

SOUTH GIPPSLAND SHIRE COUNCIL

# Audit & Risk Committee

7 March 2023  
Hybrid Meeting  
Commencing at 9:00 AM

## Draft Minutes



*South Gippsland  
Shire Council*

*Come for the beauty, Stay for the lifestyle*

## AUDIT & RISK COMMITTEE

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

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

### 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 March 2023 are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 19 April 2023.



*Kerry Ellis*  
Chief Executive Officer

## AUDIT & RISK COMMITTEE MINUTES

Date Time	7 March 2023 9:00 AM	Location	Meeting Room 2 Council Chambers and via Video Conference
Attendees	Ms Jen Johanson (Audit and Risk Committee Chair) Mr Mick Jaensch Ms Marilyn Kearney Cr Sarah Gilligan Cr Jenni Keerie		
Ex-officio Member	Cr Nathan Hersey (Mayor)		
Support Staff	Kerryn Ellis: Chief Executive Officer, Allison Jones: Director Performance & Innovation, Melissa Baker: Manager Financial Strategy, Karina Strybosch, Risk and Procurement Coordinator; Lynn Behmer, Risk & Compliance Officer, Michelle Jorgensen: Manager People & Culture, Tony Peterson, Director Sustainable Infrastructure		
Internal Audit	Crowe: Andrew Zavitsanos, Rachna Singh & Clement Beaudoin		
External Audit	Victorian Auditor General's Office: Jung Yau: Audit Manager, Local Government; Travis Derricott, Sector Director		
In-Camera Section	Committee to receive a verbal update from VAGO Sector Director Travis Derricott, Internal Audit representative Andrew Zavitsanos and Chief Executive Officer Kerryn Ellis.		
Disclosure of Interest	All officers involved in the preparation of these reports in the Audit and Risk Committee Agenda have considered and determined that they do not have a conflict of interest in the matter.		

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**Kerryn Ellis**  
**Chief Executive Officer**

## **1. IN CAMERA**

### **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**

No apologies

### **2.5. DECLARATION OF CONFLICTS OF INTEREST OR DUTIES**

#### Ms. Jen Johanson

- Independent Member of Finance Risk and Audit Committee – Education Services Australia
- Independent Member - Audit and Risk Management Committee – IBAC
- Independent Member - Audit and Risk Committee – Hume City Council
- External Member - Audit and Risk Committee – Bayside City Council
- External Member - Audit and Risk Committee - City of Greater Dandenong
- Independent Member - Audit and Risk Committee - City of Whittlesea
- Independent Member - Audit and Risk Committee - City of Stonnington
- Advisory Board Member - iAM OMNI
- Independent Member - Audit and Risk Committee – The University of Melbourne
- Independent Member – Audit and Risk Committee - Brimbank City Council
- Independent Member – Audit & Risk Committee – City of Melbourne
- Independent Member – Risk Management Committee – Life Without Barriers

Mr Mick Jaensch

- Director – MIK2 Consulting Services
- Non-Executive Director – Southeast Leisure Pty Ltd
- Independent Member – Audit and Risk Committee - West Wimmera Shire Council
- Independent Member – Audit and Risk Committee - Bayside City Council
- Independent Member – Audit and Risk Committee – City of Greater Geelong

Ms Marilyn Kearney

- Chair & Independent Member – Audit and Risk Committee - Maribyrnong City Council
- Independent Member – Audit and Risk Committee – Merri Bek City Council
- Independent Member – Audit and Risk Committee – Mitchell Shire Council
- Independent Member – CEO Employment & Remuneration Committee – Murrindindi Shire Council
- Independent Member – Audit and Risk Committee – Calisthenics Victoria Director Finance, Administration & Revenue – Chirnside Park Football Club
- Director Government & Public Services – KPMG

**2.6. CONFIRMATION OF PREVIOUS MEETING MINUTES**Discussion

Confirmation that the draft meeting minutes from the previous meeting were presented at the Council meeting on 15 February 2023.

The Committee confirmed its approval of the meeting minutes.

Action Items

Nil

Moved: Cr. Sarah Gilligan

Seconded: Jen Johanson

## 2.7. WELCOME TO NEW MEMBERS

### Discussion

The Audit and Risk Committee Chair warmly welcomed the new Independent members, Marilyn Kearney and Mick Jensch. A welcome was also extended to Cr. Jenni Keerie who joins the Committee as the second Councillor member.

Welcome to our new Independent Committee Members, Mick Jaensch and Marilyn Kearney.

The Audit and Risk Committee Chair recognised the contribution made from the previous Chair, Mr. Chris Badger.

### Action Items

Nil

## 2.8. ACTIONS ARISING FROM PREVIOUS MINUTES

### Discussion

Report taken as read

### Action Items

Nil

Moved: Cr. Sarah Gilligan  
Seconded: Marilyn Kearney

## 3. AUDIT REPORTS

### 3.1. VAGO STATUS REPORTS AND UPDATES

#### Discussion

The Committee received a summary from Victorian Auditor General's Office (VAGO) on their December and February 2023 status reports.

Also discussed were the two reports tabled to Parliament, *Regulating Private Pool and Spa Safety* and the *Results of the 2021-22 Audits: Local Government* that discussed a number of focus areas for the Local Government sector, such as -

- Regulating Private Pools and Spas Safety Audit

- Recommendations for all councils on fair value assessment
- Staff turnover in the industry
- Capital Expenditure Budgeting process

VAGO advised that there is extensive information on their website available for management to access for both reviewing Council's performance and benchmarking information. Management thanked VAGO for advising of what information is available.

It was noted firstly by VAGO and then the Committee that Council has done well to bring the staff turnover rate down from a high point in 2019 to a much lower rate now, and that this rate compares favourably across the sector.

Management advised the Committee that the survey for *Regulating Private Pool and Spa Safety* showed South Gippsland Council performance results were above average.

#### Action Items

- Management to table a paper on the process for the assessment of asset valuations at the Audit and Risk Committee June 2023 meeting.
- Management to table a paper on the process for Capital budgeting.
- The Committee requested that the carryover capital figure be included in each Quarterly Finance Report.

Moved: Mick Jaensch

Seconded: Marilyn Kearney

### **3.2. SCOPE FOR EXTERNAL AUDIT FOR NOTING AND FEEDBACK**

#### Discussion

VAGO advised that planning the scope strategy is not yet finalised and they will arrange a visit with management as part of this process. The Final Strategy will be published after the visits occur.

The upcoming end of financial year (June 2023) audit will concentrate on the key risks VAGO have identified –

- Revaluation of property, infrastructure assets, plant and equipment
- Government Grants, particularly which financial period each will be recognised
- Accounting provisions for Landfill

Management expressed concern that VAGO's proposed schedule for financial auditing, being the end September 2023 to the beginning of October 2023 will not align with reporting obligations to both Council and the Audit and Risk Committee. The Committee advised they had also raised similar concerns and VAGO are re-considering their schedule, planning instead for an earlier review date.

### Action Items

VAGO to liaise with Management to re-schedule an appropriate audit timing to meet the statutory reporting timeframe for lodgement of the Financial Statements.

Moved: Cr. Sarah Gilligan  
Seconded: Marilyn Kearney

### **3.3. EXTERNAL AUDIT OPEN ACTION ITEMS UPDATE**

#### Discussion

Management provided a verbal update on the progress of items. Due to the timing of communications with VAGO officers, this report was unable to be finalised for this meeting.

#### Action Items

VAGO officers to follow up with Management to update action items. The update will be reported to the next ARC meeting.

Moved: Cr. Sarah Gilligan  
Seconded: Marilyn Kearney

### **3.4. INTERNAL AUDIT OPEN ACTION ITEMS UPDATE**

#### Discussion

Management introduced the updated report that now includes the information previously requested by the Committee, being the percentage completed and the new estimated completion date for each item.

The Committee requested that a summary table be added detailing the number of new items opened, the number closed and what audit the action item emanated from. The Committee offered to provide a summary template out of session.

#### Action Items

Include a summary table in the report for the June 2023 meeting.

Moved: Mick Jaensch  
Seconded: Cr Sarah Gilligan

### **3.5. ASSURANCE REPORT - COMPLIANCE WITH ROAD MANAGEMENT CONDITION AND MONITORING**

#### Discussion

Management provided a summary of this report, outlining the processes, inspection regimes and condition reports. Management believe there are robust processes in place for reactive repairs (eg Snap, Send, Solve) for sealed roads. Council has commenced working with an external party (Australian Road Research Board) to develop measuring and monitoring processes for unsealed roads that will provide trending reports.

Management also advised that road management condition and monitoring has been flagged as a future internal audit subject.

The Committee thanked Management for the comprehensive report and noted it should continue to be provided regularly direct to Council.

#### Action Items

Nil

Moved: Marilyn Kearney  
Seconded: Cr. Sarah Gilligan

## **4. FINANCIAL AND PERFORMANCE REPORTS**

### **4.1. ORGANISATIONAL AND FINANCIAL PERFORMANCE REPORT AND LGPRF TRAFFIC LIGHT REPORT – JULY 2022 TO DECEMBER 2022**

#### Discussion

Once the report has been tabled at the Council meeting scheduled for 15 March 2023, it will be circulated out of session to the Committee. Management advised there was a delay as the format of the report has been changed to include financial and capital performance.

Management requests feedback from the Committee once the report is circulated.

#### Action Items

*Report to be circulated out of session.*

## **5. GOVERNANCE AND COMPLIANCE REPORTS**

### **5.1. PUBLIC INTEREST DISCLOSURE REPORT**

#### Discussion

Report taken as read

#### Action Items

Nil

Moved: Cr. Sarah Gilligan  
Seconded: Cr. Jenni Keerie

### **5.2. INTEGRITY AGENCY REPORT**

#### Discussion

Report taken as read.

The Committee commented that management's comments on the Curious Eyes report were excellent.

#### Action Items

Nil

Moved: Mick Jaensch  
Seconded: Marilyn Kearney

### **5.3. REPORT ON SIGNIFICANT COMPLIANCE MATTERS**

#### Discussion

Report taken as read.

#### Action Items

Nil

Moved: Mick Jaensch  
Seconded: Marilyn Kearney

## **5.4. ANNUAL PEOPLE AND CULTURE REPORT**

### Discussion

Management presented the annual report and commented on some of its highlights –

- Finalisation of the Gender Equality Action Plan
- Finalisation of a major restructure in the P&C Department, that includes cross-functional ability for payroll processing
- New EBA approved by Fair Work on 26 December 2023
- Delivery of the Workforce Plan
- Extended training across the organisation – Health and Wellbeing, Mental Health First Aid, By-stander and Respectful Behaviours

The Committee complimented management on the quality of the report and the trending figures that indicate the maturing of a safety culture throughout the organisation. It was noted by VAGO firstly and then the Committee that Council has done a good job in reducing the staff turnover rate from a high point in 2019 to a much lower rate now, and that this rate compares favourably across the sector.

Management commented on the Committee's observation of an upward trend of negative interactions with customers that this supports the development of the new risk assessment process that Council has recently completed.

### Action Items

Nil

Moved: Marilyn Kearney  
Seconded: Cr. Jenni Keerie

## **5.5. IBAC SURVEY PUBLICATION**

### Discussion

Management presented the report and requested feedback from the Committee. The Committee suggested a training program on corruption, misconduct and conflict of interest.

Management advised that this is now covered in the recently introduced Induction Programs for both Councillors and staff, and is currently reviewing how a more structured refresher program can be delivered across the organisation.

### Action Items

Nil

Moved: Cr. Jenni Keerie  
Seconded: Marilyn Kearney

## **6. RISK REPORTS**

### **6.1. QUARTERLY RISK MANAGEMENT REPORT**

#### Discussion

The Committee commented that they are looking forward to the Strategic Risk Workshops scheduled for the 22 March 2023 and 12 April 2023.

#### Action Items

Nil

Moved: Cr. Sarah Gilligan  
Seconded: Cr Jenni Keerie

### **6.2. FRAUD AND CORRUPTION REPORT**

#### Discussion

Report taken as read.

#### Action Items

Nil

Moved: Cr. Jenni Keerie  
Seconded: Cr. Sarah Gilligan

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

#### Discussion

Report taken as read

#### Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

#### **6.4. COUNCIL ADOPTED AUDIT AND RISK CHARTER - FOR NOTING**

##### Discussion

Report taken as read.

##### Action Items

Nil

Moved: Cr. Sarah Gilligan  
Seconded: Mick Jaensch

### **7. GENERAL BUSINESS AND COMMITTEE REPORTS**

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

##### Discussion

The Committee recommended that this be incorporated into Actions Arising from Previous Meeting section of the Agenda rather than being a separate item.

##### Action Item

To be removed as a separate item in future agendas.

Moved: Mick Jaensch  
Seconded: Marilyn Kearney

#### **7.2. REVIEW ARC ANNUAL SURVEY REPORT - 2022**

##### Discussion

Report taken as read.

##### Action Items

Nil

Moved: Cr. Jenni Keerie  
Seconded: Cr. Sarah Gilligan

### **7.3. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE**

#### Discussion

The Committee commented positively on Management's introduction of reports and the high quality of information provided.

The Committee would like each Director on a rotating basis to join, commencing from the June 2023 meeting. Management requested a template for the type of information that the Committee would like to see. This will be provided by the Committee out of session.

#### Action Items

New Agenda Item for future Audit and Risk Committee meetings – Directorate Report.

Moved: Mick Jaensch  
Seconded: Marilyn Kearney

### **7.4. AUDIT & RISK COMMITTEE WORK PLAN**

#### Discussion

The Committee suggested that an additional column be added to the Workplan on the section of the Charter it aligns with.

The Committee also commented that some amendments are required. The Chair will discuss this with Management out of session.

#### Action Items

- Audit and Risk Committee Workplan to include information on alignment to the ARC Charter.
- The Chair will meet with Management to update the Audit and Risk Committee Workplan.

Moved: Cr. Sarah Gilligan  
Seconded: Cr. Jenni Keerie

## **8. OTHER BUSINESS**

Management advised that Purchase Orders for the Committee Members are currently being raised.

## **9. MEETING CLOSED**

Meeting closed at 11:26am

The next Audit & Risk Committee Meeting is scheduled to be held on 20 June 2023.