

COUNCIL REPORT – 25 NOVEMBER 2020
PERFORMANCE AND INNOVATION DIRECTORATE

The Chairperson of the Committee reports annually 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.

Note that while the Audit & Risk Committee is now operating under the new legislative framework described above, this report provides an outline of the Committee's activities during the 2019/20 Financial Year.

COMMITTEE MEMBERSHIP

The Committee consists of four members appointed by Council: three independent members and one Administrator. The Chair Administrator is an Observer at meetings and has the right to speak. All 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 28 August 2019, Administrator Rick Brown was appointed to Committee as the sole Councillor member until the next Council election.

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 recently appointed as Interim 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.
- Dr John (AJ) Purcell's second, three-year term as an independent member (and Audit Chair) was due to conclude on 24 February 2021, however Dr. Purcell resigned on 30 July 2020 following acceptance of a new employment opportunity. Council acknowledges the contributions made by Dr. Purcell to the Committee and wishes him well in his future endeavours.

COUNCIL REPORT – 25 NOVEMBER 2020
PERFORMANCE AND INNOVATION DIRECTORATE

The Committee met four times in 2019/20 on 10 September 2019, 10 December 2019, 10 March 2020 and 9 June 2020. A quorum of Councillor and Independent Members was achieved for all meetings as outlined in the table below.

Member	Meetings attended	Meetings eligible
Independent Members		
Dr John (AJ) Purcell (Chair)	4	4
Mr Homi Burjorjee	4	4
Mr Chris Badger	4	4
Council Members		
Mr Rick Brown	4	4

Council's Internal Auditor, Richmond Sinnott and Delahunty ("RSD"), Chief Executive Officer (or Acting CEO) attended all Committee meetings. Other management representatives attended as required to present reports.

External Auditors from the Victorian Auditor General Office (VAGO) attended the 10 September 2019, 10 March 2020 and 9 June 2020 meetings to present the audit plan and independent audit report.

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

Following a public tender process, Council appointed RSD as Internal Auditors for an initial three-year period from 1 July 2016, concluding on 30 June 2019. Following consultation with the Committee, the process commenced to exercise the first and final three-year term under the contract with RSD which will conclude on 30 June 2022. RSD specialises in the internal audit of rural and regional councils.

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. Recommendations are assigned to the responsible manager and tracked in Council's Internal Audit Action Plan.

The Internal Audit Plan for 2019/20 was completed with the following reviews conducted:

- Budget Maintenance including Capital Works & Major Projects; and
- Occupational Health & Safety and Return to Work.

COUNCIL REPORT – 25 NOVEMBER 2020
PERFORMANCE AND INNOVATION DIRECTORATE

External Auditor

Council's External Auditor, VAGO, attended the 10 September 2019, 10 March 2019 and 9 June 2020 meetings to prepare and present the audits for the Financial and Performance Statements.

SUMMARY OF THE WORK OF THE COMMITTEE

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 tolerable levels.

Meeting date	Director Presenting
10 September 2019	Report postponed to December meeting
10 December 2019	Director Corporate and Community Services, Faith Page
10 March 2020	Director Development Services, Bryan Sword
9 June 2020	Director Infrastructure, Anthony Seabrook

2019/20 Highlights

Key highlights for the Committee have been:

- Reviewing the quarterly performance report and considering Council's performance in accordance with the Local Government Performance Reporting Framework, with no major deficiencies identified;
- Continued oversight of the Council's internal control system and policy framework, particularly in relation to fiduciary duty and fraud, with no matters of concern identified;
- Reviewing the organisation's approach to risk management, including Council's policy, framework, Strategic and Operational Risk Registers;
- Reviewing relevant Council Policies;
- Reviewing Council's approach to People and Culture processes, including Occupational Health and Safety and Annual Leave levels;
- Considering Council's Insurance coverage, noting the outcomes of the ongoing insurance coverage review and the strengthening of Council's insurance portfolio;
- Continued oversight of Council's Business Continuity Plan (BCP);

COUNCIL REPORT – 25 NOVEMBER 2020
PERFORMANCE AND INNOVATION DIRECTORATE

- Reviewing the outcome and approving the work of the Internal Audit function including:
 - Determining the 2020/21 Internal Audit Plan;
 - Advising on internal audit scopes and reviewing the final reports
- Monitoring progress on implementation of recommendations from previous audits
- Reviewing the findings of the VAGO audit including:
 - The Financial, Standard and Performance Statements for the financial year ended 30 June 2020. As a part of this process, the Committee reviewed the application of new accounting standards and practices.
 - The VAGO Management letter, Closing Report and 2020 Audit Strategy.

For yet another year an unqualified audit was obtained with no matters of concern identified.

- Reviewed the 2018/19 Annual Report (September 2019) and 2019/20 Annual Report (September 2020).

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

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

INTERIM CHAIR'S CLOSING REMARKS

Administrators should note that during the In-Committee meetings held with Internal and External Auditors, no significant matters of concern were raised.

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

At the December 2020 Audit Committee Meeting, the Committee will recommend the appointment of a Chair for 2021.

COUNCIL REPORT – 25 NOVEMBER 2020
PERFORMANCE AND INNOVATION DIRECTORATE

I thank Council for the opportunity of serving as Interim Chair of this Committee in 2020. It has been a rewarding experience and a privilege to interact with such knowledgeable and dedicated individuals from Council, Council staff and my fellow independent members. I look forward to continuing to serve Council in 2021.

Mr. Chris Badger

Interim Chair

South Gippsland Shire Council Audit & Risk Committee