

SOUTH GIPPSLAND SHIRE COUNCIL AUDIT & RISK COMMITTEE MINUTES

Date	14 December 2021	Duration	3 hours
Time	9:00 am	Location	Video Conference
Attendees	Chris Badger (Chair) Cr Sarah Gilligan Homi Burjorjee Jen Johanson Cr Mohya Davies (Mayor, ex-officio attendee)		
Municipal Monitor	Prue Digby (in-camera session only)		
Council Officers	Kerryn Ellis: Chief Executive Officer Allison Jones: Director Performance & Innovation Allan Williams: Risk and Procurement Coordinator (Acting) Melissa Baker: Manager Financial Strategy Nigel Yarranton: Manager Innovation and Technology Wendy Ollington: Acting Director Sustainable Infrastructure Rena Littlejohn: Director Economy and Community Lyndal Peterson: Manager Community Health and Safety Vera Burns: Risk Officer Lynn Behmer: Risk and Audit Administration Officer		
Internal Audit	Richmond, Sinnott and Delahunty (RSD) Kathie Teasdale		
Apologies	Victorian Auditor General's Office: Jung Yau: Audit Manager		
In-Camera Section	Committee to receive a verbal update from the Chief Executive Officer. Session attended by Municipal Monitor, Prue Digby.		
Disclosure of Interest	<p>Ms. Jen Johanson as Senior Advisor - RSM Australia – Cyber Security & Privacy Services (part-time executive role); 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 – Chief Minister, Treasury & Economic Development Directorate, ACT Government (and Deputy Chair of this Committee); 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 OMN; Independent Member - Audit and Risk Committee - The University of Melbourne</p> <p>Mr Homi Burjorjee as member on the following audit committees – Knox City Council; Bass Coast Shire Council and Chair of Cardinia Shire and Office of Public Prosecutions audit committees.</p> <p>Mr. Chris Badger as non-Executive director of Central Gippsland Water including member of Audit and Risk Committee and Infrastructure and Major Projects Committee; Gippsland Waste and Recovery Group and Gippsland Ports; Chair of Gippsland Waste and Resource Recovery Group Audit, Finance and Risk Committee; Chair of Wellington shire Council Audit & Risk Committee and Independent Member East Gippsland Shire Council Audit and Risk Committee. Member of CarbonNet Community reference Group. Director CDB Energy/Utilities Consultancy</p>		

1. IN CAMERA – CONFIDENTIAL AUDIT & RISK REPORTS

1.1 IN CAMERA COMMITTEE ONLY

In-Camera Committee attendance. Committee discussed agenda items 2.5, 5, 6 and 9 and agreed to take items 3.1, 7.1, 7.4, 7.6, 7.79.2 and 10.2 as read.

1.2 IN CAMERA COMMITTEE WITH CEO

In-Camera Committee and Chief Executive Officer attendance.

Action: CEO to provide update to the Committee out of session on process for appointment of new internal auditor.

1.3 IN CAMERA INTERNAL AND EXTERNAL AUDITORS

In-Camera Committee attendance and internal and external auditors

2. PRELIMINARY MATTERS

2.1 ACKNOWLEDGEMENT OF COUNTRY

2.2 WELCOME

2.3 ATTENDEES

2.4 APOLOGIES

2.5 DISCLOSURE OF INTERESTS/CONFLICT OF INTEREST/DUTIES

Mr. Chris Badger and Ms. Jen Johanson provided updates of their disclosures.	
Action: Disclosures updated in these minutes	
MOVED:	SECONDED:

2.6 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Recommendation: The Audit & Risk Committee noted that the Audit & Risk Committee Minutes of Tuesday 14 September 2021 (Attachment 2.6.1) were reported to Council at the 20 October 2021 Council Meeting as item 2.3 in conjunction with the Audit & Risk Committee Chair Annual Report to Council.	
Action: Nil	
MOVED: Jen Johanson	SECONDED: Homi Burjorjee

2.7 ACTIONS ARISING FROM PREVIOUS MINUTES

Recommendation: The Audit & Risk Committee notes the Action Items of the South Gippsland Shire Council Audit & Risk Committee conducted on 14 September 2021 be confirmed.	
Action: Previously closed actions to be removed from further reporting	

MOVED:	SECONDED:
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2.8 ADVISE OF KNOWN OR POTENTIAL BREACHES OF LEGISLATION

Recommendation: The Audit & Risk Committee noted no known or potential breaches of legislation.	
Action: Nil	
MOVED:	SECONDED:

3. EXTERNAL AUDIT

3.1 REVIEW CLOSED AND OPEN AUDIT ACTION ITEMS

Recommendation:	
Action: Updated VAGO letter including management responses to audit items to be provided out of session (as per 4.1 below)	
MOVED:	SECONDED:

4. FINANCIAL REPORTING

4.1 2020/21 ANNUAL FINANCIAL REPORT CHANGES

Recommendation: That the Audit & Risk Committee received and noted the Final Management Letter (Attachment 4.1.1) from the Victorian Auditor General's Office. Final version not yet received from VAGO – still to be presented to A&RC. The Chair indicated that sharing of the Final Management Letter with the ARC members did not need to wait until the next meeting.	
Action: Management to follow up status of issues (being resolved vs unresolved) and table with A&RC. Management to provide final version of VAGO letter and circulate out of session.	
MOVED:	SECONDED:

4.2 FINANCIAL PERFORMANCE REPORT – JULY TO SEPTEMBER 2021

Recommendation: That the Audit & Risk Committee received and noted the Financial Performance Report July 2021 to September 2021 (Attachment 4.2.1)	
Actions: Corrections to wording to be made in the template: <ul style="list-style-type: none"> • Operating Expenditure should be shown as Operating Result • Reference to trade and other payables be corrected to trade and other receivables • Note referencing non-current and current liabilities to be shown correctly in the table 	

Year end forecast for capital works which can be delivered in the current financial year to be reflected in Quarter 2 Report Cash Flow Statement
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MOVED:	SECONDED:
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4.3 LGPRF REPORTING & ORGANISATION PERFORMANCE REPORT – JULY TO SEPTEMBER 2021

Recommendation:

That the Audit & Risk Committee received and noted the Local Government Performance and Reporting Framework (LGPRF) report for July 2021 to September 2021 (Attachment 4.3.1).

The Committee discussed the waste collection and waste diversion performance indicators. Specifically, that the contract for waste disposal is set by the year not the quarter, and that the waste diversion target range and results are in line with other regional councils.

Action:

Waste Services Costs title to Identify period of reporting.

Respond to Waste Diversion query of Target of 0-20%.

Lyndal Peterson (Pandemic and Community Services Project Officer) to check figure of animals rehomed as this seems low.

MOVED:	SECONDED:
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5. RISK MANAGEMENT

5.1 QUARTERLY RISK MANAGEMENT REPORT – JULY TO SEPTEMBER 2021

Recommendation:

The Audit & Risk Committee received and noted the risk update report as of December 2021.

The Committee discussed the use of language in the Risk Appetite Statements and how the language used may be perceived by the Community or other members of management and how this could impact risk culture. For example, the use of “Open” for a risk around community engagement may be read as not having a high priority, as opposed to the meaning being Council not being risk averse and trying different methods of community engagement.

Action:

Management to review the definitions of Risk Appetite to reflect intent of degree of risk acceptable distinguishable from the degree of flexibility, innovation and creativity that may be suitable for response to a particular risk area. SGSC encouraged to use A&RC as a resource.

Management to advise on measurement and reporting of the use and effectiveness of risk controls.

Tracking of the changes and reviews of risk controls over time to be considered.

MOVED:	SECONDED:
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5.2 RISK FRAMEWORK AND STRATEGIC RISK DEVELOPMENT REPORT – DECEMBER 2021

Recommendation:

That the Audit & Risk Committee receives and notes the advancement of the Strategic Risks including:

- Inclusion of Risk Appetite Statements;
- Updated template; and
- Amended target risk rating for applicable risks.

That the Audit & Risk Committee received and noted the advancement of the Strategic Risk 9 for Critical event, emergency and recovery and Strategic Risk 10 for the management and maintenance of systems and information security.

Action: A&RC request consideration of a traffic light system to be applied. Being a manual process, management to report on options at next meeting.

MOVED:

SECONDED:

6. INTERNAL AUDIT

6.1 REVIEW INTERNAL AUDIT PLAN

Recommendation:

That the Audit & Risk Committee received and noted the proposed Strategic Internal Audit Plan (Attachment 6.1.1) for the remainder of the 2021/22 financial year.

Committee recommended ensuring the Risk Management Audit Report not be commenced until very late next year or early 2023 (post setting of strategic objectives, then strategic risks by Council).

Action:

Nil

MOVED:

SECONDED:

7. COMPLIANCE AND GOVERNANCE

7.1 PROTECTED DISCLOSURE REPORT (CEO)

Recommendation:

That the Audit & Risk Committee noted that there were no protected disclosures for the period of 1 September 2021 to 5 December 2021.

Action:

Nil

MOVED:

SECONDED:

7.2 INTEGRITY AGENCY REPORT REVIEWS

Recommendation:

That the Audit & Risk Committee received and noted the Q1 update report from RSD (Attachment 7.2.1).

Action:

Future reports to include management responses addressing issues noted in the Integrity Agency Reports.

MOVED:

SECONDED:

7.3 SPECIAL REPORTS – STORM RESPONSE AND COVID-19 IMPACTS

Recommendation:	
That the Audit & Risk Committee received presentations in meeting from the Manager Community Health and Safety.	
The Audit & Risk Committee commended the two reports presented and actions undertaken by Council in response to each matter.	
Action:	
Audit & Risk Committee recommends Cyber Attack simulation be included in business continuity scenario planning as a priority due to recent increase in report incidents.	
MOVED:	SECONDED:

7.4 FRAUD, CORRUPT CONDUCT AND POSSIBLE ILLEGAL ACTS REPORT

Recommendation:	
The Audit & Risk Committee noted that no acts of fraud, corrupt conduct, or possible illegal acts have occurred in the period of 1 September 2021 to 5 December 2021	
Action:	
Nil	
MOVED:	SECONDED:

7.5 ANALYSIS OF ANY CONTROL FAILURES AND REVIEW OF ACTION TAKEN

Recommendation:	
That the Audit & Risk committee noted the report and status of internal controls.	
ARC noted the high quality of work and the report.	
Insurance renewal process was discussed with the committee suggesting a VMIA review of insurances.	
Action:	
Audit & Risk Committee would like clearly annotated reporting on the progress on controls for each item and any substantial changes from the prior report.	
Management will include VMIA in provider options	
MOVED:	SECONDED:

7.6 REPORTS TO INTEGRITY AGENCIES

Recommendation:	
The Audit & Risk Committee received and noted that there have been no reports to integrity agencies in the period 1 Sept 2021 to 5 December 2021.	
Action:	
Nil	
MOVED:	SECONDED:

7.7 DIRECTORATE COMPLIANCE REPORT: SUSTAINABLE INFRASTRUCTURE

Recommendation:	
That the Audit & Risk Committee received this report and notes that there are currently no compliance issues within the Sustainable Infrastructure Directorate.	

Action: Nil	
MOVED:	SECONDED:

8. POLICIES

8.1 POLICY REVIEW

Recommendation: The Audit & Risk Committee received and noted the a) schedule of policies, b) policy for review and comment, and c) policies for awareness. Discussion on the distribution of premiums for Community Groups and the difficulties in some cases such as providing insurance coverage on buildings owned by DEWLP and others but used by South Gippsland Community Groups.	
Action: Property Assets Insurance Coverage Policy is endorsed to send to Council. Audit and Risk Committee noted that eight policies are scheduled for 2025 and requested that the review be spread out across meetings where possible. A&RC members to provide additional comments on policies outside of meeting	
MOVED: Jen Johanson	SECONDED: Sarah Gilligan

9. REPORTING RESPONSIBILITIES

9.1 AUDIT AND RISK COMMITTEE WORK PLAN

Recommendation: The committee received and noted the work plans for the 2022 calendar year and four year forward plan, and provides comment on suitability or requested alterations. The Committee accepted the work plans.	
Action: Audit & Risk Committee would like to see a summary level report on Insurance Claims (by category) in future agenda items.	
MOVED:	SECONDED:

9.2 PROVIDE MEETING MINUTES TO COUNCIL

Recommendation: The Audit & Risk Committee noted that the minutes, as well as the Annual Report of the Committee Chair, were both provided to and accepted by Council at the 20 th October 2021 meeting.	
Action: Nil	
MOVED:	SECONDED:

10. GENERAL**10.1 AUDIT AND RISK COMMITTEE MEETING DATES****Recommendation:**

The Audit & Risk Committee reviewed the 2022 calendar year meeting dates. Discussion acknowledged that a hybrid virtual/in-person session was practical given COVID restriction variability leading up to this meeting, but that it is also not ideal, and suggested that members attend one, and preferably two meetings in person as a minimum in the 2022 calendar year.

Action:

Meeting dates to be confirmed out of session by email.

MOVED:**SECONDED:****10.2 INDEPENDENT COMMITTEE MEMBERSHIP (INCLUDING CHRIS BADGER CONTINUATION)****Recommendation:**

That the Audit & Risk Committee notes the terms of independent members to the committee as appointed by Council.

Action:

Council to appoint a Chair for calendar year 2022 prior to the Committee meeting in March 2022. Chief Executive Officer to seek expressions of interest from members.

MOVED:**SECONDED:****10.3 COMMITTEE PERFORMANCE ASSESSMENT PLANNING****Recommendation:**

The Audit & Risk Committee reviewed the self-assessment questions for the upcoming Committee Performance survey. Discussion was that there is benefit in maintaining existing questions to provide a comparative basis of committee performance over time, but also that there may be improvement opportunities to add to the existing questions.

Action:

Audit & Risk Committee members to circulate other recommended templates for suggested improvements of by end of December 2021.

MOVED:**SECONDED:****10.4 COMMITTEE MEETING PERFORMANCE****Recommendation:**

The Audit & Risk Committee noted the good performance of the meeting and acknowledged the good work of management in its preparation for the meeting. The high quality of Lyndal Peterson's presentations for item 7.3 were particularly noted.

Action:

Nil

MOVED:**SECONDED:**

11. CLOSE / NEXT MEETING

Meeting closed at 12:02 pm