

SOUTH GIPPSLAND SHIRE COUNCIL

# Audit & Risk Committee

26 September 2023  
Hybrid 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 26 September 2023 are confidential information until these Minutes are made public in the Agenda of the next relevant Council Meeting, which is anticipated to be 15 November 2023.



*Kerryn Ellis*  
Chief Executive Officer

## AUDIT & RISK COMMITTEE MINUTES

Date	26 September 2023	Location	Meeting Room 1 Council Chambers
Time	9:00 AM		

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; Jade Harry, Risk & Compliance Officer; Tony Peterson, Director Sustainable Infrastructure; Renae Littlejohn, Director Economy & Community; Simon Dean, Manager Digital & Technology; Gemma Meik, Coordinator Information Compliance & Data Integrity.
Internal Audit	Crowe Australasia: Andrew Zavitsanos
External Audit	Victorian Auditor General's Office: Jung Yau: Audit Manager, Local Government; Anoja Bassa-Hewayalaya, 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.

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**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

### 1.3. IN CAMERA COMMITTEE WITH VAGO (WITHOUT MANAGEMENT)

### 1.4. IN CAMERA COMMITTEE WITH INTERNAL AUDITOR (WITHOUT MANAGEMENT)

## 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

<b>Attendees</b>	<b>Attendees are as noted above with the exception of any apologies found at item 2.4</b>
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### 2.4. APOLOGIES

<b>Apologies</b>	Travis Derricott, VAGO Sector Director Tony Peterson, Director Sustainable Infrastructure
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## 2.5. DECLARATION OF CONFLICTS OF INTEREST OR DUTIES

### Ms. Jen Johanson

- Independent Member - Finance Risk and Audit Committee Education Services Australia
- Independent Member - Audit and Risk Management Committee – IBAC
- Chair - 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 – South Gippsland Shire Council – Financial Sustainability Review
- Director Corporate Services – Glen Eira, Ceasing 29 September 2023

### 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
- Director Finance, Administration & Revenue – Chirnside Park Football Club
- Director Government & Public Services – KPMG
- Independent Member - Audit and Risk Committee – Horsham Rural City Council



## **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 16 August 2023. The Committee confirmed its approval of the meeting minutes.

### Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Jenni Keerie

## **3. AUDIT REPORTS**

### **3.1. VAGO STATUS REPORT**

#### Discussion

Management introduced the report and items of note for the Committee's attention specifically the upcoming audit report into the financial management of local councils.

#### Action Items

Nil

Moved: Marilyn Kearney

Seconded: Cr Jenni Keerie

### **3.2. EXTERNAL AUDIT REPORT - CLOSING REPORT, MANAGEMENT LETTER**

#### Discussion

Management thanked VAGO for the draft Closing Report that was provided to the Committee in hard copy at the meeting, noting that the final version will be circulated to the Committee out of session.

VAGO discussed the areas of focus such as valuations (including condition assessments), government grants, the Performance Statement and landfill provisions.

There are a number of minor items to be resolved, and Management is confident that these will be finalised promptly for the report to be adopted at the Council meeting being held on 18 October 2023.

The Committee expressed to VAGO their disappointment on the lateness of the audit. The Committee Chair advised that she would like to meet with VAGO out of session to discuss what measures can be taken to improve the process for next year's audit to allow the Audit and Risk Committee sufficient time to consider any findings.

#### Action Items

The Audit and Risk Chair and Manager Financial Strategy to meet with VAGO out of session to discuss improvements to the 2024 audit process.

Manager Financial Strategy to circulate the final financial statements to the Audit and Risk Committee.

VAGO to provide the final Closing Report to the Audit and Risk Committee out of session.

Moved: Cr. Jenni Keerie

Seconded: Marilyn Kearney

### **3.3. REVIEW INTERNAL AUDIT REPORTS**

#### Discussion

Management requested that the Committee note the report on the Child Safety Audit. Management is currently in discussions with Council's Internal Auditor on their findings and recommendations. The Final Audit Report will be tabled at the Audit and Risk December 2023 meeting.

### Action Items

The Final Report for the Child Safety Audit to be tabled at the Audit and Risk 5 December 2023 meeting.

Moved: Cr. Sarah Gilligan

Seconded: Mick Jaensch

### **3.4. INTERNAL AUDIT OPEN ACTION ITEMS UPDATE**

#### Discussion

Management introduced the report and requested endorsement from the Committee. The Committee asked that future reports include commentary for Action Items that have been granted an extension of time.

The Committee noted the number of items resulting from the recent Privacy Management Audit and received reassurance from Management that there are clear timeframes for resolving these action items within a six-month period.

#### Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Sarah Gilligan

### **3.5. INTERNAL AUDIT - REVIEW AND ENDORSE SCOPES**

#### Discussion

##### Cyber Audit Scope

Council's Internal Auditor, Crowe Australasia outlined to the Committee the two scope options for the upcoming Cyber Audit. Management's preference is the Essential 8 scope as the Digital and Technology Department can access the 365 requirements internally.

The Committee endorsed the Essential 8 Audit Scope that will be conducted later this year, and requested that the outcomes of the internal 365 assessment be provided to the Audit and Risk Committee when completed.

Action Items:

Nil

Moved: Marilyn Kearney

Seconded: Cr. Jenni Keerie

**3.6. ASSURANCE REPORT**Discussion

Management presented the Assurance Mapping Report and requested the Committee's input and feedback for future iterations of the assurance mapping process and reports.

The Committee's comments were unanimous that this was a great basis for this type of report and discussion was briefly held on ways that it could be further developed.

Action Items

Committee provided suggestions on how the report could be further developed and to be provided at a future meeting.

Moved: Cr. Jenni Keerie

Seconded: Marilyn Kearney

**4. FINANCIAL AND PERFORMANCE REPORTS****4.1. ANNUAL FINANCIAL REPORT & PERFORMANCE STATEMENT**Discussion

Management introduced the report and drew the Committee's attention to the outstanding performance to budget and that Council has delivered its largest ever capital works program during this financial period. Management also provided commentary on the low staff turnover figure and the healthy state of Council's working funds, as contained in the performance report.

Management has noted an improvement opportunity, being consideration on options to better support Infrastructure Delivery and will table a report with the Audit and Risk Committee on continuous improvement initiatives.

Management commented that rates debtors are expected to increase with the implementation of the state government's new hardship policy, but that there are processes in place to mitigate this risk as much as possible.

The Committee asked for commentary regarding superannuation provisions. Management has recognised that previously comments from Vision Super have been utilised as the basis for advice, and will also seek a wider range of opinions in the future.

The Committee congratulated Council on an excellent result, and well-presented Annual Financial Report and Performance Statement for the year ended 30 June 2023.

#### Action Items

Management will discuss any material changes with the Chair of the Audit and Risk Committee prior to the Financial Reports being presented to Council.

Management will provide an email summary of any non-material changes to the Financial and Performance Reports.

Moved: Cr. Sarah Gilligan

Seconded: Mick Jaensch

## **4.2. REPORT ON YEAR END PERFORMANCE AND CARRY FORWARDS**

#### Discussion

Taken as read.

#### Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Sarah Gilligan

## **5. GOVERNANCE AND COMPLIANCE REPORTS**

### **5.1. PUBLIC INTEREST DISCLOSURE REPORT**

#### Discussion

Taken as read.

#### Action Items

Nil

Moved: Marilyn Kearney

Seconded: Cr. Jenni Keerie

### **5.2. INTEGRITY AGENCY REPORT**

#### Discussion

Report taken as read.

#### Action Items

Mick Jaensch suggested that perhaps individual reports could be amalgamated into one and will provide a suggested template out of session.

Moved: Cr. Jenni Keerie

Seconded: Marilyn Kearney

### **5.3. REPORT ON SIGNIFICANT COMPLIANCE MATTERS**

#### Discussion

Report taken as read.

#### Action Items

Nil

Moved: Cr Sarah Gilligan

Seconded: Mick Jaensch

## 6. RISK REPORTS

### 6.1. QUARTERLY RISK MANAGEMENT REPORT

#### Discussion

Management introduced the report, including results of the recent survey completed regarding risk culture and awareness amongst staff. The Committee commented that it would be useful to understand the cross-section of the lower scoring areas to allow future training to be targeted if required.

Management had recognised this requirement and will add a question in future surveys on what department the respondent belongs to.

#### Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Sarah Gilligan

### 6.2. DRAFT STRATEGIC RISKS

#### Discussion

Management introduced the Report, informing the Committee that workshops with Directors and Councillors had been undertaken and was now looking to the Committee for feedback on the Draft Strategic Risks.

The Committee suggested that the residual risk level for Strategic Risk 5 – Climate be reviewed by Management as it may be set at too low a level and that perhaps this Risk could be re-worded.

Management will review the wording of all the Draft Strategic Risks prior to the presentation of the final draft Strategic Risk Report to the upcoming Councillor briefing.

#### Action Items

Management will review the wording and risk levels of all the Draft Strategic Risks.

Moved: Marilyn Kearney

Seconded: Cr. Jenni Keerie

### **6.3. FRAUD AND CORRUPTION REPORT (AS REQUIRED)**

#### Discussion

Management introduced the report, and the Committee discussed the contents thereof.

#### Action Items

A further report will be tabled at the Audit and Risk 5 December 2023 meeting.

Moved: Cr. Jenni Keerie

Seconded: Marilyn Kearney

### **6.4. INSURANCE CLAIMS & UPDATE REPORT**

#### Discussion

The Committee discussed with Management the movement in premiums for the FY23-24 period and what the influencing factors were regarding particular line items.

The Committee commented on the diminished flood cover in the current insurance policies but Management advised that this had been reviewed and they were comfortable that exposure for Council assets is low.

#### Action Items

The Committee asked that Management ensure insurance requirements are satisfied once the Essential 8 Cyber is completed and suggested that the Final Report be reviewed by Council's insurer.

Moved: Cr. Sarah Gilligan

Seconded: Mick Jaensch

### **6.5. C22 INFORMATION PRIVACY POLICY**

#### Discussion

Management introduced the revised Information Privacy Policy to the Committee and requested endorsement of the updated Policy by the Committee prior to adoption by Council.



The Committee asked that a paragraph be inserted that outlines which Overarching Governance Principles apply with regard to the Policy, to ensure compliance with legislative obligations.

#### Action Items

Management will amend the policy as suggested and review the policy template.

Moved: Mick Jaensch

Seconded: Cr. Sarah Gilligan

### **6.6. BUSINESS CONTINUITY PLAN TESTING**

#### Discussion

Management provided an introduction and explanation regarding the BCP testing event and the subsequent learnings and findings that will be addressed for continuous improvement.

Management recognised and agreed with the Committee's suggestion that there needs to be a review of staff roles to ensure ongoing accuracy of details in the Plan.

The Committee commended Management for the amount of work that has been done both on the Plan and in preparing for the simulation, and discussed plans for future scenarios.

#### Action Items

Update Position titles to remove employee names from the Business Continuity Plan.

Moved: Marilyn Kearney

Seconded: Cr. Jenni Keerie

## **7. GENERAL BUSINESS AND COMMITTEE REPORTS**

### **7.1. DIRECTORATE REPORT - ECONOMY AND COMMUNITY**

#### Discussion

Management presented a comprehensive report and was thanked by the Committee for the quality and breadth of information provided, particularly the linkage to the Strategic Risks.

The Committee inquired on the support structure for staff involved in incidents and Management outlined the strategies, processes and practices that are in place to provide the required level of support for all teams and individuals. Management drew the Committee's attention to the responses in the recent Staff Survey that supported the efficacy of the support structure in place.

#### Action Items

Nil

Moved: Cr. Jenni Keerie

Seconded: Marilyn Kearney

### **7.2. REVIEW AUDIT AND RISK COMMITTEE MEETING PERFORMANCE**

#### Discussion

The Committee was unanimous that the Questions on Notice process had worked well to support the meeting, and recognised and suggested further improvements to the information flow for the meetings.

#### Action Items

Nil

Moved: Cr. Sarah Gilligan

Seconded: Mick Jaensch

### **7.3. AUDIT & RISK COMMITTEE WORKPLAN**

#### Discussion

Taken as read

Action Items

Nil

Moved: Mick Jaensch

Seconded: Cr. Sarah Gilligan

**8. OTHER BUSINESS**

The Committee requested that Management send out a 2024 meeting schedule out of session.

**9. MEETING CLOSED**

The meeting was closed at 11:25am