

SOUTH GIPPSLAND SHIRE COUNCIL

# Audit & Risk Committee

**7 October 2022**  
**Hybrid Meeting**  
**Commencing at 9:00 AM**

## Draft Minutes



*South Gippsland  
Shire Council*

*Come for the beauty, Stay for the lifestyle*

## Audit & Risk Committee Confidentiality

### Closed Information – not in public interest to be released

The Chief Executive Officer designates Audit & Risk Committee Minutes, Agendas and associated documents (attachments) as 'internal working documents – not to be released without prior Executive approval' in accordance with Council's *Public Transparency Policy (C75)* and is classified as closed (or confidential) information.

The grounds for designation have been made as the information is in draft form and may cause unnecessary confusion if released prior to any formal decision made, or provided by third party suppliers that have contractual rights associated with the information.

### Open (Public) Information – not confidential

The Chief Executive Officer designates that the following agenda items and related documents and associated attachments as open (public) information and are not confidential.

#### Agenda Items:

- Nil

### Minutes of the Previous Meeting

The Chief Executive Officer designates that the Minutes of this 7 October 2022 Meeting are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 16 November 2022.



Kerry Ellis  
Chief Executive Officer

Date Time	7 October 2022	Location	Councillors Lounge and via Video Conference
	9:00 AM		

Attendees	Mr Chris Badger (Audit and Risk Committee Chair) Mr Homi Burjorjee Ms Jen Johanson Cr Sarah Gilligan
Ex-officio Member	Cr Mohya Davies (Mayor)
Observer	Ms Prue Digby (Observing as Municipal Monitor) Cr. Jenni Keerie
Support Staff	Allison Jones: Director Performance & Innovation, Melissa Baker: Manager Financial Strategy, Vera Burns: Coordinator Risk and Procurement, Lynn Behmer: Risk and Compliance Officer, Shayee Logan: Procurement & Risk Administrative Support Officer, Simon Dean: Manager Digital and Technology, Tony Peterson: Manager Infrastructure Planning

Internal Audit	Crowe: Andrew Zavitsanos, Lynda Cooper
External Audit	Victorian Auditor General's Office: Jung Yau: Audit Manager, Local Government; Travis Derricott, Sector Director

## **1. IN CAMERA - CONFIDENTIAL AUDIT & RISK REPORTS**

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

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

Allison Jones provided an update to the committee in the CEO's absence.

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

Representatives from the Victorian Auditor General's Office met with the Committee without officer attendance.

## **2. PRELIMINARY MATTERS**

### **2.1. WELCOME**

### **2.2. ACKNOWLEDGEMENT OF COUNTRY**

### **2.3. ATTENDEES**

Attendees are as noted above with the exception of any apologies.

### **2.4. APOLOGIES**

Apologies	Kerryn Ellis: CEO, Renae Littlejohn: Acting CEO, Nina Barry-Macaulay: Manager Customer Information & Advocacy & Rhys Matulis: Coordinator Governance
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### **2.5. DECLARATION OF CONFLICTS OF INTEREST OR DUTIES**

As per agenda with the following change:

Ms. Jen Johanson advised that her tenure as Independent Member – Audit and Risk Committee (and Deputy Chair) – Chief Minister, Treasury & Economic Development Directorate, ACT Government has concluded.

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

#### **Discussion**

The Committee reviewed the Action Items from the previous meeting and highlighted areas for improvement.

The Committee advised that the Strategic Risk Review workshop scheduled for 14 December 2022 should be noted on Task ID 3010.

**Action Items**

The Committee noted that some estimated completion dates were in the past and requested that the report be updated to reflect the current dates.

Management will explore adding an indicator of percentage completion for each Action Item.

Moved: Cr. Sarah Gilligan  
Seconded: Homi Burjorjee

**3. EXTERNAL AUDIT****3.1. VAGO STATUS REPORT - AUGUST 2022****Discussion**

Management provided an update on items that were of interest to our organisation.

**Action Items**

Nil

Moved: Homi Burjorjee  
Seconded: Cr. Sarah Gilligan

**3.2. RESPONSE TO GRANTS REPORT (VAGO) & GRANTS POLICY****Discussion**

The Committee received management's detailed response to the recommendations from Victorian Auditor General's Office (VAGO) and noted that a number of these were already undertaken at Council.

Management noted a significant amount of review regarding the Community Grants Program Evaluation had already been undertaken as an independent review and officers were progressing well in implementation of the recommendations made.

Management noted that development of an overarching Grants Policy as well as a Fraud Risk Register has been noted as actions.

The Committee discussed fraud and corruption training and the potential for Councillors to undertake further training in the new year. Management to discuss with Councillors if it is something they wish to have arranged.

**Action Items**

1. Management to circulate the Community Grant Program Evaluation report that had previously been presented to Council at its meeting on 18 August 2021.
2. Management to provide the Community Grants Program independent review to the Committee.
3. Management progress the opportunities for improvement noted in the report including the development of an over-arching Grants Policy and a fraud Risk Register.

Moved: Homi Burjorjee  
Seconded: Cr. Sarah Gilligan

## **4. FINANCIAL AND PERFORMANCE REPORTING**

### **4.1. DRAFT ANNUAL FINANCIAL REPORT - JULY 2021 TO JUNE 2022**

#### **Discussion**

Management introduced the report and thanked the Committee for their interest, informative feedback and comments. The Committee commented that having the report provided prior to the meeting gave them the opportunity to provide feedback and for Management to provide responses. This process should be continued in future.

The Committee stated that VAGO commented during the in camera session that there are no outstanding queries on reports or statements, there are no issues from their perspective and that the management letter is still to come.

VAGO thanked Management for the smooth running of the audit and commented on the collaborative environment between their team and Council officers, particularly given limited resources. No material defects were found.

The Committee acknowledged Management's work in producing the reports given the current pandemic environment which has affected staffing and the timing of the audit.

VAGO took the Committee through their draft Closing Report (as circulated out of session) and noted a few areas of interest. The Committee and VAGO discussed the review of specific internal controls but it was established that VAGO see this a function of the Internal Auditors and instead their reviews of controls and/or analytical testing are at a higher level.

VAGO stated that payroll controls were reviewed in more detail and found to be operating effectively. The infrastructure asset increase of approximately 30% was noted as being in line with expectations.

The Committee gave approval in principle on basis no material changes to the report presented. If there are material changes then the report is to be presented again to the Committee for approval.

#### **Action Items**

1. The Committee noted that point 2. b. in the Recommendation be amended and moved as "Chief Executive Officer, and two Councillors to certify the final version of the statement;"

Moved: Jen Johanson  
Seconded: Cr. Sarah Gilligan

### **4.2. DRAFT ANNUAL REPORT - REPORT OF OPERATIONS, PERFORMANCE STATEMENT AND END OF YEAR LGPRF REPORTING – JULY 2021 TO JUNE 2022**

### **Discussion**

The Committee congratulated Management on a really fantastic process in getting the documents to this point and Management thanked the Auditor General's Office for their approachability, making it a positive experience.

### **Action Items**

1. Once complete, the final performance statements are to be circulated out of session by management to the Committee.
2. The Committee noted that point 6. b. in the Recommendation be amended and moved as "Chief Executive Officer, and two Councillors to certify the final version of the statement;"

Moved: Cr. Sarah Gilligan

Seconded: Jen Johanson

## **5. RISK MANAGEMENT**

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

#### **Discussion**

The Committee was keen to understand more around the one change made in risk rating; **Risk 69 – Failure of disaster recovery sub plans to respond to an event (Digital and Technology)**. Management explained that the ongoing refurbishment works to the municipal offices is resulting in a higher risk of damage to the IT equipment physically located at this site. Mitigation methods have been increased, with examples of these provided to the Committee.

The Committee stated that they are keen to be involved and working with Council in the upcoming Strategic Risk workshop. However, the Committee's view is that a 2 hour session is not sufficient time (noting previous meeting minutes mentioned half day session) to fully cover the requirements. Management advised that there will be a follow-up session planned for early 2023 where strategic risks will be reviewed in more detail. The Committee advised that they were comfortable with this approach.

#### **Action Items**

1. Management will schedule a follow-up session in early 2023 to further analyse the strategic risks.

Moved: Jen Johanson

Seconded: Cr. Sarah Gilligan

### **5.2. REPORT OF INSURANCE CLAIMS & UPDATE**

#### **Discussion**

Following introduction of the report by Management, the Committee queried whether any trend analysis could be provided in future reports. For example, categorising injury into trips on footpaths or falls in playgrounds.

The Committee also requested information on the movement in premiums from the previous financial year and whether there had been any reduction on scope.

In response to questioning from the Committee, Management advised that WorkCover insurance had been moved from MAV to Allianz Australia and will be discussed in the Annual People and Culture Report to the Committee in March 2023.

**Action Items**

1. Explore annual reporting to include trend analysis in claims.
2. December report to include details of movement in insurance premiums and any reduction in scopes.

Moved: Jen Johanson  
Seconded: Cr. Sarah Gilligan

## **6. INTERNAL AUDIT**

### **6.1. REVIEW AND ENDORSE STRATEGIC & ANNUAL PLAN**

**Discussion**

Following a general discussion on future audits, it was agreed that the Committee has a role in reviewing/approving the scopes before they progress to commencement.

The internal auditor proposed presenting a draft interim audit plan at the December meeting of the Committee to review prior to the completion of the upcoming Strategic Risk Workshops.

**Action items**

1. Scopes for the two suggested audits be circulated to the Committee for feedback/ approval prior to commencement.
2. A draft plan is to be tabled at the December 2022 meeting that gives broader justification to the audits and scopes.
3. The Committee requested the report be accompanied by a listing of what previous audits have been conducted.

Moved: Homi Burjorjee  
Seconded: Cr. Sarah Gilligan

### **6.2. PRESENT FINAL RSD AUDIT REPORTS**

**Discussion**

The Committee requested that the full audit reports be included in the December meeting for consideration. Management acknowledged that it had mistakenly only included the action items from the audits.

**Action Items**

1. The internal audits to be re-considered at a future meeting.

Moved: Homi Burjorjee  
Seconded: Cr. Sarah Gilligan

### 6.3. INTERNAL AUDIT OPEN ACTION ITEMS

#### **Discussion**

The Committee voiced their concern (based on recent history of backlogs) on the growing backlog of action items, with some being up to two years in age. The Committee noted that some items remained Open, although their estimated completion date had already passed.

#### **Action Items**

1. Management to update expected completion times in the report to the Committee at the December 2022 meeting with a focus on closing out actions ASAP.

Moved: Deferred

## 7. COMPLIANCE

### 7.1. PROTECTED DISCLOSURE REPORT (CEO)

#### **Discussion**

Taken as read.

#### **Action Items**

Nil

Moved: Cr. Sarah Gilligan

Seconded: Jen Johanson

### 7.2. INTEGRITY AGENCY REPORT

#### **Discussion**

The Committee noted that this was an excellent report containing lots of good information.

The Committee commented that although Council does not have a specific fraud risk register, when one is created it would be worthwhile to reflect on Item 1.1 "ACFE Report to the Nations – Occupational Fraud" as to how Council compares.

The Internal Auditor commented that they prepare these reports on a quarterly basis to highlight incidents across a number of other areas and integrity agencies as a learning tool for Council. They thanked Management for their comments as it confirms to them that the reports are being read and considered

#### **Action Items**

When the Fraud Risk Register has been created, Council to consider Item 1.1 of Crowe Curious Eyes Report (April – June 2022).

Moved: Homi Burjorjee

Seconded: Cr. Sarah Gilligan



**7.3. REPORT ON SIGNIFICANT COMPLIANCE MATTERS****Discussion**

Taken as Read

**Action Items**

Nil

Moved: Homi Burjorjee

Seconded: Cr. Sarah Gilligan

**7.4. REVIEW REPORT ON GIFTS, BENEFITS AND HOSPITALITY AND TRENDING REPORT****Discussion**

**The Committee and Auditors discussed good governance practise in terms of accepting/not accepting gifts and hospitality particularly if above a token \$50 amount.** There is risk of conflict of interest in this regard whether it be potential, perceived or actual COI.

The Committee suggested that a broader register be set up that includes an explanation of the basis of acceptance or non-acceptance of a gratuity and the person who approved an acceptance. Jen Johanson will speak to Management out of session to assist in re-defining Council's register.

The updated format of the register will enable trending reports to be generated.

There was a general discussion led by VAGO regarding the importance of fraud testing in general, in particular preference given to testing procurement controls to indicate possible targeting of Councillors or council officers.

**Action Items**

1. Jen Johanson to meet with Management to discuss changes to the Register.
2. Officers to include feedback in future reports.

Moved: Cr. Sarah Gilligan

Seconded: Jen Johanson

**7.5. REVIEW OF LOCAL GOVERNMENT ACT TO ENSURE ALL REPORTING REQUIREMENTS ARE BEING MET****Discussion**

The Committee commented on the quality of the report and summary table.

The Internal Auditor commented on the overarching governance principles and supporting principles and the monitoring required by the Committee. The Committee noted that compliance to the principles are mapped to the Audit & Risk Committee

Workplan. An updated version of the Workplan will be tabled at the December meeting and included in future agendas as a cross check.

#### **Action Items**

Audit and Risk Workplan for 2023 to be tabled at the December meeting and be included in all future agendas.

Moved: Jen Johanson  
Seconded: Homi Burjorjee

### **7.6. TRAINING SCHEDULE FOR PRIVACY TRAINING**

#### **Discussion**

Taken as read

#### **Action Items**

Nil

Moved: Jen Johanson  
Seconded: Homi Burjorjee

## **8. FRAUD PREVENTION SYSTEMS AND CONTROLS**

### **8.1. FRAUD AND CORRUPTION REPORT**

#### **Discussion**

Taken as read

#### **Action Items**

Nil

Moved: Homi Burjorjee  
Seconded: Jen Johanson

## **9. GOVERNANCE**

### **9.1. POLICES AND PROCEDURES FOR REVIEW**

#### **Discussion**

Management introduced the Asset Management Policy that has been updated with the recent building valuations. Management has already sought feedback from VAGO on their thoughts for improvement. Management now seeks similar feedback from the Committee.

The Committee noted that the policy reads well and provided the following improvement suggestions:

- Clause 2.1 add an explanation of Non-current assets

- Clause 3.1.5 to be re-worded to read clearer
- Clause 3.4 refers to a non-existent item “b”
- Clause 3.5.4 requires a clearer explanation of the table i.e. is it trying to show operational and capital?
- Clause 3.8 requires a clearer explanation in last sentence
- Clause 3.12.2 – the actual cost is what is in the Asset Register not the tendered price
- Clause 3.27 – Include explanation that zero is when an item is fully depreciated
- Definitions to be in alphabetical order
- Reference documents should include Environmental Protection Act
- Appendix A requires a correction of an abbreviation from “MV” to “MVA”

It was also suggested that condition assessment methodology/ scope of assessments be referenced in the Policy (may be to an internal document/ guideline).

A discussion on how Council recognises, and controls its minor assets be referred to.

It was also noted that although the Policy (accompanying as an attachment) listed associated Risks, this was omitted in the covering report.

The committee endorsed the policy based on incorporation of changes discussed.

#### **Action Items**

1. Management to make amendments to the Policy.

Moved: Jen Johnason

Seconded: Homi Burjorjee

## **10. REPORTING RESPONSIBILITIES**

### **10.1. PROVIDE PREVIOUS MEETING MINUTES TO COUNCIL**

#### **Discussion**

Confirmation that the draft meeting minutes from the previous meeting have been presented to Council.

The committee confirmed its approval of the meeting minutes.

The Committee also asked for consideration on ways that the Minutes could be streamlined, perhaps with Agenda content removed and provided to Council separately.

#### **Action Items**

1. Management to consider ways in reducing the meeting minutes content.
2. Change agenda recommendation in future from “noting” the minutes to “approval” of the minutes.

Moved: Cr. Sarah Gilligan

Seconded: Homi Burjorjee

## **11. GENERAL BUSINESS AND COMMITTEE OPERATIONS**

**11.1. BI-ANNUAL CHAIR REPORT****Discussion**

The Committee received the Chair's Bi-Annual Report but did note two amendments required prior to presenting to Council. Cr. Davies' name is to be corrected and reference to "TBC" needs to be removed.

**Action Items**

Report to be presented to Council once amended as above.

Moved: Homi Burjorjee

Seconded: Cr. Sarah Gilligan

**11.2. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE****Discussion**

It was commented that the meeting flowed well with all agenda items adequately covered and praised Management for the quality of the reports.

The Committee did comment that although they understand why it was not possible to receive them earlier this year, they would appreciate draft accounts and performance reports being distributed as early as possible, to provide sufficient opportunity for reading and feedback.

VAGO will provide a separate debrief to Council on their thoughts for improvement in relation to the account and performance statements.

The Committee commended Prue Digby, VAGO and the Internal Auditor on their input into discussions and thanked Prue Digby for her recommendations and support to the Committee. Prue Digby responded with noting the positive growth and development of Management during her tenure.

**Action Items**

Nil

Moved: Jen Johnason

Seconded: Cr. Sarah Gilligan

**12. OTHER BUSINESS****Discussion**

Suggested meeting dates for 2023 were briefly discussed.

It was noted that Homi Burjorjee's tenure will end following the December meeting and the process for recruitment and evaluation will commence.

The process for selection of a new IA member was discussed and it proceed as per the Audit and Risk Committee Charter.

**Action items**

1. The 2023 meeting schedule will be circulated out of session.
2. Management will circulate details of the recruitment and evaluation process for a new Committee member out of session.

### **13. MEETING CLOSED**

#### **NEXT MEETING**

Meeting closed at 12:14pm.

The next Audit & Risk Committee Meeting is scheduled to be held on 13 December 2022.