

SOUTH GIPPSLAND SHIRE COUNCIL

Audit & Risk Committee

13 December 2022
Hybrid Meeting
Commencing at 9:00 AM

Draft Minutes



*South Gippsland
Shire Council*

Come for the beauty, Stay for the lifestyle

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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 13 December 2022 meeting are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 15 February 2023.



Kerry Ellis
Chief Executive Officer

Date Time	13 December 2022 9:00 AM	Location	Meeting Room 2 Council Chambers and via Video Conference
Attendees	Mr Chris Badger (Audit and Risk Committee Chair) Mr Homi Burjorjee Ms Jen Johanson Cr Sarah Gilligan		
Ex-officio Member	Cr Nathan Hersey (Mayor)		
Observer	Cr. Claire Williams		
Support Staff	Kerry Ellis: Chief Executive Officer, Allison Jones: Director Performance & Innovation, Melissa Baker: Manager Financial Strategy, Vera Burns: Coordinator Risk and Procurement, Lynn Behmer: Risk and Compliance Officer; Karina Strybosch: Coordinator Information & Compliance & Data Integrity; Simon Dean: Manager Digital & Technology.		
Internal Audit	Crowe: Andrew Zavitsanos, Lynda Cooper & Rachna Signh		

External Audit

Victorian Auditor General's Office: Travis Derricott, Sector Director

1. IN CAMERA - CONFIDENTIAL AUDIT & RISK REPORTS

1.1. IN CAMERA COMMITTEE ONLY

1.2. IN CAMERA COMMITTEE WITH CEO

1.3. IN CAMERA INTERNAL AND EXTERNAL AUDITORS

2. PRELIMINARY MATTERS

2.1. WELCOME

2.2. ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Bunurong and Gunaikurnai people as the Traditional Custodians of South Gippsland and pay respect to their Elders, past, present, and future, for they hold the memories, traditions, culture, and hopes of Aboriginal and Torres Strait Islander people of Australia.

2.3. ATTENDEES

Attendees are as noted above with the exception of any apologies found at item 2.4

2.4. APOLOGIES

Apologies

Lynda Cooper: Crowe, Jung Yau: Victorian Auditor General's Office

2.5. DECLARATION OF CONFLICTS OF INTEREST OR DUTIES

As per agenda with the following changes:

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.

Ms. Jen Johanson advised that she has resigned from RSM Australia, finishing on 22 December 2022.

Ms. Jen Johanson advised that she has been appointed as Independent member, Risk Management Committee for Life Without Barriers.

Mr. Chris Badger advised that he has been appointed Non-Executive Director of Dulverton Waste Management Group and member of A&RC.

2.6. ACTIONS ARISING FROM PREVIOUS MINUTES

Discussion

The Committee reviewed the Action Items from the previous meeting, noting that as the Strategic Risk Workshop has been delayed until early 2023, dates on the Report will need to alter accordingly.

The Committee requested that where applicable, the Agenda Item number be added into the Open Action Items Report.

Action Items

The Committee has requested that where applicable, the Agenda Item number be added into the Open Action Items Report for ease of reading.

Moved: Homi Burjorjee
Seconded: Jen Johanson

3. EXTERNAL AUDIT

3.1. VAGO STATUS REPORT - NOVEMBER 2022

Discussion

The report was taken as read. The Victorian Auditor General's Office (VAGO) provided an update on the status of the report relating to the Local Government sector during the 2021-22 period, will be tabled in the State Government Parliament in early in 2023. The Report will be similar to those of previous years, providing a high-level snapshot of Local Government and identifying key findings.

Action Items

Nil

Moved: Homi Burjorjee
Seconded: Jen Johanson

3.2. FINAL ANNUAL AUDIT REPORT

Discussion

The Committee received recommendations from Victorian Auditor General's Office (VAGO) with an apology for the delay in delivering the final management letter.

Management noted the one new issue as raised by VAGO in the final management letter is in regard fair value assessment of infrastructure assets. This will be reported upon at the March 2023 Audit and Risk Committee meeting.

Management also noted VAGO's recommendation on engaging a valuer during FY22-23 as it has been 3 years since valuations for infrastructure (excluding building) has been undertaken. Management will provide comment at the March 2023 Audit and Risk Committee meeting including confirmation of adequacy and compliance with associated accounting policy.

Action

Management to discuss these comments further with Travis Derricott to clarify the issue and provide further comment on fair value assessment of infrastructure assets and engaging a valuer for non-building assets at the March meeting.

Moved: Homi Burjorjee
Seconded: Jen Johanson

3.3. EXTERNAL AUDIT OPEN ACTION ITEMS

Discussion

The Committee thanked Management for the introduction of the Report noting that Management are still in progress of clarifying with VAGO to ensure that updated Asset Accounting Policy will close out several open action items.

Action Items

Nil

Moved: Cr. Sarah Gilligan
Seconded: Homi Burjorjee

4. FINANCIAL AND PERFORMANCE REPORTING

4.1. ORGANISATIONAL AND FINANCIAL PERFORMANCE REPORT - JULY TO SEPTEMBER 2022

Discussion

Management introduced the report and invited comments from the Audit and Risk Committee.

The Committee first looked at the financial report and queried whether Capital Works were tracking behind forecast, considering wet weather, and issues of scarcity of external resources and materials. Management acknowledged that the forecasted Capital Works Program was already bold, but expanded further with grant funding from the State Government as a COVID response. Management commented that the focus will be on finalising projects that have already commenced.

Management also commented that flexibility between projects has been required in response to the stress in the construction industry, but is confident that the capital works program will be delivered, albeit over a broader timeframe.

The Committee questioned management of hardship debts. Management commented that South Gippsland Shire has a low level of this form of debt. Council is following VAGO guidelines for existing debts with robust payment plans and is confident that all will be acquitted.

The Committee congratulated Management on the positive stories in the report but noted that the summary included only positive highlights and did not include comments on where Council may be lagging. Management thanked the Committee for their feedback and commented that over half the program has already been delivered, and being only 1st quarter has been reported. If there are challenges or actions that are behind in future quarters, comments will reflect this.

Action Items

Nil

Moved: Cr. Sarah Gilligan

Seconded: Homi Burjorjee

5. RISK MANAGEMENT

5.1. QUARTERLY RISK MANAGEMENT REPORT

Discussion

Management advised that there are very few changes to report but that they expect more to report in the first half of 2023, particularly in the assurance and risk culture space with the appointment of a new Risk and Compliance Officer.

The Committee noted the unavoidable delay of the Strategic Risk Workshop until early 2023. The Chair advised that the Committee had discussed the scope and format of the risk workshop in the in-camera session, and that the Chair will provide feedback to the Chief Executive Officer after the meeting. The Chair also

mentioned the recent successful Risk Workshop at WSC and offered (approval permitting) to provide the comprehensive slide pack to Management for consideration.

Action Items

The scope for the 2023 Strategic Risk workshop be discussed by the Audit and Risk Chair and the CEO.

The WSC slide pack (subject to WSC approval) to be provided to Management

Moved: Cr. Sarah Gilligan

Seconded: Homi Burjorjee

5.2. REPORT OF INSURANCE CLAIMS & UPDATE

Discussion

Report taken as read by the Committee.

Action Items

Nil

Moved: Homi Burjorjee

Seconded: Jen Johanson

5.3. BUSINESS CONTINUITY PLANNING (INCL DISASTER RECOVERY)

Discussion

Following introduction of the report by Management, the Committee queried the absence of bi-annual or annual testing specified in the Response Plan.

Management commented that it is their intention to regularly conduct tests and will update the document with this information.

The Committee queried on whether the level of Cyber Risk was understated. Management advised that this will be reviewed and if required, the plan will be refreshed. Management also advised that Cyber Security will be included in the Internal Audit program.

Action Items

The Business Continuity Plan will be updated with testing timelines.

Management to review the risks level and update the plan if required.

Moved: Homi Burjorjee

Seconded: Jen Johanson

6. INTERNAL AUDIT

6.1. REVIEW AND ENDORSE DRAFT STRATEGIC & ANNUAL PLAN

Discussion

Management introduced the report and discussed the list of suggestions put forward by Crowe. The Internal Auditor reiterated that the list provided was one of prevailing subjects in the Local Government sphere and does not reflect whether there is assurance provided by other providers.

Management then invited feedback from the Committee on the proposed plan. It was suggested that the Road Management Plan could be moved forward due to its importance. It was highlighted that there is already a regular inspection and reporting regime for both sealed and unsealed roads that provides some assurance in this area. Management suggested they could brief the Committee on the assurance controls that are in place.

The Committee expressed that Council could benefit by creating an Assurance Map (Audit Universe) to identify any gaps or areas of over auditing. Management undertook to work with Crowe to provide information at the June 2023 meeting on what reporting can be tabled.

The Committee was happy to endorse the Plan on the understanding that it is again reviewed post the Strategic Risk Workshop when clearer strategic objectives and associated risks are developed.

Action Items

Management to develop an Assurance Map to identify any potential gaps or areas of over auditing for presentation at the Audit and Risk Committee during the first half of 2023.

Management to provide an overview on compliance with road management condition and monitoring to the Committee.

Moved: Homi Burjorjee
Seconded: Cr. Sarah Gilligan

6.2. REVIEW AND ENDORSE INTERNAL AUDIT SCOPE

Discussion

Following introduction of this Internal Audit Scope, the Committee provided feedback on the two scopes:

Privacy Audit

The Committee suggested that perhaps privacy of health records could be included. Management is more than happy to consider this but does have a limited budget and pointed out that this area is already audited by other government departments.

The specific Departments chosen for this audit have either had privacy beaches or are considered as having increased responsibility for sensitive data.

Councillor Compliance Audit

As Council had a Municipal Monitor for the first twelve months following the Council elections, Management requested that Crowe consider the Municipal Monitor's report once it is published.

The Committee noted that the scope refers only to Gifts, rather than Gifts, Benefits and Hospitality. Crowe confirmed that this language is taken directly from the Local Government Act 2020, and assured the Committee that all three elements will be included in the audit.

Action Items

A line item is to be added to each scope to include endorsement by the Audit and Risk Committee. The Councillor Compliance Audit is also to include the Municipal Monitor's report for review, if and when available.

Moved: Homi Burjorjee

Seconded: Cr. Sarah Gilligan

6.3. INTERNAL AUDIT OPEN ACTION ITEMS**Discussion**

The Committee noted the significant progress made by the organisation in implementing the actions from previous audits. The Committee observed that there is inconsistency in reporting the degree of percentage complete for each item.

Action Items

The completion percentage level for each item to be included in the next report.

Moved: Cr. Sarah Gilligan

Seconded: Homi Burjorjee

7. COMPLIANCE

7.1. PUBLIC INTEREST DISCLOSURE REPORT

Discussion

This item was discussed during the In-Camera Session

Moved: Cr. Sarah Gilligan
Seconded: Homi Burjorjee

7.2. INTEGRITY AGENCY REPORT

Discussion

The Committee received Crowe's report "Curious Eyes" and requested Management feedback on the Occupation Fraud (Curious Eyes Page 3) on whether Council has reviewed the common ways that fraud is conducted. Management advised that there are a number of review processes in place to track this behaviour.

Management also advised that there is a plan in 2023 for Good Governance training across the organisation and has recently delivered a training program to the leadership team on Respectful Workplaces which has a strong public interest disclosure focus.

The Committee suggested Management consider Red Flag Reporting, being unusual transactions or people not taking leave as examples. Management advised the Committee that they do have these in place and undertook to provide this report to the Committee on a regular basis.

Action Items

Tabling of a Red Flag Report to be added to the Workplan.

The completion level for each item in progress to be included in the next Report.

Moved: Homi Burjorjee
Seconded: Cr. Sarah Gilligan

7.3. REPORT ON SIGNIFICANT COMPLIANCE MATTERS

Discussion

Taken as read.

Action Items

Nil

Moved: Cr. Sarah Gilligan

Seconded: Homi Burjorjee

8. FRAUD PREVENTION SYSTEMS AND CONTROLS

8.1. FRAUD AND CORRUPTION REPORT

Discussion

Taken as read.

Action Items

Nil

Moved: Jen Johanson

Seconded: Homi Burjorjee

9. GOVERNANCE

9.1. REVIEW AUDIT AND RISK CHARTER

Discussion

The Chair advised that the Committee had reviewed the Charter prior to the meeting and reached consensus on views during the in-camera session. Feedback via a marked-up version from the Committee will be provided to the Chief Executive Officer for out of session discussion to enable consideration at the February Council meeting.

Action Items

The Chair and Chief Executive Officer to discuss the Committee's feedback via marked-up draft of the revised Charter out of session, and the final draft to be circulated to the Committee out of session.

The finalised Charter to be presented to the Audit and Risk Committee at the March 2023 meeting for noting.

Moved: Jen Johanson

Seconded: Homi Burjorjee

10. REPORTING RESPONSIBILITIES

10.1. PROVIDE PREVIOUS MEETING MINUTES TO COUNCIL

Discussion

Taken as read

Action Items

Nil

Moved: Homi Burjorjee
Seconded: Jen Johanson

11. GENERAL BUSINESS AND COMMITTEE OPERATIONS**11.1. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE****Discussion**

The Committee requested that it be noted that the In-Camera session went overtime but the main session was completed prior to the scheduled finishing time.

The Committee Chair invited feedback from the Committee members on suggestions for improving the flow of the meetings. Feedback was requested to be provided to the Chair out of session.

Action Items

Nil

Moved: Cr. Sarah Gilligan
Seconded: Homi Burjorjee

11.2. AUDIT AND RISK COMMITTEE RECRUITMENT UPDATE**Discussion**

As Homi Burjorjee's tenure will end February 2023, Management advised the Committee that preparation for recruitment of a new Committee member is underway with advertising planned for January 2023.

The Committee and Management extended a big thank you to Homi for his contribution over the past six years and wished him all the best in his future endeavours. In return, Homi expressed similar sentiments to Council.

Action Items

Management to forward the advertisement for the new Independent Committee Member to the Committee so they may forward to anyone who may be interested.

Moved: Cr. Sarah Gilligan
Seconded: Jen Johanson

11.3. REVIEW 2023 WORKPLAN

Discussion

The Committee offered the following feedback to the proposed 2023 Workplan:

- In Camera sessions with the Chief Executive Officer, and both Internal and External Auditors should be scheduled for every meeting

The Committee also suggested that Management consider introducing a fifth meeting so that the appropriate amount of time can be dedicated to end of year financials and performance report. The Committee will include this as part of their Charter feedback for management review.

Action Items

Management to review the feedback on Charter that the Committee will provide out of session and make any applicable changes to the workplan following finalisation of the Charter.

Moved: Homi Burjorjee
Seconded: Jen Johanson

11.4. SET COMMITTEE MEETING SCHEDULE FOR 2023

Discussion

The Committee confirmed the meeting dates suggested by management with all meetings to be conducted in the morning.

- 7 March 2023
- 20 June 2023
- 12 September 2023
- 5 December 2023

Action Items

Nil

Moved: Jen Johanson
Seconded: Cr. Sarah Gilligan

11.5. REVIEW OF SELF-ASSESSMENT SURVEY QUESTIONS

Discussion

The Committee suggests that the Annual Survey could be reduced and will provide feedback out of session.

Action Items

Management to provide a copy of the questions in a format for mark-up to the Committee Chair.

Moved: Jen Johanson

Seconded: Cr. Sarah Gilligan

12. OTHER BUSINESS**Discussion**

Nil

Action Items

Nil

Moved: Jen Johanson

Seconded: Homi Burjorjee

13. MEETING CLOSED

The meeting concluded at 11:23 am

Next meeting is scheduled for 7 March 2023