

SOUTH GIPPSLAND SHIRE COUNCIL

# Audit & Risk Committee

14 June 2022  
Virtual Online 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 14 June 2022 are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 20 July 2022.



*Kerry Ellis*  
Chief Executive Officer

## AUDIT & RISK COMMITTEE AGENDA

Date Time	14 June 2022 9:00 AM	Location	Meeting Room 2 Council Chambers and via Video Conference
Members	Mr Chris Badger (Audit and Risk Committee Chair) Mr Homi Burjorjee Ms Jen Johanson Cr Sarah Gilligan		
Ex-officio member	Cr Mohya Davies (Mayor)		
Observer	Ms Prue Digby (Observing as Municipal Monitor). (exited meeting at 9:58 AM)		
Support Staff	Kerryn Ellis: CEO, Allison Jones: Director Performance & Innovation, Melissa Baker: Manager Financial Strategy, Vera Burns, Acting Coordinator Procurement and Risk; Lynn Behmer, Risk Administration Officer		
Internal Audit	Richmond, Sinnott and Delahunty (RSD): Paul Harrison		
External Audit	Nil		
Apologies	Victorian Auditor General's Office: Jung Yau: Audit Manager, Local Government; Travis Derricott, Sector Director. Richmond, Sinnott and Delahunty (RSD): Kathie Teasdale Kerryn Ellis: CEO		
In-Camera Section	The Committee received a verbal update from Allison Jones, Director Performance & Innovation, in the CEO's absence.		
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 - CONFIDENTIAL AUDIT & RISK REPORTS**

### **1.1. IN CAMERA COMMITTEE ONLY**

*In-Camera Committee attendance*

### **1.2. IN CAMERA COMMITTEE WITH CEO**

*In-Camera Committee and Chief Executive Officer attendance*

The Committee received a verbal update from Allison Jones, Director Performance & Innovation, in the CEO's absence.

### **1.3. IN CAMERA INTERNAL AND EXTERNAL AUDITORS**

*In-Camera Committee attendance and internal and external auditors*

## **2. PRELIMINARY MATTERS**

### **2.1. WELCOME**

*Please ensure mobile phones are set to 'silent' during the Meeting.*

### **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.

**2.4. APOLOGIES**

Apologies are as noted above.



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

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 OMNI; Independent Member - Audit and Risk Committee - The University of Melbourne; Independent Member – Audit and Risk Committee - Brimbank City Council.

Mr Homi Burjorjee as member on the following audit committees – Knox City Council and Bass Coast Shire Council and Office of Public Prosecutions audit committees.

Mr. Chris Badger as Non-Executive Director of Central Gippsland Water, 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. Member of CarbonNet Community reference Group. Director CDB Energy/Utility Consultancy.

**2.6. CONFIRMATION OF PREVIOUS MEETING MINUTES**

Review of the Audit & Risk Committee Minutes of the Previous Meeting.

*Refer to Attachment for a copy of the Previous Minutes in detail.*

**RECOMMENDATION**

**The Audit & Risk Committee approves the Audit & Risk Committee Minutes of 1 March 2022 and notes draft minutes were reported to Council at the 20 April 2022 Council Meeting.**

**ATTACHMENT**

1. Audit and Risk Committee - Minutes - 1 March 2022 - Final [2.6.1.1 - 36 pages]

**Discussion**

Minutes from previous meeting approved.

**Action Items**

Nil.

Moved: Homi Burjorjee

Seconded: Jen Johanson

## **2.7. ACTIONS ARISING FROM PREVIOUS MINUTES**

Review of the Audit & Risk Committee action items from the Previous Meeting Minutes.

*Refer to Attachment for a copy of the Action Items.*

### **RECOMMENDATION**

**The Audit & Risk Committee notes the Action Items of the South Gippsland Shire Council Audit & Risk Committee conducted on 1 March 2022 be confirmed.**

### **ATTACHMENT**

1. Action Items - Previous ARC meetings June 2022 - Final [2.7.1.1 - 4 pages]

#### **Discussion.**

Report to be taken as read.

#### **Action Items**

The Committee noted that open action items should include a time when each action is expected to be completed.

Mover: Jen Johanson  
Secunder: Homi Burjorjee

**2.8. ADVISE OF KNOWN OR POTENTIAL BREACHES OF LEGISLATION**

Performance and Innovation

**WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

This item informs the Audit and Risk Committee of any known breaches of legislation that may have occurred in the period of 7 February 2022 to 23 May 2022

**RECOMMENDATION**

That the Audit & Risk Committee notes that there was once breach of the *Privacy and Data Protection Act 2014* reported in detail in item “7.3 review systems, processes and instances of non-compliance”.

**REPORT**

Nil

**RESOURCES / FINANCIAL VIABILITY**

Nil

**RISKS**

This report to the Audit and Risk Committee assists in ensuring accountability of Council in the response to any breaches of legislation in accordance with Council policy.

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter

**ATTACHMENTS**

Nil

**Discussion**

Nil

**Action Items**

Item to be discussed in Item 7.3.

Mover: Jen Johanson  
Seconder: Homi Burjorjee

### **3. EXTERNAL AUDIT**

#### **3.1. EXTERNAL AUDIT REPORT - UPDATE FROM INTERIM VISIT**

Performance and Innovation

##### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

The purpose of this report is to provide an update to the Committee on the findings from the Victorian Auditor General's Office audit visit on 27 April 2022 – 2 May 2022.

##### **RECOMMENDATION**

**That the Audit & Risk Committee:**

**Receives and notes the Draft Interim Management Letter for the year ended 30 June 2022;**

**Receives a verbal update from the Victorian Auditor General's team.**

##### **REPORT**

Nil

##### **RESOURCES / FINANCIAL VIABILITY**

Nil

##### **RISKS**

The Local Government Act 2020 requires Council to prepare an annual report in respect of each financial year. This report must include audited performance and financial statements along with a copy of the auditor's report.

##### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

##### **ATTACHMENTS**

Nil

##### **Discussion**

##### **2019.3 Accounts payable and GL segregation of duties**

The committee discussed the audit findings and their status regarding administrator access in the finance system, noting that management accepts the risk as it is as low as reasonably practicable.

2019.9

In relation to the PIPE assets action, Council is bringing an updated policy in September for A&RC.

Business Improvement Opportunity

In relation to the timesheet processing, currently we have to work within our current system limitations. However, this is a priority for change when the new IT manager commences and their strategic review is completed. The use of timesheets are being looked at by management (i.e. Financial Strategy and People & Culture) for efficiency.

2021.3 & 2021.2

Management noted that we are in process of getting all assets into the system. Asset management plan in June.

The Committee discussed COVID impacts on facilities, resources etc and that there is still an ongoing impact. The Committee discussed the risk of new Councillors and good induction they received which will mitigate/reduce the risk, noting ongoing education is beneficial.

The Committee then mentioned the scope of the planned audit approach. Management pointed out that for evaluation of property infrastructure plant and equipment is conducted in 3 stages. It was discussed that the asset reporting is of the most materiality generally in the Financial Statements. The Committee requested that management provide an accompanying report to VAGO Management Letters in the future.

The Committee noted the letters received directed to A&RC from a rate payer. The Committee further noted it is not the responsibility of A&RC to be communicating with rate payers and that they feel it is appropriate to make VAGO aware of the letter. If Council wants A&RC to look at this in more detail, A&RC needs instructions from Council to do so. Management indicated they were happy informing VAGO

It was noted that the Performance report is due to close out in September 2022.

**Action Items**

VAGO is to be made aware of the letter. The letter will then be sent to Council with VAGO feedback (if any) and Council can decide whether A&RC is required to action.

Mover: Sarah Gilligan  
Seconder: Jen Johanson

### 3.2. EXTERNAL AUDIT OPEN ACTION ITEMS

Performance and Innovation

#### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

To inform the Audit and Risk Committee of the status of previous action items from External Audits

#### RECOMMENDATION

**That the Audit & Risk Committee receives and notes the status of the External Audit Action Items**

#### REPORT

The following items are action items identified in the latest Final Management Letter.

Record	Task ID	Task Name	Description	Status	Comments
8887 - 20/21 VAGO Report	2131	2017.3 Capitalisation process for work in progress must be formalised - Low rating		Complete	
8887 - 20/21 VAGO Report	2116	2021.2 Asset accounting practices - Moderate rating	<ul style="list-style-type: none"> <li>- Ensure capital works hand-over forms are completed &amp; appropriately documented for all projects</li> <li>- Recognised all capitalised infrastructure &amp; plant &amp; equipment assets in a timely manner &amp; in the correct reporting period</li> <li>- Perform a formal stock take to verify the integrity of the fixed asset register</li> <li>- Ensure fixed assets are capitalised at the point that control of the asset is obtained</li> <li>- Ensure fair value assessments are conducted in accordance with accounting standard requirements.</li> </ul>	Complete	
8887 - 20/21 VAGO Report	2117	2021.3 Timing of recognition of contributed assets - Moderate rating	Recommended management perform a review of all contributed assets in a timely manner and ensure they are recognised in the correct reporting period. - Moderate rating	Current	Status: Action deemed as complete by Officers, however, the action won't be resolved until VAGO deem it as resolved in the future audits.

					The new asset system Assetic allows for easier allocation of contributed assets to the appropriate reporting period.
8887 - 20/21 VAGO Report	2118	2019.3 Accounts Payable and General Ledger segregation of duties - Moderate rating	<p>Recommended management:</p> <ul style="list-style-type: none"> <li>- assign the responsibility of administering system access privileges to an independent team</li> <li>- remove system administrator access privileges for the four finance team members</li> <li>- ensure the accounts payable Masterfile changes report is independently reviewed on a periodic basis by a staff member that does not have the ability to process Masterfile changes</li> <li>- alter the access level of the Commonwealth bank authoriser to enforce greater segregation of duties.</li> </ul>	<b>Current</b>	<p>Status: Action deemed as complete by Officers, however, the action won't be resolve until VAGO deem it as resolved in the future audits.</p> <p>Administering of system access privileges will remain with the finance team. Access has been removed so that only two finance team members have administrative access.</p> <p>Commonwealth bank requires two authorisers for any bank transfer. There is a roster which ensures that the two authorisers are different on each corresponding bank transfer. The approvers align with the two staff that would have checked the payroll or supplier payment file.</p>
8887 - 20/21 VAGO Report	2119	2020.3 User access management requires improvement - Moderate rating	<p>Management should:</p> <ul style="list-style-type: none"> <li>- Document an application access matrix detailing the level of access to be provisioned for each user, role and group on key SGSC applications and supporting infrastructure.</li> <li>- ensure that access requests are authorised, approved and provisioned in line with the business requirements.</li> </ul> <p>Additionally, documentation / evidence supporting the user creation / modification should be recorded and retained centrally.</p> <ul style="list-style-type: none"> <li>- Ensure that users who</li> </ul>	<b>Current</b>	<p>Status: In-progress</p> <p>IT is corresponding with other system owners/departments to obtain evidence of system user access reviews.</p> <p>Refer to attachment 3.2.1 for further details.</p>



			<p>no longer have a business need are removed from the application and Active Directory / network immediately. This may include maintaining a comprehensive inventory of all system access that has been provisioned to allow for comprehensive removal when there are changes to the staff's position and/or role.</p> <p>-Immediately deactivate the access of terminated employees / users who no longer have a business need from the application, supporting infrastructure, and Window AD. Management should notify IT personnel timely to ensure immediate deactivation.</p> <p><input type="checkbox"/> conduct a comprehensive review on a periodic basis to revalidate the appropriateness of the access levels assigned to all application and supporting infrastructure users. Management should identify key</p>		
8887 - 20/21 VAGO Report	2120	2020.4 Key change management processes and controls requires improvement - Moderate rating	<p>- define all types of changes which may occur within the organisation &amp; the corresponding levels of authorisation, testing &amp; approval including evidence and storage of these completed activities</p> <p>- establish a method to systemically track changes made to applications (program and configuration), databases (direct data &amp; configurations such as views/stored procedures) &amp; reports</p> <p>- ensure all changes are documented in the ticketing system &amp; evidence of evidence of change request, testing and approval to migrate into production is retained.</p>	<b>Complete</b>	<p>Status: Resolved</p> <p>Supporting Documentation to VAGO:</p> <ul style="list-style-type: none"> <li>• IT to provide copies of new process maps and updated HEAT process</li> <li>• IT to provide example of recent change using process (Blade Matrix update)</li> <li>• IT to provide evidence of approval of process by management</li> </ul>

8887 - 20/21 VAGO Report	2125	2020.1 Manual timesheets processed are not independently reviewed - Low rating		<b>Current</b>	Status: In progress  In relation to manual timesheets not being independently reviewed, a structural change for payroll has been proposed, and approved by ELT, to have two employees in Payroll – an Officer and Team Leader. This will provide for a greater degree of checking/oversight of entered information. Recruitment for these two positions is currently advertised, and it is expected that checking will be in place for the 2021/22 financial year.
8887 - 20/21 VAGO Report	2126	2020.5 Password controls require improvement - Low rating		<b>Complete</b>	Status: Resolved Supporting Documentation: <ul style="list-style-type: none"> <li>All systems of note use AD based authentication (either single-sign-on or LDAP authentication by default)</li> <li>AD account password policies previously provided</li> </ul>
8887 - 20/21 VAGO Report	2127	2020.6 Audit logging and monitoring controls require improvement - Low rating		<b>Current</b>	Status: In-progress (continuous improvement) Supporting Documentation to VAGO: <ul style="list-style-type: none"> <li>Copy of audit logging standards (requirement) to be provided</li> <li>IT review IT system audit</li> </ul>

					<p>logs on an 'as-needs' basis; either based on request or identification of an adverse event or event of concern.</p> <ul style="list-style-type: none"> <li>• IT does not review application audit logs.</li> <li>• IT does not actively monitor application event logs.</li> <li>• Where an adverse event is detected, regular monitoring is implemented for that and associated events (continuous improvement).</li> <li>• Examples of routine notifications to be provided (note that existing monitoring does NOT related to target applications per comments above)</li> <li>• Systems owners have been requested to provide details of application auditing; details to be forwarded as provided.</li> </ul>
8887 - 20/21 VAGO Report	2128	2020.7 IT policies and procedures require improvement		<b>Complete</b>	Status: Resolved Supporting Documentation to VAGO:

		and review - Low rating			<ul style="list-style-type: none"> <li>IT to provide screenshots of standards version</li> <li>IT to organise session to share access to standards allowing VAGO to verify relevant sections</li> <li>IT to include record of approval by CEO/ELT</li> </ul>
8887 - 20/21 VAGO Report	2534	2020.8 Conquest & Pathways application and infrastructure are not current – Low rating		<b>Complete</b>	Status: Resolved  Supporting Documentation to VAGO: Appendix A.10 updated so show which applications are relevant to each server
8887 - 20/21 VAGO Report	2129	2019.9 Lack of formal consistent basis for assessing conditions of PIPE assets - Low rating		<b>Current</b>	Status: In progress  To be included as a process in the updated Asset Valuation and Revaluation Policy (to come to ARC in September 2022.)

**RESOURCES / FINANCIAL VIABILITY**

Nil

**RISKS**

Nil

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

- VAGO - Prior Year Findings - South Gippsland IT Audit F Y 2022 - Response - FINAL (002) [3.2.1 - 8 pages]

**Discussion**

Nil.

**Action Items**

The Committee suggested that an estimated closure date be included along with management comment for each item.

Mover: Jen Johanson  
Seconder: Homi Burjorjee

### **3.3. VAGO STATUS REPORT - MAY 2022**

Performance and Innovation

#### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

#### **RECOMMENDATION**

**That the Audit & Risk Committee receives and notes the VAGO Status Report May 2022**

#### **REPORT**

#### **RESOURCES / FINANCIAL VIABILITY**

Nil

#### **RISKS**

Nil

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### **ATTACHMENTS**

Nil

#### **Discussion**

The Committee noted that VAGO have invited feedback from the Committee regarding what they would like to see in the Status Report.

The Committee would like to see an overarching report on what is applicable to Council within the Exposures and Recommendations section of the VAGO Status Report. Items that are relevant to Council should be listed in the report together with action items that will be taken.

Key things noted by Committee are there are numerous reports and we need management comments on these. We need comments to be concise and offer transparency. Can management look at reports in a holistic manner and come back with a proposal? Management noted that 7.2.1 is a quarterly report on integrity agency and compliance, this is how we are trying to address this but can see that it is disjointed. We will look addressing further.

The Committee noted that some other Councils are provided with a paper that Management produces that has VAGO and internal audit comments and is

noted at the end of agenda. This way the Committee can look at agenda but doesn't need to look at details unless they are looking for further information. It could also be an appendix to the paper.

**Action Items**

Council to table a monthly Exposures and Recommendations Report Summary.

Mover: Jen Johanson  
Secunder: Homi Burjorjee

## 4. FINANCIAL AND PERFORMANCE REPORTING

### 4.1. FINANCIAL PERFORMANCE REPORT - JULY 2021 TO MARCH 2022

Performance and Innovation

#### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

Pursuant to the Audit and Risk Committee charter and the *Local Government Act 2020*, the Audit and Risk Committee has an oversight responsibility to support Council in relation to its financial and performance reporting.

#### RECOMMENDATION

**That the Audit & Risk Committee receives the Financial Performance Report July 2021 to March 2022, including the Quarter 3 Forecast as received and noted by Council at the meeting on 18 May 2022.**

#### REPORT

The results in summary:

- The **operating surplus** as at 31 March 2022 is favourable to forecast by \$2.2M. This favourable variance is largely due to higher operating grants related to the June 2021 Storm event, noting this is fully offset by associated costs.
- **Capital works expenditure** is tracking at \$16.15M as compared to the year to date forecast of \$21.24M, mainly due to timing of plant and machinery purchases and infrastructure works.

Proposed operating forecast changes for Quarter 3 mainly relate to:

- Brought forward allocation for Federal Assistance Grants - Victoria Grants Commission \$5.5M
- Grant funding (and equal expenditure) for 2021 Storm Event \$2.2M
- Deferred (carry forward to 2022/23) expenditure related to Boat ramps \$0.2M

Proposed capital forecast changes for Quarter 3 mainly relate to:

- Savings in IT expenditure \$0.3M
- Works to be carried forward to 2022/23 for the main office refurbishment \$0.6M
- Plant and Fleet budgets to be carried forward to 2022/23 \$0.6M



Section 97 of the *Local Government Act 2020* (Quarterly budget report) states:

*“That Council:*

*2. As soon as practicable after the end of each quarter of the financial year, the Chief Executive Officer must ensure that a quarterly budget report is presented to Council at a Council meeting which is open to the public.*

*3. A quarterly budget report must include:*

*a. A comparison of the actual and budget results to date; and*

*b. An explanation of any material variations; and*

*c. any other matters prescribed by the regulations.”*

Council each year sets an Annual Budget within the framework of a 15-year Long-Term Financial Plan. Guidance is provided by the Long-Term Financial Strategies when developing annual and longer term budgets. The financial integrity of the budgeted financial statements in the annual and forward budgets can be assessed by reference to financial performance indicators.

Throughout the course of the financial year the actual financial performance is managed by:

1. Comparing year-to-date actual financial performance with the year-to date budgets.
2. Monitoring the financial impact of changes made to budget projections on the forecast financial results at year end; and
3. Monitoring the longer-term financial ramifications against the originally adopted Long-Term Financial Plan.

The financial performance indicators that were used to develop the annual and long-term budgets are used to monitor projected financial outcomes at year-end as well as the longer-term financial ramifications. At the end of the financial year, comprehensive financial statements and performance statements are produced, subject to external audit and included in the Annual Report.

Financial Performance Report July 2021 to March 2022 contains detailed reporting.

### **Section 1 - Financial Performance Statement**

This section provides an overview of Operating performance and expenditure on the Capital Works program. It also provides details of Council's cash position and outstanding debtors.

### **Section 2 - Financial Statements**

This section lists the following financial statements (including variance commentary) as at 31 March 2022:

- Balance Sheet
- Cash Flow Statement

### **Section 3 – Annual Year to Date Financial Analysis**

This section provides key financial sustainability indicators for the adopted budget and the full year forecast.

#### **RESOURCES / FINANCIAL VIABILITY**

This report informs the financial viability Council providing the required management and Council oversight and supports informed financial decision making.

#### **RISKS**

This report reduces financial risk through informing financial decisions in particular through providing long term financial health indicators.

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### **ATTACHMENTS**

1. Financial Report March 2022 [4.1.1 - 16 pages]

#### **Discussion**

Report taken as read. Committee via the Chair has a number of comments and questions but in the interest of time will take offline with Allison Jones.

#### **Action Items**

Nil

Mover: Sarah Gilligan  
Seconder: Homi Burjorjee

#### 4.2. LGPRF REPORTING AND ORGANISATIONAL PERFORMANCE REPORT - JULY 2021 TO MARCH 2022

Performance and Innovation

##### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

The third quarter report on Council's performance against the 2020-2024 Council Plan and the 2021/22 Annual Initiatives, including the Local Government Performance Reporting Framework (LGPRF) indicators, is attached.

The purpose of this report is for the Audit and Risk Committee to consider the year-to-date indicator results for the period July 2021 to March 2022.

##### RECOMMENDATION

**That the Audit & Risk Committee receives and notes the Local Government Reporting Framework (LGPRF) data for July 2021 to March 2022 (Attachment 4.2.1) and the Organisational Performance Report July 2021 to March 2022 (Attachment 4.2.1).**

##### REPORT

The LGPRF was introduced in the financial year 2014/15. It contains a set of mandatory indicators that Council is required to report on. Local Government Victoria amended some of the LGPRF indicators and these took effect from 1 July 2019. A proportion of these indicators are subject to external audit.

The audited LGPRF indicators and results are presented under each Strategic Objective in the *2020-2024 Council Plan*, which was adopted by Council at the 24 June 2020 Council Meeting. Some of these will be included in the Performance Statement of the *2021/22 Annual Report* and are audited by the Victorian Auditor General's Office (VAGO) at different times throughout the financial year.

Evidence of the non-financial LGPRF data is continually being internally collected by the Governance Team from the respective Departments. It is checked against the amended LGPRF guidelines to ensure accuracy of data input, as well as appropriate evidence made available for the Auditors at the time of full year review. The Governance Team also conducts a 'sample check' of the evidence provided by the officers responsible for the non-financial LGPRF performance indicators to ensure the data is reported correctly. Any inconsistencies or evidence 'not matching' was followed up with officers and updated appropriately.

At this stage it is not anticipated that there will be any significant issues with internal compliance, data collection and/or the final reporting in the *2021/22 Annual Report* which is due by 30 September 2022.

**Attachment 4.2.1** contains the results for the year to date July 2021 to March 2022. The Audit and Risk Committee is requested to consider these results.





The Service Measures highlighted in grey are those that are audited by VAGO and appear in the Service Performance Statement of the Annual Report.

The full suite of indicators will be published on the 'Know Your Council' website managed by the State Government in November 2022.

### **Traffic Light Report**

The LGPRF indicators are represented by a traffic light report to show progress against these LGPRF measures. The definitions are highlighted in **Table 1**.

**Table 1 – Traffic Light Report Definition**

Target Range	Traffic Light Report	% of indicators	Traffic Light Report Definition
<b>Within Range of Target</b>		<b>63%</b> <i>25 indicators vs. 58% in FYQ2</i>	Result of indicator is within the range of LGPRF target and is -5% or +5% range of Council's previous quarter target. All elements of the indicator are on track
<b>Monitor</b>		<b>30%</b> <i>12 indicators vs. 30% in FYQ2</i>	Result of indicator is within the range of LGPRF target however outside the -5% or +5% range of Council's previous quarter target. All elements of the indicator are to be monitored
<b>Outside Target Range</b>		<b>0%</b> <i>0 indicators</i>	Result of indicator is outside the range of LGPRF target and outside the -5% or +5% range of Council's previous quarter target. All elements of the indicator are being investigated to implement change.
<b>Not reported</b>		<b>8%</b> <i>3 indicators vs. 12% in FYQ2</i>	Result of indicator is either not reported quarterly and is only available annually (NOT REPORTED) or the data was not available this quarter (NOT AVAILABLE).

This third-quarter report is provided as the interim report to the Audit and Risk Committee before the draft Report of Operations and Performance Statement is reported as part of the Annual Report.

### **RESOURCES / FINANCIAL VIABILITY**

There are no financial implications associated with the preparation of this report as all costs are covered within existing resource and budget allocations.

### **RISKS**

Regular reporting of Council's progress towards achieving the Annual Initiatives and LGPRF measures through the Organisational Performance Report and LGPRF data update, mitigates the risk of annual initiatives and LGPRF indicators not being monitored throughout the financial year. These activities are priority actions required by Council. Inadequate monitoring of their progress may result in activities not being achieved, without understanding the reasons for any delay.

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

1. Local Government Performance Reporting Framework (LGPRF) Report - July 2021 to March 2022 [4.2.1 - 30 pages]
2. Organisational Performance Report - July 2021 to March 2022 [4.2.2 - 38 pages]

**Discussion**

Report taken as read. Committee has a number of comments and questions but in the interest of time will take offline via the Chair with Allison Jones.

**Action Items**

Nil

## 5. RISK MANAGEMENT

### 5.1. QUARTERLY RISK MANAGEMENT REPORT

Performance and Innovation

#### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

To provide the quarterly report of the progress of risk management related activity occurring within Council.

#### RECOMMENDATION

**That the Audit & Risk Committee receives and notes the Quarterly Risk Management Report as of 8 May 2022.**

#### REPORT

This report details activity that has been undertaken in relation to risk since the previous report to the Committee. Key activities that have been undertaken have been:

- Managers maintaining their risks in the RelianSys Risk Management System with assistance and guidance from the Assurance Team when required.

Continued progress has been made in accordance with the risk framework over the last three months. Significantly:

- The ongoing review and monitoring of the Operational Risks established through 2021 is continuing. Specific risk treatments have continued to be monitored over the past three months to ensure progression of treatment actions.

#### Heat Map of Operational Risks

##### June 2022:

Likelihood	Consequences				
	1 : Insignificant	2 : Minor	3 : Moderate	4 : Major	5 : Catastrophic
Almost Certain: Event is expected to occur in the near future.	0	0	0	4	1
Likely: It is probable that the event will occur.	1	3	2	2	1
Possible: The event may occur.	0	6	33	12	3
Unlikely: The event could occur in the future.	0	8	12	10	4

Rare: It is improbable that the event would occur except for in exceptional circumstances.	0	0	0	0	0
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**March 2021:**

Likelihood	Consequences				
	1 : Insignificant	2 : Minor	3 : Moderate	4 : Major	5 : Catastrophic
Almost Certain: Event is expected to occur in the near future.	0	0	0	4	1
Likely: It is probable that the event will occur.	1	3	2	2	1
Possible: The event may occur.	0	7	33	12	5
Unlikely: The event could occur in the future.	0	9	12	10	4
Rare: It is improbable that the event would occur except for in exceptional circumstances.	0	0	0	0	0

Although there were some minor changes in the number of operational risks due to some internal restructure, the Council's risk profile has not changed substantially since the last report in March 2022.

**Very High Rated Operational Risks**

The very high rated operational risks are the same as those identified at the March 2021 meeting. Reviews have been undertaken and treatments are in progress to help mitigate risks. However, all applicable treatments are in their early phase and have not yet been integrated sufficiently to result in a reduction in risk rating for any "very high" rated risks. An overview of the organisations "very high" rated risks can be seen on the following pages.

**Risk: ID 70 - Impact of Climate Change on Public Infrastructure**

Category - Infrastructure Planning - Sustainability

Target Risk Level - High

Impact	Likelihood	Consequence		Control Measures	Treatments/Actions
		Areas	Risk Level		
1. Seawall failure 2. Unsealed road maintenance - dangerous roads - more accidents 3. Increased maintenance costs. 4. Falling outside intervention. 5. Increased temperatures impacts maintenance activities such as resealing. 6. Landslips - loss of land - increased cost to rehabilitate/repair and maintain. 7. Non-compliance with LGA for not considering climate change impacts	Almost Certain	Environment	Very High	- Integrated climate change considerations in project initiation proposals (impacts of CC assessed for each project).  - Developing a climate change action plan.  - SGSC pledge to the sustainability Victoria TAKE2 Climate change action plan program.	- Develop and implement a climate change action plan June 2022 as it applies across whole of Council.  - Depending on Council - possible climate emergency declared.

**Risk: ID 82 - Impact of climate change on public infrastructure**

Category - Infrastructure Maintenance

Target Risk Level - Medium

Impact	Likelihood	Consequence		Control Measures	Treatments/Actions
		Areas	Risk Level		



<p>1. Seawall failure                  2. Unsealed road maintenance - dangerous roads - more accidents                  3. Increased maintenance costs.                  4. Falling outside intervention.                  5. Increased temperatures impacts maintenance activities such as resealing.                  6. Landslips - loss of land - increased cost to rehabilitate/repair and maintain.</p> <p>NOTE: Limited control under infrastructure maintenance, this risk also relies on infrastructure planning.</p>	<p>Almost Certain</p>	<p>Environment</p>	<p>Very High</p>	<p>- Assessing existing infrastructure during maintenance and reviewing of maintenance technology i.e. replacing culverts with more suitable sizes.</p>	<p>- Implementation of the climate change action plan June 2022</p> <p>- Review of roads subject to flooding and review of where we are and aren't going to mitigate</p>
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**Risk: ID 83 - Impact of climate change on Council operations**

Category - Infrastructure Maintenance

Target Risk Level - Medium

Impact	Likelihood	Consequence		Control Measures	Treatments/Actions
		Areas	Risk Level		
<p>1. Increase in insurance claims                  2. Higher costs to maintain drainage networks - having to accommodate for the 1 in 100 event.                  3. Reduced rate income due to land being reclaimed by rising sea levels - biodiversity issue.                  4. Reputation damage, public disappointed in Council lack of action - confidence decline.                  5. Impacts on outdoor work practices (health and safety).                  6. Liability for Councillors and staff for failure to consider climate change.</p>	<p>Almost Certain</p>	<p>Environment</p>	<p>Very High</p>	<p>- Training                      - Experienced personnel &amp; safe work practices.                      - Correct plant for EMP                      - Pre-alerts to changing weather conditions i.e. from emergency management                      - PPE wet weather gear, etc</p>	<p>- Implementation of the climate change action plan June 2022.                      - Road closures.                      - Better signage.</p>

**Risk: ID 103 - Negative impact of climate change resulting in short and long term impacts to the local flora and fauna**

Category - Open Space & Environment

Target Risk Level - High

Impact	Likelihood	Consequence		Treatments/Actions
--------	------------	-------------	--	--------------------

		Areas	Risk Level	Control Measures	
1. Loss in the natural habitat. 2. Widespread flooding. 3. Inundation / landslips. 4. Sea level rise coastal inundation. 5. Suitability of plant species for Council plantings. 6. Impacts on controls of invasive species.	Almost Certain	Environment	Very High	- Replanting with suitable species. - Natural regeneration in bush reserves (limited effectiveness - i.e. may require drought tolerant species for biodiversity maintenance)	- Implement recommendations / actions from the climate change action plan June 2022. - Implement relevant state or federal research - follow up with Team and see if they have had any traction in this area or what they require to help.

Risk: ID 134 - **Impact of climate change on public infrastructure and communities' access to recreation land & facilities**

Category - Infrastructure Planning

Target Risk Level - High

Impact	Likelihood	Consequence		Control Measures	Treatments/Actions
		Areas	Risk Level		
Effects: 1. Seawall failure. 2. Unsealed road maintenance - dangerous roads - more accidents. 3. Increased maintenance costs. 4. Falling outside intervention. 5. Increase in insurance claims. 6. Landslips - loss of land - increased cost to rehabilitate / repair and maintain. 7. Higher costs to maintain drainage networks - having to accommodate for the 1 in 100 event. 8. Reduced rate income due to land being reclaimed by rising sea levels - biodiversity issue.	Almost Certain	Environment	Very High	- New amenity blocks being designed and built to enable relocation. - Appropriate planning controls e.g. reduction in building with LSIO. - Drain design.	- Improved road development. - Implement recommendations / actions from the climate change action plan June 2022. - Integrated water management plan. - Mapping areas subject to flooding. - Mitigation plan for increased flooding areas. - Appropriate drainage plans. - Appropriate drainage maintenance. - Utilising existing easements. - Designing sustainable buildings

**Risk - ID 150 - Staff exposure to occupational violence and aggression****Category - Community Safety****Target Risk Level - Medium**

Impact	Likelihood	Consequence		Control Measures	Treatments/Actions
		Areas	Risk Level		
Effects: 1. Psychological impact to staff. 2. Stress & anxiety for staff. 3. Staff retention - undesirable place to work. 4. Decline performance - long term health effects. 5. Injury or death. 6. Additional workload pressures for remaining staff (backfill).	Likely	Safety	Very High	Dealing with difficult customer training (lapsed due to COVID).  Option of 2 up (2 staff attending jobs rather than 1) lone worker resourcing.  Notifying other staff of movement / locations.  Limited telecommunication access (tech & blind spots).  Some pathway notifications / memos in relation to previous incidents.  Swipe pass security.  AEP - Counselling service.  Procedures e.g. ending phone calls as per customer service charter.  Vexatious complainant / person procedure.	Lone worker technology (work commencing in this space - Oct 2021) i.e. devices.  Dealing with difficult customer training.  Identify risk register - e.g. people, dogs - Pathway memo can be used as a flag. Must ensure current and updated.  First aid training as per risk 149. Let's check who has this, needs this, may need updating.

**Strategic Risk Heat Map**

Likelihood	Consequences				
	1 : Insignificant	2 : Minor	3 : Moderate	4 : Major	5 : Catastrophic
Almost Certain: Event is expected to occur in the near future.	0	0	0	0	0
Likely: It is probable that the event will occur.	0	0	0	0	0
Possible: The event may occur.	0	0	2	2	0
Unlikely: The event could occur in the future.	0	0	3	5	0
Rare: It is improbable that the event would occur except for in exceptional circumstances.	0	0	0	0	0

No changes have been made to the strategic risk rating since the March 2021 meeting.

### **Observations**

- Council has received positive feedback from Management in relation to the RelianSys software integration to assist in managing risks.

### **NEXT STEPS**

- Council plans to roll out a thorough assurance program for risk controls in the second half of 2022 which should continue to nurture a strong risk culture development within Council.
- The Assurance Team will consult with management to determine if RelianSys is to be rolled out to coordinator level to assist management in managing their risks and associated treatments.
- Continue to support risk owners with RelianSys system to enable them to maintain their own risks.
- Ongoing review and monitoring of operational risks.
- Develop reports and start processing them as part of regular communication with management, ELT and A&RC.

### **Strategic Risk Workshops**

Council will conduct a number of workshops with the aim to review the strategic risks in light of the upcoming new Council Plan.

- One of the workshops will include the ARC, Councillors, CEO and Directors (the ARC will receive invitations outside the ARC meeting)
- One workshop will be held (following the above) with SLT
- The workshops are currently planned for August/September 2022 (to account for the final Council Plan set to be adopted in June 2022)
- Council is considering using their risk consultant, Mia Consulting Services, who facilitated the 2021 strategic risk workshop.

### **RESOURCES / FINANCIAL VIABILITY**

Resources and the associated financial allocation is included within the budget for staffing of the Assurance team.

### **RISKS**

The actions and activities described in this report detail the undertakings of Council officers in managing the risk function in accordance with the risk framework. Reporting of these actions and activities to the Audit and Risk Committee contributes to providing the required transparency and

accountability that Council is appropriately managing risk across the organisation.

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### **ATTACHMENTS**

Nil

#### **Discussion**

The Committee commented that it is a good report and suggested that a further improvement would be to map treatments to the particular risk it addresses and how it will be reduced. This goes to identifying the importance of the risk and therefore prioritising the treatment.

The Committee noted with concern the number of risks in the red category and whether climate change related risks are strategic rather than operational.

#### **Action Items**

Management is to review the allocated risk register of each risk in the Risk Management Report following the next Strategic Risk review post the new corporate plan and strategic objectives.

Mover: Jen Johanson  
Seconder: Sarah Gilligan

## 5.2. INSURANCE PROGRAM

Performance and Innovation

### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

This item informs the Audit and Risk Committee of the changes in the insurance sphere and its impacts on South Gippsland Shire Council.

### RECOMMENDATION

**That the Audit & Risk Committee receives and notes the Insurance Report with information on the renewal of insurance coverage in July 2022.**

### REPORT

The *Audit and Risk Committee Charter (C08)* requires the Committee to review the insurance program annually prior to renewal. The previous report on Council's insurances was presented to the Committee in September 2021, at which time it was recommended that an in-depth insurance coverage analysis be completed prior to the renewal of policies in 2022. The findings and recommendations from this review are included in this report.

Information for renewal of Policies for the 2022/23 financial year has been collated and provided to the Municipal Association of Victoria (MAV) / Jardine Lloyd Thompson (JLT) mutual schemes as our intention is to continue with these entities for the forthcoming financial year.

### INSURANCE GAP ANALYSIS

In February this year, Council engaged Marsh Advisory Services to undertake a Gap Review Process to test insurance coverage and excess levels. The objective of the engagement was quoted in the report as follows:

*“To undertake a high-level review of the current risk exposures that exist in South Gippsland Shire Council's (Council) operations. The project encompasses the following:*

- *Identification and assessment of major insurable risks through scenario analysis;*
- *Quantification of these risk events in terms of the Maximum Foreseeable Loss (MFL) we would expect for an operation of your nature;*
- *A Gap Analysis identifying what we believe to be potential exposures in coverage between the MFL and your current insurance limits, and*
- *Our recommendations, intended to better align Council's risk transfer program to its risk profile, focusing on the exposures identified over the course of the project”*

As part of this review, a number of meetings and workshops were held across the organisation to identify Maximum Foreseeable Loss (MFL) scenarios that were then overlaid against existing insurance arrangements. Attached at 5.2.1, is the insurable risk profiling report by Marsh.

A number of recommendations were put forward to officers to consider in order to provide further protection to address potential exposures. These recommendations are listed in full in the attached report. Of the recommendations, the following themes were discussed:

- Increasing coverage for situations such as flood, fraud, cybercrime, Councillor and officer professional liability and privacy breaches
- Review of Council's payment processes
- Climate change risk assessment

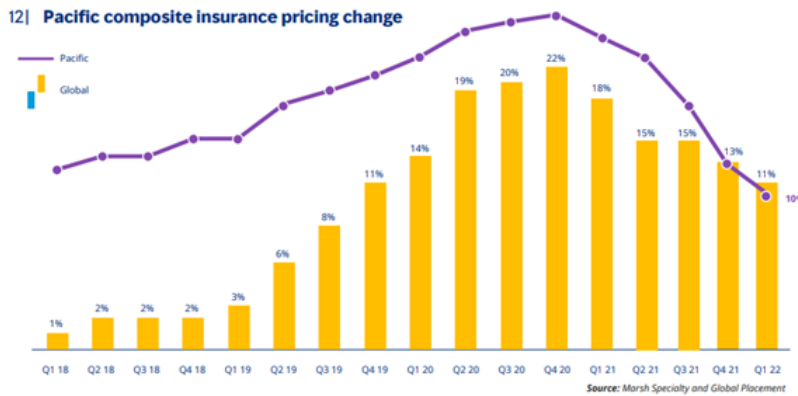
Following this report, officers assessed the identified gaps and the maximum foreseeable loss scenarios provided by Marsh and then considered the practical risk level within South Gippsland Shire Council. The Executive group then reviewed these recommendations and approved plans for the insurance coverage levels and excess amounts to be kept relatively the same as the previous year, with the following exceptions:

Risk	MFL Scenario identified by Marsh	Shortfall identified	SGSC Risk Team's Analysis	SGSC Risk Team's Recommendation
<b>Cybercrime</b>	\$43,507,600 = Significant cyber event that allows diversion of funds, and a breach in privacy records	\$41,507,500	Marsh has proposed that a significant team of external consultants would be required such as legal and accounting professions, fraud investigators, etc .	We accept the recommendation that coverage requires review
<b>Councillors &amp; Officers</b>	\$2,000,000 = Decisions/actions by Councillors or Officers result in defamation, libel, slander or liability legal action	\$1,500,000	Formal claims have been threatened but not pursued, however there is a possibility of flawed historic decisions becoming a substantial claim/s	We accept the recommendation that coverage requires review

### INSURANCE MARKET OVERVIEW

Pandemic, supply chain delays, natural catastrophes and labour shortfalls all have an impact on pricing and cover for the 2022/23 financial year. Council continues to utilise the collective buying power of JLT (Jardine Lloyd Thompson) Public Sector who have collective Local Government Authorities nationwide to influence this buying power.

On a positive note, JLT report that the market is exhibiting a decrease in the acceleration of premium increases as referenced in the below chart from Q1 2022 Global Insurance Pricing Index Report.



**JLT DISCRETIONARY TRUST**

Council participates in this trust which provides coverage including:

- 1 – Covered risks of physical loss, destruction or damage to property not specifically excluded in the member wording;
- 2 – Resultant Consequential Loss (Business Interruption),
- 3 - Artwork / Heritage Items / Museum Items

Property insured value is \$231,395,185 and has been updated progressively throughout the year in consultation with Council valuations officers.

Artwork, heritage items, and museum items as per schedule is \$3,000,000

**RESOURCES / FINANCIAL VIABILITY**

At the time of writing, the insurance premiums for the 2022/23 financial year had not yet been received.

JLT have completed their initial round of negotiations and have advised that they anticipate increases in the order of 5 – 10% are predicted. However, with the volatility in the Cyber market, premium increases above 10% are likely.

The table below is a trending report since 2020, which will be further populated once the premiums are received.



<b>Summary of Insurance Costs</b>			
<b>Class of Protection</b>	<b>FY 20-21 Premium</b>	<b>FY 21-22 Premium</b>	<b>FY 22-23 Premium</b>
Public Liability	\$ 22,605.00	\$ 25,630.00	TBA
Community Liability Pack	\$ 3,055.64	\$ 3,307.92	TBA
Councillors and Officers Liability	\$ 80,790.27	\$ 97,710.03	TBA
Motor Vehicle	\$ 172,096.00	\$ 173,806.20	TBA
Personal Accident	\$ 2,083.89	\$ 2,139.81	TBA
Travel	\$ 224.36	\$ 231.08	TBA
Fee	\$ 26,620.00	\$ 27,500.00	TBA
JLT Discretionary Trust	\$ 371,057.60	\$ 419,326.64	TBA
Echelon Claims Management	\$ 4,999.00	\$ 4,999.00	TBA
Commercial Crime (MAV)	\$ 5,735.61	\$ 7,356.49	TBA
Cyber Insurance	\$ 8,502.80	\$ 12,239.00	TBA
Tramway Insurance (TAC)	\$ 863.64	\$ 454.55	TBA
<b>Total Cost</b>	<b>\$ 698,633.81</b>	<b>\$ 774,700.72</b>	

NOTE – All premiums are shown ex GST

## RECOMMENDATION

To ensure alignment of insurance reporting with the A&RC charter, insurance reporting will occur in the June meetings of each year, ahead of the insurance renewal cycle in July of each year.

Council intends to conduct an insurance gap review every 3 years, although will consider a shorter lead-time should significant volatility in any specific area of coverage be observed.

## RISKS

Insurances are a risk mitigation tool through funded risk transfer, protecting Council from the financial risk of a large range of potential causes.

## STAFF DISCLOSURE

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

## ATTACHMENTS

1. Insurable risk profiling report by Marsh - South Gippsland [5.2.1 - 22 pages]

## Discussion

The Committee commented that controls are an important consideration rather than just insurance coverage for mitigating risk.

The Committee noted Council's intention to action the two recommendations in the Insurance Review Profile report.

The Committee also advised that Council consider one of the points noted in the Marsh Report:

*“consider the benefits of climate change risk assessment and adaptation planning as well as potential benefits of Environmental Liability Coverage.”*

In addition to the above, the Committee advised to look at the daily transfer limits.

Further discussion was held around the expected significant increase in insurance premiums.

### **Action Items**

Council will action the two recommendations to review insurance coverage of Cybercrime and Councillors & Officers

Council should consider the following recommendations in the Marsh Report –

- Page 5 – “Consider the benefits of climate change risk assessment and adaptation planning as well as potential benefits of Environmental Liability coverage”
- Page 5 - Management to implement a daily transfer limit and report arrangements at the next meeting
- Page 5 – Delegations Policy should consider emergency situations and have a secondary set of delegations in place.
- Page 5 - Review of Contracts – consider if we are duplicating with insurance and instead should be reviewing our risk transfer options for Contract Works.

Mover: Homi Burjorjee  
Seconder: Jen Johanson

### 5.3. REPORT OF INSURANCE CLAIMS

Performance and Innovation

#### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

This item informs the Committee of the Insurance Claims for the period of July 2021 to March 2022.

#### **RECOMMENDATION**

**That the Audit & Risk Committee receives and notes the Insurance Claims Report for the period of 1 July 2021 to 31 March 2022.**

#### **REPORT**

Council receives regular requests for compensation from the local community, visitors and businesses who believe they have incurred an incident for which Council should reimburse their costs, loss or damage. These are immediately triaged as to whether the request can be considered for a claim, and if so, a Request for Compensation is sent to the Requestor. Typically, few initial enquiries progress to an actual claim.

Claims relating to Council assets or those of Community Groups who participate in Council's scheme, are automatically recorded as claims and submitted to our insurer with the relevant completed claim form and supporting evidence.

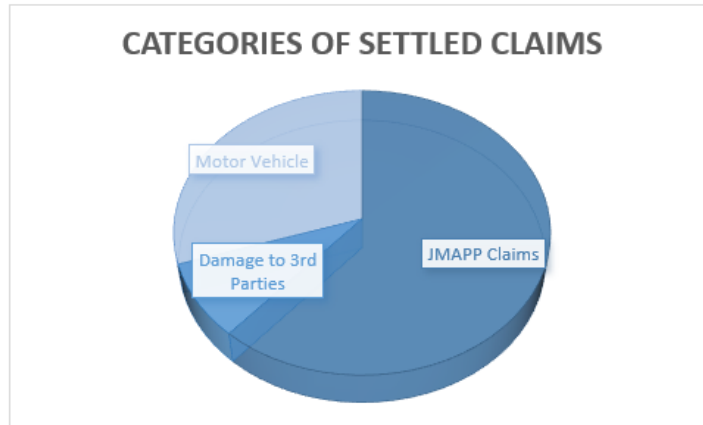
Council costs shown in the attached report, reflect excess payments on larger claims, or payment of costs directly by Council for under excess claims.

#### **REQUESTS FOR COMPENSATION**

During the period 1 July 2021 to 31 March 22 -

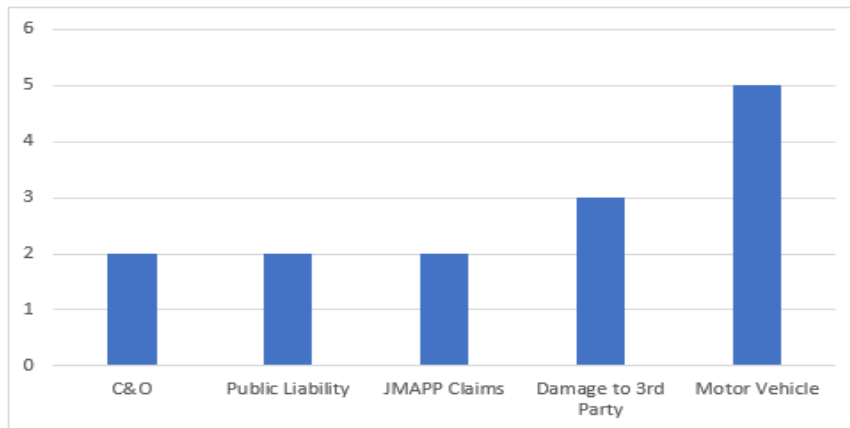
- 106 requests for compensation were received
- 26 Requests progressed to a claim being lodged with our insurer
- During this period 41 claims were not progressed by the Claimant, 10 claims were denied, and 17 claims were settled for a total amount of \$94,311
- There is a potential claim of note for a public liability incident, where a person tripped and fell sustaining significant injuries. This is currently with our insurers for assessment.
- Total claims value was \$94,311 with Council bearing 32% of the cost and our insurers 68%

<b>Total Claim Value</b>	<b>\$94,311</b>	
<b>Cost to Council</b>	\$29,883	32%
<b>Cost to Insurer</b>	\$64,429	68%



**OPEN CLAIMS**

As at 31 March 2022, there were 14 claims in Open Status –



**RISKS**

With the wide range of activities Council is responsible for throughout the community, a large range and degree of risks exist for Council. These risks are financially protected though a suite of relevant insurances.

**RESOURCES / FINANCIAL VIABILITY**

Insurance policies mitigate the severity of financial risk to the organisation, but don't cover all costs of all claims. Accordingly, the organisation pays additional amounts for valid claims up to the defined insurance excess amounts.

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

Nil

**Discussion**

Report taken as read

**Action Items**

Nil

Mover: Jen Johanson  
Seconder: Homi Burjorjee

## 6. INTERNAL AUDIT

### 6.1. INTERNAL AUDIT OPEN ACTION ITEMS

Performance and Innovation

#### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

To inform the Audit and Risk Committee of the status of any open/in-progress items from Internal Audits

#### RECOMMENDATION

**That the Audit & Risk Committee receives and notes the status of Internal Audit open and in-progress items.**

#### REPORT

The following items are open or have been completed since the last Audit & Risk Committee meeting.

Record	Task ID	Task Name	Description	Status	Comment
8695 - Waste Management - Fees & Charges - September 2021	2050	4. Landfill rehabilitation reserve	We recommend Council consider the learnings of the Ombudsman's report and further consideration made to the establishment of a landfill rehabilitation reserve to cover future costs.  Management Comment/Action: Agreed. This will be reviewed as part of the 2022/23 Budget process.	Current	Open:  Our intention is to consider this during the development of a new Waste Management Plan scheduled for completion by June 2023.
8695 - Waste Management - Fees & Charges - September 2021	2051	5. Provision calculation and the associated inputs	We recommend that management review the inflation and discount rates applied to the net present value calculation. We also recommend that management ensure all net present value inputs are supported by external and reliable data. (Risk rating: Low)  Management Comment/Action: Agreed. This will be reviewed as part of the 2022/23 budget process.	Current	In progress:  Being considered in the fees and charges calculations for 2022/23 budget.

8695 -Waste Management - Fees & Charges - September 2021	2052	6. Aftercare management/ monitoring program	<p>We recommend that management complete a harm prevention assessment to ensure compliance with the GED principle within the EP Act 2017. Post completing this assessment, we recommend that management complete a cost assessment of the aftercare and monitoring costs. (Risk rating: Low)</p> <p>Management Comment/Action: Will be reviewed</p>	<b>Complete</b>	<p>Complete:</p> <p>Council continues to comply with all requirements of the Environmental Protection Act. Post closure PANs have been issued by the EPA for all closed landfills with EPA approved Aftercare Management Plans and Environmental Monitoring Programs in place for each site. An EPA approved Environmental Monitoring Plan is in place for the active landfill at Koonwarra.</p>
8692 - IT General Controls - June 2021	2031	1. IT Policies and Procedures	<p>1) Recommend that ICT policies and procedures are reviewed and updated to reflect current ICT practices and processes. 2) SGSC should consider developing the following policies: &gt; IT Disposal Policy &gt; Electronic Data Disposal Policy (Risk rating: Low) Management Comment/Action Technology &amp; Innovation are currently performing a service review of the area with external consultants. This will include a refreshed operating model, strategy and structure. Upon completion, SGSC will review and update policies.</p>	<b>Current</b>	<p>Open:</p> <ul style="list-style-type: none"> <li>- Electronic Disposal policy CE56 is current and due for review 2023</li> <li>- IT Disposal Policy to be updated</li> </ul>

8692 - IT General Controls - June 2021	2033	3.1 Password Controls	1) Management should complete a review of the generic user accounts in the active directory and determine whether the generic user accounts are appropriate. Where deemed appropriate, management should then enforce more regular password changes to ensure the security of Council network. Management should review the policy in relation to password rotation time frames and complexity requirements to ensure they are satisfied with the risk. (Risk rating: Medium)	Current	In Progress 60% Continuous/ Ongoing Review
8692 - IT General Controls - June 2021	2034	4.1 Active Directory Management	Carefully review all IT staff and only provide administrative privileges and superuser access only to those who absolutely need this access to perform their roles.	Current	In Progress – 90%
8692 - IT General Controls - June 2021	2036	4.3 Active Directory Management	IT should perform a review of enabled users that have not logged in for the last 6 months to ensure the account is still required and appropriate, or whether they should be temporarily or permanently disabled	Current	In Progress – 80%
8692 - IT General Controls - June 2021	2040	2.4 Essential Eight	We recommend SGSC implement multi-factor authentication for all users. MFA grants access based on multiple weighted factors, thereby reducing the risks of compromised passwords. (Risk rating: Medium)  Managers Comments: MFA infrastructure has been implemented and has been introduced for web-based and mobile access. Timeframe for Implementation: Ongoing- MFA will continue to be deployed to systems where possible and appropriate. This will be an ongoing project due to the resource-intensive nature.	Current	In progress 50% -  Infrastructure configuration implemented, staged rollout planning in progress



8692 - IT General Controls - June 2021	2041	3.2 Password Controls	In order to remove password expiry from becoming an issue in the future, IT should investigate an automatic script to identify user accounts over the rotation period, and identify accounts where the password is set to never expire. Alternatively, an annual audit conducted by the IT team could be performed to manually identify and correct such errors. (Risk rating: Medium)	Current	Ongoing
8692 - IT General Controls - June 2021	2043	6.1 User Access Management	1) We recommend that a detailed annual review of the critical council systems user access is conducted by council. (Risk rating: Medium)	Current	Ongoing
8692 - IT General Controls - June 2021	2044	6.2 User Access Management	We recommend management develop a form that is required to be completed and approved by a manager when staff access to the network or software is to be terminated or amended. The user access form should specify an expiry date and these details should be entered into the system to ensure the automatic and timely removal of the system access. The authorised form should be kept for audit trail purposes. (Risk rating: Medium)	Current	In progress – 10%  Considered as part of Role Based Access Management. RBAC proved to be a complex task and consequently currently investigating an external solution.
8692 - IT General Controls - June 2021	2045	7. IT Strategic Plan	We recommend Council ensure that future strategic IT documents are more detailed and give a greater representation of the work and background information obtained as part of the process of developing the strategy.  When undertaking the next long-term IT strategy, Council should consider engaging an external consultant in conjunction with Council staff to complete this process. (Risk rating: Low)	Current	In progress:  Initial draft completed. More detailed version to follow in the next few months.

8330 - OHS & Return to Work Audit - June 2020	1953	2.1 Risk Identification	Recommendation that Council consider the method of risk identification in relation to OHS. The software system should also be reviewed to ensure that all staff would be able to assess the risks identified and reporting will meet the needs of Council. (Risk rating: medium)	Current	<p>In progress:</p> <p>Work is beginning on identification of High-Risk activities as defined by Worksafe Vic which will result in SWMS being developed. Expected completion is mid July 2022.</p> <p>Work is also being undertaken in the area of in field inspection sheets for high risk activities.</p> <p>Expected completion is August 2022</p>
8330 - OHS & Return to Work Audit - June 2020	1954	2.2 OHS Training	Recommend Council ensure training records are maintained and updated where applicable. Council should also explore introducing regular training opportunities for depot/outdoor staff with increased resources required at the depot site in order to utilise staff downtime. (Risk rating: medium)	Current	<p>In progress:</p> <p>A new position of Coordinator of Organisational Development has been developed. Their role will include centralise control around training record keeping.</p> <p>Expected completion is October 2022.</p>

8330 - OHS & Return to Work Audit - June 2020	1955	2.3 Industrial Manslaughter Laws	Recommended Council ensure training sessions are conducted with all staff regarding new industrial manslaughter laws which includes refreshers of existing duties and amendments as per the amendment bill. (Risk rating: High)	<b>Complete</b>	Complete:  Training sessions were conducted with at need teams.
8330 - OHS & Return to Work Audit - June 2020	1956	2.4 Incident Classification Reporting	Recommended the following: 1. Council should review different options available to staff who don't have access to Elumina directly to reduce the amount of double handling and potential for delays in reporting. This may include trialling access to Elumina through a URL shortcut, or exploring other software options available. 2. Ensure all staff are trained on the definition of each classification of incident and ensuring a consistent approach is in place across Council. Risk rating: Medium)	<b>Current</b>	In progress:  1. Moving all reporting to Elumina. Transition and training expected completion is by Oct 2022.  2. Incident Classification method has been approved by ELT in January 2022. The procedure is being updated. Expected completion is by July 2022.
8330 - OHS & Return to Work Audit - June 2020	1958	2.6 Site Inspections	Recommended Council agree to and develop an in-house OHS inspection schedule for all external Council sites. (Risk rating: Medium)	<b>Current</b>	In progress:  Under development and will be submitted to ELT for approval Aug 2022

8330 - OHS & Return to Work Audit - June 2020	1959	2.7 Return to Work Policies and Procedures	Recommended Council integrate the highlighted improvements to the current working from home policy when policy document is reviewed and approved (overdue for review April 2020). We also recommend a procedure document is drafted to sit underneath this policy to provide further guidance for staff. (Risk rating: Low)	Current	Ongoing:  Under Constant review due to Covid19 - Committee set up to consult and find the best fit for working from home/ Office. Once policy position becomes solid (Post Covid) this will be updated.  Flexible working arrangements policy in draft - expected completion is by October 2022
8330 - OHS & Return to Work Audit - June 2020	1960	2.8 OHS Risk Register	We recommend Council ensure OHS risk registers are maintained and reported against. As discussed in Finding 2.1, the process for risk identification and registers need to be consistent across all categories of risk. (Risk rating: Medium)	Current	In progress:  Expected completion is by July 2022
8330 - OHS & Return to Work Audit - June 2020	1961	2.9 OHS Key Performance Indicators	Recommended that management considers the use of PPIs and outcome indicators to measure the effectiveness of their OHS management system. (Risk rating: Low)	Current	In progress:  Action plan "PPI" for strategic OHS improvement completed May 2022. The plan is out for consultation and due for ELT endorsement June 2022.

8330 - OHS & Return to Work Audit - June 2020	1962	2.10 OHS Performance Benchmarking	Recommended Council implement benchmarking of relevant OHS results and data against different departments of Council and also data from neighbouring/similar Council's. The results of this benchmarking activity should be included in reporting to executives and audit committee. (Risk rating: Low)	<b>Current</b>	In progress:  Benchmarking activities regarding HSW performance expected to occur July 2022.
8330 - OHS & Return to Work Audit - June 2020	1963	2.11 Contractor OHS Performance Reporting	Recommended all issues/non-compliance identified as a result of site safety checks are recorded in Elumina and monitored as per other reported incidents. This will allow for greater monitoring and ensuring issues are rectified in a timely manner. (Risk rating: Low)	<b>Current</b>	In progress:  Under Review as part of the HSW 100 assessment plan.  Expected completion is by July 2022
8330 - OHS & Return to Work Audit - June 2020	1964	2.12 OHS Survey	Recommended Council consider performing a council-wide staff survey to gauge the effectiveness of OHS processes in place and to highlight any weaknesses or gaps in communication or understanding of staff. (Risk rating: Opportunity)	<b>Complete</b>	Complete  A HSW survey was conduct May 2022

**RESOURCES / FINANCIAL VIABILITY**

Nil

**RISKS**

Nil

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

Nil

**Discussion**

The Committee noted that the results of the Engagement and Wellbeing Survey are currently being reviewed and the results will be fed back into the OH&S Work Plan.

The Committee reviewed the table of Internal Audit Open Action Items and suggested that items flagged as ongoing should in fact be closed and that other items have updated dates for finalising.

**Action Items**

Management to share high level results of the Engagement and Wellbeing Survey at September meeting.

Internal Audit Open Action items to include management comments, risk rankings and an estimated date for completion.

Mover: Sarah Gilligan  
Seconder: Homi Burjorjee

## 7. COMPLIANCE

### 7.1. PROTECTED DISCLOSURE REPORT (CEO)

Office of the CEO

#### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

This item is to inform the committee of any Protected Disclosures which may have occurred in the previous three months of 7 February 2022 to 7 May 2022.

#### RECOMMENDATION

**That the Audit & Risk Committee notes that there were no protected disclosures for the period of 7 February 2022 to 7 May 2022.**

#### REPORT

Nil

#### RESOURCES / FINANCIAL VIABILITY

Nil

#### RISKS

Reporting of Protected Disclosures to the A&RC assists in ensuring Council meets its legislative responsibilities and compliance with the Protected Disclosure Policy.

#### STAFF DISCLOSURE

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### ATTACHMENTS

Nil

#### Minutes

Report taken as read.

#### Action Items

Nil

Mover: Sarah Gilligan  
 Seconder: Homi Burjorjee

## 7.2. IA REPORT ON SIGNIFICANT COMPLIANCE MATTERS

Performance and Innovation

### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

The purpose of this report is to report to the Audit and Risk Committee any Internal Audit related compliance matters and to provide the quarterly report from the Internal Auditor of Government and Integrity Agency Reports of which SGSC should consider.

### RECOMMENDATION

**That the Audit & Risk Committee receives this report and notes that there was a breach of Council's *Information and Privacy Policy (C22)* to report; and that the committee receives the quarterly IA report of government and integrity agency reports and investigations (IA Reports) that have relevance to SGSC.**

### REPORT

#### Breach of compliance

There is one breach of compliance to report for the previous quarter. The breach is in relation to Council's *Information and Privacy Policy (C22)* and was communicated to Council on 19 May 2022. Extensive details of the breach have been included in Council's annual report on non compliance and can be found in under: *7.3 Review systems process and instances of non compliance.*

#### Quarterly IA reports

RSD have provided their quarterly report identifying various reports and investigations from government bodies and integrity agencies that are relevant to Local Government Agencies.

Council officers have reviewed the reports identified and provided comments at the conclusion of the RSD report attached.

#### VAGO – Fraud Control Over Local Government Grants Report

Since receiving the abovementioned IA reports, VAGO has released their report on fraud control over local government grants. Management intends to review the report and provided comments and reflections in the September ARC meeting.

### ATTACHMENTS

IA Update Report - Q 3 F Y 22 - Local Government - consolidated 16.5.22 [7.2.1 - 9 pages]



**Discussion**

The Committee noted that the Rates Department will be receiving refresher training in Privacy and this training is intended to be rolled out across the whole organisation. It was requested that all Councillors be included in this training.

The Committee also requested that Council explore the idea of having an audit on Privacy included in the Internal Audit Schedule.

**Action Items**

Training Schedule for Privacy Training to be tabled at next meeting.

Management to advise if and when an audit on privacy will be conducted.

Mover: Homi Burjorjee  
Seconder: Jen Johanson

### 7.3. REVIEW SYSTEMS, PROCESSES AND INSTANCES OF NON-COMPLIANCE

Performance and Innovation

#### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

This annual report updates the Audit & Risk Committee on systems and processes to ensure compliance and provides an annual overview of any issues of non-compliance.

#### RECOMMENDATION

That the Audit & Risk Committee receives and notes:

1. The breach of Council's Information and Privacy Policy (C22) as communicated to Council on 19 May 2022 and Council's subsequent action; and
2. The current compliance process, the early development and exploration of more formal and accountable compliance tracking systems.

#### REPORT

##### Background

Generally speaking, the responsibility of compliance with legislation, policies, procedures, etc, is expected to be assured and tracked at department level by the responsible officers and management (e.g. ensuring customer enquiries are responded to in an acceptable timeframe as per the Customer Service Charter). It is expected that any instances of non-compliance would be reported to the suitable manager and/or Director

There are some situations, such as particularly high-risk areas or highly regulated areas, which have a higher level of oversight. These are currently tracked at department level by the responsible officers and management with additional oversight to ensure compliance. The level of compliance oversight depends on the compliance matter at hand and ranges from reporting to ELT, ARC, Council, internal auditors, external auditors and other external agencies.

##### Breach of Privacy

On 19 May 2022 Council was contacted by a resident regarding the release of his personal contact details by an officer. Council completed its investigation and established the facts below as advised in an email to the resident dated 26 May 2022 (personal details have been redacted).

- *"A Council officer did provide your contact details to a third party after receiving a request from a third party to contact you regarding eucalyptus trees on your property at [REDACTED];"*

- *The actions of the Council officer on this occasion did not comply with Council's Information Privacy Policy or with the requirements of the Privacy and Data Protection Act 2014 and*
- *Property owner's information should only be released in limited circumstances by Council, such as when it is requested under section 14(2) of the Fences Act 1968 or other lawful reasons set out in other Acts.*

*Council takes it's the obligations to protect and manage the personal information it holds very seriously and aims to comply with the requirements of the Privacy and Data Protection Act 2014 at all times.*

*Council would like to apologise to you for this error and any distress it may have caused you.*

*Please note that any person can obtain the owners details of any property in Victoria by undertaking a title search via the Landata website and this what the Council officer should have advised the third party to do on this occasion, as the matter in question didn't directly relate to the boundary fence.*

*Further Action By Council*

*Council will provide further privacy training to the Council Officer involved in this matter, including when section 14(2) of the Fences Act 1968 applies and does not apply.*

*Further Information*

*If you are not satisfied with the response provided by Council, you have the right to complain to the Office of the Victorian Information Commissioner (OVIC). OVIC can be contacted via [enquires@ovic.gov.au](mailto:enquires@ovic.gov.au) or their website [www.ovic.vic.gov.au](http://www.ovic.vic.gov.au)*

As at the date of this meeting, management have met with the staff member to advise of the breach and training will be provided to the entire Rates and Valuations team.

### **Summary of Observations**

- Regimented Department/Directorate reporting to ELT on compliance has improved and increased over the previous 12 to 6 months (e.g. ELT receives regular set updates from OH&S).
- The process of the risk register review in the second half of 2021 assisted in identifying some focus areas for compliance improvement and/or assurance. The level of engagement by the management and coordinators supported a culture of continual improvement in the area of compliance.
- Council does not currently have a centralised general compliance system or process. However, the risk registers assist in some centralised compliance tracking.

### **Next steps**

The risk team intends to trial the assurance of controls within the risk register and further explore the idea of a formal centralised system.

**Assurance**

As mentioned in the 1 March 2022 A&RC meeting, the Risk Team is in the early development stage of creating an assurance program for Risk Register controls. An assurance program would help to ensure that the controls for risks with high consequences are in fact in place and functioning effectively. As most risks have an element of compliance, the suitable assurance program would ensure compliance issues with the highest risks are being monitored more closely.

**Centralised system**

Earlier this year, the Risk Team has commenced some early exploration in to what a centralised compliance system could like. This included a tour/training session from RelianSys of their compliance module and connecting with another Council to ascertain how they are using the system and to have look at their formal process and supporting documentation around the system.

As the exploration is in its infancy, the Risk Team needs to determine if there is any potential for value adding for SGSC from a formal centralised system. This will likely include consultation with other teams, management and other Councils. If there appeared to be some value and interest, ELT would be briefed to determine if a centralised system would benefit SGSC.

**RESOURCES / FINANCIAL VIABILITY**

Nil

**RISKS**

In order to mitigate the risk of non-compliance, Council must maintain systems and processes to identify instances of non-compliance or potential non-compliance.

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

Nil

**Discussion**

Report taken as read

**Action Items**

Nil

Mover: Jen Johanson  
Seconder: Homi Burjorjee

#### **7.4. REVIEW PROCESS FOR COMMUNICATION AND MONITORING COMPLIANCE WITH CODE OF CONDUCT**

Performance and Innovation

##### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

This item informs the committee of the process for communicating and monitoring the compliance with the Code of Conduct.

##### **RECOMMENDATION**

**That the Audit & Risk Committee receives and notes the current process of communication and compliance with the Staff Code of Conduct. Additionally, that the Staff Code of Conduct is in the review stage and the communication and monitoring process is about to enter the review stage.**

##### **REPORT**

##### **RESOURCES / FINANCIAL VIABILITY**

A Code of Conduct for Council staff must be developed and implemented under s49 of the *Local Government Act 2020*. South Gippsland Council's Staff Code of Conduct (*Code of Conduct Policy – Staff CE20*) was implemented in October 2017. The Code of Conduct is an internal policy, and therefore approved by the Chief Executive Officer (CEO).

The Staff Code of Conduct provides a framework for staff for the ethical and professional performance of their duties, in alignment with the Council Plan. Together these documents provide employees and volunteers of South Gippsland Shire Council a clear view of the collective aspirations of the organisation, along with guidelines for individuals in the pursuit of these goals.

The current Code of Conduct is communicated to staff as part of their induction. Monitoring of compliance is undertaken by the applicable manager and any incidents are reported to People & Culture for assessment and management within the boundaries of the Code of Conduct and other applicable Policies and Legislation.

Updates to the 2017 Code of Conduct Policy has been prepared by the People & Culture Department in consultation with the Staff Consultative Committee and applicable stakeholders regarding content of the Code. The next and final step is review and endorsement by ELT and approval by the CEO. The refreshed Code of Conduct will be live by the coming quarter of 2022.

Following endorsement by ELT, the Organisational Development Coordinator (new position), will be responsible for the planning and delivering the communication and training related to the Code of Conduct to all Council employees. Accordingly, the plan is not yet in development, but will form a key part of the Organisational Development Coordinator's early role.

**RISKS**

The Code of Conduct strengthens capacity to minimize exposure of risk to Council operations and reputation, and to the volunteers and staff of South Gippsland Shire Council.

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

Nil

**Minutes**

Report taken as read

**Action Items**

Nil

Mover: Jen Johnason  
Seconder: Homi Burjorjee

## 7.5. DIRECTORATE COMPLIANCE REPORT – PERFORMANCE AND INNOVATION

Performance and Innovation

### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

The purpose of this report is to update the Audit and Risk Committee of any compliance issues within the Performance and Innovation Directorate.

### RECOMMENDATION

**That the Audit & Risk Committee receives this report and notes that there are currently no compliance issues within the Performance and Innovation Directorate.**

### REPORT

There are currently no compliance issues within the Performance and Innovation Directorate.

### Performance and Innovation Role in Compliance

The Performance and Innovation Directorate plays a significant role in governance of Council, with responsibility for the following core functions and includes compliance relating to the following legislations and their relevant subordinate instruments:

Department	Relevant Law
People & Culture	<i>Local Government Act 2020 (Vic)</i> <i>Local Government Act 1989 (Vic)</i> <i>Disability Act 2006 (Vic)</i> <i>Equal Opportunity Act 2010 (Vic)</i> <i>Protected Disclosure Act 2012 (Vic)</i> <i>Racial and Religious Tolerance Act 2001 (Vic)</i> <i>Worker Screening Act 2020 (Vic)</i> <i>Child Safety and Wellbeing Act 2005</i> <i>Occupational Health and Safety Act 2004 (Vic)</i> <i>Modern Slavery Act 2018 (Cth)</i> <i>Gender Equality Act 2020 (Vic)</i> <i>Fair Work Act 2009 (Cth)</i>
Financial Strategy	<i>Local Government Act 2020 (Vic)</i> <i>Local Government Act 1989 (Vic)</i> <i>Freedom of Information Act 1982 (Vic)</i> <i>Valuation of Land Act 1960 (Vic)</i> <i>Modern Slavery Act 2018 (Cth)</i> <i>Competition and Consumer Act 2010 (Cth)</i>
Governance	<i>Local Government Act 2020 (Vic)</i> <i>Local Government Act 1989 (Vic)</i>

	<i>Acts Interpretation Act 1901 (Cth)</i>
Customer, Communications & Advocacy	<i>Local Government Act 2020 (Vic)</i> <i>Local Government Act 1989 (Vic)</i>
Innovation & Technology	<i>Local Government Act 2020 (Vic)</i> <i>Local Government Act 1989 (Vic)</i> <i>Privacy and Data Protection Act 2014 (Vic)</i> <i>Health Records Act 2001 (Vic)</i>

More generally, the Performance and Innovation Directorate as a whole ensures all relevant laws under the *Local Government Act 1989 (Vic)*, *Local Government Act 2020 (Vic)*, the *Charter of Human Rights and Responsibilities Act 2006 (Vic)* and other relevant regulations and State policies are complied with when fulfilling its function.

The Performance and Innovation Directorate confirms that there are currently no compliance issues in relation to the above legislation and relevant subordinate instruments to report.

#### **Key Areas of Change and Improvement**

- Gender Equality Plan Complete
- Workforce Plan Complete
- Election successfully completed
- Councillor Code of Conduct reviewed, adopted and signed by Councillors
- Councillor Transition Program completed with on-going refresher and further development sessions organised.
- Councillor Support & Expenditure Policy reviewed and re-adopted
- The development of the suite of Integrated Plans is on track for adoption by 30 June 2022, and based on the most significant level of community engagement ever conducted by Council:
  - Community Vision
  - Council Plan
  - Long-term Financial Plan
  - Budget
  - Revenue and Rating Plan
  - Arts, Culture and Creative Industries Strategy
  - Advocacy Strategy



**Discussion**

The Committee acknowledged the incredible work across council on the integrated plans. Management commented on the hard work by the Councillors also.

**Action Items**

Nil

Mover: Homi Burjorjee  
Seconder: Jen Johanson

## 7.6. GIFTS, BENEFITS AND HOSPITALITY REGISTER

Performance and Innovation

### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

This report provides the Committee with a copy of Council's Gifts Register in accordance with the *Councillor Gifts, Benefits and Hospitality Policy (C01)* (the Policy).

### RECOMMENDATION

**That the Audit and Risk Committee receives and notes the excerpt Council's Gifts Register from 1 July 2021 to 31 March 2022 (Attachment [7.6.1]).**

### REPORT

The Policy, as adopted by Council on 21 April 2021, requires "a copy of Council's Gifts Register may be provided to the Audit and Risk Committee and Council (via the Audit and Risk Committee) every 12-months for their consideration. Monitoring Council's Gifts Register will allow for any identified trends developing to be identified and considered by the Committee".

### Councillor Gifts, Benefits and Hospitality Policy (the Policy)

The *Local Government Act 2020* (the Act) requires Council to develop a Councillor Gift Policy. The overarching principle of South Gippsland Shire Council's Policy is to provide:

*"... guidance in the management and declaration of gifts provided to Councillors and supports Council's governance and risk framework that protects and promotes public confidence in the honesty and integrity of the Council.*

*This Policy is an integral part of the Structure, Systems and Policies pillar of the Good Governance Framework and outlines responsibility of a Councillor in declaring the receiving of gifts and donations."*

### Acceptable Gifts

Councillors are allowed to accept some gifts, however, they are advised to avoid comprising their ability to act independently by accepting gifts individually, or accumulatively within a financial year that have a monetary value of \$50 or more.

Councillors are allowed to accept gestures that are token gift offers, benefits and hospitality without approval or declaring the offer on the Gift Register if the value, or aggregate value is under \$50. Examples of these include an object of no monetary value such as homemade baked goods or a souvenir from a conference or seminar such as a tie, pen or mug. The Policy does state however that if these gestures are offered routinely, they should be recorded on the Gift Register once the value reaches \$50.

### Gift Register

The Council Gift Register is used to record all gifts, whether accepted, declined or given to the Chief Executive Officer (CEO) for Council's use. Section 3.8.4 of the Policy states that gifts valued at \$50 or more, including aggregated gifts must be disclosed in Council's Gift Register by completing a Gift and Donation Declaration Form and submitting this to the CEO office.

The following table provides a listing of the Gift Register for the past 12 months.

DATE	NAME	NATURE OF GIFT / DONATION	ESTIMATED VALUE	ACCEPTED/NOT ACCEPTED	GIFT FROM WHOM
7/10/21	Kerryn Ellis	Book - "Just Lead" by Dale Monk	\$30	Yes – held in office	Ministry of leadership
29/9/21	Eileen Cook	Two packets of bulbs (lillies) from Tesselaar	\$70	No	Kenneth Lilley
3/12/21	Councillor Davies	Flowers arrangement	\$80	Yes	Sue & Ross Svenson
16/12/21	Joseph Sheppard	First class hamper – craft beer & snacks hamper	\$99.99	No	Payroll talent
20/12/21	Kathryn Bates	Gift hamper	\$50	No	Office choice

### RISKS

In order to comply with its obligations under the *Local Government Act 2020* and maintain the trust and confidence of the community, it is critical that Council, and employees maintain the highest possible standards of good governance, integrity, ethical behaviour and conduct.

### STAFF DISCLOSURE

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

### ATTACHMENTS

Nil

**Discussion**

The Committee noted that there is significant information on gifts but nothing on benefits or hospitality, although Councillor Gilligan was of the opinion that this was being reported. The Committee commented that it is good to see the \$50 amount being complied with.

The Committee asked that the report be reworked as the amount of information is good but the scope needs to be broadened to include benefits and hospitality.

The Committee discussed the fact that they are asked to look at trends. However, as the Councillors have not been appointed for a year there won't be clear trends as yet. Committee would like longer duration trends to be provided in future.

**Action Items**

The Gifts, Benefits and Hospitality Report to be re-submitted to include hospitality. The Report should also include previous year trending in future.

The Committee questioned if Councillor expenses should be reviewed and management suggested that a review of the Local Government Act to ensure all reporting requirements are being captured.

Mover: Jen Johanson  
Secunder: Homi Burjorjee

## 7.7. REVIEW OF DELEGATIONS

Performance and Innovation

### WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?

This item is to update the Audit & Risk committee on the status of the delegations within Council.

### RECOMMENDATION

**That the Audit & Risk Committee receives and notes the systems and process of delegation reviews and the status of instruments of delegations.**

### REPORT

The delegations are currently managed within the Risk Team. Reviews are commenced every 6 to 12 months. When the need for changes are identified, a new instrument is drafted. Depending on the instrument, some are adopted by Council but all are signed by the CEO. Both Council's Maddocks subscription and RelianSys Delegation Module notify Council of any changes required to delegations.

The s5 Instrument of Delegation by Council to CEO was updated earlier this year to provide an increased financial delegation to the CEO and allow the CEO to approve contracts and expenditure for annual Capital Works Program projects that have been adopted by Council in the Annual Budget.

The Risk Team has engaged in consultation with each department to assess their current delegations to ensure they align with Council's current structure and roles. Management also gave advice on the allocation of any new provisions. For instruments of delegation set by the CEO, the next step is to have the recommended changes reviewed by the applicable director and then returned to the CEO for review and signing. Only one Instrument of delegation which requires adoption by Council is due for updating, being the S6 Instrument of Delegation. It will be reviewed by the executive team and then presented to Council. It is anticipated that this process will be complete within the coming quarter of 2022.

As the s12 Instrument of Delegation & Authorisation by the Municipal Building Surveyor is owned by the MBS, the risk team is in consultation with the Planning & Building Services manager to arrange the review and signing of an updated s12.

The current status of the instruments of delegation are as follows:

<b>Delegation By</b>	<b>Instrument Name</b>	<b>Dated</b>	<b>Status</b>
Council	S5 – Instrument of Delegation by Council to CEO	16-Mar-22	Current
Council	S6 – Instrument of Delegation by Council to Council Staff	16-Jun-21	Changes required
CEO	S7 – Instrument of Sub-Delegation by CEO to Council Staff	15-Jun-21	Changes required
CEO	S13 – Instrument of Delegation by CEO to Council Staff	15-Jun-21	Changes required
CEO	S14 – Instrument of Delegation by CEO for VicSmart Applications	2-Sep-20	Changes required
CEO	S16 – Instrument of Delegation by CEO for Bushfire Reconstruction	26-Apr-21	Changes required
Council	S18 – Instrument of Sub-delegation under the EP Act 2017	18-Aug-21	Current
MBS	S12 - Instrument of Delegation & Authorisation by the Municipal Building Surveyor	26-May-21	Changes required

#### **RESOURCES / FINANCIAL VIABILITY**

Nil

#### **RISKS**

If delegations are not reviewed regularly and updated as required, there is a risk that Council Officers and/or the CEO acts outside of the powers delegated to them. This can result in invalid decision making.

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### **ATTACHMENTS**

Nil

#### **Discussion**

Taken as read.

#### **Action Items**

Nil

Mover: Jen Johanson

Seconder: Homi Burjorjee

## **8. FRAUD PREVENTION SYSTEMS AND CONTROLS**

### **8.1. FRAUD AND CORRUPTION REPORT**

Office of the CEO

#### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

This item informs the Audit and Risk Committee of any acts of fraud, corrupt conduct and possible illegal acts that may have occurred in the period of 7 February 2022 to 8 May 2022.

#### **RECOMMENDATION**

**That the Audit & Risk Committee notes that no acts of fraud, corrupt conduct, or possible illegal acts have occurred in the period of 7 February 2022 to 8 May 2022.**

#### **REPORT**

Nil

#### **RESOURCES / FINANCIAL VIABILITY**

Nil

#### **RISKS**

This report to the Audit and Risk Committee assists in ensuring accountability of Council in the response to any fraud, corrupt conduct and possible illegal acts, in accordance with Council policy.

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter

#### **ATTACHMENTS**

Nil

#### **Discussion**

Taken as read

#### **Action Items**

Nil

Mover: Jen Johanson  
Seconder: Homi Burjorjee



## 9. GOVERNANCE

### 9.1. POLICES AND PROCEDURES FOR REVIEW

Performance and Innovation

#### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

This report brings the policies for review to the Audit & Risk Committee to enable oversight of relevant policies.

#### **RECOMMENDATION**

**That the Audit & Risk Committee receives and notes the Draft Procurement Policy for review and comment.**

#### **REPORT**

The Audit & Risk Committee Charter presents a number of focus areas of Council function for oversight. A component of this oversight is the policy framework within which Council operates.

The Procurement Policy (“the Policy”) was adopted by Council in July 2021 and not scheduled for review until July 2024, however, changes in the s5 Instrument of Delegation from Council to CEO triggered a review to update the Policy. The Procurement Team has also taken the opportunity of review to make some further improvements to the Policy and update the formatting to the current Council Policy template.

Please find the Draft Policy attached for review (attachment 9.1.1). A further attachment (9.1.2) contains a table with a full list of changes made referencing the relevant section numbers.

A summary of the changes to the Policy are:

1. The Policy now aligns with the increased financial delegation to the CEO found in the s5 Instrument of Delegation from Council to CEO;
2. The Policy now includes the CEO’s ability to approve contracts and expenditure for annual Capital Works Program projects that have been adopted by Council in the Annual Budget;
3. The Policy includes a table of exemptions to clarify some previous points that were silent in the Policy, such as the Contracts for Regional and Public Libraries and the Regional Waste Management Groups; and
4. Included additional provisions around Commercial in Confidence and Non-disclosure terms.

5. The Policy has been subject to some wording changes, some unnecessary information has been removed and the order has been amended to provide improved flow for the reader.

#### **RESOURCES / FINANCIAL VIABILITY**

Nil

#### **RISKS**

Nil

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### **ATTACHMENTS**

1. C 32 Procurement Policy 2022 - draft June [9.1.1 - 12 pages]
2. Procurement Policy changes [9.1.2 - 1 page]

#### **Discussion**

The policy has been updated to include an exclusion for library payment, in line with the new CEO delegation which has been streamlined in other areas.

The Committee made the following recommendations of improvement to the Draft Procurement Policy:

- Ensure the procurement process and the item raised by Marsh in relation to daily limits is addressed
- To include mention of:
  - Procurement process (manual)
  - Conflict of interest
  - Procurement Advisor
  - Selection process
  - Discharging responsibilities
  - Currency of insurance

If the above are included in the manual, the reader should be directed to the manual from within the Policy.

- Outline when you would use a probity advisor
- To ensure the Policy includes policy like material and refers to the Policy Manual for procedural information and procedure should not be included in the Policy.
- Increase the commentary on best practice at 3.4.4
- Refer to OH&S at 3.6.12
- Refer to anti-slavery legislation at 3.10
- Look at product lifecycle and circler economy at 3.11.5

- Increase the commentary on local suppliers – refer to manual for weighting
- Refer to Council panel suppliers
- Refer to the table in 3.26
- Combine points 1 & 2 in 3.28
- Remove 3.34
- Ensure conflict of interest refers to entire process at 3.35

**Action Items**

To consider and incorporate the above recommendations.

## **10. REPORTING RESPONSIBILITIES**

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

Performance and Innovation

#### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

To confirm back to the Committee that the previous meeting minutes were provided to Council

#### **RECOMMENDATION**

**That the Audit and Risk Committee notes that the minutes of the 1 March 2022 Audit and Risk Committee were provided to and accepted by Council at the 20 April 2022 Council Meeting.**

#### **REPORT**

Nil

#### **RESOURCES / FINANCIAL VIABILITY**

Nil

#### **RISKS**

Nil

#### **STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

#### **ATTACHMENTS**

Nil

#### **Discussion**

Taken as read

#### **Action Items**

Nil

Mover: Jen Johanson  
Seconder: Homi Burjorjee

## **11. GENERAL BUSINESS AND COMMITTEE OPERATIONS**

### **11.1. REVIEW OF AUDIT AND RISK COMMITTEE QUESTIONNAIRE RESULTS**

Performance and Innovation

#### **WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

To present the Committee with the findings of the updated Annual Committee Performance Self Assessment including comparison to results of previous years.

#### **RECOMMENDATION**

**That the Audit & Risk Committee receives and notes the report of the Audit and Risk Committee performance review.**

#### **REPORT**

The 2022 ARC Self Assessment Survey summarises the Committee's primary strengths as -

- The ARC Charter provides a strong framework in detailing the responsibilities of the Committee.
- The ability of the Committee to analyse and critically evaluate information presented to it in the form of agendas and supporting papers.

Areas for improvement noted as –

- Review of the Charter wording, particularly on values and code of conduct
- Structure of the Committee to be increased to five members with two Councillors being appointed and the Mayor attending as an observer
- Clarify the process for Committee members to access advice, knowledge and/or training

A copy of the ARC Self Assessment Survey is attached (attachment 11.1.1), detailing analysis and comments.

#### **RESOURCES / FINANCIAL VIABILITY**

Nil

**RISKS**

Annual performance assessment of the Committee ensures that arising committee level issues are detected, achievement of the chartered objectives assessed, skill gaps can be identified, and issues of concern can be aired, discussed and continuous improvement measures can be determined.

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

1. Audit and Risk Committee Questionnaire Results [11.1.1 - 45 pages]

**Discussion**

The Committee commented that the results of the survey were generally pleasing but considers that they should focus on the areas for improvement to facilitate continuous improvement of the Committee. The following suggestions and comments were discussed:

- If a recipient doesn't feel they have adequate experience to answer the question/s, do not, or refrain from answering the questionnaire all together
- In relation to service knowledge of the Committee, the Committee commented that there is substantial experience within the Committee.
- One respondent did not feel the Committee showed openness to new ideas. The Committee encourages those concerned to reach out to the Chair to discuss further if they wish.
- Some respondents reflected that the Committee can dive into operational content too heavily, this is an area that requires balance due to the requirement of governance and oversight. So, the question is whether the committee is getting the balance right. The Committee reflected that looking at the workplan again after it has been reviewed to ensure it meets the *Local Government Act 2020* may assist the Committee. Further, could the workplan be recirculated or be included in a standing agenda plan and reference the agenda item in it and be circulated with the agenda.
- The Committee noted that they are happy to attend relevant training when provided to the Councillors

**Action Items**

- Should a respondent be new to the role or not have sufficient knowledge to answer the annual survey question, there should be an option not to answer particular questions within the survey.
- That the workplan be brought back to next meeting for review
- To circulate the workplan with the agenda

**11.2. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE**

Performance and Innovation

**WHAT IS SOUGHT FROM THIS AUDIT & RISK COMMITTEE ITEM?**

For the committee to review and discuss this meeting, what went well in achieving its objectives, and areas for improvement for the next meeting/s.

**RECOMMENDATION**

Nil

**REPORT**

Nil

**RESOURCES / FINANCIAL VIABILITY**

Nil

**RISKS**

Nil

**STAFF DISCLOSURE**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

**ATTACHMENTS**

Nil

**Discussion**

The Committee commented that the meeting was effective with all information provided in a timely manner. The Mayor has been invited to add any comments throughout the meeting.

The Committee discussed who should be included in pre-meeting emails discussing the agenda, it was decided that those in the in camera session should also be included in the pre-meeting emails.

**Action Items**

All attendees for the In-Camera session to receive all pre-meeting documentation.

Mover: Jen Johanson

Secunder: Homi Burjorjee



## **12. OTHER BUSINESS**

*Other Business items for discussion*

### **Discussion**

The Committee discussed appointing a second Councillor.

### **Action Items**

Management to amend the Charter for A&RC review prior before presenting to Council.

Mover: Jen Johanson

Seconder: Homi Burjorjee

## **13. MEETING CLOSED**

### **NEXT MEETING**

The meeting was closed at 11:24 AM.

The next Audit & Risk Committee Meeting is scheduled to be held on 13 September 2022.