions and comments in relation to the recommendations contained in the Proposed Audit Report – Maintaining Local Roads.

Maribyrnong City Council welcomes the findings and recommendations of the report on how we can improve our road management practices to ensure better service delivery and value for money to our community.

I have discussed the proposed report, findings and recommendations with Council’s Director Infrastructure Services and Manager Assets & Capital. In response to the recommendations and findings, we are committed to take the following actions

VAGO No.	VAGO recommendation	Action	Completion date
10	Document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1).	The decisions to defer resealing of roads are made in different circumstances, like State Government’s Major Projects overlap (West Gate Tunnel), utility works, and rapid deterioration of other sections of road where program needs to be reshuffled for budget requirements. Maribyrnong City Council will prepare a list of roads for resealing based on predictive modelling for four years. Any decisions to defer resealing will be recorded in the forward renewal program with proposed year to be undertaken. The forward renewal program will be recorded in Council’s Electronic Document Management System and only relevant officers will be authorised to make changes.	30 June 2021



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Item 6.7 VAGO Report; Maintaining Local Roads (March 2021)

Appendix 1 VAGO Report; Maintaining Local Roads (March 2021)


Response provided by the Chief Executive Officer, Maribyrnong City Council—continued

Maribyrnong City Council
 Street Address:
 Cnr Napier and Hyde Streets
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1	set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's Best practice guide for sealed roads and Best practice guide for unsealed roads (see Section 2.1)	Maribyrnong City Council undertakes condition surveys every 4 years, which aligns with the ARRB best practice guides and coincides with the Local Government asset valuation requirement.	N/A
2	review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Council recently awarded road condition audit contract to ARRB. ARRB proposed vehicle mounted surveying, however were unable to secure one for this contract due to time constraints. Council will incorporate this in the subsequent condition audits starting in 2024/25.	30 June 2024
3	review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Council currently uses predictive modelling software to develop road renewals program. Council will seek for partnership with other Councils and explore available systems that is capable of integrating with Council's corporate system whilst delivering sound predictive modelling.	30 June 2022
4	provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	In place. Council does provide a six monthly report to its Audit and Risk Committee on compliance with Road Management Plan. Council also collects data through annual community satisfaction survey on road maintenance.	N/A



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Response provided by the Chief Executive Officer, Maribyrnong City Council—continued

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5	set unit rates for reactive maintenance to: <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	In place. Council entered panel service arrangement for reactive maintenance in 2019 based on schedule of rates through competitive tendering process. Council will develop a procedure to review reactive maintenance cost on roads with high maintenance requirement against planned maintenance.	N/A 30 June 2022
7	ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to identify errors (see Section 3.1) 	Council will develop internal procedure (manual) to provide information to LGPRF and ensure compliance with the data collection requirements. Procedure to be reviewed no later than every 4 years.	30 June 2022
8	identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including: <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	Council will develop procedure to collect reactive maintenance data from annual inspection to ensure planned maintenance is informed in part by reactive maintenance needs. Use of seal types are currently based on industry best practice guidelines. However, Council seeks proposals from contractors on recycled/sustainable products that meets State road authority's technical specification. Council will develop a process to benchmark resurfacing cost (unit rates) to cohort Councils to ensure value for money.	30 June 2022



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Response provided by the Chief Executive Officer, Maribyrnong City Council—continued

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9	undertake self-assessments of the cost of road maintenance against similar councils by: <ul style="list-style-type: none"> • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	Council will investigate the opportunities to collaborate/joint procure for resurfacing of sealed roads with other adjacent Councils to ensure competitive unit rates. Council currently engages external consultants to provide details on asphalt treatment requirements that considers traffic volume, traffic type and speed limit. This process gives assurance that technical specifications of planned maintenance reflects the community and user needs.	Ongoing
11	collect and retain data on compliance with time/liness standards in road management plans (see Section 3.2)	Council's current system collects and retains the data for both compliances and non-compliances with the Road Management Plan.	N/A
12	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	Council's current Road Management Plan does not have a performance measure. A percentage based compliance measure will be incorporated in the next review (due 30 June 2021). Compliance with RMP is a departmental action and is quarterly reported to Council's Corporate Performance team and six monthly to Council's Audit and Risk Committee	30 June 2021



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Response provided by the Chief Executive Officer, Maribyrnong City Council—continued

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Maribyrnong City Council is committed to improving our road management practices. We welcome VAGO periodic review of our improvement action plan in implementing these recommendations. The report and improvement action plan will be discussed with Councillors at a briefing and presented to the Ordinary Council meeting once the document is made publically available.

Yours faithfully



Stephen Wall
 Chief Executive Officer



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Appendix 1 VAGO Report; Maintaining Local Roads (March 2021)

Response provided by the Chief Executive Officer, Northern Grampians Shire Council



9 March 2021

Enquiries: 03 5358 8700

Mr Andrew Greaves
Auditor General
Victorian Auditor-Generals Office
Level 31/35 Collins St
MELBOURNE VIC 3000

Dear Mr Greaves

Response to Proposed Performance Audit Report – Maintaining Local Roads

In response to the Proposed Performance Audit Report - Maintaining Local Roads, Council has been provided many opportunities to consider the draft report and provide feedback. The process has been fair, robust, and considered.

The audit has provided Council with an opportunity to stop and analyse its process and enact some immediate corrections. Furthermore, the report has prompted some careful consideration regarding Council's proactive vs reactive road maintenance spend.

Council aims at addressing the audit recommendations via the Action Plan below and where Council is already addressing the recommendation, it aims to continually review the action taken and ensure its appropriateness.



Northern Grampians Shire Council
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Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

No.	VAGO recommendation	Action	Completion date
1.	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's Best practice guide for sealed roads and Best practice guide for unsealed roads (see Section 2.1)	Northern Grampians Shire Council (NGSC) surveys both sealed and unsealed road condition once every four years to collect condition data to influence future road treatments. These inspections are also a requirement for accessing emergency disaster funding. Last assessment was completed in July 2018 and the next survey is due December 2022. These inspections are outsourced from specialist who use state of the art equipment to achieve the best results. These requirements are documented in our Asset Management Framework internal site, which was last updated July 2020.	July 2020
2.	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	As part of the surveys mentioned in item 1, NGSC invites specialist companies through Council procurement processes, to carry out these works. In 2012 NGSC initiated advance surveying system on assets and Council has since continued that same advance surveying system in 2018. To further improve the knowledge of its asset condition Council engaged a specialist company to do a depth testing on a sample of its unsealed roads in 2018. This is consistent with ARRB best practice guides.	June 2018
3.	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	NGSC is looking into its current predictive software provider and understands it can integrate with the Asset database. This advancement in system is not only significantly costly but also a significant project ensuring the systems and data can work together. The integration has been highlighted to be the next step in system development and this project needs to be developed further. NGSC is also open to other options like joint procurement, to bring the costs down.	June 2023


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Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

4.	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	Council is in the process of reviewing its Asset Management Plan and Road Management Plan. During this process it is intended to engage the community regarding level of service to ensure that the product is agreeable between the two parties (Council and the community) Asset Management Plans will be reviewed annually to ensure they remain current, and Council intends to seek community engagement in that review biannually.	December 2021
5.	Set unit rates for reactive maintenance to: <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	Council monitors its grading of unsealed roads and tracks the extent of roads graded vs the cost of the work performed. This provides Council an indicative idea of the cost of work and has already seen significant correction in its grading practices due to this. It is Council's long-term plan to be able to monitor all maintenance work in a comparable way. NGSC is evolving its use of the maintenance module of the Asset Management Information System (Assetic Cloud). The use of this module is providing the capacity to gather an enormous amount of data which can be used to influence future works, including unit rates for individual work tickets undertaken. As Council's maturity evolves with the system our aim is to have the system provide relevant data to assess the adequacy of its process including unit cost monitoring for reactive works.	June 2024
6.	N/A		
7.	Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to 	NGSC has Assetic Cloud as an only source of true data for all assets. When reporting on Asset data, both Finance and Asset teams are involved. This is to ensure that the information communicated is consistent and accurate. Furthermore, the information is quality checked by the managers of the two departments.	June 2020


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Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

	identify errors (see Section 3.1)		
E.	<p>Identify, collect, and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including:</p> <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	<p>Through an annual assessment of Council performance against its Asset Management Plan Council intends to monitor its performance and allow Council to continually review its proportional Planned and Reactive spend.</p> <p>This performance monitoring is planned to be based on the Conditional, Functional and Utilisation service level requirements.</p> <p>Furthermore, the regular asset condition assessments will be used to determine the appropriateness of the road degradation graphs and by doing this Council can determine if treatments are acting as intended throughout the life of the asset.</p>	June 2021
9.	<p>Undertake self-assessments of the cost of road maintenance against similar councils by:</p> <ul style="list-style-type: none"> • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	<p>Council has access to public data made available by the Grants Commission and Local Government Performance Reporting Framework and intends to bring this data into its Asset Management Planning Review process mentioned in Item E.</p> <p>Council takes a designed approach to the treatment of its roads and being a small rural Council, therefore achieving greater value for money is second nature. This means that the treatment a road receives is always based on the need, considering traffic load and type. At this point Council does not assess its design standards used to determine the treatment, against similar councils but will be a consideration in the development in the Road Management Plan and Asset Management Plan review process.</p>	June 2021
10.	N/A		


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Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

11.	Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	The maintenance module of Assetic Cloud is used to lodge and track Road Management Plan defect and inspection schedules. This is now available onsite and monitoring of this system is established for all works supervisors. This was considered one of the biggest blockers in Council's management of its defect response. Staff can sign off and monitor RMP compliance effectively without any blockers. With Assetic Cloud in full implementation, NGSC has increased its capacity to gather and retain asset data, and all historical data is available as when required.	June 2020
12.	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	RMP specific KPIs are set for all relevant staff, and reviews are done at six months and 12 months intervals.	June 2020

I thank you for the opportunity to be involved in the audit process as I believe it has been beneficial to Council's delivery of road maintenance moving forward.

If there are any further enquiries regarding the responses provided above, Trenton Fithall in my office can be contacted on 03 5358 8700 or via email at trenton.fithall@ngshire.vic.gov.au for any further information.

Yours faithfully,


 LIANA THOMPSON
 CHIEF EXECUTIVE OFFICER



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Response provided by the Chief Executive Officer, Yarra Ranges Shire Council



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Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—continued

Yarra Ranges Council Action Plan to address recommendations from
Maintaining Local Roads Audit.

No.	VAGO recommendation	Action	Completion Date
1.	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads</i> and <i>Best practice guide for unsealed roads</i> (see Section 2.1)	Council's Road Infrastructure Asset Management Plan document will be updated to reflect the frequency of sealed road condition surveys to be every 3 years. The Road AMP will be reviewed in 2021/22 so document will be published 30 June 2022 Please refer to action 6 for response to unsealed road survey.	30 June 2022
2	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	The contract for the sealed road condition assessment has just been awarded and includes the use of visual and technological assessments. Survey vehicles utilising a laser profilometer will assess rutting, roughness and surface texture across approx. 40% of the road network. This is in addition to the visual assessment of conditions in accordance with IPWEA Condition Assessment & Asset Performance Guidelines. The remaining 60% of assessments will utilise visual assessments alone. This mix of assessments helps with affordability while targeting the technology-based assessments on the roads with higher risk of significant deterioration.	March 2021
3	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Council has recently procured an Enterprise System, Technology One. This system includes a Strategic Asset Management (SAM) module. This SAM module will be configured following the successful implementation of the Asset Lifecycle Management (ALM) module which is already in the process of being implemented. The SAM module timeframe will be	2023

1

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Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—continued

		approx. 2 years, as it is essential that the ALM module is embedded and working as required before the SAM module can integrate and provide accurate modelling based on the data in the ALM.	
4	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	<p>Council is currently reviewing the Road Management Plan (RMP) and this will be placed out for public comment and then published on the website following completion of the review in accordance with the Road Management Act.</p> <p>Intervention and corresponding service levels are documented in the RMP. This information will be summarised on council's website.</p> <p>Further work is being done to include road maintenance service levels as a focus into the annual Community Consultation survey to gain community feedback.</p>	<p>July 2021</p> <p>January 2022</p>
5	Set unit rates for reactive maintenance to: <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	<p>Maintenance costs will be recorded by the ALM module of the Technology One system (to be implemented late 2021). Each work order will have actual and resource costs assigned and linked to the finance system to allow real cost analysis.</p> <p>Reporting of costs per road and activity using the work orders and quarterly reporting will be used to inform proactive maintenance activities and budgeting.</p> <p>The system provides oversight to ensure programmed works and reactive works are coordinated by alerting of duplication.</p> <p>Work order costing will provide actual expenditure on road assets to determine where reactive budget is being spent. This will inform proactive re-sheeting and resealing programs.</p>	Late 2021

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Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—continued

6	Record and maintain road condition data for its unsealed road network (see Section 2.1).	Council notes this as an improvement opportunity and will work with the Road Maintenance contractor to conduct pre-condition audits of the unsealed network prior to grading. The time frame for this work to be completed is following the award of the next contract due in May 22. Although full implementation will likely take 6 months following that date.	October 2022
7.	Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to identify errors (see Section 3.1)	Council notes this as an improvement opportunity and will refer these comments to the Asset Management team.	2021
8.	Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including: • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1)	Maintenance costs will be recorded by the ALM module of the Technology One system (to be implemented late 2021). Each work order will have actual and resource costs assigned and linked to the finance system to allow analysis of real costs.	Late 2021
9.	Undertake self-assessments of the cost of road maintenance against similar councils by: • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1).	Council notes this as an improvement opportunity and will seek to incorporate the review of this data as an assessment step in the process of Strategic Asset Management.	2023
11.	Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	Council notes this as an improvement opportunity and has already made improvements in this area with increased reporting.	2021

3

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Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—continued

12.	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	The review of the RMP this year will seek to further clarify service and compliance levels. A reporting structure will be implemented in line with this performance measures.	2021
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APPENDIX B

Acronyms, abbreviations
and glossary

Acronyms

ARRB	Australian Road Research Board
LGPRF	Local Government Performance Reporting Framework
LGV	Local Government Victoria
RMP	road management plan
VAGO	Victorian Auditor-General's Office
VLGGC	Victorian Local Government Grants Commission

Abbreviations

ALG1	Victorian Local Government Grants Commission's road inventory expenditure and financial data, collected on behalf of the Australian Local Government Association
ARRB best practice guides	<i>Best practice guide for sealed roads 2020 and Best practice guide for unsealed roads 2020</i>
Bendigo	City of Greater Bendigo
Gannawarra	Gannawarra Shire Council
Maribyrnong	Maribyrnong City Council
Northern Grampians	Northern Grampians Shire Council
VGC1	Victorian Local Government Grants Commission's expenditure and revenue data
VGC3	Victorian Local Government Grants Commission's local roads data covering road lengths, road type, strategic routes and bridges
Yarra Ranges	Yarra Ranges Shire Council

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APPENDIX C

Scope of this audit

Who we audited	What we assessed	What the audit cost
<ul style="list-style-type: none"> • Bendigo • Gannawarra • Maribyrnong • Northern Grampians • Yarra Ranges 	<p>We assessed whether councils are planning for and delivering cost-efficient road maintenance.</p>	<p>The cost of this audit was \$900 000.</p>

Our methods

As part of the audit we:

- audited five councils, including reviewing their:
 - road inventory data
 - budget information
 - RMPs
- inspections and defect responses data from 2014–15 to 2018–19. We selected this period to match our questionnaire (see Appendix D).
- conducted a sector-wide questionnaire (see Appendix D).

We selected the five audited councils as a representative spread of council types and sizes.

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 Performance Engagements. We complied with the independence and other relevant ethical requirements related to assurance engagements. We also provided a copy of the report to the Department of Premier and Cabinet and the Department of Treasury and Finance.

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APPENDIX D

Questionnaire methodology

We conducted a sector-wide questionnaire about local roads to fill the gaps from other government data sources and determine whether councils are achieving value for money in maintaining their roads.

For 2014–15 to 2018–19, our questionnaire asked councils about the following.

FIGURE D1: Questionnaire items

Item	Description
Expenditure on road maintenance	Sum of the amount council spends on reactive and planned road maintenance for sealed and unsealed roads
Size of road network	Area (square metres) of sealed and unsealed roads in councils' Local Government Area
Seal types used	Area of the different seal types used on sealed roads by council
Amount of resealing undertaken	Area of councils' sealed roads resealed
Factors which lessened or increased resealing costs	Factors such as: <ul style="list-style-type: none"> quarries where materials were sourced from heavy vehicles on councils' roads technology, software, equipment used business arrangements, i.e. joint procurement or tendering
Accuracy of questionnaire data	Councils' assessment of the accuracy of their data (low, moderate or high)

Source: VAGO

We emailed each councils' mayor and chief executive officer and other relevant contacts, such as the chief financial officer or director of assets. The questionnaire was open for two weeks in May 2020 and we received a response from all 79 councils.

We provided all councils with our questionnaire, and LGPRF and VLGGC data that compared their results against their council cohort and sector.

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Data cleaning methodology

To improve the quality of our data, we verified our questionnaire results and the LGPRF measure—cost of sealed local road resealing—with certain councils that reported values that were missing or were an outlier when compared to other councils' results. We also did extensive testing of the five audited councils to validate their data.

This report uses the updated data that resulted from this data cleaning.

Missing data check

Seventy councils had at least one piece of missing questionnaire data. Of the 1 069 individual checks completed:

- 83 per cent (888) of values were correct
- 4 per cent (44) of values were errors and councils updated their data
- 13 per cent (137) of values were unknown as councils did not have this data.

Outlier data check

Sixty-three councils had significantly lower or higher results compared to their council cohort in one or more category. We verified:

- resealing costs per square metre (LGPRF)
- proportion of sealed road network resealed
- per cent of road expenditure on planned maintenance
- total size of different seal types vs size of sealed network
- amount of resealing undertaken (our questionnaire and LGPRF).

Seventy-six per cent of these councils (48 out of 63) updated at least one datapoint we checked. For LGPRF data, 24 per cent (6 out of 25) of councils updated between two and nine datapoints.

For our check on planned maintenance expenditure, 56 per cent (10 out of 18) of councils advised us they had used estimates to arrive at the figures for this calculation.

Data validation

We validated the questionnaire data of the five audited councils. We did this by checking what data they had used and what calculations they made to arrive at their responses. To reduce the burden on councils, we only checked numeric responses from 2018–19.

We found that Gannawarra and Yarra Ranges misinterpreted the question on total size of different seal types. They then provided corrected data.

Limitations of the data

Due to the data quality issues noted above, we have not used planned maintenance expenditure data from our questionnaire in the report.

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APPENDIX E

Seal types by council

As part of our sector-wide questionnaire, we asked councils about the seal types they used on their local road network. We asked councils to identify the amount of their network, in square metres, they sealed with:

- single spray seal
- double spray seal
- geotextile/membrane seal
- thin asphalt
- thick asphalt.

Figures E1 to E5 shows the results for all participating councils.

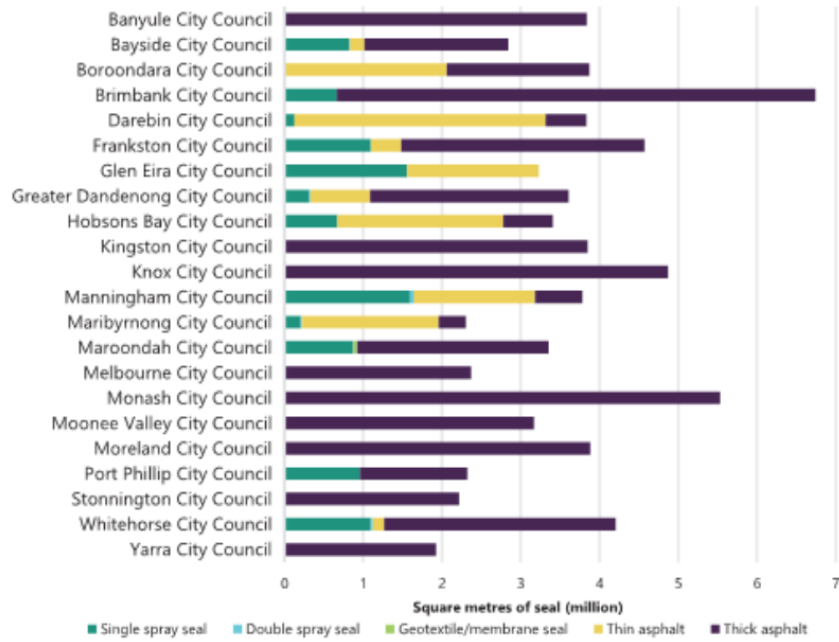
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FIGURE E1: Seal types used on local road network—metropolitan councils



Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

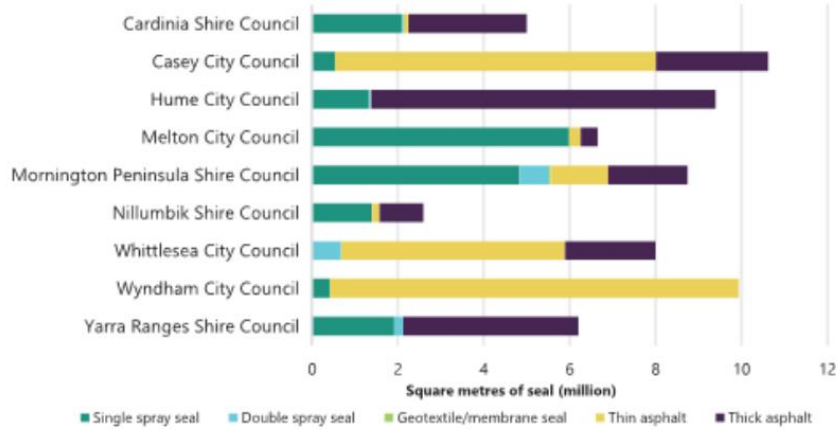
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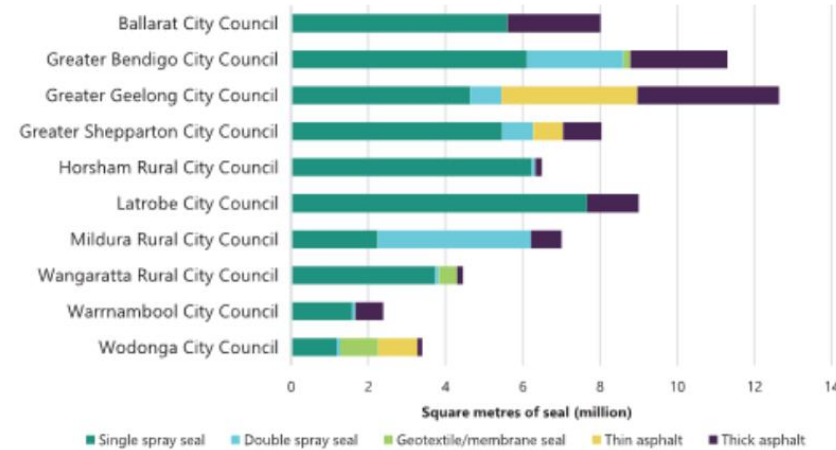
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FIGURE E2: Seal types used on local road network—interface councils



Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

FIGURE E3: Seal types used on local road network—regional city councils



Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

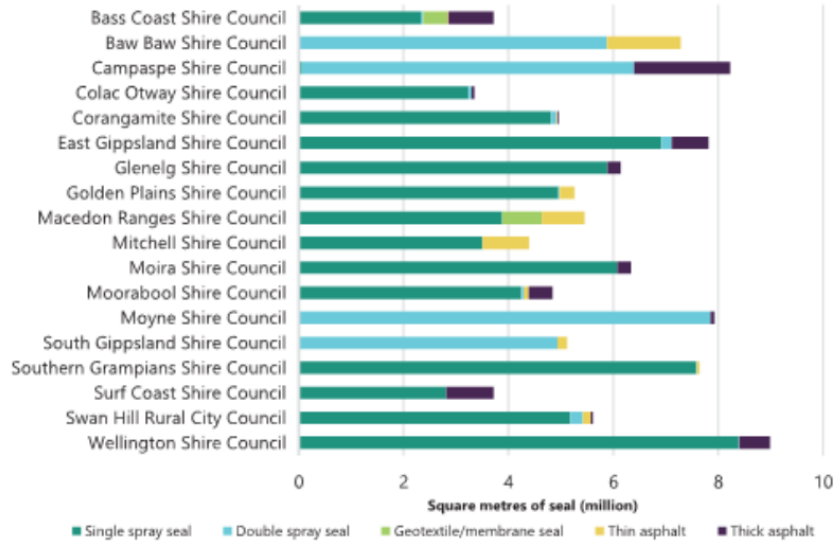
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FIGURE E4: Seal types used on local road network—large shire councils



Note: Excludes Mount Alexander Shire Council, as they did not hold data on seal types in this format. Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

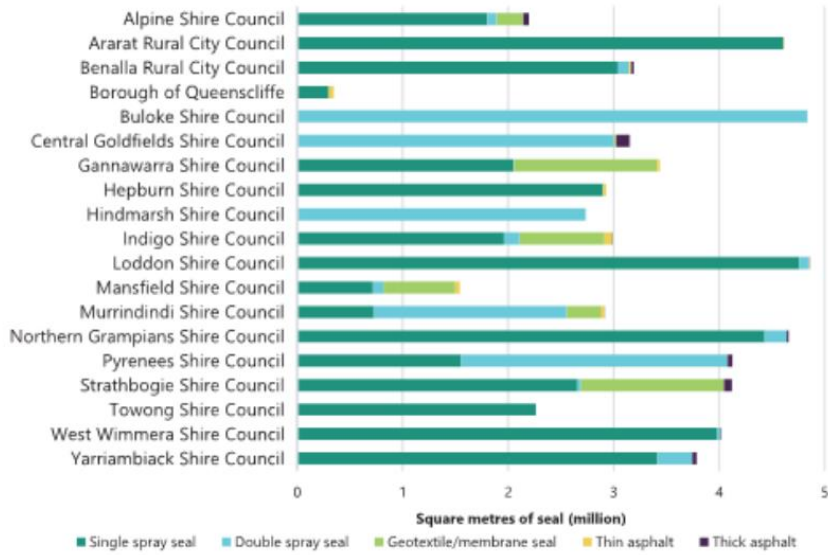
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FIGURE E5: Seal types used on local road network—Small shire councils



Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

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Auditor-General's reports tabled during 2020–21

Report title	
Rehabilitating Mines (2020–21: 1)	August 2020
Management of the Student Resource Package (2020–21: 2)	August 2020
Victoria's Homelessness Response (2020–21: 3)	September 2020
Reducing Bushfire Risks (2020–21: 4)	October 2020
Follow up of Managing the Level Crossing Removal Project (2020–21: 5)	October 2020
Early Years Management in Victorian Sessional Kindergartens (2020–21: 6)	October 2020
Accessibility of Tram Services (2020–21: 7)	October 2020
Accessing emergency funding to meet urgent claims (2020–21: 8)	November 2020
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20 (2020–21: 9)	November 2020
Sexual Harassment in Local Government (2020–21: 10)	December 2020
Systems and Support for Principal Performance (2020–21: 11)	December 2020
Grants to the Migrant Workers Centre (2020–21: 12)	February 2021
Results of 2019–20 Audits: State-controlled Entities (2020–21: 13)	March 2021
Results of 2019–20 Audits: Local Government (2020–21: 14)	March 2021
Maintaining Local Roads (2020–21: 15)	March 2021

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6.8 INTERNAL AUDIT INTEGRITY FRAMEWORK REVIEW PROGRESS REPORT

Author: Bradley Dosser - Manager Legal, Risk & Governance
Presenter: Bradley Dosser - Manager Legal, Risk & Governance

PURPOSE OF REPORT

To present a progress report on Council's response to the Internal Audit Integrity Framework Review Recommendations.

RECOMMENDATION:

That Council note that the Audit and Risk Committee reviewed the progress report and no further action is required.

Recommendation 8

Ms. Gregory/Cr. Shannon

That Council note that the Audit and Risk Committee reviewed the progress report and no further action is required other than the monitoring of the actions within the report.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

The Committee noted the work undertaken to date by the Risk Team in relation to addressing the recommendations within the Integrity Framework Review.

Action:

That a further report be tabled to the Committee in six months on the progress made in addressing the recommendations in the Integrity Framework Review.

REPORT**1. Executive Summary**

The Moore *Internal Audit Integrity Framework Review Final Report* dated 28 July 2021 (**'The Final Report'**), presented to the Audit and Risk Committee on 4 August 2021, presented the findings of an internal audit into the Integrity Framework at Melton City Council (**'Council'**) which considered the design of key frameworks and controls to mitigate actual and perceived risks to integrity within the activities of Council.

The Final Report identified that Council's Integrity Framework was fair and made recommendations in respect to:

- Council's Integrity policy and procedure;
- Council's Fraud and Corruption control plan;
- Council's Fraud Risk Management framework;
- the Screening and Conflict of Interest Management controls used by Council; and
- Ongoing culture check in and reviews and monitoring and improvement plans.

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The Final Report is being used as a basis and roadmap by the Risk Team to review, improve, strengthen and refresh the Integrity Framework utilised by Council.

A table summarising the progress made by the Risk Team in planning, facilitating and managing the review, improvement, strengthening and refreshing of the Melton City Council Integrity Framework by appropriate officers and teams within Council since the last Audit & Risk Committee meeting on 4 August 2021 is attached at **Appendix 1**

2. Background/Issues

The Final Report presented the findings of an internal audit into the Integrity Framework at Melton City Council.

It considered the design of key frameworks and controls to mitigate actual and perceived risks to integrity within the activities of Council.

It assessed that Council's Integrity Framework was fair.

The rating of 'fair' means:

- Control design improvements identified to ensure that fraud and corruption risk is mitigated;
- Fraud risk, plan, policy and procedure gaps on key control areas;
- Fraud incident has occurred as a result of control environment deficiencies;
- Outstanding actions taken on previous audit findings to resolve the item on a timely basis.

Pleasingly, the Final Report noted "Management were proactively planning enhancements in the fraud control environment and had implemented detailed fraud risk improvement plan that had been delayed in implementation due to resource gaps and COVID impacts".

The Final Report identified recommendations in respect to:

- the Integrity policy and procedure on pages 9 and 10;
- the Fraud and Corruption control plan on pages 13 and 14;
- the Fraud Risk Management framework on pages 17 – 20;
- the Screening and Conflict of Interest Management controls on page 23; and
- Culture check in and reviews and monitoring and improvement plans on page 25.

3. Audit and Risk Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

23. Review progress by management on open audit recommendations

4. Financial Considerations

The financial considerations relevant to the review, improvement, strengthening and refreshing of the Melton City Council Integrity Framework by appropriate officers and teams within Council are identified and acknowledged within the Final Report.

5. Consultation/Public Submissions

No consultation was required in the preparation of this report.

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6. Risk Analysis

The Final Report is being used as roadmap by the Risk Team to plan, facilitate and manage the review, improvement, strengthening and refreshing of the Melton City Council Integrity Framework by appropriate officers and teams within Council.

By undertaking this review and implementing the recommendations made by the Final Report, Council is mitigating and minimising the likelihood that the risks and issues identified in the Final Report relating to the Integrity Framework as it currently exists will occur again or at all, as relevant, or if they occur again the impact and severity of these risks will be lessened or minimised.

A table summarising the progress made by the Risk Team in planning, facilitating and managing the review, improvement, strengthening and refreshing of the Melton City Council Integrity Framework by appropriate officers and teams within Council since the last Audit & Risk Committee meeting on 4 August 2021 is attached at **Appendix 1**.

Each item within the table attached at Annexure 1 is intended to address and minimise the likelihood of the occurrence of a risk or issue identified in the Final Report and / or reduce the severity or impact of the occurrence of any such risks or issues.

The progress of the review and implementation of a revised and improved Integrity Framework will continue to be presented to the Audit and Risk Committee by the Risk Team quarterly on an ongoing basis.

7. Options

The Audit & Risk Committee may:

1. Seek further information regarding the progress report; or
2. Note the progress report and take no further action.

LIST OF APPENDICES

1. Internal Audit Integrity Framework Review Progress Report as at September 2021.

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Item 6.8 Internal Audit Integrity Framework Review Progress Report

Appendix 1 Internal Audit Integrity Framework Review Progress Report as at September 2021.

Internal Audit Integrity Framework Review Progress Report, as at 1 September 2021

No.	Action	Responsibility	Due Date	Source of action	Progress update 08/09/2021
1	Appoint Risk Officer and Legal, Manager Governance & Risk	CEO	30/08/2021	Internal Audit Report on Integrity Framework	COMPLETED Update 01/08/2021: Risk Officer and Legal, Manager Governance & Risk appointed. Joined on 02/08/2021
2	Reinstate Risk Management Committee Align future meeting dates prior to A&RC meetings	CEO	30/08/2021	Internal Audit Report on Integrity Framework	COMPLETED Update 01/09/2021: Risk Management Committee reinstated on 10 August 2021 and future meeting dates aligned with A&RC and scheduled 7-10 days prior to the A&RC.
3	Update Risk Management Committee Terms of Reference	Manager Legal, Governance & Risk	30/09/2021	Risk Management Committee	COMPLETED Update 01/09/2021: RMC Terms of Reference adopted
4	Update Child Safe Standard	Executive Manager Property & Projects	31/12/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Moore appointed to undertake detailed review of current policies and procedures.
5	Develop the Melton City Council Risk Framework (diagram)	Manager Legal, Governance & Risk	30/09/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: First draft developed
6	Update Enterprise Risk Management Framework (document)	Manager Legal, Governance & Risk	30/09/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Review of current Enterprise Risk Management Framework underway to identify gaps

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Item 6.8 Internal Audit Integrity Framework Review Progress Report

Appendix 1 Internal Audit Integrity Framework Review Progress Report as at September 2021.

7	Develop Risk Appetite Statement	Manager Legal, Governance & Risk	30/09/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: First draft in progress
8	Code of Conduct update	Manager People & Culture	31/12/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Policy updates underway
9	Complaints Management Procedure	Manager Customer Service	31/12/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Policy updates underway
10	Procurement Policy	Manager Finance	31/12/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Policy updates underway
11	Fraud & Corruption online training through ELMO	Manager People & Culture	30/09/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Held initial discussion between Risk and P&C to include the online module within Induction program. Review of online module in progress
12	Conflict of Interest online training through ELMO	Manager People & Culture	30/09/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Held initial discussion between Risk and P&C to include the online module within Induction program. Review of online module in progress
13	Creation of a separate Fraud Risk Register in Nimblex Risk Register & other changes as required	Risk Officer	30/09/2021	Internal Audit Report on Integrity Framework	Update 01/09/2021: Held initial discussion between Risk and Nimblex. Feasibility review underway.

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6.9 INTERNAL AUDIT RECOMMENDATIONS TRACKING REPORT FOR SEPTEMBER 2021

Author: Cheryl Santoro - Senior Administration Officer
Presenter: Cheryl Santoro - Senior Administration Officer

PURPOSE OF REPORT

To present the *Internal Audit Recommendation Tracking Report for September 2021* (the Report).

RECOMMENDATION:

That Council note that the Audit and Risk Committee reviewed the Report and that no further action is required.

Recommendation 9

Mr. Tommasini/Mr. Mansoor

That Council notes that the Audit and Risk Committee reviewed the Report, noting the action listed below.

CARRIED

AUDIT & RISK COMMITTEE DISCUSSION POINTS

The Committee enquired whether in-house experts are being utilised in relation to risk number 2658.

Action:

A management comment to be included within risk number 2658, addressing the above.

REPORT**1. Executive Summary**

An updated report on the status of recommendations emanating from Internal Audit reports is required to be presented to the Audit and Risk Committee pursuant to the *Annual Work Plan for 2021*.

The Report is attached at **Appendix 1** for the Committee's information.

2. Background/Issues

Council's internal auditors conduct planned audits.

To track and report on these audits and the resultant reports, the recommendations accepted by Council, upon the Audit and Risk Committee's recommendation, are recorded in Council's Risk Register.

Each internal audit recommendation is assigned an Action Owner. It is the responsibility of the Action Owner to action and report on the progress of addressing the recommendation.

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Attached to this report at **Appendix 1** is the *Internal Audit Recommendation Tracking Report for September 2021 (the Report)*. The Report provides an update on the implementation of actions emanating from the internal audits.

Recommendations shaded in green are those that have been completed since the last report to the Audit and Risk Committee.

3. Audit and Risk Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Work Plan references:

23. Review progress by management on open audit recommendations

4. Financial Considerations

Nil.

5. Consultation/Public Submissions

Nil.

6. Risk Analysis

Recommendations from each internal audit are recorded in Council's Risk Register for the attention of the respective action owners. Not all recommendations are associated with risk although many are. Nevertheless, the risk register is considered the best place to store and track this information.

Each audit report sets out the main risk and any other risks in relation to the findings and recommendations.

7. Options

The Audit and Risk Committee can:

1. Recommend to Council that it note the report as per the recommendation.
2. Request further information if deemed necessary.

LIST OF APPENDICES

1. Internal Audit Recommendations Tracking Report as at September 2021

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Item 6.9 Internal Audit Recommendations Tracking Report For September 2021

Appendix 1 Internal Audit Recommendations Tracking Report as at September 2021

Internal Audit Recommendations Tracking Report as at September 2021

Risk ID	Audit Review Name	Internal Auditors Risk Rating	Risk Description	Current Control	Audit Recommendations	Action Owner	Date Created	Due Date	Revised Due Date	Progress	Date of Comment	Comment by	Management Comments
2682	Internal Audit of the Integrity Framework	High	Integrity framework policy and procedures do not reflect council's current operating environment and are past their due dates for next review.	Analysis of documents showed that Integrity framework policies and procedures are past their due date. The integrity related policies do not reflect council's current operating environment and are not fully aligned with better practice including recommendations made by IBAC and the Australian Standards for fraud and corruption controls.	Consider the approach to culture check in, noting that staff receive a large volume of surveys and this may not be appropriate mechanism. Conduct this check in and use it to inform risk and fraud actions defined in register and plans.	Nicole Misurelli	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation of considering the approach to culture check-in.
2681	Internal Audit of the Integrity Framework	Medium	Code of conduct is not reviewed and updated to provide improvements in content.	Code of conduct is not reviewed and updated to provide improvements in content. Furthermore, there is no defined approach for staff to acknowledge the code of conduct on a regular basis.	Review and refresh the code of conduct to provide improvements in content as outlined in the report and define the approach for staff to acknowledge on a regular basis.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation and agree to review and refresh the code of conduct to provide improvements in content as outlined in the report and define the approach for staff to acknowledge on a regular basis.
2680	Internal Audit of the Integrity Framework	Medium	Through document review it was determined that there is no risk appetite statement in place that provides clear statements on zero tolerance areas of behaviour, compliance and culture.	Through document review it was determined that there is no risk appetite statement in place that provides clear statements on zero tolerance areas of behaviour, compliance and culture.	Define and implement a risk appetite statement that defines zero tolerance areas.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation and agree to define and implement a risk appetite statement that defines zero tolerance areas.

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Internal Audit Recommendations Tracking Report as at September 2021

Risk ID	Audit Review Name	Internal Auditors Risk Rating	Risk Description	Current Control	Audit Recommendations	Action Owner	Date Created	Due Date	Revised Due Date	Progress	Date of Comment	Comment by	Management Comments
2679	Internal Audit of the Integrity Framework	High	The current code of conduct and conflict of interest document is outdated and not clear on its expectations of staff with regards to conflict of interest declaration and management.	There is no Contractor and supplier code of conduct to outline integrity expectations. There are no examples, checklists or guidance provided to assist and highlight the importance of conflict of interest management to staff and their obligations.	Review the conflict of interest and code of conducts to address the findings in this report and respond to past incidents; this includes policy, procedure, guidance, assurance controls, attestation, secondary employment and monitoring. Provide a workplan for the identified improvements and actions and capture this as part of the fraud and corruption plan for oversight and monitoring.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation and agree to review the conflict of interest code of conducts to address the findings in the report and respond to past incidents.
2678	Internal Audit of the Integrity Framework		Executive risk committee meetings are not convened frequently to provide frequent oversight and monitoring of fraud risk management.	Executive risk committee meetings are not convened frequently to provide frequent oversight and monitoring of fraud risk management.	Convene the Executive risk management committee on a more frequent basis to reinstate the regular oversight and add the implementation of these recommendations as a standing agenda items to assure on resource, priority and delivery. Ensure the frequent tabling of the Fraud and Corruption plan and Fraud Risk register (extract of fraud risks from the risk system) for oversight of status of actions.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation - quarterly meetings of the Executive Risk Management Committee will be convened.

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Appendix 1 Internal Audit Recommendations Tracking Report as at September 2021

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Risk ID	Audit Review Name	Internal Auditors Risk Rating	Risk Description	Current Control	Audit Recommendations	Action Owner	Date Created	Due Date	Revised Due Date	Progress	Date of Comment	Comment by	Management Comments
2677	Internal Audit of the Integrity Framework	Medium	The Charter requires the A&RC to review systems and processes to oversee compliance, review processes for communicating code of conduct to employees and contractors, monitor compliance with the code.	The current oversight processes for the fraud risk register are not clear, but there has been review by executive in the past.	Council should check in with Audit and Risk committee on changes and improvements needed to allow it to meet its charter obligations. Ensure the frequent tabling of the Fraud and Corruption plan and Fraud Risk register for oversight of status of actions.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	The Audit & Risk Committee to advise Management on changes and improvements required to allow members to meet their Chartered obligations.
2676	Internal Audit of the Integrity Framework		The current risk management framework is not comprehensive, comprising of policies, processes and clear accountabilities for risk management across the organisation and does not reflect the operational environment and best practices.	Risk management policy and framework were last updated in 2018 and do not reflect Council's current operational environment and best practice risk practices.	Develop a work plan to address the gaps in the risk management framework. Schedule and undertake an independent review of the risk management framework to provide assurance on compliance, a maturity assessment and work plan for continuous improvement and priority of work to improve the framework.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation to develop a workplan to address the gaps in the RM framework and undertake an independent review of the same to provide assurance on compliance.

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Internal Audit Recommendations Tracking Report as at September 2021

Risk ID	Audit Review Name	Internal Auditors Risk Rating	Risk Description	Current Control	Audit Recommendations	Action Owner	Date Created	Due Date	Revised Due Date	Progress	Date of Comment	Comment by	Management Comments
2675	Internal Audit of the Integrity Framework	High	Fraud risk registers from Crowe is not aligned with Melton risk register. Furthermore, there is no defined process and approach to reporting on escalating and emerging risks.	There is no approach, process or reporting to facilitate for staff to report escalating and emerging risks and for these to be escalated and reported to facilitate assessment and mitigation. There is a standing agenda item on the Executive risk management committee but it is not clear how these risks are identified and tabled to this committee.	Align the fraud risk registers from Crowe with the Melton risk register to capture the outcomes from the risk workshops, align to best practice content and layout and fully comply with the Australian Risk management standard ISO 31000. Action all risk register improvement actions outlined in this report. This includes defining the process and approach for capture of emerging or escalating fraud risk.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation to align the fraud risk registers from Crowe with the Melton risk register to capture the outcomes from the risk workshops, align to best practice content and layout and fully comply with the Australian Risk management standard ISO 31000.
2674	Internal Audit of the Integrity Framework	High	There is no current separate fraud risk register or reporting providing a comprehensive document of fraud and corruption risks.	Lack of ongoing fraud risk identification, evaluation, treatment and monitoring fraud risk may go undetected and untreated leading to increased risk of fraud and corruption event occurring at council which may result in significant property, financial and reputation loss.	Review, validate and update the council fraud and corruption risk registers leveraging the Crowe workshop output to improve the quality of the fraud risk identification, mitigation and monitoring of actions as outlined in the report.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation to review, validate and update the council fraud and corruption risk registers leveraging the Crowe workshop output.
2673	Internal Audit of the Integrity Framework		Expectations, requirements and procedures for breach and incident reporting to address issues raised are not well defined.	There is no formalisation of the procedures and accountabilities for capturing, reporting, analysing and escalating all detected fraud and corruption incidents across the organisation.	Define the expectations, requirements and procedures for breach and incident reporting addressing the issues raised. Risk to oversight its delivery.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation and agree to define the expectations, requirements and procedures for breach and incident reporting addressing issues raised.

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Risk ID	Audit Review Name	Internal Auditors Risk Rating	Risk Description	Current Control	Audit Recommendations	Action Owner	Date Created	Due Date	Revised Due Date	Progress	Date of Comment	Comment by	Management Comments
2672	Internal Audit of the Integrity Framework	High	Key high risk contractors, suppliers, volunteers and key staff who require additional fraud awareness training are not currently identified.	The current annual fraud training plan caters to all staff regardless of their position. There is no additional fraud awareness training to key high risk contractors, suppliers, volunteers and other key staff who may require additional training relevant to inherent business area risks.	Identify those contractors, suppliers, volunteers and key staff who due to their positions require additional fraud awareness training and update the Plan to respond to this.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation to identify key staff who require additional fraud awareness training due to their position in the Council.
2671	Internal Audit of the Integrity Framework	High	There is no detection and compliance controls framework in place that implements continuous monitoring and detection controls across all key fraud risk areas.	There is a short list of some monitoring controls documented in the fraud and control plan. However, it is not a comprehensive outline aligned to better practices that should include the design and implementation of continuous auditing, data mining, exception rules, and reporting and analysing of unusual trends and transactions on high-risk transactions and process information and data.	Develop and define the detection and compliance controls framework that implements continuous monitoring and detection controls across all key fraud risk areas.	Bradley Dosser	20-Aug-2021	30-Sep-2021	30-Sep-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation and agree to address this as part of the review and update of the fraud and corruption plan.

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Risk ID	Audit Review Name	Internal Auditors Risk Rating	Risk Description	Current Control	Audit Recommendations	Action Owner	Date Created	Due Date	Revised Due Date	Progress	Date of Comment	Comment by	Management Comments
2670	Internal Audit of the Integrity Framework	High	There is no resource to ensure there is priority, adequacy of resourcing and capability to deliver on the Councils fraud and corruption control framework.	There is currently no documented fraud control officer with well documented roles and accountabilities at the council that has responsibility for developing and implementing the Councils fraud and corruption control framework.	Review the adequacy and capacity of resourcing applied to fraud risk management and control plan, including the formal designation of the Fraud Control Officer.	Bradley Dosser	20-Aug-2021	30-Sep-2021	30-Sep-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree to review the adequacy and capacity of resourcing applied to fraud risk management and control plan, including the formal designation of the Fraud Control Officer.
2669	Internal Audit of the Integrity Framework	High	The fraud and corruption plan is not reviewed and updated regularly to address the gaps. Furthermore, alignment with better practice elements provided are not considered.	There is an increased risk that fraud and corruption risks are not adequately identified and controls to minimise the risk of fraud and corruption are not implemented or effective.	Review and update the fraud and corruption plan to respond to the detailed fraud risk assessment, and align to the better practice elements of fraud and corruption plan. This includes updating the staff-training plan as recommended.	Bradley Dosser	20-Aug-2021	30-Sep-2021	30-Sep-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation to review and update the fraud and corruption plan to respond to the detailed fraud risk assessment, and align to the better practice elements of fraud and corruption plan including updating the staff-training plan as recommended.
2668	Internal Audit of the Integrity Framework	High	There is no defined procedure for staff awareness and compliance including a read and understood process on their release and annually for those high risk rated integrity policy.	No clear process on how staff are regularly communicated on the integrity policy framework and reminded on the requirement to fully comply.	Define the procedure for staff awareness and compliance including a read and understood process on their release and annually for those high risk rated integrity policy.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation and agree to define staff awareness and compliance procedures including a read and understood process on their release.

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2667	Internal Audit of the Integrity Framework	High	Executive Risk Management Committee and Audit and Risk Committee are not aware of the status of the policy and procedure actions.	There is no clear process on how executive management is communicated on the implementation status of policy and procedure action.	Deliver a quarterly policy workplan update to the Executive Risk Management Committee and to future meetings of Audit and Risk Committee on the status of the policy and procedure actions.	Bradley Dosser	20-Aug-2021	31-Dec-2021	31-Dec-2021	.0%	20-Aug-2021	Cheryl Santoro	Management agree with the recommendation - a quarterly update to the Risk Management Committee & Audit and Risk Committee on the status of policy and procedure actions.
2666	Internal Audit of the Integrity Framework	High	Integrity framework policy and procedures do not reflect council's current operating environment and are past their due dates for next review.	Analysis of documents showed that Integrity framework policies and procedures are past their due date. The integrity related policies do not reflect council's current operating environment and are not fully aligned with better practice including recommendations made by IBAC and the Australian Standards for fraud and corruption controls.	Update policies and procedures to address gaps outlined to reflect current and planned processes, meet best practice content and coverage requirements. Review the governance, priority, reporting and resourcing given to integrity policy and procedures.	Bradley Dosser	20-Aug-2021	30-Jun-2022	30-Jun-2022	.0%	20-Aug-2021	Cheryl Santoro	Management agree to implement a policy and procedure workplan to address the 20 policy actions identified, review, and allocate resourcing on priority to achieve this.

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2665	Internal Audit of the Capital Projects Framework	High	Lessons learned are not captured and appropriately leveraged.	"There is a gap in prioritise and formalise the process to communicate experiences and lessons learned from their project to other relevant personnel or to some kind of repository, so that MCC may achieve continuous improvement in the efficiency and effectiveness of its project management. Close out processes were flagged as being inconsistently applied over last 18 months."	Implement requirement for lessons learned and their reporting to the governance committee as part of the close out process. Continue to monitor and learn from defects arising to inform future projects design, quality and monitoring processes.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to capture and further leverage lessons learned from capital projects.
2664	Internal Audit of the Capital Projects Framework	High	No formal close out process is in place for the finalisation of a capital project.	The internal teams who are tasked with operationalising built assets are not always provided with appropriate handovers in order to allow them to complete their duties fully.	Deliver a close out process requiring sign offs. Including detail on outcome achievement, final actuals to budget, handover checklist, signoffs for maintenance, operations, safety and quality, procedure for defect management period and when defect liability period ends.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define a formal close out process for the finalisation of a capital project.

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2663	Internal Audit of the Capital Projects Framework	High	Handover procedures from a project to a operational / maintenance team are not defined.	The internal teams who are tasked with operationalising built assets are not always provided with appropriate handovers in order to allow them to complete their duties fully.	Define detailed handover procedure from a project to a team tasked with operationalising / maintaining the asset. A checklist should be made for the team operationalising / maintaining the asset to confirm that handover has occurred properly. Signatures required.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to clearly define capital project handover procedures.
2662	Internal Audit of the Capital Projects Framework	High	The owner(s) of the defects phase of a capital project is not defined in capital project methodology.	"Oversight of a project for its entire lifecycle not consistently occurring in the current governance framework, issues were raised on the adequacy of oversight and monitoring of defects phase."	Define and confirm the owners of the defects phase of the projects as part of the project management methodology and in all project quality plans.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define the owner(s) of the defects phase of a capital project within internal capital project methodology.
2661	Internal Audit of the Capital Projects Framework	High	No effective value management plan or process is in place for capital projects.	Value management process is in place but not effective and not focused on value opportunities, with approach taken as cost cutting and eliminating deliverables that need to be later added back in.	Implement value management plan and process outlining how the outcomes will be achieved and aligned with MCC targets including financial, social, ethical, strategic and outcome goals.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to implement a value management plan and process.

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2660	Internal Audit of the Capital Projects Framework	High	Stakeholder engagement deliverables are not defined in project plans.	There is no inclusion in the stakeholder engagement plans on the engagement milestones.	Ensure the timelines are further defined and outlined in the project plan on stakeholder engagement deliverables, to recognise they are key dependency and assure on these being delivered at the right milestones during the project lifecycle.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to add stakeholder deliverables to further capital project plans.
2659	Internal Audit of the Capital Projects Framework	High	Formal end user engagement procedures are not documented for capital projects.	End user, owner and expertise participation was raised as stakeholders that could be better engaged throughout the project lifecycle with particular focus to planning and handover phases.	Document formal end user engagement procedures including the gates, rules and sign offs required. Operational owners to agree to these up front and be fully engaged throughout the project lifecycle.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to document and enforce formal end user engagement procedures for capital projects.
2658	Internal Audit of the Capital Projects Framework	High	In house experts are not being appropriately leveraged for capital projects.	End user, owner and expertise participation was raised as stakeholders that could be better engaged throughout the project lifecycle with particular focus to planning and handover phases. A number of interviews raised option for resourcing in early planning with in house experts to leverage their relevant knowledge and skills and set the project up for success.	Review approach to in house experts in the project lifecycle to ensure they are well leveraged and the project benefits from skill and experience before going to outsource suppliers.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to investigate better incorporating in house experts into the capital project lifecycle.

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2657	Internal Audit of the Capital Projects Framework	High	The tools available for the management and reporting of capital projects are not fit for purpose.	"The project management tools in place are currently recognised as not fit for purpose, often causing project managers to rely on excel spreadsheets to manage projects. Recognition that new workflow, automation and enabling tools are needed to drive efficiency and effectiveness across all capital project processes."	Conduct cost / benefit analysis of the value of resourcing project management tools and enablers for efficiency and effective monitoring of projects, balanced with the profile, volume and risk of the project activity over the short term horizon.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to investigate tools to enhance MCC's ability to monitor, report on and complete capital projects.
2656	Internal Audit of the Capital Projects Framework	High	Safety policies and procedures are not tailored for each capital project.	There is no defined requirement and formalised approach to safety by design, where safety is well considered and safety plan conducted as part of the planning of each asset. There is often ad hoc engagement with operational staff but not formal safety expertise signing off on design and other key milestones.	Safety policy and procedures should be tailored and defined for the capital project setting. A safety plan and risk assessment should be designed, implemented and maintained throughout the entire project lifecycle for all projects.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define and tailor safety policies and procedures for each capital project.

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2655	Internal Audit of the Capital Projects Framework	High	Safety requirements and procedures for contractors are not clearly dictated or enforced.	"It was reported that safety management and the facilitation of safety management plans is normally outsourced to contractors and there was concern that in some cases project managers may no longer monitor safety once a tender has been awarded and instead rely on the contractor."	All contractors should be trained and maintain currency on the incident and safety policy and procedure, the accountabilities and processes for incident, near miss and safety hazard reporting should be well defined for all participants in the MCC capital projects including all contractors.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to formalise and enforce safety standards for contractors.
2654	Internal Audit of the Capital Projects Framework	High	No safety by design principals are being utilised with regards to capital projects.	There is no defined requirement and formalised approach to safety by design, where safety is well considered and safety plan conducted as part of the planning of each asset. There is often ad hoc engagement with operational staff but not formal safety expertise signing off on design and other key milestones.	Definition and adoption of safety by design principles should occur, with any high risk assets in their potential impact on staff, clients and children having formal and expert engagement to document safety plans, sign off and regularly monitor	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to adopt safety by design principals for capital projects.
2653	Internal Audit of the Capital Projects Framework	High	No risk assessment, analysis, reporting tools and templates are in place to assist in the classification of risks.	Through document review it was determined that no risk assessment, analysis or reporting tools and templates were in place to assist in the classification of risks for capital projects.	Risk assessment, analysis, reporting tools and templates should be implemented. Risk registers to be maintained to evidence all key risks have been identified, analysed and mitigation activities undertaken. Escalation of risks high and above to be well defined for PWG and PCG.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to implement risk assessments, risk analysis, risk reporting tools and templates to facilitate.

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2652	Internal Audit of the Capital Projects Framework	High	No risk management framework is in place for capital projects.	It was advised that risks that arise are generally dealt with on a case by case basis, and are not documented or summarised as issues arising in the status report. Mitigations raised in planning not monitored and validated. Risk is not being used as a project management tool to identify emerging risks and escalating issues.	Design and implement capital project risk management framework. The framework should be aligned to MCC risk appetite statement and tiered in its application based on a project risk assessment. Risk assessments should inform all key phases of the project.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to design and implement a capital project risk management framework.
2651	Internal Audit of the Capital Projects Framework	High	Capital project risks are not always being classified appropriately.	Interviewees described the current approach to risk management as having a low level of maturity. Some participants described it as a 'tick the box exercise'. Approach is high level with risk listings and mitigations being included in the project reporting on ad hoc bases but no detailed risk appetite setting, risk analysis and detailed risk reporting. Project risk registers often have approximately 4 to 6 risks which are typically only focused on risks to delivery.	Employ a risk based project classification approach to align the resourcing allocation, project management methodology and oversight to focus on the right risks.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to employ a risk based project classification approach for capital projects.

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2650	Internal Audit of the Capital Projects Framework	Medium	The current contractor performance and compliance management framework is not fit for purpose.	"In instances where contractors have failed to deliver, with certain cases contractors are not held to account by PM (or contracted superintendents where applicable) or that fee penalties (if built into the contract) are not consistently executed on."	Uplift the the contractor performance and compliance management framework. Define the contract owner's role and accountabilities. Each project should have a contractor performance and compliance management plan. Review and approval processes to be incorporated.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to uplift the current contractor performance and compliance management framework.
2649	Internal Audit of the Capital Projects Framework	Medium	No contractor performance management plan in place.	"Supplier performance managed could be further enhanced with further consideration given to the contract clauses and specific risks and mitigations, including performance monitoring, quality assurance, safety management and compliance. PMs may require training and upskilling in contract management to understand the contracts and manage in a more robust and formal manner. Roles and accountabilities may also need further definition for clarity on performance management and compliance with the contracts."	Adopt a performance management plan to standardise how contractors and suppliers are engaged throughout the project lifecycle, define and agree what roles MCC is comfortable outsourcing to contractors and how contracts are to be referred to throughout the lifecycle of a project.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to adopt a performance management plan.

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2648	Internal Audit of the Capital Projects Framework	Medium	No capital projects policy framework in place.	"No capital projects policy framework exists. Furthermore participants consistently supported further formalisation of policy and procedure to guide on expectations and compliance requirements. The policy in place currently is aged and has not had regular review to ensure it is comprehensive, reflects the current risk appetite, lessons learned and aligns to current practices."	Develop and implement policy framework specific to capital projects.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to develop and implement a policy framework specific for capital projects.

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2647	Internal Audit of the Capital Projects Framework	High	No change and variation management policy and procedure in place.	" Procedures for approval and escalation are not well communicated or defined fully to monitor and manage any changes to the project including project timeframes, project variations and changes to the statement of works. Most participants called for strong controls on scope changes including delegation policy that project owner must have an approval sign off. Concerns were flagged based on value criteria as cumulative impact of changes are where past cost and risks have been."	Define and implement policy and procedure for change and variation management including analysis and impacts to be fully considered, analysed and documented for timeframes, quality risks, statement of works, financials, deliverables and outcomes.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define and implement a change and variation management policy and procedure.
2646	Internal Audit of the Capital Projects Framework	High	Capital project scoping requires consistency and standardisation.	Project scope template or control procedures for scope variation were not consistently developed. This is often defined in the business case document and variations approach left to the judgement of the PM.	Define and implement a scope template that is tiered on a project risk basis and approved and monitored, setting expectations and framework to enable identification of scope change.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define and implement a scope template.

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2645	Internal Audit of the Capital Projects Framework	High	Capital project scoping processes require enhancement.	Projects are often not scoped with inputs from all appropriate specialists and examples provided where regulatory requirements to be missed in scoping. This leads to non-discretionary costs being added to projects after delivery has started.	Enhance the scoping process by including appropriate specialists in the design phase. Define this into the scoping process including when and how expert guidance over the regulatory compliance requirements are to be obtained.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to incorporate/leverage specialists & experts into the scoping phase.
2644	Internal Audit of the Capital Projects Framework	High	Approach for business case development requires enhancement.	Project scope template, or control procedures for scope variation were not consistently developed. This is often defined in the business case document and variations approach left to the judgement of the PM.	Review the approach to business case development, specifically to consider further investment, prioritisation and detail to capture the scope definition and delivery phases.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to enhance capital project business case development.
2643	Internal Audit of the Capital Projects Framework	High	Capital projects framework ownership requires definition.	Analysis of documentation showed that capital project roles and accountabilities are not clearly defined for the capital project framework.	Establish who holds the accountability for design, implementation, compliance and continuous improvement of the capital project framework.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to determine who has ownership over the capital project framework.
2642	Internal Audit of the Capital Projects Framework	Medium	Role of the capital projects team not well understood.	There is a gap in communication and engagement plans in place to inform the organisation on roles and accountabilities.	Provide definition, communication and engagement plans to further assist all in understanding the role of the capital projects team – accountabilities, purpose and targets should be well defined and communicated.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define all roles and accountabilities of each capital projects team and to develop and implement this in communication plans.

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2641	Internal Audit of the Capital Projects Framework	High	Capital project risk based management framework does not hold enough detail.	"Documentation review showed that the current approach to capital projects management is not clearly tiered or varied to focus on the right risks."	Define risk based capital project management framework. Classify projects into risk category. Tier the project management framework requirements based on risk categories. Define the requirements and provide guidance for each tier.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define a risk based capital project management framework.
2640	Internal Audit of the Capital Projects Framework	High	Approval, communication and escalation processes are not enforced.	Analysis of documentation showed that capital project escalation processes are not clearly defined. The risk management controls are in place but require tailoring to capital projects.	Define the approval, communication and escalation processes throughout the execution of capital projects. The design and implementation of a capital project risk consequence table is required to deliver this action.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to define the approval, communication and escalation processes throughout the execution of capital projects, and design and implement a capital project risk consequence table.
2639	Internal Audit of the Capital Projects Framework	High	Role clarity and definition require improvement.	Analysis of documentation showed that capital projects roles and accountabilities are not clearly defined.	Provide role clarity and definition of accountabilities for the entire lifecycle of project for key project positions and governance forums – Roles and responsibilities matrix is recommended to be documented and communicated.	David Caligari	11-Jun-2021	30-Apr-2022	30-Apr-2022	.0%	11-Jun-2021	Cheryl Santoro	Management agree with the recommendation and agree to provide role clarity, define accountabilities and develop a role and responsibility matrix.

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2635	Road Management Plan Review	Medium	Road inspections and maintenance works had not been completed within the required timeframes	Data analytics revealed some instances where inspections had not been completed in accordance with the frequency stipulated in the Road Management Plan and maintenance works had not been completed within target resolution date.	Management should follow up on the exceptions identified from our data analytics testing and identify whether immediate remedial actions are required.	Brendan Sell	03-Jul-2020	31-Jul-2020	30-Jun-2021	100.0%	31-Aug-2021	Cheryl Santoro	Rectified through contractual mechanisms. Contractor had underperforming supervisors who have now left. Council introducing better monitoring systems as per risk 2634.
2634	Road Management Plan Review	Medium	Road inspections and maintenance works had not been completed within the required timeframes	Data analytics revealed some instances where inspections had not been completed in accordance with the frequency stipulated in the Road Management Plan and maintenance works had not been completed within target resolution date.	Management should investigate the potential to introduce monthly data analytics or live dashboard reporting to identify non-compliances with the RMP in particular to road inspection times and road works response times.	Brendan Sell	03-Jul-2020	31-Dec-2020	31-Dec-2021	50.0%	30-Aug-2021	Brendan Sell	Close to finalising a PowerBI dashboard to assist in the short term whilst we introduce a Maintenance Management System in the medium term. Both tools will enable us to better monitor and respond to contractor performance
2522	Procurement October 2017	Medium	Absence of processes in place for the use of panel suppliers	There were no processes in place setting out requirements for the establishment and use of panel suppliers, nor was a centralised register of panels maintained.	Regular monitoring and reporting of panel spend should be undertaken., (Please note: Council do not have contract values for panel, but schedule of rates)	Donna Anderson	20-Oct-2017	31-Dec-2020	31-Mar-2022	28.8%	30-Aug-2021	Donna Anderson	Direct tender closed 24.08.21 and is the process of being evaluated by the panel. The contract should be awarded by late September and the contract commences in Mid October

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6.10 ANNUAL ASSESSMENT OF AUDIT AND RISK COMMITTEE PERFORMANCE**Author: Cheryl Santoro - Senior Administration Officer****Presenter: Kel Tori - Chief Executive Officer****PURPOSE OF REPORT**

To present the results of the annual assessment of the Audit and Risk Committee performance, undertaken by all members and regular staff attendees at Audit and Risk Committee meetings, as to the Committee's performance over the past 12 months.

RECOMMENDATION:

That Council note the results of the annual assessment of the Audit and Risk Committee performance survey undertaken by the Audit and Risk Committee members set out at **Appendix 1** and regular staff attendees at Audit and Risk Committee meetings set out at **Appendix 2**, as to the Audit and Risk Committee's performance over the past 12 months and no further action is required.

Recommendation 10

Ms. Gregory/Cr. Shannon

That Council note the results of the annual assessment of the Audit and Risk Committee performance survey undertaken by the Audit and Risk Committee members set out at **Appendix 1** and regular staff attendees at Audit and Risk Committee meetings set out at **Appendix 2**, as to the Audit and Risk Committee's performance over the past 12 months and note the actions listed below.

CARRIED**AUDIT & RISK COMMITTEE DISCUSSION POINTS**

The Committee discussed the matter of introducing an Induction/Training program for Councillors who sit on this Committee, due to the fact that Councillors are appointed annually on advisory committees, therefore one or two different Councillors will be appointed to this Committee each year.

Action:

That the Chairperson and Manager of Legal, Governance and Risk produce an Induction program to address this matter.

The Committee discussed the scheduled 2 hour meeting time and suggested that future meetings be set for at least 2.5 hours, to ensure the meetings do not over run, which may conflict with members' meeting obligations elsewhere.

Action:

That future meetings be set up for 2.5 hours.

The Committee suggested that each Agenda item be allocated a timeframe.

Action:

That the draft Agenda be forwarded to Chairperson to allocate timeframes against each Agenda item.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

REPORT**1. Executive Summary**

A performance review was undertaken by Audit and Committee members and regular staff attendees at Audit and Risk Committee meetings, as required under Council's Audit and Committee Charter adopted by Council on 31 August 2020.

2. Background/Issues

Section 6 of Council's Audit and Risk Committee Charter, requires the Audit and Risk Committee to evaluate their own performance collectively against the Charter.

The Audit and Risk Committee's performance assessment survey was completed using a template developed by Local Government Victoria and covers the following components:

1. Audit and Risk Committee Charter
2. Skills and Experience
3. Understanding the Business
4. Meeting Administration and Conduct
5. Communications with Council
6. Management Commitment and Support
7. Internal Audit
8. External Audit

A copy on the results of the Audit and Risk Committee and assessment performance survey from Audit and Risk Committee members is attached as **Appendix 1** and the results from regular staff attendees is attached as **Appendix 2**.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit and Risk Committee Annual Plan references:

36. Assessment of Committee Performance

4. Financial Considerations

Independent Audit and Risk Committee members remuneration is provided for in the recurrent budget of Council.

5. Consultation/Public Submissions

Assessment performance feedback from Audit and Risk Committee members and also regular staff attendees at Audit and Risk Committee meetings were sought, as part of this review.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

6. Risk Analysis

The proposed assessment of performance is based using a template developed by Local Government Victoria and in accordance with the Audit and Risk Committee Charter. Each member of the Committee assessed the Committee's performance against a series of questions.

There is a risk, as with any self-assessment, that the questions are not answered in a fair and reasonable manner. This risk exists because those completing the questions have what would otherwise be considered a conflict of interest.

This risk is somewhat mitigated by the fact that staff who regularly attend the meetings were also invited to complete the questionnaire.

The only way to remove this risk completely is to have the Committee's performance be assessed by an external contractor, who is independent of the Committee and the Council.

7. Options

That Council

1. Accept the self-assessment model currently being undertaken.
2. Recommend that Council engage an external contractor to conduct an independent assessment of the Audit and Risk Committee's performance and amend the Committee's Charter accordingly.

LIST OF APPENDICES

1. Annual Assessment of Audit & Risk Committee Performance Survey Results from Audit & Risk Committee members
2. Annual Assessment of Audit & Risk Committee Performance Survey Results from regular staff attendees

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 1 Annual Assessment of Audit & Risk Committee Performance Survey Results from Audit & Risk Committee members

Audit & Risk Committee Members Self-Assessment Survey

Performance for the Year Ended 30 June 2021

<i>Rating Scale</i>	<i>1 = Strongly Disagree</i>	<i>2 = Disagree</i>	<i>3 = Neutral</i>	<i>4 = Agree</i>	<i>5 = Strongly Agree</i>	<i>N/A = Not Applicable</i>
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Your Ratings of Performance

Comments are expected from respondents in the spaces provided at the end of each section where Ratings of 1. or 2. are given. This will assist in the identification of opportunities for improvement. It is expected that all questions will be applicable, so use of N/A ratings should be avoided wherever possible.

ID	Questions	Ratings [Tick boxes as appropriate]					
		1	2	3	4	5	N/A
A. Audit Committee Charter							
1	The Charter clearly articulates the Committee's roles and responsibilities and provides it with the necessary authority to discharge them				4	1	
2	The Charter facilitates and supports the effective operation of the Committee			1	2	2	
3	During the past year, the Committee has adequately addressed all of its responsibilities as detailed in the Charter			2	3		
4	The Charter ensures the Committee is sufficiently independent from the management of Council		1		2	2	
Totals			1	3	11	5	
<i>Comments / Suggestions for Improvement</i>							
<ul style="list-style-type: none"> Recommend Audit Charter to include more detail on compliance on Privacy of information, redaction of personal information, particularly on any employee/contractor related matters which are to be presented before Courts. As I haven't been on this Committee for 12 months, this is difficult to comment. Perhaps a way forward is to have this assessment in October so the Mayor of the day can have a full year in which to assess the Committee. I have only attended 2 normal meetings and 1 special meeting. I would like to see a few more things in place to ensure the committee is fully independent. 							

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 1 Annual Assessment of Audit & Risk Committee Performance Survey Results from Audit & Risk Committee members

B. Skills and Experience						
5	The Committee has the desired mix of skills to allow it to effectively discharge its responsibilities			1	4	
6	The Committee has been able to analyse and critically evaluate information presented to it by management		1		4	
7	There is a clear process that Committee members can follow to access advice and /or training to improve their skills and knowledge <i>**Note: 1 C'tee member did not respond to this question</i>	1		3		
8	The Committee's collective skills are adequate in light of its responsibilities		1		3	1
9	The Committee has responded appropriately where significant risks and/or control breakdowns have been brought to its attention	1			3	1
10	The Committee has shown an openness to new ideas and different views in its deliberations		1		3	1
11	The Committee has been sufficiently probing and challenging in its deliberations.	1			4	
Totals		3	3	4	21	3
<i>Comments / Suggestions for Improvement</i>						
<ul style="list-style-type: none"> No opportunities for training have been suggested. New Committee members had not received Charter until mid-year and perhaps some more vigorous probing and challenging in its deliberations with Officers reports. I believe Councillors on this committee need to have some individual training to determine what skills they can provide and what areas need improvement. 						

C. Understanding the Business						
12	The Committee has an adequate understanding of Council's:					
	- Risk management framework and risk profile		1	2	2	
	- Internal control framework to mitigate significant risks		1	2	2	
	- Financial and statutory reporting requirements			1	3	1
	- Legislative compliance requirements			2	3	
13	The Committee receives appropriate briefings on:					
	- Current and emerging business risks		1	2	2	
	- Changes in financial reporting requirements			2	3	
	- Changes in performance reporting requirements			3	2	
	- Integrity Body reports			2	2	1
	- Changes in the business/regulatory environment		1	1	3	
Totals			4	17	22	2
<i>Comments / Suggestions for Improvement</i>						
<ul style="list-style-type: none"> Opportunity for increased focus on Risk Management. I feel I may not be able to fully comment on this as I haven't been on this Committee for 12 months. 						

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 1 Annual Assessment of Audit & Risk Committee Performance Survey Results from Audit & Risk Committee members

D. Meeting Administration and Conduct						
14	The Committee has had an appropriate number of meetings to properly discharge its responsibilities		1		3	1
15	Agendas are structured to allow sufficient time to discuss all critical issues		1	1	2	1
16	The Committee receives agendas and supporting papers in sufficient time prior to meetings		1	1	2	1
17	Agendas and supporting papers are of sufficient clarity and quality to enable the Committee to make informed decisions			1	4	
18	Committee meetings are well run and productive				4	1
19	Committee minutes are appropriately maintained and provided to Council on a timely basis		1	1	3	
Totals			4	4	18	4
<i>Comments / Suggestions for improvement</i>						
<ul style="list-style-type: none"> I would recommend an approx. timeslot allocated for each agenda item to be discussed. This would ensure matters of more importance get sufficient coverage and overall time allocation is met. The response in relation to the VAGO report and setting up an extraordinary meeting was done very well. Although there are adequate meetings in place, the VAGO meeting response was very well managed including the collation of information in such a short timeframe. I can only go by what I've experienced in my short time on this Committee, which is only a few meetings. We have gone "over time" at each meeting I have attended, maybe have longer planned meetings or more regular meetings to ensure everything is discussed in a timely manner without being rushed. The charter states "at least 3 working days" for an agenda and supporting documents to be received by members. I suggest we change this to at least 5 working days to allow for thorough preparation before meetings. 						
E. Communications with Council						
20	Committee communications to Council about its deliberations and decisions are appropriate.	1	1		3	
21	Committee reports to Council on its activities are appropriate			1	4	
Totals		1	1	1	7	
<i>Comments / Suggestions for improvement</i>						
<ul style="list-style-type: none"> The timing of the reports to Council has led to the extraordinary meeting minutes being tabled without Committee approval. I think this process has improved with a coordinated approach between the Committee, Council and Council Meetings. At times there could be more narrative around the minutes/discussions and deliberations. The minutes from our special meeting needed to be added to and tweaked quite a few times before most members were satisfied. Reports to Council regarding deliberations need to be improved. 						
F. Management Commitment & Support						
22	Information and briefing papers presented by management meet the Committee's expectations in respect of:					
	- Council's risk profile and mitigating actions for key risks		1		4	
	- Maintenance of a strong internal control environment that is effective in mitigating key risks		2		3	
	- Management of Council's compliance and regulatory obligations	1			4	
	- Council's external reporting requirements			1	4	
23	The Committee has a positive attitude to continuous improvement in its dealings with management			1	2	2
Totals		1	5	17	2	
<i>Comments / Suggestions for improvement</i>						
<ul style="list-style-type: none"> There is an opportunity for improvement for Council to report to the Committee on how they are discharging their compliance and regulatory obligations outside of audits. Although there is an update each meeting regarding the Local Government Act, it would be beneficial to see an update on how other regulatory obligations are being met. I can only go by the Integrity Framework and the outstanding actions that stem from that. 						

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 1 Annual Assessment of Audit & Risk Committee Performance Survey Results from Audit & Risk Committee members

G. Internal Audit						
24	The Committee reviewed and approved the internal audit plan			4	1	
25	The Committee considered the adequacy of internal audit resources	1	1	3		
26	The Committee reviewed and approved any significant changes to the internal audit plan		1	3	1	
27	The Committee considered the performance of the internal audit function		1	3	1	
28	The Committee reviewed all internal audit reports and monitored management responses to recommendations		1	4		
29	The Committee reviewed the Internal Audit Charter to ensure that appropriate structures, authority, access and reporting arrangements are in place for the internal audit function	1	2	1		1
Totals		2	6	18	3	1
<i>Comments / Suggestions for improvement</i>						
<ul style="list-style-type: none"> I can't remember if we reviewed the Charter this financial year or whether it was the previous. If it was this, then I agree. I can't recall seeing an Internal audit charter? 						
H. External Audit						
30	The Committee reviewed and approved the external audit plan		1	3	1	
31	The Committee reviewed external audit reports and management letters and monitored management responses to findings and recommendations made by external audit		2	3		
32	The Committee provided feedback on the performance of external audit		1	3	1	
Totals			4	9	2	
<i>Comments / Suggestions for improvement</i>						
<ul style="list-style-type: none"> 						
I. Other Comments [Please phrase your comments as opportunities for improvement]						
Please note here any other comments you would like to make about the Committee's performance:						
<ul style="list-style-type: none"> Increased level of participation by Councillor members noted. Overall, Committee members have been engaged, reviewing & probing on Agenda Items presented. Despite audit committee members operating at an advisory capacity, Council Management have acted in an open, transparent manner in addressing all queries and matters probed & providing detailed explanations as necessary Consideration as to the timing of this self-assessment occur, if the Mayor of the day sits on the Committee and is appointed every year in late October, there may not be enough time to provide self-assessment for just half a year. As I was only elected to this position late last year and am also a new councillor, the assessment is based on the 2 normal meetings and 1 special meeting I have attended. I have limited experience on this committee and in my role. The charter was never supplied to me (as much as I can recall) until it was requested for at our last meeting. I suggest it be mandatory to go through the charter at the beginning of every year to account for the changeover in Councillors. The charter states "orderly rotation" of external members needs to happen. This should happen for one external member each year that being the case. We have not discussed this yet and I suggest it be discussed at the start of every year. Is it possible to move this survey to the end of each year rather than in line with the financial year to accommodate the potential change in Councillors? It would give a greater opportunity to have feedback based on more than one or two meetings. 						
Grand Totals for all Responses						

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 2 Annual Assessment of Audit & Risk Committee Performance Survey Results from regular staff attendees

Audit & Risk Committee Self-Assessment Survey from staff members who are regular attendees

Performance for the Year Ended 30 June 2021

Rating Scale	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree	N/A = Not Applicable
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Your Ratings of Performance

Comments are expected from respondents in the spaces provided at the end of each section where Ratings of 1. or 2. are given. This will assist in the identification of opportunities for improvement. It is expected that all questions will be applicable, so use of N/A ratings should be avoided wherever possible.

ID	Questions	Ratings [Tick boxes as appropriate]					
		1	2	3	4	5	N/A
A. Audit Committee Charter							
1	The Charter clearly articulates the Committee's roles and responsibilities and provides it with the necessary authority to discharge them				1	2	
2	The Charter facilitates and supports the effective operation of the Committee				2	1	
3	During the past year, the Committee has adequately addressed all of its responsibilities as detailed in the Charter			1	2		
4	The Charter ensures the Committee is sufficiently independent from the management of Council			1	2		
Totals				2	7	3	
<i>Comments / Suggestions for Improvement</i>							
•							
B. Skills and Experience							
5	The Committee has the desired mix of skills to allow it to effectively discharge its responsibilities				2	1	
6	The Committee has been able to analyse and critically evaluate information presented to it by management			1	1	1	
7	There is a clear process that Committee members can follow to access advice and /or training to improve their skills and knowledge			2			1
8	The Committee's collective skills are adequate in light of its responsibilities			1	1	1	
9	The Committee has responded appropriately where significant risks and/or control breakdowns have been brought to its attention			1	1	1	
10	The Committee has shown an openness to new ideas and different views in its deliberations				2	1	
11	The Committee has been sufficiently probing and challenging in its deliberations.			1	2		
Totals				6	9	5	1
<i>Comments / Suggestions for Improvement</i>							
•							

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 2 Annual Assessment of Audit & Risk Committee Performance Survey Results from regular staff attendees

C. Understanding the Business						
12	The Committee has an adequate understanding of Council's:					
	- Risk management framework and risk profile		1	1	1	
	- Internal control framework to mitigate significant risks		1	1	1	
	- Financial and statutory reporting requirements		1	1	1	
	- Legislative compliance requirements		1	1	1	
13	The Committee receives appropriate briefings on:					
	- Current and emerging business risks		1	1	1	
	- Changes in financial reporting requirements			2	1	
	- Changes in performance reporting requirements		1	1	1	
	- Integrity Body reports			2	1	
	- Changes in the business/regulatory environment			2	1	
	Totals		6	12	9	
<i>Comments / Suggestions for Improvement</i>						
•						
D. Meeting Administration and Conduct						
14	The Committee has had an appropriate number of meetings to properly discharge its responsibilities			3		
15	Agendas are structured to allow sufficient time to discuss all critical issues		1	2		
16	The Committee receives agendas and supporting papers in sufficient time prior to meetings			2		1
17	Agendas and supporting papers are of sufficient clarity and quality to enable the Committee to make informed decisions			2		1
18	Committee meetings are well run and productive			3		
19	Committee minutes are appropriately maintained and provided to Council on a timely basis			2		1
	Totals		1	14		3
<i>Comments / Suggestions for improvement</i>						
•						
E. Communications with Council						
20	Committee communications to Council about its deliberations and decisions are appropriate.			2		1
21	Committee reports to Council on its activities are appropriate			3		
	Totals			5		1
<i>Comments / Suggestions for improvement</i>						
•						
F. Management Commitment & Support						
22	Information and briefing papers presented by management meet the Committee's expectations in respect of:					
	- Council's risk profile and mitigating actions for key risks			2		
	- Maintenance of a strong internal control environment that is effective in mitigating key risks			2		
	- Management of Council's compliance and regulatory obligations			2		
	- Council's external reporting requirements			2		
	<i>**Note: 1 staff member did not answer question 22</i>					
23	The Committee has a positive attitude to continuous improvement in its dealings with management		1	1	1	
	Totals		1	9	1	
<i>Comments / Suggestions for improvement</i>						
•						

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

Item 6.10 Annual Assessment of Audit and Risk Committee Performance

Appendix 2 Annual Assessment of Audit & Risk Committee Performance Survey Results from regular staff attendees

G. Internal Audit						
24	The Committee reviewed and approved the internal audit plan				3	
25	The Committee considered the adequacy of internal audit resources				3	
26	The Committee reviewed and approved any significant changes to the internal audit plan				3	
27	The Committee considered the performance of the internal audit function				3	
28	The Committee reviewed all internal audit reports and monitored management responses to recommendations				3	
29	The Committee reviewed the Internal Audit Charter to ensure that appropriate structures, authority, access and reporting arrangements are in place for the internal audit function				3	
Totals					18	
<i>Comments / Suggestions for improvement</i>						
•						
H. External Audit						
30	The Committee reviewed and approved the external audit plan				3	
31	The Committee reviewed external audit reports and management letters and monitored management responses to findings and recommendations made by external audit				3	
32	The Committee provided feedback on the performance of external audit				2	1
Totals					8	1
<i>Comments / Suggestions for improvement</i>						
•						
I. Other Comments [Please phrase your comments as opportunities for improvement]						
Please note here any other comments you would like to make about the Committee's performance:						
•						
Grand Totals for all Responses						

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

7. MEET WITH AUDITORS IN THE ABSENCE OF MANAGEMENT

It was agreed by Committee members and External Auditor, Mr. Walker, there was no need to meet in the absence of Management.

8. PUBLICATIONS

Nil.

9. OTHER MATTERS RAISED BY THE COMMITTEE

No other matters were raised by the Committee.

AUDIT AND RISK COMMITTEE MEETING8 SEPTEMBER 2021**10. CONFIDENTIAL BUSINESS**

The Chairperson closed the meeting to the public.

Agenda item 6.4 – External Auditor Performance 2020-21 discussed under this Agenda item.

PURPOSE OF REPORT

To report to the Audit and Risk Committee on the performance of the external auditor.

RECOMMENDATION:

That Council note that the Audit and Risk Committee have reviewed contents of this report and no further action is required.

Recommendation 4

That Council note that the Audit and Risk Committee reviewed the contents of this report, noting the action item listed below.

CARRIED

An overview on the External Auditor's performance for 2020-21 was presented by the Finance Manager, Mr Rumoro, informing the Committee that the audit was conducted under a challenging environment, the main challenge relating to covid-19 restrictions, but that no difficulties were encountered regarding the performance of the Auditors.

AUDIT & RISK COMMITTEE DISCUSSION POINTS

Discussion took place around the following items:

The Committee noted that report did not contain a lot of substance in relation to the performance of the external Auditors and enquired whether a checklist or key KPI's could be provided to use as a measurement against the Auditors performance.

Action:

That the Finance Manager check with other Councils on their methodology in relation to measuring their external Auditors performance.

REPORT**1. Executive Summary**

Manager Finance has assessed the performance of the external auditor as very good, given challenges faced in the current environment. Manager Finance will provide further detail verbally at the Audit and Risk Committee meeting 8 September 2021.

AUDIT AND RISK COMMITTEE MEETING**8 SEPTEMBER 2021**

2. Background/Issues

Manager Finance has assessed the performance of the external auditor as very good, given challenges faced in the current environment. There was a change in audit personnel undertaking the 2020/21 audit, despite this, knowledge of Council's operations, systems and processes remained solid.

3. Audit Committee Annual Plan Reference

The Melton City Council Audit Committee Annual Plan references:

29. Review performance of External Auditor

4. Financial Considerations

N/A.

5. Consultation/Public Submissions

N/A.

6. Risk Analysis

N/A.

7. Options

The Audit and Risk Committee can recommend to Council that it:

1. Request further information/clarification if deemed necessary

LIST OF APPENDICES

Nil.

The Chairperson re-opened the meeting to the public.

AUDIT AND RISK COMMITTEE MEETING

8 SEPTEMBER 2021

11. NEXT MEETING

The next Audit and Risk Committee meeting is scheduled for Wednesday 17 November 2021 commencing at 12.00 pm.

12. CLOSE OF BUSINESS

The meeting closed at 2.26 pm.

Confirmed

Dated this

.....CHAIRPERSON