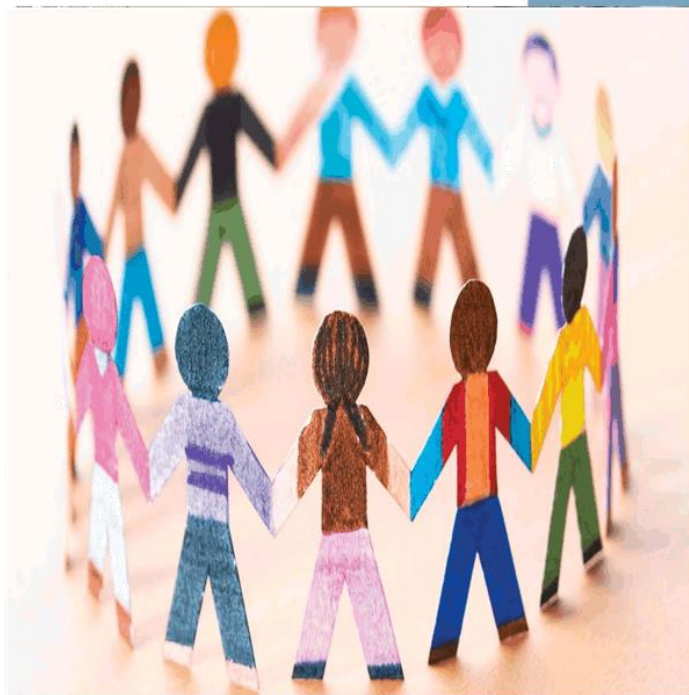


## Moonee Valley City Council

### Review of Compliance with the Community Financial Support Policy

August 2017



**HLB Mann Judd**  
Accountants | Business and Financial Advisers



 **Great people, great results**



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Inherent limitation – the nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence.

### *Third party reliance*

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## Executive Summary

### Introduction

Moonee Valley City Council ("MVCC" or "the Council") recognises:

- the importance of contributions that community organisations, groups and local business make to the social, cultural, economic and environmental wellbeing of the local community; and
- at times, these bodies seek to partner with the Council and/or require financial support from the Council to assist them better respond to local needs.

The development and implementation of a clear policy in respect of the Council's role in providing financial support to these bodies is essential, to ensure a consistent, transparent and equitable decision making approach across Council. To this end, Council adopted a Community Financial Support Policy at its ordinary meeting of 26 April 2017.

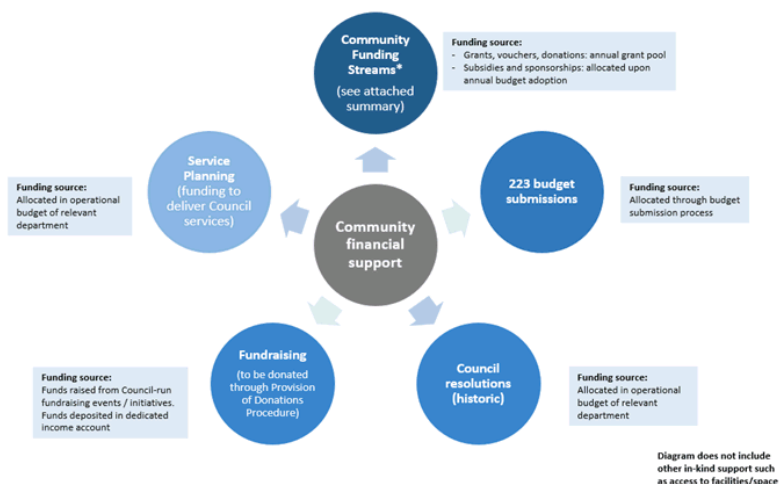
As part of this engagement, HLB Mann Judd has undertaken a review of compliance with the adopted Community Financial Support Policy. The primary objectives of this engagement were to:

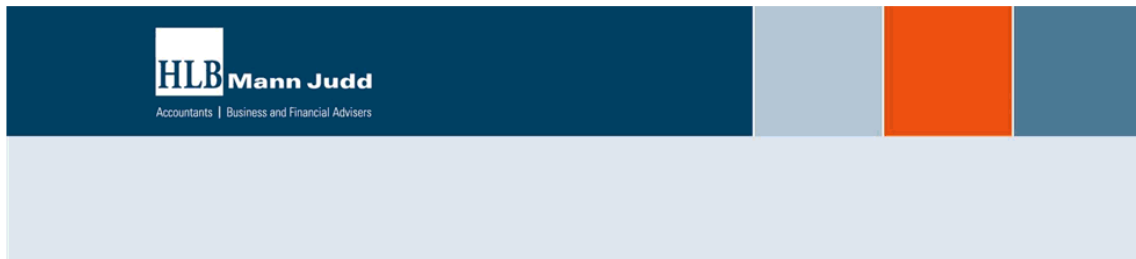
- Review progress made to date to implement the Community Financial Support Policy ("the Policy");
- Determine compliance with the Policy; and
- Provide a report detailing improvement opportunities and recommendations to improve compliance and implementation of the Policy.

### Background

The Community Funding Program is based on Council's Community Financial Support Policy, which provides a framework to ensure a planned, consistent, sustainable, transparent and equitable approach to the consideration and provision of financial resources.

Council currently distributes funding through a number of avenues as outlined below:





### Community Funding

Application and assessment process for all available funding streams of the Community Funding Program:

Funding stream	Funding amount	Duration	Round frequency	Description
Responsive Grants	up to \$1,000	up to 12 months	Monthly	Supports projects and activities in <b>two categories</b> : 1. Emerging and unforeseen urgent needs of community groups; or 2. Individual participation in elite sports, arts & educational activities.
Biannual Grants	up to \$20,000	up to 12 months	Biannually	Funding projects and activities of up to 12 months that increase community participation and strengthen wellbeing and economic growth across the city. Community organisations, businesses and individuals may apply.
Voucher	1 voucher per 12 months	up to 12 months	Ongoing	Vouchers are available to support fundraising efforts of local groups. Vouchers are either full hire of Essendon Traffic School or complimentary tickets to the Clocktower Centre.
Donation	Negotiable	up to 12 months	Monthly	Donations may be provided to local groups and organisations to support fundraising or contribute towards local activities. Donations are given without anything expected in return.
Sponsorship	Negotiable	up to 12 months	Annually	Establishing partnerships that are mutually beneficial to both Council and community organisations.
Community Service Subsidy	Negotiable	up to 5 years	Annually	Funding for local community organisations to provide identified services in the Moonee Valley area. Funding is available for services provided up to 5 years.

### Community Funding Provided

Council funding is provided across the following Community Funding streams:

Funding Stream	Budget	Total amount provided
Responsive Grants	Funding \$40,000 per annum (Managed by Community Planning)	\$24,626 in 2016/17
Biannual Grants	Funding \$388,000 per annum (Managed by Community Planning)	\$350,450 in 2016/17
Voucher	Funding \$3,000 per annum (Managed by Community Planning)	11 MVCC vouchers in 2016/17
Donation		\$1,870 in 2016/17
Sponsorship	Decentralised departmental operational budget	Nil
Community Service Subsidy	Decentralised departmental operational budget	\$39,500 for 2017/18

### Eligibility for funding:

- Not for profit groups and community organisations located in and/or providing the activity within the City of Moonee Valley municipality;
- Local businesses are eligible to apply for Biannual grants;
- Individuals are eligible to apply for Biannual and Responsive Grants;



- Eligible applicants that have fully acquitted previous funding applications and have no outstanding debts or financial disputes with the City of Moonee Valley; and
- Applicants whose values are consistent with Council's views that value and promote diversity, tolerance and an inclusive community, as outlined in Moonee Valley's Diversity, Access and Equity policy.

#### Service Planning

Funding provided to community organisations that is identified through Council service planning processes does not fall within the Community Funding Program. Departments procure services through a range of mechanisms which typically use Council's procurement processes. This process functions as a form of social procurement and enables organisations to be self-sustaining and less reliant on Council grants and irregular funding. Funding community organisations through service planning is not specifically aligned with any Council policies (e.g. Procurement Policy).

#### Budget Submissions (LGA Section 223)

As outlined in Section 223 of the Victorian Local Government Act, Council may receive requests for financial support via the public budget submission process. These requests are assessed annually in alignment with budget processes.

#### Fundraising donations

Council has developed a process for the provision of donations, to guide the provision of providing donations to local charities raised by Council fundraising efforts. A review of these procedures is due to be included in the Grants Review which is due to go to Council in late 2017.

#### Council Resolutions

A select number of organisations, including local neighbourhood houses, have received ongoing funding for general operating costs through resolutions of Council.

### Positive Aspects

The following positive business practices were noted in regards to compliance and implementation of the Policy:

- The Community Financial Support Policy was endorsed by Council in April 2016. The policy provides a framework to ensure that there is a planned, consistent, sustainable, transparent and equitable approach to the consideration and provision of financial resources. The primary objective of the policy is to support the Moonee Valley Community, and be strong, healthy, resilient and vibrant city;
- The Moonee Valley Community Funding Program FY2016/17 Guidelines are available to the public on the Council's website. Detailed internal guidelines are also available to staff on the Council's intranet (i.e. Edna);
- Training was provided to staff members who are involved in the Community Funding Program. A summary of internal processes and a list of frequently asked questions were also provided to staff for easy reference. A page on Council's internal intranet with resources to support all relevant staff roll-out and get information about the new Policy and implementation guidelines has also been established;
- The Smarty Grants System is in place and used for submission of all Community Funding Program applications;
- As part of the initial implementation (starting from July 2016), Council officers undertook an internal investigation to review the list of existing recipients of community financial support in conjunction with the respective departments. This process was undertaken to ensure that community financial support arrangements were no longer simply rolled over to the next year and all applications are assessed based on the Community Funding Program requirements;
- Previously, departments liaised with external organisations to provide them with community financial support (which resulted in a range of different funding approaches and arrangements across Council). Since adoption of the new Policy and implementation of the associated guidelines, there has been considerable improvement in consistency across the organisation. This includes:
  - A central administrative function has been established to receive applications and single line of sight across the Council;
  - What organisations are being funded and under which funding stream;
  - Use of consistent funding agreements across Council;
  - Individual departments retaining the responsibility of assessing and recommending the community financial support to be provided in their areas; and
- Our sample testing noted that the community financial support applications were adequately approved and complied with the Community Financial Support Policy.



## Summary of Key Observations/Improvement Opportunities

The key objectives and observations/improvement opportunities regarding this engagement are outlined below:

Audit Objectives	Related Observations/Improvement Opportunities
<ul style="list-style-type: none"> <li>Review progress made to date to implement the Community Financial Support Policy;</li> <li>Determine compliance with the Policy; and</li> <li>Provide a report detailing improvement opportunities and recommendations to improve compliance and implementation of the Policy.</li> </ul>	1. Council has made considerable progress in implementing the Community Financial Support Policy.
	2. Processes surrounding the Service Subsidy and Service Planning streams should be clarified, simplified and aligned. Moving forward Council should investigate funding for community groups to meet identified community needs being funded from a single 'Partnership' stream (rather than in Service Subsidy and Service Planning streams).
	3. Where departments require goods or services which could be met by local community organisations (for example, a brass band for an ANZAC Day ceremony), then this good or service should be secured using Council's procurement policy (rather than a funding agreement).
	4. No take up for the Sponsorship Funding Stream in FY2016/17. The Sponsorship Funding Stream can be subsumed under Biannual Grants.
	5. Approval process for Responsive Grants, Vouchers and Donations can be streamlined to improve efficiency and effectiveness.

## Overall Conclusion

Based on the results of the review, we are of the view that the Council has made considerable progress in implementing the Community Financial Support Policy.

The key improvement opportunities identified were in relation to:

- The processes surrounding the Community Service Subsidy;
- Consider aligning the provision of funding for community services identified through Service Planning with procurement policies and where applicable, encourage officers to obtain the service of community groups to promote sustainability of the community groups and build their capacity; and
- Consider reviewing and amending approval process of fundraising activities and associated donations.

## Detailed Observations/Improvement Opportunities


Improvement Opportunity	Key Observation/s	Recommended Action	Management Response
1. Processes surrounding the Service Subsidy and Service Planning streams should be clarified, simplified and aligned.	<p><b>Standard/Criteria:</b></p> <p>Community Service Subsidy funding is to assist local community organisations to provide services that have been identified as needed in the municipality. Council is not always the best placed organisation to provide services and programs in response to the needs of the Moonee Valley community. Local community service organisations play a key role in responding to the local community and working collaboratively with Council towards achieving strategic priorities.</p> <p>This subsidy responds to local and emerging needs that will promote wellbeing through the provision of accessible and socially inclusive services that are aligned to Council's strategic priorities. New requests are assessed annually for a defined allocation of funding, which is provided on a sliding scale over a nominated period of time. All assessments are subject to consideration of available funding.</p> <p>Applications for Community Service Subsidy undergo the following assessment process:</p> <ul style="list-style-type: none"> <li>■ Eligibility check is undertaken by Council Officers. Applicants that do not meet the eligibility criteria will not be presented for further assessment.</li> <li>■ Council Officers from the relevant service area will assess the eligible applications based on the assessment criteria.</li> <li>■ Recommendations are presented as part of the annual Moonee Valley City Council budget process.</li> <li>■ Is advertised annually in Aug/Sept each year.</li> </ul> <p><b>Community Service Subsidy</b> applications include:</p> <ul style="list-style-type: none"> <li>■ Caroline Chisholm Society: \$17,000 per year (requested up to 5 years but approved for 1 year); and</li> <li>■ Moonee Valley Toy Library: \$12,000 per year (requested up to 2 years but approved for 1 year).</li> </ul>	<p><b>Recommended Action:</b></p> <p>We recommend that MVCC's management should:</p> <ol style="list-style-type: none"> <li>1. Consider consolidating Community Service Subsidy amount for greater clarity;</li> <li>2. Ensure that allocation of multi-year funding (service subsidy/service planning funding) is aligned to Council plan terms (i.e. 2 or 4 years);</li> <li>3. As an option, consider setting up an internal panel made up of selected managers, to ensure that the recommendations presented to the Council are properly evaluated, given that higher amounts of financial support is provided to the community groups via the Community Service Subsidy/Service Planning funding, followed by a separate briefing to Council on the assessment and recommendations prior to the annual budget process; and</li> <li>4. Consider joining and renaming the Community Service Subsidy and Service Planning streams into a single Partnership Grants stream.</li> </ol>	<p><b>Management Action:</b></p> <p><b>Recommendation 1 - 4:</b></p> <p>Management Agrees</p> <p>Include recommendations in Community Funding Evaluation report</p> <p><b>Responsibility:</b></p> <p>Kate McCaughey, Acting Director Planning &amp; Development (Community and City Planning, Leisure)</p> <p><b>Timeframe:</b></p> <p>November 2017</p>






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Improvement Opportunity	Key Observation/s	Recommended Action	Management Response
	<p>Service Planning, similar to the Community Service Subsidy, is also in place and is not part of the formal Community Financial Support Policy framework. Through Service Planning, Council provides funding to deliver services. The funding source is from the operational budget of the relevant department and is not advertised.</p> <p><b>Service Planning</b> funding includes:</p> <ul style="list-style-type: none"> <li>National Breast Cancer Breakfast (Pink Ribbon): \$10,000 per year (3 years of funding committed).</li> </ul> <p><b>Improvement Opportunity:</b></p> <p>Our review noted that:</p> <ul style="list-style-type: none"> <li>There was no clarity around the final amount of Community Service Subsidy provided to the community groups because it is presented to the Council for approval, as part of the individual department's operational budget.</li> </ul> <p>We understand that the Council has also requested for the Community Service Subsidy amount to be presented as one budget item.</p> <ul style="list-style-type: none"> <li>The sliding scale for the Community Service Subsidy was not built into the application form and not initially presented as part of funding recommendations. Service subsidy funding recipients have only been funded for one year and so a sliding scale is not applicable.</li> <li>The Community Service Subsidy assessment process is completed by the Council Officer from the relevant service area. There is no independent review of the assessment made by the Council Officer or the recommendations presented to the Council are not discussed in detail by the Executives, before they are submitted to the Council for approval.</li> <li>The Community Service Subsidy and Service Planning streams are similar.</li> </ul>		

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Improvement Opportunity	Key Observation/s	Recommended Action	Management Response
<p>2. Where departments require goods or services which could be met by local community organisations (for example, a brass band for an ANZAC Day ceremony), then this good or service should be secured using Council's procurement policy (rather than a funding agreement).</p>	<p><b>Standard/Criteria:</b></p> <p>Service Planning, similar to the Community Service Subsidy, is also in place and is not part of the formal Community Financial Support Policy framework. Through Service Planning, Council provides funding to deliver services. The funding source is from the operational budget of the relevant department and is not advertised.</p> <p><b>Improvement Opportunity:</b></p> <p>Our review noted that:</p> <ul style="list-style-type: none"> <li>■ Funding for community organisations to deliver services identified through Council service planning does not fall within the Community Funding program. Our discussion with Council officers noted that funding for community services identified through department service plans should be aligned to Council's procurement processes as third-party contractors or as a 'Partnership' grant.</li> <li>■ The Council's Procurement Policy June 2016 (policy to be updated in 2017) states that the Council integrates Corporate Social Responsibility into its organisational policies and practices through social procurement, sustainability, diversity and Community Partnerships. The Council promotes equality through procurement to improve competition, value for money, the quality of public services, satisfaction among users and community relations. A greater understanding of Social Procurement processes would allow Council to assist local community organisation to become self-sustaining and less reliant on intermittent funding such as Council grants.</li> </ul>	<p><b>Recommended Action:</b></p> <p>We recommend that MVCC's management should:</p> <ul style="list-style-type: none"> <li>5. Consider aligning the contracting of community services identified through service planning with Council's procurement policies stream; and</li> <li>6. Where applicable, encourage the Council officers to obtain the service of the community groups through the procurement process. This will promote sustainability of the community groups to and build their capability.</li> </ul>	<p><b>Management Action:</b></p> <p><b>Recommendation 5 &amp; 6:</b></p> <p>Management Agrees</p> <p>Include recommendations in Community Funding Evaluation report</p> <p><b>Responsibility:</b></p> <p>Kate McCaughey, Acting Director Planning &amp; Development (Community and City Planning, Leisure)</p> <p><b>Timeframe:</b></p> <p>November 2017</p>

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Improvement Opportunity	Key Observation/s	Recommended Action	Management Response
<p>3. No take up of the Sponsorship Funding Stream in FY2016/17.</p> <p>The Sponsorship Funding Stream can be subsumed under Bi-annual Grants.</p>	<p><b>Standard/Criteria:</b></p> <p>Council may provide financial resources to community organisations and groups to either assist them to hold an event, activity or program for residents, or because Council may have identified that by providing sponsorship, Council can promote its services to the community and increase brand awareness. Sponsorship can be either financial or in-kind (such as staff time).</p> <p>Applications for Sponsorship undergo the following assessment process:</p> <ul style="list-style-type: none"> <li>■ Eligibility check is undertaken by Council Officers. Applicants that do not meet the eligibility criteria will not be presented for further assessment;</li> <li>■ Council officers from the relevant service area will assess the eligible applications based on the assessment criteria; and</li> <li>■ Recommendations will be presented as part of the annual MVCC budget process.</li> </ul> <p><b>Improvement Opportunity:</b></p> <p>Our review noted that:</p> <ul style="list-style-type: none"> <li>■ There was no take up of the Sponsorship Funding Stream in FY2016/17.</li> </ul> <p>We understand that the Sponsorship and Bi-annual Grants Funding Streams are very similar. The only difference between the two funding streams is that sponsorship includes in-kind requests, such as staff time, while Bi-annual grants don't.</p> <p>Our further discussion with management noted that the Sponsorship Funding Stream can be subsumed under Bi-annual Grants. There can be an additional section included within the Bi-annual Grants to determine if applicants need in-kind support. This would provide additional benefits of encouraging local events/festivals and clearly defining and tracking the value of in-kind support Council can provide.</p>	<p><b>Recommended Action:</b></p> <p>We recommend that MVCC's management should:</p> <ol style="list-style-type: none"> <li>7. Consider combining elements of the Sponsorship Funding Stream (such as in-kind support) into the Bi-annual Grants Funding Stream and update the relevant policies and procedures for implementation in FY2018/19; and</li> <li>8. Communicate the revised policy to all staff and the public, and make available the policy and guidelines on the Council's website and intranet, for easy reference.</li> </ol>	<p><b>Management Action:</b></p> <p><u><b>Recommendation 7 &amp; 8:</b></u></p> <p>Management Agrees</p> <p>Include recommendations in Community Funding Evaluation report</p> <p><b>Responsibility:</b></p> <p>Kate McCaughey, Acting Director Planning &amp; Development (Community and City Planning, Leisure)</p> <p><b>Timeframe:</b></p> <p>November 2017</p>



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Improvement Opportunity	Key Observation/s		Recommended Action	Management Response
4. Approval process for Responsive Grants, Vouchers and Donations can be streamlined to improve efficiency and effectiveness.	<b>Standard/Criteria:</b>  The following funding streams, round frequency and approval processes are in place:		<b>Recommended Action:</b>  We recommend that MVCC's management should:	<b>Management Action:</b>  <u><b>Recommendation 9:</b></u> Management Agrees
	<b>Funding Streams</b>	<b>Round Frequency</b>	<b>Approval Process</b>	
	Responsive Grants	Monthly	Approval via email by Committee of Council (consisting of 3 Councillors)	Include recommendations in Community Funding Evaluation report
	Donation	Monthly	Approval by Council's Executive Management (i.e. respective department's managers)	<b>Responsibility:</b>  Kate McCaughey, Acting Director Planning & Development (Community and City Planning, Leisure)
	Voucher	Ongoing ad-hoc		<b>Timeframe:</b>  November 2017
<b>Improvement Opportunity:</b>  Our review noted that:  <ul style="list-style-type: none"><li>Currently the responsive grants are approved electronically by the delegated Responsive Grants Committee of Council every month. However, donations and vouchers, require approval of the respective department managers. For example: If there are 5 donations and vouchers in a month, it may have to go to 5 different managers for sign-off. Thus, the Community Planning Team spends a considerable time to obtain approval for donations and vouchers.</li></ul>		9. Consider including approval of donations and vouchers by Committee of Council with the monthly approval process of responsive grants, via one email.		



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## Appendix A: Sample of Community Financial Support Reviewed

No.	Grant Program	Application ID	Application/ Submission Date	Applicant/Organisation Name	Project Title/Description	Total Amount Provided by the Council	Approved by
1	Community Service Subsidy	CS16001	Nov 2016	Caroline Chisholm Society	Moonee Valley Early Parenting and Early Childhood Community Hub	\$16,500	Approved by Council
2	Community Service Subsidy	CD16005	Apr 2017	Moonee Valley Toy Library	Moonee Valley Toy Library	\$12,000	Approved by Council
3	Biannual Grants	BG116072	Aug 2016	Melbourne International Jazz Festival	Jazz Out West	\$17,500	Approved by Council
4	Biannual Grants	BG217023	Mar 2017	Niddrie Traders Association	Splash of Colour	\$14,174	Approved by Council
5	Responsive Grants	RG1700007	Nov 2016	Ms Gabrielle Hanley-Leonard	World Irish Dancing Championship Dublin Ireland 2017	\$1,000	Approved by Committee of Council
6	Responsive Grants	RG2200005	Apr 2017	Ms Alexandra Dieni	Powerlifting World Championships 2017 - Belarus	\$1,000	Approved by Committee of Council
7	Donations	DO001	Nov 2016	Moonee Valley Australia Day Breakfast Committee	Essendon North Rotary Club	\$1,000	Approved by Council's Executive
8	Donations	DO4001	Oct 2016	The Class of 1946	The Moonee Ponds Club Inc.	\$270	Approved by Council's Executive
9	Voucher	VO00002	Jul 2016	Keilor East Netball Club	Presentation Night Raffle in which we raise money to help our club	1 voucher – Essendon Traffic School private venue hire voucher	Approved by Council's Executive
10	Voucher	VO00011	Sep 2016	St Peter's Primary School	A carnival fundraiser, held every 2 years to raise funds to enhance the children's learning environment	1 voucher – Clocktower Centre Theatre Gift Certificate	Approved by Council's Executive

## Appendix B: Review Approach and Procedures

The approach for this engagement is presented below:

- Held discussions with the relevant MVCC's executives to gain an understanding of the processes planned/implemented in support of the Policy;
- Conducted a walkthrough of the associated processes;
- Obtained the details of the recent financial support provided by the Council to the Community (for e.g. grants, donations, sponsorship etc);
- Selected a sample of the financial support provided and test check to determine compliance with the Policy; and
- Provided a report detailing gaps and recommendations to improve compliance and implementation of the Policy.



## Appendix C: Personnel Consulted

We would like to take this opportunity to thank the staff at Moonee Valley City Council for their co-operation and assistance during the course of our engagement.

Name	Title	Topic Discussed
Kate McCaughey	Acting Director Planning & Development (Community and City Planning, Leisure)	<ul style="list-style-type: none"> <li>Audit scope and findings</li> </ul>
Sarah Edwards	Acting Manager Community Planning	<ul style="list-style-type: none"> <li>Audit scope and findings;</li> <li>Background of the new Community Financial Support Policy and the transition process to new policy;</li> <li>Municipal Profile 2016.</li> </ul>
Damian Hogan	Acting Manager Finance	<ul style="list-style-type: none"> <li>Audit scope</li> </ul>
Nina Stanwell	Community Grants Officer	<ul style="list-style-type: none"> <li>Audit scope and findings; and</li> <li>Supporting documentation for the 10 samples selected for testing.</li> </ul>
Jackie Liparota	Acting Executive Assistant	<ul style="list-style-type: none"> <li>Community Financial Support Policy Transition Plan; and</li> <li>Community Planning &amp; Development Service Plan FY2016/17.</li> </ul>

## Appendix D: Basis and Use of Report

We are engaged by Moonee Valley City Council (the client) to provide internal audit services and the scope of our activities is determined by management and reviewed by the Audit Committee.

This report has been prepared in accordance with the objectives and procedures agreed in the audit scope document and subject to the following limitations:

- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgement in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree or compliance with them may deteriorate.
- The matters raised in this report are only those which come to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.
- This report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this report. In this regard, we recommend that parties seek their own independent advice. HLB Mann Judd disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this report, does it so at their own risk.

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