

## COUNCIL REPORT – MARCH 2022 PERFORMANCE AND INNOVATION DIRECTORATE

### SOUTH GIPPSLAND SHIRE COUNCIL AUDIT & RISK COMMITTEE CHAIR'S REPORT TO COUNCIL – September 2021 to March 2022

#### INTRODUCTION

The Committee's objective is to provide appropriate independent advice and recommendations to Council on matters relevant to the Committee's Charter to support Council in discharging its oversight responsibilities. The Committee is also responsible for ensuring that Council's policies and procedures comply with the over-arching Governance Principles, the relevant Acts, Regulations and any Ministerial Directions. The Committee acts in this capacity by monitoring, reviewing, endorsing and advising on matters as set out in the Audit and Risk Committee Charter, developed in accordance with Section 54 of the Local Government Act 2020.

The Committee is an advisory committee to the Council and does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. Neither does the Committee have any management functions and is therefore independent of management.

In addition, the Committee is also guided by an Audit Policy that was adopted by Council on 28 August 2019. Both the Audit Policy and Charter are published on Council's website.

#### REPORTING OBLIGATIONS

The Audit and Risk Committee (Committee) exists and functions as required by The Local Government Act 2020 (Vic) (the "Act"). The Committee's objectives, authority, composition, tenure, roles and responsibilities along with reporting, administrative and governance arrangements are detailed in the Audit and Risk Committee Charter updated and adopted by Council on 26 August 2020.

The committee self-assesses its performance on an annual basis as a means of continuous improvement. Data gathering was undertaken in February of this year and the results presented to the March Committee meeting. The assessment, any resulting actions and the achievement of those actions will be present in the next bi-annual Chair's report to Council.

The Chairman of the Committee reports twice a year to Council on the following matters –

- A summary of the work of the Committee performed to discharge its responsibilities
- A summary of the Council's progress in addressing the findings and recommendations made in internal, external and Parliamentary Committee reports; and
- An overall assessment of the Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council
- A summary of Committee's performance review

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#### COMMITTEE MEMBERSHIP

The Committee consists of four members appointed by Council; three independent members and one Councillor. All independent members may serve a maximum of two consecutive terms of three years, subject to satisfactory performance. The Chair of the Committee is an independent member.

##### ***Councillor Membership***

At the Ordinary Council Meeting on 24 November 2021, Councillor Sarah Gilligan was appointed to Committee as the sole Councillor member until the next Council election, being held in October 2024.

##### ***Independent Membership***

The current Independent Members are –

- Mr. Chris Badger – appointed by Council on 24 October 2018 for an initial three-year term commencing on 1 December 2018 and concluding on 30 November 2021 and extended for a further three-year term to conclude 30 November 2024. He was appointed as Committee Chair at the 26 August 2020 Council Meeting;
- Mr. Homi Burjorjee – appointed by Council on 22 February 2017 for an initial three-year term concluding in February 2020 and extended in 2020 for a further three-year term, concluding in February 2023.
- Ms. Jen Johanson – appointed by Council on 01/11/2020 for an initial three-year term concluding on 31/10/2023

The Committee met four times in 2021 being;

- 8 March 2021
- 8 June 2021
- 14 September 2021
- 14 December 2021

A quorum of Councillor and Independent Members was achieved for all meetings as outlined in the following table:

Member	Meetings Attended	Meetings Eligible
<b>Independent Members</b>		
Mr. Chris Badger (Chair)	4	4
Mr. Homi Burjorjee	4	4
Ms. Jen Johanson	4	4
<b>Council Members</b>		
Mr. Rick Brown	3	3
Ms. Sarah Gilligan	1	1

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A senior manager from Council's Internal Auditor, Richmond Sinnott and Delahunty ("RSD") attended all Committee meetings. Other management representatives attended as required to present reports.

External Auditors from the Victorian Auditor General Office (VAGO) attended the March, June, and September 2021 meetings.

#### ***Committee Minutes Reported to Council***

Minutes of each Committee meeting were presented to Council, at the next practicable Ordinary meeting of Council, for consideration and adoption.

#### ***Internal Auditor***

The process to competitively tender for Internal Audit Services for the coming 4 financial years has been commenced. The tender scope was reviewed by Council officers and management, as well as by the Committee members. Management and the Committee also identified relevant companies known to have strong and relevant experience to ensure that they could be made aware of the tender.

The tender evaluation will be undertaken by Management with an evaluation panel member included from the Audit and Risk Committee, and a recommendation by A&RC will then be provided to Council for decision and contract award. The selected service provider will commence 1 July 2022 for a four-year term to align with the current Council and its chosen objectives.

The incumbent Internal Auditor, RSD, attends each Committee meeting to report on the status of the internal audit program, to provide an update on the implementation of audit recommendations and to present findings of completed reviews. The responsible Director for each area audited attends the Committee meeting to respond to questions in relation to the audit. All audit issues identified are risk rated. Key findings (as per Charter) are identified in the A&RC meeting minutes, recommendations are assigned to the responsible manager and tracked in Council's Internal Audit Action Plan. Two internal audits are in progress at the time of writing; one for Records Management, and the other for Community Satisfaction, Customer Service & Complaints Management. These will conclude the Internal Audits in this current financial year. The forward internal audit plan will be established with the commencement of the new service contract.

#### ***External Auditor***

Council's External Auditor, VAGO, attended the Committee meetings of 8 March 2021, 8 June 2021 and 14 September 2021 meetings to present the audits for the Financial and Performance Statements

VAGO monitors the finances and performance across the year through the A&RC, which ensures ongoing transparency and accountability of Councils reporting to the State Government.

### **SUMMARY OF THE WORK OF THE COMMITTEE**

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The Committee meets on a quarterly basis to consider those matters within the scope of its Charter. To assist the Committee's deliberations and oversight at each meeting, a senior manager or their representative provides a detailed overview of key or emerging risks within their portfolio and the mitigation steps being taken to keep these risks to within acceptable levels

Meeting Date	Key Presentations
14 September 2021	Insurance Report
	IT General Controls Report
	Waste Management - Fees & Charges
14 December 2021	Storm Reponse & Covid-19 Impacts
	Sustainable Infrastructure Report

#### ***2021 Highlights***

Council undertook an important structural change to governance in developing and adopting the new Risk Framework. The changes in this, and the complementary change in fostering an engaged risk culture more broadly across the organisation, is a valuable maturing of governance and has been strongly supported by the Audit and Risk Committee. Implementation of this framework has more clearly aligned Strategic Risks to Council Objectives and provided greater clarity and engagement in the operational areas in identifying and actively managing risks. It has also provided a robust system for the Council and the Committee to provide oversight to ensure risk is managed effectively and efficiently.

The progressive changeover of Local Government Act (LGA) has been very capably handled by the organisation as it saw through the various impacts to policies and practices. COVID altered the course of every business and household and created substantial need for change through the entirety of the 2021. A&RC noted how smoothly this occurred for SGSC with an IT infrastructure that capably supported the transition to home-based operation for office staff without compromising function or security, that finances were adopted to support a \$2M Community Support Package, and increased areas of risk such as reduced procurement and financial oversight were anticipated and monitored to ensure financial probity and integrity. All of this was achieved whilst minimising health and safety risk for staff and service providers to as low as reasonably practicable. A report presented to the A&RC detailed the internal response by Council through a Business Recovery Team specifically focussed on guiding the organisation through the impacts of the pandemic and its success in achieving continuous operations and services to the community.

#### ***Overall assessment of Council's risk, control and compliance framework***

The committee's overall assessment is that, based on information received by the Committee (including from VAGO and Council's appointed internal auditors), Council is continuing to enhance its identification, monitoring and management of its key strategic

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and operational risks in a constrained operational (COVID19 impacted) and financial environment.

It is the view of the Committee that the governance culture of the Council is providing a robust risk, control and compliance framework which continues to strengthen and adapt to changes in the Council's operations.

The Committee is working actively with management on continuous improvements of risk statements and the monitoring of risk management activity.

### ***Committee Performance***

The annual committee performance assessment is in progress and results will be available with the next report of the Chair to Council.

## **CHAIR'S CLOSING REMARKS**

I would like to thank the management team for their support and diligence in the running of the Committee and I thank my colleagues, and fellow committee members. for their contribution to a strong Internal Audit Committee.

Council should note that during the In-Committee meetings held with Internal and External Auditors, no significant matters of concern were raised. Throughout this past year, a focussed effort has gone into working through backlogged actions from previous internal and external audits and I wish to acknowledge the efforts by Council officers, management and the committee in this important undertaking to ensure the value of those audits is realised.

I also commend the work of Council officers in introducing new risk monitoring systems and action tracking systems to improve on the effectiveness of managing risk and for ensuring that the many actions of the Committee, the internal audits, and external audits are effectively managed, monitored and reported.

Chris Badger