

SOUTH GIPPSLAND SHIRE COUNCIL

Audit and Risk Activity Report



June 2025

1. Period of this Report

This report covers Audit and Risk Committee (ARC or Committee) activity from 4 December 2024 to 17 June 2025. In that period the Committee has met two times – on 11 March 2025 and 17 June 2025. This report has been reviewed by all Committee members.

2. Purpose

This report meets the reporting requirements to Council as mandated by the *Local Government Act 2020* (LGA) pursuant to section 54(5) and importantly provides Council with a summary of the matters that the ARC has addressed in the reporting period in discharging its responsibilities under its Charter.

3. Role of the Audit and Risk Committee

The Committee is an independent committee of Council, and its purpose is to support and advise Council in fulfilling its responsibilities related to:

- Financial reporting
- Risk management
- Maintenance of sound systems of internal control
- Assurance activities including internal and external audit
- Council's performance regarding legislative and regulatory compliance

It acts in this capacity by monitoring, reviewing, and advising on issues within its scope of responsibility.

The Committee reports to Council on the outcomes of its work program and provides advice and recommendations on matters relevant to its Charter. The Committee may also endorse key reports for consideration by Council.

An independent Audit and Risk Committee is a fundamental component of a strong corporate governance culture. Council's Committee is independent of management and is not involved in any operational decisions. Committee members do not have any executive powers, management functions or delegated financial responsibilities.

4. Committee Charter

The ARC's Charter has been developed in accordance with Section 54 of the LGA: "a Council must prepare and approve an Audit and Risk Committee Charter".

It is designed to assist Officers and ARC members to fulfil and understand their duties as members of the ARC and is set by Council.

It was last reviewed and approved by Council in February 2023. The revised Charter became effective on 15 February 2023. Under the Charter, a review should be undertaken by the Committee every two years for adequacy. The Committee has recently reviewed the Charter for adequacy and recommended changes in the 3 December 2024 meeting. The draft Charter was then presented in the 17 June 2025 meeting, where the Committee recommended it proceed to Council.

5. Committee Business

The agendas for our meetings are driven by the Committee's Annual Work Plan (AWP) and provide a diverse range of matters for consideration. At the meetings held in this reporting period, the key (but not all) matters considered are summarised in the table below.

Key Matters Considered at Recent Meetings

	Topic	March	June
1	In Camera		
	<ul style="list-style-type: none"> • CEO Briefings 	✓	✓
	<ul style="list-style-type: none"> • In camera with Internal Auditors only 		✓
2	Review of risk management activity in the following areas:		
	a) A Cyber Security Report which included progression towards Essential 8	✓	
	b) Provided an update on the Business Continuity Plan	✓	
	c) Insurance program strategy update	✓	
3	Review of external audit activity as follows:		
	a) Officer progress in closing out audit recommendations		✓
	b) Consideration of the Scope provided by VAGO	✓	
	c) Received an update on the interim visit		✓
4	Review of internal audit activity as follows:		
	a) Monitor delivery of the 2025 audit plan	✓	✓
	b) Monitor officer progress in closing out audit recommendations	✓	✓
	c) Reviewed the outcomes and findings of the Risk Management Audit		✓
	d) Reviewed the outcomes and findings of the Road Management Audit		✓

Key Matters Considered at Recent Meetings (Cont.)

5	Monitoring of the financial performance reports by receiving updates on:		
	a) the Organisational and Financial Performance Report	✓	✓
	b) the Financial Year End Strategy Report		✓
	c) the annual financial performance report and performance statements		✓
	d) the asset valuations – before balance date review		✓
6	Monitoring of Overarching Governance Principles and review of compliance management matters as follows:		
	a) Reviewed adequacy, effectiveness and compliance of internal control environment.		✓
	b) Received reporting on legislative compliance matters		✓
	c) Reviewed systems and processes for monitoring compliance with relevant legislation and regulations		✓
	d) Received the annual update from the Future Communities Directorate	✓	✓
	e) Received the annual update from the Sustainable Infrastructure Directorate		✓
	f) Received an annual People & Culture Report	✓	
	g) Reviewed the reimbursement of expenses for Councillors and members of a delegated Committee		✓
	h) Received excerpts of Council's Gifts Registers		✓
7	Review of integrity agency reports issued in the reporting period by VAGO, Ombudsman Victoria, IBAC and the Local Government Inspectorate.	✓	✓
8	Review of internal control framework matters as follows:		
	a) Fraud and Corruption Reporting	✓	✓
	b) C97 External Funding Application Policy	✓	
	c) C32 Procurement Policy		✓

6. Membership and Meetings

The Committee has three independent members and two Councillor members, with the Mayor attending in an ex-officio capacity.

The independent members collectively have the skill sets and experience as mandated in s53 of the LGA, including skills in financial management and reporting, risk management, audit and assurance programs, compliance management and internal control frameworks, supplemented by the skill sets and experience provided by the Councillor members.

The Chair of the Committee is an independent member. The mix of independent and Councillor members enables open discussion based on best practice and gives Councillors insights into Council's governance practices.

The Council Members are Cr Sarah Gilligan and Cr Steve Finlay, and the independent members of the Committee appointed by Council are Jennifer (Jen) Johanson (Chair), Mick Jaensch, and Marilyn Kearney.

The Committee has met two times as indicated above, with the June meeting being a virtual meeting. Independent Member and Councillor representative attendance at the meetings has been excellent.

ARC Member and date appointed	Term ends	Role	Meetings	
			11 March 2025	17 June 2025
Jennifer Johanson 23 January 2020	22 November 2026	Chair & Independent Member	Attended	Attended
Mick Jaensch 25 February 2023	February 2026	Independent Member	Attended	Attended
Marilyn Kearney 25 February 2023	February 2026	Independent Member	Attended	Attended
Councillor Sarah Gilligan 24 November 2021	November 2027	Councillor Member	Attended	Attended
Councillor Steve Finlay	November 2027	Councillor Member	Attended	Attended
Councillor John Schelling - Mayor	November 2025	ex-officio member	Attended	Attended

The Committee enjoys a strong and healthy working relationship with Council officers and would like to express its thanks for the support provided.

The meeting agendas and papers are comprehensive and good quality, and officers engage strongly and positively both during and outside meetings. Officer support for the work of the Committee is excellent.

7. Key Activities for the Reporting Period

The work of the Committee continued to be guided by the Annual Work Plan (AWP) and all matters listed in the AWP for the two scheduled meetings have been addressed, as outlined in Section 5 above.

The AWP and agendas contain the activities undertaken by the Committee to ensure it meets its Charter responsibilities and the AWP is reviewed at the end of each meeting to ensure its continued relevance. The AWP is cross-referenced to the Charter; this and the questions in the annual Committee survey act as an additional control to ensure the Committee is discharging

its responsibilities and that all aspects of the Charter are addressed throughout the year. Key outcomes of the scheduled meetings are summarised below.

1. Financial and Performance Reporting

The Committee monitored the quality, content, and commentary of the financial and performance reports provided to Council, which were tracked against the approved budget and Council Plan. The Committee also received updates on the Local Government Performance Reporting Framework and Council's performance against its LGPRF targets.

The Committee was satisfied with the quality of the financial and performance reporting.

2. Risk Management

In addition to the items outlined in the table above, the Committee has considered the quarterly risk management report which provides oversight of:

- The operational and strategic risks
- Council's progressing maturity in risk management; and
- An overview of insurance claims for the period and associated trending reports

The Committee is committed to work with management to ensure continuous improvement of the quality of risk reporting to the Committee.

3. External Audit

The Committee considered the external auditor's status report and update on their interim visit. The external auditor representative attended both meetings.

4. Internal Audit

The Committee monitored the Strategic Internal Audit Plan (SIAP) developed by our internal auditors in consultation with the Committee, the Executive Leadership Team, and the Risk and Assurance team. The Committee monitored the progress of the delivery of the SIAP for 2024-25 and 2025-26 and was satisfied that delivery is on track.

The Committee also monitors management's performance in closing out recommendations for improvement and is particularly alert to high rated actions that are not closed by the target dates.

The Committee is satisfied there is appropriate management focus on the actions, considering that some recommendations require system changes or enhancements with long lead times. The internal auditor representative attended both meetings.

5. Internal Control Environment

The Committee considered both new and revised Council policies as indicated in the table in Section 5, made suggestions for some further enhancements and endorsed the policies. Due to the significant work program for the Committee to consider, it was deemed necessary that some policies and procedures could be distributed to the Committee members "out of session" for their review.

With reference to the above matters, those at part 5 and the AWP, the Committee confirms it has assessed its performance and that it has discharged its responsibilities under the Charter.

8. Matters for Consideration During the Next Reporting Period

	Topic	August	December
1	In Camera		
	<ul style="list-style-type: none"> • CEO Briefings 	✓	✓
	<ul style="list-style-type: none"> • In camera with External Auditors only 	✓	
2	Review of risk management activity in the following areas:		
	a) A Cyber Security Report which included progression towards Essential 8	✓	
3	Review of external audit activity as follows:		
	a) Officer progress in closing out audit recommendations		✓
	b) Consideration of the closing report and management letter from the external auditors	✓	
4	Review of internal audit activity as follows:		
	a) Monitor delivery of the 2025 audit plan	✓	✓
	b) Monitor officer progress in closing out audit recommendations	✓	✓
	c) Review the outcomes and findings of the Internal Audits	✓	✓
5	Monitoring of the financial performance reports by receiving updates on:		
	a) the Organisational and Financial Performance Report	✓	✓
	b) the annual financial performance report and performance statements	✓	
6	Monitoring of Overarching Governance Principles and review of compliance management matters as follows:		
	a) Legislative compliance matters	✓	✓
	b) Review the Internal Auditors Performance		
	c) Received the annual update from the Office of the CEO		

8. Matters for Consideration During the Next Reporting Period (Cont.)

	d) Received the annual update from the Performance and Innovation Directorate		
7	Review of integrity agency reports issued in the reporting period by VAGO, Ombudsman Victoria, IBAC and the Local Government Inspectorate.	✓	✓
8	Review of key Policies as an internal control framework (Specific Policies to be reported in next Chair report)	✓	✓

9. Frequency and Timing of Activity Reports

As indicated earlier in this report, these reports are required to be provided to Council at least twice per annum.

The Committee is of the view that these reports need to be informative about the business of the Committee and should be provided to Council on a timely basis to assist Council in discharging its responsibilities in the areas for which the Committee is responsible.

10. Meeting Schedule for 2025

The Committee's meeting schedule for 2025 is as follows:

- 11 March
- 17 June
- 19 August
- 2 December

11. Conclusion

As mentioned above, the Committee is satisfied that it has fully discharged its responsibilities for the reporting period as set out in its Charter. The Committee has noted continuing improvement in risk management performance over the reporting period.

On behalf of all Committee members, I wish to acknowledge the support of Council's senior officers in the preparation of agendas, minutes, reports, and presentations, all of which ensure that the Committee remains well-briefed and effective.

The Committee welcomes feedback as to whether this report meets Council's expectations, or any suggested areas for improvement.

Yours sincerely

Jen Johanson
Chair

On behalf of the Audit & Risk Committee
17 June 2025



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