

SOUTH GIPPSLAND SHIRE COUNCIL

Audit & Risk Committee

20 June 2023
In Person 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 20 June 2023 are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 19 July 2023.



Kerry Ellis
Chief Executive Officer

Minutes - 20 June 2023

AUDIT & RISK COMMITTEE AGENDA

| Date Time | 20 June 2023 9:00 AM | Location | Coal Creek, Korumburra |
|---------------------------|---|----------|------------------------|
| Attendees | Ms Jen Johanson (Audit and Risk Committee Chair) Mr Mick Jaensch Ms Marilyn Kearney Cr Sarah Gilligan Cr Jenni Keerie | | |
| Ex-officio Member | Cr Nathan Hersey (Mayor) | | |
| Support Staff | Kerryn Ellis, Chief Executive Officer; Allison Jones, Director Performance & Innovation; Melissa Baker, Manager Financial Strategy; Karina Strybosch, Risk and Procurement Coordinator; Lynn Behmer, Risk & Compliance Officer; Tony Peterson, Director Sustainable Infrastructure; Simon Dean, Manager Digital and Technology; | | |
| Internal Audit | Crowe: Andrew Zavitsanos | | |
| External Audit | Victorian Auditor General's Office: Jung Yau: Audit Manager, Local Government; Anoja Bassa-Hewayala, Assistant Manager | | |
| In-Camera Section | Committee only in In-Camera Session followed by time with Chief Executive Officer. | | |
| 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. | | |

TABLE OF CONTENTS

| | |
|--|-----------|
| 1. IN CAMERA - CONFIDENTIAL AUDIT & RISK REPORTS | 7 |
| 1.1. IN CAMERA COMMITTEE ONLY | 7 |
| 1.2. IN CAMERA COMMITTEE WITH CEO | 7 |
| 2. PRELIMINARY MATTERS..... | 7 |
| 2.1. WELCOME..... | 7 |
| 2.2. ACKNOWLEDGEMENT OF COUNTRY | 7 |
| 2.3. ATTENDEES..... | 7 |
| 2.4. APOLOGIES..... | 7 |
| 2.5. DECLARATION OF CONFLICTS OF INTEREST OR DUTIES | 8 |
| 2.6. CONFIRMATION AND ACTIONS ARISING FROM PREVIOUS MINUTES | 9 |
| 3. AUDIT REPORTS..... | 9 |
| 3.1. VAGO STATUS REPORT | 9 |
| 3.2. EXTERNAL AUDIT OPEN ACTION ITEMS UPDATE..... | 10 |
| 3.3. EXTERNAL AUDIT REPORT - UPDATE ON INTERIM VISIT..... | 10 |
| 3.4. REVIEW INTERNAL AUDIT REPORTS | 11 |
| 3.5. INTERNAL AUDIT OPEN ACTION ITEMS UPDATE | 12 |
| 3.6. INTERNAL AUDIT - REVIEW AND ENDORSE SCOPES..... | 12 |
| 4. FINANCIAL AND PERFORMANCE REPORTS..... | 13 |
| 4.1. ORGANISATIONAL AND FINANCIAL PERFORMANCE REPORT AND LGPRF TRAFFIC LIGHT REPORT – JULY 2022 TO MARCH 2023 | 13 |
| 4.2. FINANCIAL YEAR END STRATEGY | 13 |
| 4.3. REPORT - CAPITAL BUDGETING AND REPORTING PROCESS | 14 |
| 4.4. REPORT - PROCESS FOR ASSESSMENT OF ASSET VALUATIONS..... | 14 |
| 5. GOVERNANCE AND COMPLIANCE REPORTS | 15 |
| 5.1. INTEGRITY AGENCY REPORT | 15 |
| 5.2. REPORT ON SIGNIFICANT COMPLIANCE MATTERS..... | 15 |
| 5.3. REVIEW THE SYSTEMS AND PROCESSES FOR MONITORING COMPLIANCE WITH RELEVANT LEGISLATION AND REGULATIONS..... | 15 |
| 5.4. REVIEW THE PROCESSES FOR COMMUNICATING COUNCIL'S EMPLOYEE CODE OF CONDUCT | 16 |
| 5.5. REVIEW ADEQUACY, EFFECTIVENESS AND COMPLIANCE OF INTERNAL CONTROL ENVIRONMENT | 16 |
| 5.6. REVIEW REIMBURSEMENT OF EXPENSES OF COUNCILLORS AND MEMBERS OF A DELEGATED COMMITTEE | 17 |
| 5.7. REPORT ON COUNCILLOR & EMPLOYEE GIFTS, BENEFITS & HOSPITALITY | 17 |
| 6. RISK REPORTS | 17 |

Minutes - 20 June 2023

| | |
|--|-----------|
| 6.1. QUARTERLY RISK MANAGEMENT REPORT | 17 |
| 6.2. FRAUD PREVENTION SYSTEMS AND CONTROLS..... | 18 |
| 6.3. INSURANCE CLAIMS & UPDATE REPORT | 18 |
| 6.4. INSURANCE PROGRAM REVIEW PRIOR TO RENEWAL | 19 |
| 6.5. CE78 - OCCUPATIONAL HEALTH & SAFETY POLICY | 19 |
| 7. GENERAL BUSINESS AND COMMITTEE REPORTS | 19 |
| 7.1. DIRECTORATE REPORT - SUSTAINABLE INFRASTRUCTURE..... | 19 |
| 7.2. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE | 20 |
| 7.3. REVIEW ARC WORK PLAN AND SET DATE FOR OCTOBER MEETING | 21 |
| 7.4. BI-ANNUAL CHAIR REPORT | 21 |
| 8. OTHER BUSINESS | 21 |
| 9. MEETING CLOSED | 21 |



Kerryn Ellis
Chief Executive Officer

1. IN CAMERA - CONFIDENTIAL AUDIT & RISK REPORTS

1.1. IN CAMERA COMMITTEE ONLY

1.2. IN CAMERA COMMITTEE WITH CEO

2. PRELIMINARY MATTERS

2.1. WELCOME

2.2. ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Bunurong and Gunaikurnai people as the Traditional Custodians of South Gippsland and pay respect to their Elders, past, present, and future, for they hold the memories, traditions, culture, and hopes of Aboriginal and Torres Strait Islander people of Australia.

2.3. ATTENDEES

| | |
|------------------|---|
| Attendees | Attendees are as noted above with the exception of any apologies found at item 2.4 |
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2.4. APOLOGIES

| | |
|------------------|--|
| Apologies | Travis Derricott, VAGO Sector Director Lynda Cooper, Crowe Rachna Singh, Crowe |
|------------------|--|

2.5. DECLARATION OF CONFLICTS OF INTEREST OR DUTIESMs. Jen Johanson

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

Mr Mick Jaensch

- Director – MIK2 Consulting Services
- Non-Executive Director – Southeast Leisure Pty Ltd
- Independent Member – Audit and Risk Committee - West Wimmera Shire Council
- Independent Member – Audit and Risk Committee - Bayside City Council
- Independent Member – Audit and Risk Committee – City of Greater Geelong
- Independent Member – Audit and Risk Committee – Brimbank City Council
- Independent Member – Audit and Risk Committee – Knox City Council
- Consulting to South Gippsland Shire Council – Financial Sustainability Review

Ms Marilyn Kearney

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

2.6. CONFIRMATION AND ACTIONS ARISING FROM PREVIOUS MINUTES

Discussion

The Committee received confirmation that the draft meeting minutes from the previous meeting were presented at the Council meeting held on 17 May 2023. The Committee confirmed its approval of the meeting minutes.

In reviewing the Open Action Items, the Committee requested an update on the Strategic Risk Report (Action 3010) following its presentation to ELT for feedback. Management advised that the Risk Report (Item 6.1) has been refined to a listing of ten Strategic Risks. The next step is for Management to assess each and develop these into the same format as the current Strategic Risks.

The Committee requested Management to provide a timeframe on a risk assessment basis for the closure dates of action items. Should closure within the nominated timeframe not be possible, the Committee requested that Management identify and reporting on how the risk will be mitigated until closure.

The suggested timeframe matrix for closure timeframes is -

- High Risk = 3 Months
- Medium Risk = 6 Months
- Low Risk = 12 Months

The Committee also questioned the completion dates of Action Items and whether nominated closure dates are too ambitious when first being set. Management noted the Committee's feedback and will review with the organisation.

Action Items

The Strategic Risk Report will be tabled at the September 2023 Audit and Risk Committee.

Officers to include a reference to the agenda item where an action is complete and tabled at a meeting.

Moved: Mick Jaensch

Seconded: Cr. Sarah Gilligan

3. AUDIT REPORTS

3.1. VAGO STATUS REPORT

Discussion

Report was taken as read.

Minutes - 20 June 2023

The Committee queried the level of carry forward funding related to storm events.

Management advised that in terms of storm events, Council usually receives the funding post the event although there have been recent cases of receiving funding in advance. The storm claims process is being reviewed for opportunities to streamline.

Action Items

Only the latest VAGO Report to be included in future Audit and Risk Committee Agendas.

Moved: Marilyn Kearney

Seconded: Cr. Jenni Keerie

3.2. EXTERNAL AUDIT OPEN ACTION ITEMS UPDATE

Discussion

Management were pleased to advise that one item has now been resolved and two others are on track to be resolved at financial year end.

The Committee also raised with VAGO the importance of improving their reporting timelines.

Action Items

Nil

Moved: Mick Jaensch

Seconded: Marilyn Kearney

3.3. EXTERNAL AUDIT REPORT - UPDATE ON INTERIM VISIT

Discussion

Management introduced the report and advised the Committee of their expectation that many of the actions raised will be closed out in the year-end report.

The Committee invited feedback from VAGO on how their reporting timelines could be improved.

Action Items

Nil

Moved: Cr. Jenni Keerie

Seconded: Mick Jaensch

3.4. REVIEW INTERNAL AUDIT REPORTS

Discussion

Privacy Management Audit

Crowe commented that Management should continue to review governance practices to ensure these are up to date and include privacy training on social media behaviours for both officers and Councillors.

Management advised that this content was included in the most recent Councillor induction program, and that a Councillor Briefing Session is planned for later this year that will include privacy considerations for Councillors.

The Committee drew Management's attention to the Target Date for Finding 3 in the Audit Report, regarding developing a process to periodically review Council's social media sites to ensure privacy and personal information are managed in accordance with the *Privacy and Data Protection Act*.

Management advised that this task will be completed in the next six months, ahead of the documented 2024 completion date.

Councillor Compliance Audit

Crowe outlined the content of the audit and suggested that some clarity is required around the \$500 threshold noted in the Policy and when this triggers a conflict of interest. Crowe suggested that a review be undertaken to ensure the Policy aligns with the *Local Government Act 2020* and the process and reporting for Councillors' expenses.

Management informed the Committee that there has been a strong focus on process improvements in governance following the dismissal of the last Council, and drew the Committee's attention to the Municipal Monitor Prue Digby's report providing very strong positive feedback on Council's updated governance practices.

Minutes - 20 June 2023

Action Items

- The Committee requested that Management review the target dates for the actions listed in the Privacy audit with completion dates based on a Risk Category Matrix.
- The Committee requested that where completion dates are greater than six months in the future, milestones are identified and regularly reported to ensure that Open Action items are kept on track.

Moved: Cr. Sarah Gilligan

Seconded: Marilyn Kearney

3.5. INTERNAL AUDIT OPEN ACTION ITEMS UPDATEDiscussion

Report taken as read.

Action Items

Overdue items to be reviewed with Internal Audit to ensure they are still relevant.

Moved: Cr. Sarah Gilligan

Seconded: Mick Jaensch

3.6. INTERNAL AUDIT - REVIEW AND ENDORSE SCOPESDiscussionChild Safety Audit Scope

Crowe advised the Committee that there are 11 Standards that came into effect in July 2022, with the broader regulations in place since 2016. The audit will align with the intent of the legislation and standards and will encompass a sample of compliance understanding across the organisation.

Cyber Audit Scope

The Committee requested that all Internal Audit reports should include information on root causes and details on required reporting.

Minutes - 20 June 2023

Action Items

- Management to provide Crowe with a copy of the last penetration test that will form the foundation for finalising the cyber internal audit scope.
- Once finalised, Management to circulate the draft scope for feedback out of session

Moved: Cr. Sarah Gilligan

Seconded: Marilyn Kearney

4. FINANCIAL AND PERFORMANCE REPORTS

4.1. ORGANISATIONAL AND FINANCIAL PERFORMANCE REPORT AND LGPRF TRAFFIC LIGHT REPORT – JULY 2022 TO MARCH 2023

Discussion

Management introduced the report that was presented to Council at the meeting held on 17 May 2023.

The Committee requested an update on the organisation's plans for a Disaster Recovery Program test, and Management was pleased to advise that a Business Continuity Plan (BCP) and Emergency Management (EM) simulation exercise is scheduled for 22 June 2023.

The Committee commended Management on the quality of the report and significant progress completed year to date.

Action Items

The updated Disaster Recovery Plan document will be tabled at the next Audit and Risk Committee meeting.

Moved: Cr. Jenni Keerie

Seconded: Cr. Sarah Gilligan

4.2. FINANCIAL YEAR END STRATEGY

Discussion

Report taken as read.

Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

4.3. REPORT - CAPITAL BUDGETING AND REPORTING PROCESS

Discussion

Report taken as read.

Action Items

Management to provide a report to the Committee on the final list of Carried Forward items at the September 2023 meeting.

Moved: Marilyn Kearney

Seconded: Mick Jaensch

4.4. REPORT - PROCESS FOR ASSESSMENT OF ASSET VALUATIONS

Discussion

Report taken as read.

Victorian Auditor General's Office Audit Manager Jung Yau commended this Report to the Committee as it addresses recommendations made for all Councils for asset valuations as part of the *Results of the 2021-22 Audits: Local Government*.

Action Items

This report is to be added to the Audit and Risk Workplan as an annual item.

Moved: Cr. Sarah Gilligan

Seconded: Marilyn Kearney

5. GOVERNANCE AND COMPLIANCE REPORTS

5.1. INTEGRITY AGENCY REPORT

Discussion

The Committee queried Management's comments on the current system limitations with the issuance of Building Infringement Notices for enforcement of pool and spa regulations, and queried what actions will be taken to resolve these issues.

Management advised that this issue will be incorporated into the organisation's IT Strategy to review whether current systems meet needs in this area. Council was recently successful in securing grant funding to review the planning and building components of this system.

Action Items

Management to provide further information out of session to the Committee.

Moved: Cr. Jenni Keerie

Seconded: Cr. Sarah Gilligan

5.2. REPORT ON SIGNIFICANT COMPLIANCE MATTERS

Discussion

Report taken as read.

Action Items

Nil

Moved: Mick Jaensch

Seconded: Marilyn Kearney

5.3. REVIEW THE SYSTEMS AND PROCESSES FOR MONITORING COMPLIANCE WITH RELEVANT LEGISLATION AND REGULATIONS

Discussion

Minutes - 20 June 2023

The Committee discussed methods for monitoring and reporting on legislative compliance, and Management confirmed the commitment to continue to refine Council's approach to ongoing compliance reporting.

A new risk-based report will be tabled at the September 2023 Audit and Risk Committee meeting.

Crowe commented that this is a difficult area to manage in the Local Government sector as there is a significant volume of legislation to consider and agreed with Management's suggested risk-based approach.

Action Items

The Committee Chair will discuss the format of the new report with Management out of session.

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

5.4. REVIEW THE PROCESSES FOR COMMUNICATING COUNCIL'S EMPLOYEE CODE OF CONDUCT

Discussion

Report taken as read.

Action Items

Nil.

Moved: Marilyn Kearney

Seconded: Mick Jaensch

5.5. REVIEW ADEQUACY, EFFECTIVENESS AND COMPLIANCE OF INTERNAL CONTROL ENVIRONMENT

Discussion

The Committee would like a more comprehensive report that maps key internal controls to assurance considering three lines of defence structure.

Action Items

The Committee Chair will discuss the Report format with Management out of session.

Moved: Cr. Sarah Gilligan

Seconded: Marilyn Kearney

5.6. REVIEW REIMBURSEMENT OF EXPENSES OF COUNCILLORS AND MEMBERS OF A DELEGATED COMMITTEE

Discussion

Report taken as read

Action Items

Nil

Moved: Cr. Jenni Keerie

Seconded: Cr. Sarah Gilligan

5.7. REPORT ON COUNCILLOR & EMPLOYEE GIFTS, BENEFITS & HOSPITALITY

Discussion

Report taken as read

Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

6. RISK REPORTS

6.1. QUARTERLY RISK MANAGEMENT REPORT

Discussion

Taken as read.

The Committee recognised the work currently being undertaken on developing Council's revised Strategic Risks.

Action Items

Nil

Moved: Marilyn Kearney

Seconded: Mick Jaensch

6.2. FRAUD PREVENTION SYSTEMS AND CONTROLS

Discussion

Discussion was held on types of reporting that would provide the most relevant information to the Committee for discussion.

Action Items

The Committee Chair will meet with Management to discuss the format of future reports.

Moved: Cr. Sarah Gilligan

Seconded: Marilyn Kearney

6.3. INSURANCE CLAIMS & UPDATE REPORT

Discussion

Management introduced the report to inform the Committee on Insurance Claims for the current period and to provide an update on general insurance issues.

The Committee asked if all trip/fall incidents are investigated for cause and was assured by Management that each site is inspected and remedial action undertaken if the road/path/footpath is within the intervention levels in Council's Road Management Plan.

Action Items

Nil

Moved: Cr. Jenni Keerie

Seconded: Cr. Sarah Gilligan

6.4. INSURANCE PROGRAM REVIEW PRIOR TO RENEWAL

Discussion

Report taken as read.

Action Items

- Management will include the 2023/24 premium details as part of the September report to the Committee.
- The Committee will be provided with further details relating to Cyber Insurance coverage at the September meeting, i.e., cost and extent of coverage.

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

6.5. CE78 - OCCUPATIONAL HEALTH & SAFETY POLICY

Discussion

Report taken as read.

The Committee commended management on the quality and clarity of the policy.

Action Items

Nil

Moved: Marilyn Kearney

Seconded: Mick Jaensch

7. GENERAL BUSINESS AND COMMITTEE REPORTS

7.1. DIRECTORATE REPORT - SUSTAINABLE INFRASTRUCTURE

Discussion

The Director of Sustainable Infrastructure provided a broad overview of the issues and challenges faced by the directorate, such as:

- Managing an ageing asset portfolio;
- Difficulty in obtaining and retaining skilled personnel;
- Increasing cost of materials and contractors for new projects and maintenance programs; and
- Managing the significant expansion of the Capital Works program over recent years, mainly as a result of external funding received, within existing staffing levels.

The Committee queried what the process is for disposal of assets, and management provided advice on this issue.

The Committee recognised that in the Local Government Sector, risk is often placed on contractors but has suggested that work could be done to achieve a shared risk profile. To understand the issues contractors are facing, the Annual Contractor Breakfast will be used as a forum to obtain feedback on the hurdles in tendering for and delivering projects.

The Committee thanked the Director for the information provided.

Action Items

Nil

Moved: Cr. Sarah Gilligan

Seconded: Marilyn Kearney

7.2. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE

Discussion

The Committee Chair requested feedback on the flow and content of the meeting.

Action Items

The Committee Chair to discuss the opportunity to further refine the meeting Run Sheet with Management out of session.

Moved: Cr. Jenni Keerie

Seconded: Cr. Sarah Gilligan

7.3. REVIEW AUDIT AND RISK COMMITTEE WORK PLAN AND SET DATE FOR OCTOBER MEETING

Discussion

The Committee Chair suggested some amendments to the Workplan that will be discussed with Management out of session and presented to the Committee at the September 2023 meeting.

The date for the next meeting was set for 26 September 2023 as the final reports from VAGO will be available and this will be an in-person meeting.

The December 2023 meeting will be held in a hybrid format.

Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

7.4. BI-ANNUAL CHAIR REPORT

Discussion

The Chair introduced the report and thanked Management for their assistance in its preparation.

Action Items

The Committee Chair to present the report to Council at an upcoming briefing.

Moved: Marilyn Kearney

Seconded: Mick Jaensch

8. OTHER BUSINESS

9. MEETING CLOSED

Meeting closed at 11:35am