

SOUTH GIPPSLAND SHIRE COUNCIL

Audit and Risk Activity Report



May 2023



South Gippsland
Shire Council

1. Period of this Report

This report covers Audit & Risk Committee (ARC or the Committee) activity from November 2022 to May 2023. In that period the Committee has met twice – on 13 December 2022 and 7 March 2023. This report has been reviewed by all Committee members.

2. Purpose of this Report

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

3. Committee Charter

The ARC's Charter is set by Council and was last reviewed and approved by Council at its meeting on 15 February 2023.

4. Committee Business

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

Key Matters Considered at Recent meetings:

	Topic	Meeting	
		December 2022	March 2023
1	Final VAGO Audit report for 2021/22	✓	
2	Organisational Finance and Performance Report July to September	✓	
3	Organisational Finance and Performance Report September to December (circulated out of session)		✓
4	Endorsed Strategic (3 year) and Annual Internal Audit Plan	✓	
5	Review of Audit and Risk Committee Charter	✓	
6	Review of Annual Self-Assessment results		✓
7	Welcomed new Independent Members		✓
8	Reviewed quarterly risk management reports	✓	✓
9	Received the annual People and Culture report		✓
10	Reviewed quarterly insurance claims and report	✓	✓

5. Meetings

Committee Meetings

The Committee has met twice as indicated above. Council appointed members of the Committee changed at the Council meeting on 15 February 2023 when an additional Council Member was appointed (Cr Jennie Keerie). The Council Members are Cr Sarah Gilligan and Cr Jenni Keerie.

The independent members of the Committee appointed by Council are Jen Johanson (Chair), Mick Jaensch and Marilyn Kearney. Independent members Mick Jaensch and Marilyn Kearney were appointed by Council at its meeting on 15 February 2023.

Independent members, Homi Burjorjee and Chris Badger (former Chair) concluded their appointments in February 2023. Throughout the period of their engagement with Council, South Gippsland Shire Council improved its approach to Corporate Governance, Internal and External Audit, Risk Management, Compliance and Ethics.

ARC - TENURE	Committee Member	Commenced 1 st Term	Completed 1 st Term	Commenced 2 nd Term	Completed 2 nd Term
	Chris Badger	01/12/18	30/11/21	01/12/21	07/02/23
	Homi Burjorjee	22/02/17	24/02/20	24/02/20	24/02/23
	Jen Johanson	23/11/20	23/11/23*		
	Mick Jaensch	15/02/23	15/02/26*		
	Marilyn Kearney	15/02/23	15/02/26*		

*Scheduled completion date

Member	Meetings Attended	Meetings Eligible
Independent Member		
Chris Badger (former Chair)	1	1
Homi Burjorjee	1	1
Jen Johanson (Chair)	2	2
Mick Jaensch	1	1
Marilyn Kearney	1	1
Council Member		
Cr Jenni Keerie	2	2
Cr Sarah Gilligan	2	2
Observer		
Cr Nathan Hersey (Mayor)	2	2
Internal Auditor (Crowe)		
Andrew Zavitsanos	2	2

Lynda Cooper	2	2
Rachna Singh	2	2
External Auditor (VAGO)		
Jung Yau (Audit Manager)	2	2
Travis Derricott (Sector Director)	2	2

Chair Appointment

Chris Badger concluded his appointment with Council in February 2023. Chris was a longstanding member of the Committee and was Chair for over two years during this time. His contribution to the Committee was appreciated and helped steer Council through the challenging times of 2019-20.

The Council appointment of myself as Chair was resolved at the meeting on 15 Feb 2023 for a term of one year (as per the Audit and Risk Committee Charter) and will conclude at the Council meeting in February 2024.

The Committee enjoys a strong working relationship with Council officers. The meeting agendas are comprehensive and good quality, and officers engage strongly and positively both during and outside meetings. Officer support for the work of the Committee is excellent.

6. The Committee's Annual Work Plan

The Committee has dealt with all matters scheduled for consideration in the ARC AWP in the reporting period.

7. Key Activities for the Reporting Period

The work of the ARC has continued to be guided by the Annual Workplan (AWP) and all matters listed in the AWP for the two scheduled meetings held have been addressed. The AWP is reviewed at the beginning of each meeting to ensure its continued relevance. Key outcomes of the scheduled meetings are summarised below.

7.1 Risk Management

The Committee noted that Council's risk management program is very active on several fronts and in the reporting period briefings on topical areas were considered as listed in the table above.

The Committee is pleased with progress on the Strategic Risks and the controls in place and will continue to monitor the Strategic Risks, and with the quality of risk reporting to the Committee.

Two strategic risk workshops were facilitated by Andrew Zavitsanos (Internal Auditor) during March and April and were well attended by all Councillors, the Committee and senior officers from Council.

These workshops were intended to firstly provide training for the Councillors who are mostly new to Local Government and to revisit Council's Strategic Risk Register to ensure that it is applicable to the Council Plan adopted in June 2022. These risks will be presented to the

Committee and Council during the next few months.

7.2 External Audit

It was noted that the External Audit for the 2022/23 financial year will be undertaken by VAGO. The Committee considered the draft external audit strategy for the audit of the annual financial report and annual performance statement for the year ending 30 June 2023 at the March 2023 meeting.

There were no significant changes proposed to the strategy in comparison to the previous year. The Committee believes that Council is well placed to meet the challenges of the financial year end close - 30 June 2023.

At its next meeting the Committee will consider the outcomes of the first external audit visit (Interim Audit) scheduled for May 2023.

Management Actions from previous External Audits are reported and progress discussed at all meetings.

7.3 Internal Audit

Given the recent commencement of Crowe as the Shire's Internal Audit provider, the Internal Audit program is behind schedule with the Committee considering two scopes for internal audits, Councillor Compliance and Privacy, conducted in early 2023. The ensuing audit reports will be presented at the June 2023 meeting.

The final two audits scheduled for 2022/23 are Child Safety Compliance and Cyber Security. The scopes for these audits will be discussed at a future meeting.

Management Actions from previous Internal Audits are reported and progress discussed at all meetings.

7.4 Internal Control Environment

The Committee considered the Audit and Risk Committee Charter and the Asset Accounting Policy as indicated in the table in Section 4, made suggestions for some further enhancements and endorsed them to the CEO and Council. It is also noted that the organisation has implemented a process to ensure that all policy and procedures reviews comply with the Governance Principles and are incorporated into the report to Council.

8. Matters for Consideration During the Next Reporting Period

In addition to business as usual matters and matters noted above for consideration at the next meeting, the Committee will consider the following important matters at its next meeting:

- Review the Organisational Performance and Financial Report December 2022 – March 2023
- Review the Insurance Program prior to renewal for the 2023/24 period
- Progress on risk management activity and update the Strategic Risk Register
- Review the External Audit interim management letter, including a summary of interim audit findings
- Review Progress of the Internal Audit plan for 2023/24, including proposed timing

9. Frequency and Timing of Activity Reports

As indicated earlier in this report, these reports are required to be provided to Council at least twice per annum. The Committee is of the view that these reports need to be informative about the business of the Committee and should be provided on a timely basis to assist Council in discharging its responsibilities in the areas for which the Committee is responsible. Feedback on this report by Council is welcomed.

10. Meeting Schedule for 2022

The Committee's meeting schedule for the remainder of 2023 is as follows:

- 20 June 2023
- 10 October 2023 (tbc)
- 5 December 2023 (tbc)

11. Conclusion

The Committee welcomes feedback as to whether this report meets Council's expectations. If Council wishes to be briefed by the Committee on any matters raised in this report, I would be delighted to attend as required.

Yours sincerely

Jen Johanson

Chair

On behalf of the Audit & Risk Committee

May 2023

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