

SOUTH GIPPSLAND SHIRE COUNCIL

# Audit & Risk Committee

Minutes

8 June 2021

8 June 2021  
Virtual Online Meeting  
Commenced at 2:00 PM

# Minutes



*South Gippsland  
Shire Council*

*Come for the beauty, Stay for the lifestyle*

The Committee undertakes the following:

Committee will provide advice and recommendations to the Council, contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls and governance processes within Council.

This includes oversight responsibilities of monitoring, reviewing, endorsing and advising related to:

- Financial and Performance Reporting
- Strategic Risk Management
- Fraud prevention systems and control
- Maintenance of a sound internal control environment
- Assurance activities including internal and external audits

Reviewing Council's performance with regard to compliance with its policies and legislative and regulatory requirements.

Ensuring that Council's policies and procedures comply with the overarching Governance Principles, the Local Government Act and regulations and any Ministerial Directions

## Audit & Risk Committee Confidentiality

The Chief Executive Officer designates that the Minutes of this 8 June 2021 are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 21 July 2021.



Kerry Ellis  
Chief Executive Officer

## AUDIT & RISK COMMITTEE MINUTES

Date	8 June 2021	Duration	3 hours
Time	2:00 PM	Location	Video Conference

Attendees	Mr Chris Badger (Audit Committee Chair) Mr Homi Burjorjee Ms Jen Johanson Mr Rick Brown (Administrator) Ms Julie Eisenbise (Administrator/Observer)
Support Staff	Kerry Ellis: CEO, (Item 1.2 to end) Allison Jones: Director Performance & Innovation; (Item 3.1 to end) Tracey Costello: Governance Manager, (Item 3.1 to end) Allan Williams: Risk and Procurement Coordinator (Acting) (Item 3.1 to end) Melissa Baker: Manager Financial Strategy (Item 3.4, 5.2, 6.2) Michelle Jorgensen: Manager People and Culture (Item 4.8) Nigel Yarranton: Manager Innovation and Technology (Item 3.1)
Internal Audit	Richmond, Sinnott and Delahunty (RSD): Kathie Teasdale, Blessing Mendoza (Item 3.1)
External Audit	Victorian Auditor General's Office: Jung Yau: Audit Manager Sanchu Chummar: Acting Sector Director (Until 4pm)
Apologies	Nil
In-Committee Section	Committee to receive a verbal update from the Chief Executive Officer.

Disclosure of Interest	<p>Ms Jen Johanson as Senior Advisor, RSM Australia - Cyber Security &amp; Privacy Services (part-time executive role); Independent Member of Finance Risk and Audit Committee - Education Services Australia; Audit and Risk Management Committee – IBAC; Audit and Risk Committee - Chief Minister, Treasury &amp; Economic Development Directorate (and Deputy Chair of this Committee); Audit and Risk Committee – Hume City Council, Audit and Risk Committee – Bayside City Council; Independent Member - University of Melbourne Audit &amp; Risk Committee.</p> <p>Mr Homi Burjorjee as member on the following audit committees- Knox City Council; Bass Coast Shire Council; and Chair of Cardinia Shire and Office of Public Prosecutions audit committees.</p> <p>Mr Chris Badger as Non – Executive director of Central Gippsland Water, Gippsland Waste and Recovery Group and Gippsland Ports. Chair of Gippsland Waste and Resource Recovery Group Audit, Finance and Risk Committee. Chair of Wellington Shire Council Audit &amp; Risk Committee and Independent Member East Gippsland Shire Council Audit and Risk Committee. Member of CarbonNet Community reference Group. Director CDB Energy/Utility Consultancy.</p> <p>Mr Rick Brown as Chair of West Gippsland Regional Library Corporation.</p>
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## **1. IN CAMERA - CONFIDENTIAL AUDIT & RISK REPORTS**

### **1.1. IN CAMERA COMMITTEE ONLY**

*In-Camera Committee attendance*

### **1.2. IN CAMERA COMMITTEE WITH CEO**

*In-Camera Committee and Chief Executive Officer attendance*

### **1.3. IN CAMERA INTERNAL AND EXTERNAL AUDITORS**

*In-Camera Committee attendance and internal and external auditors*

### **1.4. VERBAL UPDATE BY CEO: FIDUCIARY RESPONSIBILITIES**

#### **RECOMMENDATION**

**Recommendation accepted**

**That the Audit & Risk Committee have received and noted the verbal update by the Chief Executive Officer regarding fiduciary responsibilities within Council for March 2021**

### **1.5. VERBAL REPORT: FRAUD, CORRUPT CONDUCT OR POSSIBLE ILLEGAL ACTS**

**Recommendation accepted**

**That the Audit & Risk Committee have received and noted the verbal update by the Chief Executive Officer regarding fraud, corrupt conduct or possible illegal acts**

## **2. PRELIMINARY MATTERS**

### **2.1. WELCOME**

### **2.2. CONFIRMATION OF PREVIOUS MEETING MINUTES**

#### **Recommendation accepted**

**That the minutes of the Audit & Risk Committee held 9 March 2021 be confirmed noting these were reported to Council at the 21 April 2021 Council meeting.**

**Action: None**

**MOVED: Rick Brown**

**SECONDED: Homi Burjorjee**

### **2.3. ACTIONS ARISING FROM PREVIOUS MINUTES**

#### **Report Noted**

**That the Action Items of the South Gippsland Shire Council Audit & Risk Committee conducted on 9 March 2021 be confirmed.**

**Action: None**

**MOVED: Jen Johansen**

**SECONDED: Rick Brown**

### **2.4. ANY OTHER BUSINESS (AOB)**

Nil identified

## **3. AUDIT REPORTS**

### **3.1. INTERNAL AUDIT REPORT**

The Audit & Risk Committee were provided with copies of completed internal audit reports since the previous Committee meeting noting that Internal Audit conducted an audit to review the effectiveness and efficiency of the IT General Controls (ITGC) for Council as well as to assess the governance, risk management and compliance processes linked to the IT systems.

The Committee received a presentation from Blessing Mendoza and Kathie Teasdale from RSD audit. The Committee noted the findings, risk ratings applied and progress towards addressing actions already taken.

The Committee noted the exhaustive review performed of the ITGC environment and how well Council fared in the benchmarking. It was noted that findings overlap with VAGO findings relating to the ITGC and work done to address internal audit findings will be considered for VAGO findings.

The Committee noted that while penetration testing is being performed within required timeframes, a more frequent process would provide greater assurance.

The Committee noted the appointment of an external consultant to assist with a service review of the IT strategic plan which will include a refreshed operating model, strategy and structure. This strategy review is assessed and understood to be of low risk.

**The Audit & Risk Committee received and noted the internal audit report for IT General Controls.**

**MOVED: Jen Johanson**

**SECONDED: Homi Burjorjee**

**Action: IT General Control update report back to Committee following completion of service review and strategic plan.**

### **3.2. INTERNAL AUDIT - QUARTERLY UPDATE AND REGULATORY UPDATE**

RSD Audit provided an update on the progress and delivery of the Internal Audit Plan along with plans for future audits and provided an update on relevant regulatory reports and publications.

A recommendation was made that a list be created of regulatory exposures and the steps being undertaken to address them to create a management action plan and for this to be reviewed by A&RC.

**The Audit & Risk Committee received and noted the Internal Audit Update Report and the Internal Audit Status Report provided by RSD Audit.**

**MOVED: Homi Burjorjee**

**SECONDED: Jen Johanson**

**Action: Future regulatory update reports to Audit & Risk Committee to have an assessment from Officers regarding relevant exposure to Council and any resultant actions required.**

**The Audit & Risk Committee received and noted the report on progress and updates of the outstanding external audit actions.**

**The Committee endorsed the end of financial year plan for 2021/22.**

**MOVED: Jen Johanson**

**SECONDED: Homi Burjorjee**

### **3.3. INTERNAL AUDIT REPORT – ACTIONS REGISTER UPDATE**

The Audit and Risk Committee were provided with an update from the Governance Manager on the progress of open internal audit actions from the period December 2020 to April 2021 and the process taken to ensure the action items remain relevant.

It was noted that internal auditor has an upcoming project to review previous recommendations.

The Committee requested that future reporting evolve to break down further between items in each risk category (i.e. High, Medium, Low), provide an indication of percentage completion for open items, and highlight new items/closed items since the last report.

**The Audit & Risk Committee received and noted the report on progress and updates of the Internal Audit Action Register.**

**The Committee endorsed the approach to monitor and maintain the Internal Audit Action Registers.**

**MOVED: Homi Burjorjee**

**SECONDED: Jen Johanson**

**Action: Review of ongoing open action reporting format to break down further between items in each risk category (i.e. High, Medium, Low), provide an indication of percentage completion for open items, and highlight new items/closed items since the last report.**

### **3.4. EXTERNAL AUDIT REPORT - ACTIONS REGISTER UPDATE**

The Audit and Risk Committee were provided with an update from the Manager Financial. The committee noted the Strategy for closing out outstanding external audit actions and the financial year end approach for 2020/21. The Committee acknowledged the work done on the plan and noted timing implications/milestones for the Committee for the final audit process.



### 3.5. INTERNAL AUDIT REPORT - INTERNAL AUDIT PLAN

The Audit & Risk Committee were provided with an annual update from RSD Audit on the three-year strategic internal audit plan and the proposed annual audit plan. The Committee noted that the plan is flexible to accommodate emerging risks/needs.

The Committee noted that the timing of the planned audit for the Gender Equality Act may be adjusted to accommodate the changed timeframe for implementing actions. The Committee discussed the alignment of internal audits to strategic risks noting that Council is currently in the process of updating its strategic risk register, which will include detailed controls providing further assurance in relation to these risks.

**The Audit & Risk Committee provided feedback on the draft Annual Update to the Internal Audit Plan and endorsed the finalisation.**

**Action: RSD/Management to consider timing of Gender Equality Act internal audit.**

**MOVED: Rick Brown**

**SECONDED: Homi Burjorjee**

### 3.6. EXTERNAL AUDIT REPORT - VICTORIAN AUDITOR GENERAL'S OFFICE (VAGO) - UPDATE

The Victorian Auditor General's Office provided a verbal update to the Audit & Risk Committee on the findings from their audit visit from 22 February 2021 to 3 March 2021 in conjunction with Item 3.4

**The Audit & Risk Committee received and noted the verbal update from the Victorian Auditor General's Office. The Audit & Risk Committee noted the Draft Interim Management Letter for the year ended 30 June 2021.**

**MOVED: Jen Johanson**

**SECONDED: Homi Burjorjee**

### 3.7. PERFORMANCE AUDITS

The Audit & Risk Committee received a report in relation to performance audits scheduled by VAGO involving South Gippsland Shire Council, noting that no performance audits involving South Gippsland Shire Council are currently underway.

**The Audit & Risk Committee received and noted the report on Performance Audits.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

## **4. PRESENTATIONS AND STRATEGIC MATTERS**

### **4.1. AUDIT & RISK COMMITTEE MINUTES - FUTURE FORMAT OPTIONS**

The Audit & Risk Committee received a report from the Governance Manager on the format of the Audit & Risk Committee minutes and noted that the process for format of minutes would continue to include context, decisions made, findings and associated actions.

**The Audit & Risk Committee received and noted the report on future format options for the Audit & Risk Committee minutes.**

**MOVED: Rick Brown**

**SECONDED: Jen Johanson**

### **4.2. ANNUAL REVIEW - REGISTER OF DELEGATIONS**

The Audit & Risk Committee were provided with a report from the Governance Manager regarding the process for delegations for Council, including the process for maintaining and assigning the instruments of delegation.

**The Audit & Risk Committee received and noted the report relating to delegations for Council.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

### **4.3. QUARTERLY DIRECTORATE COMPLIANCE REPORT - ECONOMY & COMMUNITY**

The Audit & Risk Committee received a report from the Economy and Community Directorate, including an overview of compliance with Council policies and procedures with the overarching governance principles included in Section 9 of the *Local Government Act 2020*.

**The Audit & Risk Committee received and noted the quarterly Directorate Compliance Report for the Economy and Community Directorate.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

#### **4.4. COUNCIL'S POLICY FRAMEWORK**

The Audit & Risk Committee received a report from the Governance Manager on the involvement of the Audit & Risk Committee in the oversight of Council's policy framework. The Committee provided feedback on the type of policies they would like to be involved in, including those aligned with responsibilities under the Audit & Risk Committee Charter. The Committee agreed that policy review could occur between meetings.

The Committee noted the work being undertaken to review existing policies and requested a further report to the Committee following further refinement. Discussion included that it would be beneficial for the committee to have a framework for categorising policies.

Note: Jen Johanson agreed to provide management with a policy review work plan for consideration.

**The Audit & Risk Committee received and noted the report on Council's Policy Framework and provided feedback on the policies to be reviewed by the Audit & Risk Committee prior to finalisation.**

**MOVED: Rick Brown**

**SECONDED: Jen Johanson**

**Action: Further report to Committee on Council Policy Framework once the policy list is further refined.**

#### **4.5. BUSINESS CONTINUITY PLANNING (INCL DISASTER RECOVERY)**

The Audit & Risk Committee received a report from the Governance Manager on the approach towards, the status of and the testing of Council's Business Continuity Plans, including IT Disaster Recovery.

**The Audit & Risk Committee noted the progress of reviews of Business Continuity Management and IT Disaster Recovery. The Audit & Risk Committee endorsed the draft Business Continuity Management documents, including the Business Continuity Management Policy and Business Continuity Plan Part A and B**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

#### **4.6. COMPLIANCE SYSTEM UPDATE**

**The Audit & Risk Committee noted that the report relating to Compliance Systems will be deferred to the September Committee meeting to enable a report to be produced for the full financial year.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

#### **4.7. ANNUAL REPORT ON INTERSTATE / OVERSEAS TRAVEL**

The Audit & Risk Committee received an annual report of interstate or overseas travel by any staff member, Administrator or Councillor funded by and on behalf of South Gippsland Shire Council.

**The Audit & Risk Committee received and noted the report on interstate or international travel by staff members or Administrators for the current financial year to date (FY 2020/21).**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

#### **4.8. ANNUAL STRATEGIC PEOPLE AND CULTURE REPORT**

The Audit & Risk Committee received a report from the Manager People and Culture on strategic matters relating to People and Culture, including priorities and related projects for the organisation, an update on progress to date and a snapshot of key indicators (lead and lag) to understand the current progress on a range of health and wellbeing goals.

The Committee noted the comprehensive report provided a lot of insight, was aspirational and that prioritisation is key. The Committee received an update

on the People Matters Survey currently underway and noted the high uptake in the early days of the survey.

The Human Synergistics model was discussed as a feature of more developed strategic people and culture development models. This was confirmed as being intrinsic to the forward strategic planning.

The work undertaken by People and Culture on values was also discussed and as that evolves, the need for the focus to move towards behaviours that are consistent with those defined values.

The committee suggested that items listed as Safety could be further expanded to Health and Safety in alignment with the OH&SA.

**The Audit & Risk Committee received and noted the annual strategic people and culture report.**

**MOVED: Homi Burjorjee**

**SECONDED: Jen Johanson**

## **5. QUARTERLY REPORTS**

### **5.1. QUARTERLY RISK MANAGEMENT REPORT**

The Governance Manager provided the Audit & Risk Committee with a Quarterly Risk Management Report to provide the Committee with an update on risk management activities. The Committee acknowledged the significant amount of work that has taken place to advance risk management and the next steps required.

The Committee noted their attendance at a Strategic Risk Workshop with the Administrators and Executive Leadership Team that had taken place in May and noted that an Operational Risk Workshop had also taken place for the Senior Leadership Team. The Committee highlighted the impact on and improvement in risk culture created by the work underway.

The Committee noted the work underway to finalise the Strategic Risk Registers and look forward to an update at the September meeting. The committee discussed the applicability of the VMIA Risk Management check list for best practise gap analysis consideration.

**The Audit & Risk Committee received and noted the quarterly risk management report as of May 2021 noting that the Committee attended a strategic risk workshop on May 19 2021.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

**Action: Management to consider completion of VMIA Risk Management Checklist**

## **5.2. FINANCIAL PERFORMANCE REPORT - JULY 2020 TO MARCH 2021**

The Manager Financial Strategy provided the Audit & Risk Committee with a quarterly report on financial performance of South Gippsland Shire Council. The Committee noted the impact of Capital Works carry forwards on forward planning and noted that this is common within Local Government planning. The Committee congratulated the Manager Financial Strategy on the comprehensive report.

**The Audit & Risk Committee received and noted the Financial Performance Report for July 200 to March 2021.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

## **5.3. LGPRF REPORTING & ORGANISATIONAL PERFORMANCE REPORT - JULY 2020 TO MARCH 2021**

The Audit & Risk Committee were provided with the third quarter report on Council's performance against the 2020-2024 Council Plan and the 2020/21 Annual Initiatives, including the Local Government Performance Reporting Framework (LGPRF) indicators. The committee commented on the good progress to date.

**The Audit & Risk Committee received and noted the Local Government Performance Reporting Framework data for July 2020 to March 2021 and the Organisational Performance Report for July 2020 to March 2021.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

## 6. REPORTS FOR NOTING

### 6.1. LGPRF CHANGES

The Audit & Risk Committee were provided a report on changes to the Local Government Performance Reporting Framework.

**The Audit & Risk Committee received and noted the Local Government Performance Reporting Framework changes report, noting the Governance and Management Checklist has been modified for the 2020/21 reporting year.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

### 6.2. SIGNIFICANT ACCOUNTING AND EXTERNAL REPORTING ISSUES

The Audit & Risk Committee were provided with a report on proposed changes to the West Gippsland Libraries structure and associated accounting impacts.

**The Audit & Risk Committee received and noted the report on Significant Accounting and External Reporting Issues.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

### 6.3. COMPLIANCE MATTERS

This report provides an opportunity for officers to inform the Audit & Risk Committee of any significant compliance matters or reports on any findings by regulatory or integrity agencies.

**The Audit & Risk Committee noted that there are nil items to report for the Compliance Matters report for the quarter ended 31 May 2021.**

**MOVED: Homi Burjorjee**

**SECONDED: Rick Brown**

## 7. MEETING CLOSED

The meeting closed at 5.09 pm. The next Audit & risk Committee Meeting is scheduled to be held on 14 September 2021.