

SOUTH GIPPSLAND SHIRE COUNCIL

Audit & Risk Committee

Minutes

8 December 2020

8 December 2020
Virtual Online Meeting
Commenced at 3.00PM

Minutes



*South Gippsland
Shire Council*

Come for the beauty, Stay for the lifestyle

The Committee undertakes the following:

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
- Assurance activities including internal and external audits

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

The Chief Executive Officer designates that the Minutes of this 8 December 2020 are confidential information until these Minutes are made public in the Agenda of the next Council Meeting, which is anticipated to be 24 February 2021.



Kerry Ellis
Chief Executive Officer

AUDIT & RISK COMMITTEE MINUTES

Date	8 December 2020	Duration	2.5 hours
Time	3:00 PM	Location	Video Conference

Attendees	Mr Chris Badger (Audit Committee Chair) Mr Homi Burjorjee Ms Jen Johanson Mr Rick Brown (Administrator member) Ms Julie Eisenbise (Administrator Observer)
Support Staff	Kerry Ellis: CEO, Anthony Seabrook: Director Sustainable Infrastructure, Allison Jones: Director Performance & Innovation, Allan Williams: Acting Manager Financial Strategy, Yim Huynh: Risk Consultant and Annette Kleinert: Risk Administrator (Minutes).
Internal Audit	Kathie Teasdale: RSD Audit
External Audit	Not present
Apologies	Tracey Costello: Manager Governance
In-Committee Section	Committee received a verbal update from the CEO on Fraud and Corrupt Conduct report (refer Section 1.6 below).
Disclosure of Interest	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; Audit and Risk Management Committee – IBAC; Finance and Audit Committee - Trinity College, University of Melbourne; Audit and Risk Committee - Chief Minister, Treasury & Economic Development Directorate (and Deputy Chair of this Committee) Mr Homi Burjorjee as member on the following audit committees- Knox City Council; Bass Coast Shire Council; and

	<p>Chair of Cardinia Shire and Office of Public Prosecutions audit committees.</p> <p>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 and Independent Member East Gippsland Shire Council Audit and Risk Committee. Member of CarbonNet Community reference Group. Director CDB Energy/Utility Consultancy</p>
<p>Advise of known or potential breaches of legislation</p>	<p>Refer to In-Committee Section</p>

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 Audit & Risk Committee have received and noted the verbal update by Chief Executive Officer regarding a letter received from the South Gippsland Action Group, addressed to Audit and Risk Committee Chair Chris Badger. Following consultation between Mr Badger and the CEO, a response to the letter was provided by council officers.

The Audit & Risk Committee discussed with CEO the subject of Legislative compliance (e.g. New Local Government Act) and agreed that applicable/associated policies should be brought to the Audit & Risk Committee for review (refer Action 20201208.10).

1.3. IN CAMERA INTERNAL AND EXTERNAL AUDITORS

In-Camera Committee attendance and internal and external auditors

The Committee, then CEO and subsequently Internal Auditor discussed process for close out of outstanding internal audit actions, internal audit program going forward, internal audit performance review, risk framework, and Committee performance review.

The committee noted that the timing for a proposed IT/Technology internal audit for 2021 should be linked to the development and presentation by management of IT/Technology strategy (currently in progress) to A&RC in first half of 2021 to enable audit objectives, scope and timing to be defined. This may require a deep dive audit and therefore additional budget and/or deletion of other audit(s) may need to occur (refer Action 20201208.08)

1.4. WELCOME NEW COMMITTEE MEMBER

New committee member Jen was officially welcomed to the committee and comment was made about the positive induction process.

1.5. VERBAL UPDATE BY CEO: FIDUCIARY RESPONSIBILITIES

Recommendation accepted

That the Audit & Risk Committee have received and noted the verbal update by Chief Executive Officer regarding fiduciary responsibilities within Council for December 2020

1.6. VERBAL REPORT: FRAUD, CORRUPT CONDUCT OR POSSIBLE ILLEGAL ACTS

Committee advised there is Nil report provided by the CEO for Fraud Corrupt or Possible Illegal Acts.

2. PRELIMINARY MATTERS**2.1. WELCOME****2.2. CONFIRMATION OF PREVIOUS MEETING MINUTES****Recommendation accepted**

That the minutes of the Audit & Risk Committee held 8 September 2020 be confirmed, and notes these same minutes were reported to Council at the 28 October 2020 Council Meeting

MOVED: Homi Burjorjee

SECONDED: Rick Brown

2.3. ACTIONS ARISING FROM PREVIOUS MINUTES**Recommendation accepted**

That the Action Items of the South Gippsland Shire Council Audit & Risk Committee conducted on 8 September 2020 be confirmed

MOVED: Rick Brown

SECONDED: Homi Burjorjee

2.4. ANY OTHER BUSINESS (AOB)**Recommendation accepted**

That the Audit & Risk Committee receives and notes a verbal update by CEO and Chair regarding Confirmation of Work Plan Items.

No other business identified

3. AUDIT REPORTS

3.1. VERBAL UPDATE - INTERNAL AUDIT REPORT - DATA ANALYSIS - FRAUD RISK & PROCUREMENT REPORT

Noted that the full report and management responses will be provided at the March 2021 Committee meeting.

Recommendation accepted

The Audit & Risk Committee received and noted the verbal update provided by Director Performance & Innovation regarding the Internal Audit Report – Data Analysis – Fraud Risk and Procurement accepting that the full report will be provided at the March 2021 Committee meeting

3.2. INTERNAL AUDIT REPORT – ACTIONS REGISTER UPDATE

Recommendation noted

The Audit & Risk Committee received the proposed Internal Audit Updates as per report and advised that further review and documentation is required prior to next meeting, to enable endorsement (refer Action 20201208.01).

MOVED: Rick Brown

SECONDED: Homi Burjorjee

3.3. INTERNAL AUDIT REPORT - PERFORMANCE REVIEW

Recommendation accepted

The Audit & Risk Committee received and accepted the Internal Audit Report Function Performance Review. Noted That there is also an opportunity to provide audit universe information (e.g. reports/learning/recommendations) to ensure up to date governance norms/practices are known and implications for council to be documented.

MOVED: Rick Brown

SECONDED: Homi Burjorjee

3.4. EXTERNAL AUDIT REPORT - NIL REPORT -VICTORIAN AUDITOR GENERAL'S OFFICE (VAGO)

Recommendation accepted.

The Audit & Risk Committee received and noted that VAGO advised no updates were available or necessary for the Dec 2020 meeting

3.5. REGULATORY UPDATE REPORT - DECEMBER 2020

Recommendation accepted.

The Audit & Risk Committee received and noted the Regulatory Update Report – for December 2020, including that the IT General Controls Audit is now due early February 2021

MOVED: Rick Brown

SECONDED: Homi Burjorjee

3.6. INTERNAL AUDIT REPORT - CAPITAL WORKS PROGRAM - DECEMBER 2020

Recommendation accepted.

The Audit & Risk Committee received and noted the progress made to December 2020, on the Capital Works Program Internal Audit Actions (December 2019)

MOVED: Rick Brown

SECONDED: Homi Burjorjee

4. REPORTS FOR ENDORSEMENT OR FEEDBACK**4.1. RISK MANAGEMENT FRAMEWORK & REGISTER REPORT - DECEMBER 2020**

Recommendation

That the Audit & Risk Committee has reviewed and provided feedback on the updated Revised Risk Management Framework and the Risk Management Policy (C35). Detailed feedback has been captured including the need for inclusion of risk indicators and risk tolerance for each strategic risk, reinforcement of Council responsibilities and training, Risk appetite definition, further clarity on reporting etc to facilitate further updates to the Risk Management Framework (refer Action 20201208.02 update to be provided at next meeting) prior to Council endorsement.

5. REPORTS FOR GENERAL BUSINESS

5.1. AUDIT & RISK COMMITTEE CHAIR - RECOMMENDATIONS FOR ELECTION**Recommendation accepted**

That the Audit & Risk Committee receives and recommends that the Election of A&RC Chair is in the remit of the SGSC Council, and as such independent members of the Audit & Risk Committee will indicate their interest in Chair role to the CEO, who in turn will prepare a report (refer Action 20201208.03) for the February 2021 Council meeting, for Council decision and appointment of the Audit & Risk Committee Chair.

5.2. AUDIT & RISK COMMITTEE - WORK PLAN FOR 2021**Recommendation accepted**

That the Audit & Risk Committee receives and adopts the Audit & Risk Committee Work Plan for 2021 as proposed recommendations with the following clarifications to be made to the workplan

- a) **“Receive assurance that Council has appropriate systems and procedures in place for collecting and analysing information and data to measure performance against the Council Plan through a report on annual Council Plan implementation” be reworded to:
“Consider the external auditors’ statement on performance sourced from financial and non-financial performance reporting, as an indicator that Council has appropriate systems and procedures in place to measure against the Council Plan”; and**
- b) **Review the requirement for reporting on gifts, benefits and hospitality in line with IBAC and Victorian Ombudsman Office recommendations, and confirm via email through the Chair how this will be incorporated into the workplan if required**
- c) **Confirms “Review of Register of Delegations” is not a statement of compliance but a review function to make sure delegations are appropriate**

5.3. AUDIT & RISK COMMITTEE – PERFORMANCE

Recommendation accepted

That the Audit & Risk Committee has discussed and evaluated the Audit & Risk Committee Performance for 2019/20, noting opportunities for improvement. It is recommended that the Audit & Risk Committee Charter be updated (refer Action 20201208.09) to reflect the inclusion of the following

- a) Internal auditor contract appointment recommendations to Council should be in the remit of the A&RC as follows:
 - a. New Internal Auditor contract – Audit & Risk Committee Chair should be on the selection panel and input to the subsequent recommendation to Council for decision; and
 - b. In the event of an Extension to Internal Auditor contract – Audit & Risk Committee should make a recommendation/input to Council for decision

MOVED: Rick Brown

SECONDED: Homi Burjorjee

6. REPORTS FOR NOTING

6.1. FINANCIAL PERFORMANCE REPORT - JULY 2020 TO SEPTEMBER 2020

Recommendation accepted

That the Audit & Risk Committee have received and noted as read the Financial Performance Report July 2020 to September 2020 (Attachment 6.1.1).

6.2. LGPRF REPORTING & ORGANISATIONAL PERFORMANCE REPORT - JULY TO SEPTEMBER 2020

Recommendation accepted

That the Audit & Risk Committee have received and noted as read the Organisational Performance Report July 2020 to September 2020 (Attachment 6.2.1) and Local Government Reporting Framework (LGPRF) data for July 2020 to September 2020

6.3.BUDGET UPDATE - PLAN TIMING AND PROCESS

Recommendation accepted

That the Audit & Risk Committee have received and noted as read Plan for Budget Management and Process for December 2020. Noting that the revised process is well received and satisfied that the Audit & Risk Committee has a role to play.

7. MEETING CLOSE

There being no further business, the Audit & Risk Committee Chair thanked SGSC Management and Leadership Team and wished them all the best for Christmas, and declared the meeting closed at 5.27 pm

NEXT MEETING

The next Audit & risk Committee Meeting is scheduled to be held on 8 March 2020.