

AUDIT & RISK COMMITTEE MINUTES

Date	14 September 2021	Duration	
Time	3:00 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	Kerryn Ellis: CEO Allison Jones: Director Performance & Innovation Allan Williams: Risk and Procurement Coordinator (Acting) Melissa Baker: Manager Financial Strategy Nigel Yarranton: Manager Innovation and Technology		
Internal Audit	Richmond, Sinnott and Delahunty (RSD) Kathie Teasdale, Paul Harrison		
External Audit	Victorian Auditor General's Office: Jung Yau: Audit Manager Sanchu Chummar: Acting Sector Director		
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 & Privacy Services (part-time executive role); Independent Member of Finance Risk and Audit Committee – Education Services Australia; Audit and Risk Management Committee – IBAC; Finance and Audit Committee – Trinity College, University of Melbourne; Audit and Risk Committee – Chief Minister, Treasury & Economic Development Directorate (and Deputy Chair of this Committee); Audit and Risk Committee – Hume City Council, Audit and Risk Committee – Bayside city Council</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 & 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>		

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 REPORT: FRAUD, CORRUPT CONDUCT OR POSSIBLE ILLEGAL ACTS

Recommendation accepted

Recommendation:

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

Actions - None

2. PRELIMINARY MATTERS

2.1 WELCOME

2.2 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Recommendation:

The Audit & Risk Committee notes that the Audit & Risk Committee Minutes of 8 June 2021 were reported to Council at the 21 July 2021 Council Meeting.

Action : None

MOVED: Rick Brown

SECONDED: Jen Johanson

2.3 ACTIONS ARISING FROM PREVIOUS MINUTES

Recommendation:

The Audit & Risk Committee notes the Action Items of the South Gippsland Shire Council Audit & Risk Committee conducted on 8 June 2021 be confirmed with the following comments.

The Committee commended the work that has been done to close out previous actions.

Internal audit forward plan is to come to the Committee December meeting for review.

Action : None

MOVED: Jen Johanson

SECONDED: Homi Burjorjee

3. EXTERNAL AUDIT

3.1 VAGO Financial Management Letter/Closing Report

VAGO report that there are no significant material matters and that the report is an unmodified audit opinion. A draft management letter was circulated via email on Friday 10 September prior to the meeting. Some minor procedural matters are noted and VAGO are comfortable that all risk areas have been adequately considered.

Updated management letter and Certification will be delayed due to timing restrictions from COVID-19 lockdown.

Recommendation:

That the Audit & Risk Committee receives a verbal update from the attendees from the Victorian Auditor General's office due to the timing of the visit. Motion was put that Committee approve subject to any final material items that become apparent be directed back to the committee before sign-off.

Action : None

MOVED: Homi Burjorjee

SECONDED: Jen Johanson

3.2 Draft 2020/21 Annual Report – Performance Statement, LGPRF Figures and Governance Checklist

Action : Amend Risk Reporting Assessment section of the LGPRF to reflect the Risk workshop process and outcomes. Confirmation of this update to the LGPRF be provided back to the committee at the December meeting.

Recommendation: Pending the above action, the committee:

1. Receives and endorses the 2020/21 Performance Statement (Attachment [3.2.1])
2. Receives and notes the traffic light report on Local Government Performance Framework indicators and Governance Checklist for 2020/21 financial year (Attachment [3.2.2]).

MOVED: Rick Brown

SECONDED: Homi Burjorjee

3.3 Draft 2020/21 Financial Statement

This item covered under 3.1

The committee commended the CEO, Directors and Manager Financial Strategy [Melissa] for the preparation of financial statements, and in particular the quality of the explanatory notes. The committee also commended the financial performance achieved by the organisation particularly given the impacts COVID on Council and the community.

The Committee also commended VAGO noting the time pressure and difficulties VAGO have had with COVID impacts.

Recommendation:

Pending the above action in item 3.1, the committee:

1. Receives, notes and approves in principle (subject to outstanding matters) the 2020/21 Annual Financial Report (Attachment [3.3.1])

2. Recommends that Council record its approval 'in principle' approval for the annual financial report and performance statement (the statements) for the year ended 30 June 2021 and that subject to the review of the final version of the financial report and the Performance Statement, recommend Council authorise the:

- a. Chief Executive Officer to send the statements to the Auditor-General;
- b. Chief Executive Officer, the Administrator Chair and Administrator to certify the final version of the statements;
- c. Manager Financial Strategy to implement any non-material changes to the statement as recommended by the Auditor-General and provide a summary of any such changes to the Audit and Risk Management Committee at its next meeting. Any material changes will be discussed with the Chair of the Audit and Risk Management Committee prior to being presented to Council.

MOVED: Rick Brown

SECONDED: Homi Burjorjee

4. INTERNAL CONTROL SYSTEM

4.1 INTERNAL CONTROL SYSTEM REPORT

Continuous improvement was discussed in that the effectiveness of controls could be further considered such as the inclusion of metrics and tolerances. Risks overall need the inclusion of Council's risk appetites and tolerances to determine whether risk ratings are acceptable. External factors should also be considered including matters affecting the sector and region. Further examination into fraud related protections to be considered including delegations.

The overall governance framework to be further reviewed and consider best practice and benchmarking, and consider what is practicable (ALARP risk determination) and achievable with available resources to provide confidence Council with the confidence it is effectively discharging its responsibilities.

The Committee would like at the appropriate time to see a post mortem of Council's COVID-19 response as well as the recent storm response and proposed learnings for Business Continuity.

Recommendation:

That the Audit & Risk Committee notes the report and status of internal controls.

Action : Report to come to future meeting of Covid response and 2021 storm response. Fraud and delegations policies to be included in Controls report. Risk traffic light (or similar) report to be provided each meeting.

MOVED: Jen Johanson

SECONDED: Homi Burjorjee

5. RISK MANAGEMENT

5.1 RISK FRAMEWORK DEVELOPMENT REPORT

Committee noted that the development undertaken with respect to risk is a significant step forward with more to do. Next required developments are for strategic risk appetite statements metrics and tolerances to be developed and applied

CEO highlighted appreciation of administrators and committee in progressing risk development. Risk development will be part of induction for incoming Councillors and will be reworked to align with new Strategic Objectives once established by the new Council.

Specific comment was made in regards to Cyber risk that increasing sophistication and frequency of attacks meant other entities viewed as not acceptable risk even with all reasonable controls in place. SGSC to review accordingly.

AOH&S and Environment risk need to be reviewed in the context of relevant acts and requirement to have residual risk "as low as reasonably practicable."

It was requested that progressive review cycle of strategic risks be brought to future Committee meetings.

Action : (1) Management to revisit cyber risk and ALARP implications for risk in general. (2) Chris and Jen to discuss one-page risk template. (3) Strategic risks to come progressively to the Committee.

The Committee noted the report and status of internal controls. The Strategic risks were not endorsed pending risk process and application appetite improvements.

Recommendation:

That the Audit & Risk Committee receives and notes the advancement of the risk framework development including:

- Completion of Strategic Risks development
- Over 50% of Operational Risk development completed
- Appointment of ongoing Risk and Compliance Officer
- Activation of formal Risk Management system in Reliansys software
- Review of independent risk consultant to assess progress and guide continuing progress.

MOVED: Jen Johanson

SECONDED: Homi

5.2 FRAUD, CORRUPT CONDUCT, AND POSSIBLE ILLEGAL ACTS REPORT

Report taken as read without discussion

Action :

MOVED:

SECONDED:

5.3 INSURANCE REPORT

Report Noted

Action :

MOVED:

SECONDED:

5.4 BANKING FRAUD ALERT

Report noted	
Action :	
MOVED:	SECONDED:

6. INTERNAL AUDIT

6.1.1 IT GENERAL CONTROLS REPORT

<p>IT Manager, Nigel Yarranton provided update on implementation of IT General Controls actions from audit. Actions are being implemented in order of priority.</p> <p>Discussion on penetration testing identified that current penetration testing regime of every 18 months (typically) may be increased to every 6-12months given increasing cyber attacks and vulnerabilities.</p> <p>It was noted the Council have offered to assist in external agency testing with ASD (Australian Signals Directorate) and have benefited from ASD information updates and guidelines.</p> <p>Implementation updates will be reported to Committee in future meetings.</p> <p><u>Recommendation:</u></p> <p>That the Audit & Risk Committee notes the reporting of Information Technology Controls.</p> <p>Action : Further update reports and action completion to be reported to Committee</p>	
MOVED: Homi Burjorjee	SECONDED: Jen Johanson

6.2 WASTE MANAGEMENT – FEES & CHARGES

<p>Report presented by Paul Harrison (RSD). Report concludes overcharging risk is low. Waste services data is accurate and appropriate. A positive report with only 6 findings with 2 medium and the rest low. Medium rated issues related to a lack of a central policy for fee setting and consideration of overhead costs allocation.</p> <p>Discussion supported that all Councils have differing waste environments and therefore benchmarking and standardisation is difficult.</p> <p>Overhead allocation will be considered as part of Revenue and Rating strategy planned for 2022.</p> <p><u>Recommendation:</u></p>	
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That the Audit & Risk Committee receives and notes the Waste Management Fees and Charges Internal Audit (Attachment [6.2.1]).	
Action : None	
MOVED: Jen Johanson	SECONDED: Homi Burjorjee

7. COMPLIANCE AND ETHICS

7.1 PROTECTED DISCLOSURE REPORT (CEO)

Report noted	
Action :	
MOVED:	SECONDED:

7.2 RSD REGULATORY UPDATE REPORT

RSD identified that there are several reports of note being released at the moment.	
Action : Council response to these reports and associated recommendations to be presented to next meeting and for future regulatory update reports.	
MOVED: Homi	SECONDED: Jen

8. POLICIES

8.1 POLICY REVIEW SCHEDULE

Report noted	
Action :	
MOVED:	SECONDED:

9. REPORTING RESPONSIBILITIES

9.1 AUDIT COMMITTEE REPORTS REGULARLY TO COUNCIL**Recommendation:**

The Audit & Risk Committee notes that the Audit & Risk Committee Minutes of 8 June 2021 were reported to Council at the 21 July 2021 Council Meeting

MOVED: Homi Burjorjee

SECONDED: Jen Johanson

9.2 AUDIT CHAIR ANNUAL REPORT

Draft report has been circulated and updated outside of the meeting.

Action : Updated Chair Annual Report to be circulated post meeting for final updates and reported to Council.

MOVED:

SECONDED:

10. GENERAL**10.1 AUDIT COMMITTEE MEETING DATES**

Next meeting 7th December at 3:00 PM

Action :

MOVED: Rick

SECONDED: Homi

10.2 INDEPENDENT COMMITTEE MEMBERSHIP (INC. CHRIS BADGER CONTINUATION)

Report noted

Action :

MOVED:

SECONDED:

10.3 COMMITTEE PERFORMANCE

Meeting was considered to have run well and on time. All participants keen for face to face meetings in future pending restrictions.

Action :

MOVED:

SECONDED:

11. GENERAL BUSINESS

Committee Chair noted that this is the last meeting attended by Administrators and thanked Rick Brown as the Administrators representative and Julie as Administrator Chair for their professionalism, communication and value adding. The committee wished both the best for their future endeavours. CEO concurred with thanks for their support.

Rick Brown responded that this Committee (A&RC) is the most important of Council Committees given its role to set standards, drive a continuous improvement culture and is an investment that required commitment and dedication and has made a difference.

Julie Eisenbise supported these comments noting the Committee have provided guidance and Council have taken that on and delivered it. Reports are different, improved and more thorough and she sees Council on a path of excellence. Julie thanked the Committees independent members for their contribution.

Action :

MOVED: Jen Johanson

SECONDED: Homi Burjorjee