

Meeting Minutes

Audit Risk and Improvement Committee

Date: 31 May 2019

Start Time: 9.00am

End Time: 11.10am

Location: Federation Council – 100 Edward Street Corowa

Record Ref: 19/35182

Members: Cr. Paul Miegel (Councillor Representative), Linda MacRae (Independent external member and Chairperson), Peter McLean (Independent external committee member).

Attendee (non-voting): Adrian Butler (General Manager), Jo Shannon (Head of Internal Audit and Director Corporate and Community Services).

Invited Participants: Sean Pye (External Finance Auditor – Crowe Horwath,) Kathie Teasedale (Internal Auditor – RSD Audit), Nick Bell (Internal Auditor – RSD Audit), Susan Appleyard (Director Development and Environmental Services), Steve Carmichael (Director Engineering Services), Fiona Goodman (Risk Management Coordinator) and Tony Cantwell (Risk Management Project Manager), Kristie Richey (Manager IT Services), Heidi Neumeister (Governance Officer), Cr. Norm Wales (Alternate Councillor representative).

Meeting Attendees: Linda MacRae (Independent external member and Chairperson), Peter McLean (Independent external committee member – by phone), Sean Pye (External Finance Auditor – Crowe Horwath,) Kathie Teasedale (Internal Auditor – RSD Audit), Adrian Butler (General Manager), Jo Shannon (Head of Internal Audit and Director Corporate and Community Services), Fiona Goodman (Risk Management Coordinator, Tony Cantwell (Risk Management Project Officer), Heidi Neumeister (Governance Officer), Kristie Richey (Manager IT Services), Cr. Norm Wales (Alternate Councillor representative).

Meeting Apologies: Cr. Paul Miegel, Susan Appleyard (Director Development and Environmental Services), Steve Carmichael (Director Engineering Services).

Purpose: As per Committee Terms of Reference

Minutes

Item 1:	Conflicts of Interest	Linda MacRae	5 Mins
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Report: Conflicts of Interest to be noted prior to discussion on any agenda items.

Action: *There were no conflicts of interest to declare.*

Item 2:	External Audit and Financial Report	Sean Pye, Crowe Horwath	15 Mins
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Report: Council's external auditor is Crowe Horwath (as appointed by the Audit Office NSW). In February 2019 Crowe Horwath provided Council with the Annual Engagement Plan for the conduct of the audit for the year ending 30 June 2019. In accordance with the timetable contained within the plan, an interim audit was conducted in the week ending 17 May.

The interim report was presented to the committee by Sean Pye, External Finance Auditor, Crowe Horwath, *noting that there were no extreme or high issues to report and that Council was to be congratulated on this. Whilst there were moderate and low issues identified most were relatively easy to address in the short term.*

Action: *The committee noted the Engagement Plan and the draft Interim Management Letter. The Chair requested that this be tabled at the next meeting to review progress.*

Responsible: Heidi Neumeister/Jo Shannon

Due Date: 30 September 2019

Item 3: **Welcome to Risk Management Coordinator and Project Officer** Fiona Goodman / Tony Cantwell 10 Mins

Report: Fiona Goodman Risk Management Coordinator and Tony Cantwell, Risk Management Project Officer provided a brief update on the Risk Management projects currently being undertaken.

Action: *The Committee noted the progress to date and requested a report regarding the status of the Risk Management project at the December meeting.*

Responsible: Fiona Goodman / Tony Cantwell

Due Date: 5 December 2019

Introduction Director Corporate and Community Services

Jo Shannon gave an overview of her experience in Local Government as an executive, board member and audit committee member, spanning over a period of 20 years.

Item 4: **Endorse Minutes of meeting held on 22 February 2019** Linda MacRae 5 Mins

Report: The minutes of the previous meeting held on 22 February 2019 were submitted to Council as a draft subject to any changes.

Action: *The minutes as drafted were adopted without further changes for uploading to Council's website.*

Moved: Linda MacRae

Seconded: Peter McLean

Responsible: Heidi Neumeister

Due Date: 7 June 2019

Item 5: Finance Report and Quarterly Budget Review Report Jo Shannon 10 Mins

Report: A summary of the proposed budget adjustments to the net operating result was presented to the Committee. The committee discussed the Quarterly budget and questioned whether there were any potential issues that might impact on the projected result given the extensive capital works being undertaken. There were no issues identified but this would be reviewed following the completion of the integrated Service Planning, Asset Management Planning and Long Term Financial Plan. This plan will inform Council in the development of its next Annual Budget and Long Term Financial Plan.

Item 6: Long Term Financial Plan (Including Draft Budget 2019/20), Draft Delivery Program 2018-2021 and Annual Operational Plan 2019-2020 Jo Shannon 10 Mins

Report: The Committee considered the following documents endorsed at the May Council Meeting and currently on public exhibition:

- Draft Four Year Delivery Program and Annual Operational Plan;
- Draft Ten Year Long Term Financial Plan; and
- Draft Revenue Policy and Fees and Charges schedule

Peter McLean noted the increase in staffing costs and unchanged domestic waste income. Adrian Butler provided an overview of the budget advising that additional Government responsibilities required of Councils as well as the internal organisation restructure had impacted on the Council's financial resources. He indicated that there will be a focus on expenditure and monitoring of the merger funding and that there would be greater opportunity to implement improvements in the waste management area following the development of long term strategy.

Action: *The Chair noted the challenges experienced by local government and requested that all involved in the preparation of documents be congratulated on the high level of presentation and clarity of information provided.*

Responsible: Heidi Neumeister

Due Date: 7 June 2019

Item 7: Review of Audit Committee Charter (TOR) Heidi Neumeister 5 Mins

Report: The Committee discussed the revised and adopted Audit Risk and Improvement Committee Terms of Reference.

Action: *The Committee noted the revised Terms of Reference and changes.*

Action: *Update section 5.2 Attendees, as under new structure there is no Director of Finance. Add to Council website and issue to all ARIC Committee Members.*

Responsible: Heidi Neumeister

Due Date: 14 June 2019

Item 8: Draft Schedule of Responsibilities for ARIC Committee Linda MacRae 10 Mins

Report: A Schedule of Responsibilities for the Committee was drafted and provided for discussion.

Action: *The Chair proposed that the schedule be adopted and implemented as amended taking into account the recommended actions from the external audit plan.*

Action: *Schedule to be included in the Committee TOR and circulated.*

Moved: Linda MacRae

Seconded: Peter McLean

Responsible: Heidi Neumeister

Due Date: 7 June 2019

Item 9: Environmental Health Audit Draft Report Deferred 5 Mins

Report: RSD completed a review of Council's Environmental Health processes. The findings of this review and recommendations were presented to the Committee at the February meeting. Following a request from the Committee, additional changes will be made to ensure recommendations are responded to separately, and a statement regarding whether Management agree or disagree with the recommendation is included in the report.

Action: *For information and inclusion on next Audit Risk and Improvement Committee Meeting agenda.*

Responsible: Heidi Neumeister

Due Date: 30 September 2019

Item 10: Final Section 355 Draft Report and Management comments Kathie Teasedale 10 Mins

Report: Kathie Teasedale provided a summary of the audit findings and highlighted the fact that Section 355 Committee TOR and Guidelines were already developed by Council and in circulation. It was noted that Committee buy in and volunteer management is often a key challenge for Councils. The medium findings were discussed by the Committee with the following suggestions for Council to effectively engage committees in the future.

- TOR / Delegations in place and effective for each committee
- Communication between committees and council
- Training of committee members
- Audit of committees

It was also noted that similar risks regarding Committee's of Management had been identified in other States..

Action: *Responsibility for audit actions to be allocated following Section 355 Committee review final report. This will enable more efficient allocation of resources to reduce duplication and ensure all actions can be considered.*

Responsible: *Heidi Neumeister*

Due Date: *30 October 2019*

Item 11: **Waste and Landfill Draft Internal Audit Report and Management comments** Deferred 5 Mins

Report: RSD completed a review of Council's Waste and Landfill processes. The findings of this review and recommendations were presented to Council in a draft report with management comments regarding the recommendations still to be finalised. Due to the Director Development and Environmental Services being an apology for this meeting this item was deferred until the next meeting.

Action: *For information and inclusion on next Audit Risk and Improvement Committee Meeting agenda.*

Responsible: *Heidi Neumeister*

Due Date: *30 September 2019*

Item 12: **Final IT Controls Audit Report and Management comments** Kathie Teasdale 10 Mins

Report: RSD completed a review of Council's IT Controls processes. The findings of this review and recommendations were presented to the committee. Kathie Teasdale advised that there were only two medium issues identified by the Auditor. This audit result is rare in Councils and is considered to be a very good outcome. The Auditor had also noted that the IT department was very aware of the issues and were already addressing these.

Peter McLean suggested that staff names in future reports could be removed for privacy.

The Chair indicated that Council needed to note the importance of the Business Continuity Plan (BCP) and that this could have been rated more highly to ensure it is given a high priority. It was highlighted that the BCP is already in place with an update on the audit and any proposed actions now required.

Action: *To ensure the audit recommendations are included in the review of the BCP.*

Responsible: *Kristie Richey*

Due Date: *31 October 2019*

Item 13: **Recent Reports and Publications of Interest Update** Kathie Teasdale 10 Mins

Report: A report on the status of internal audits was reviewed by the Committee with particular interest in the findings of fraudulent activity by a NSW council in relation to credit card expenditure.

Action: Noted.

Item 14: Forward committee meeting plan Linda MacRae 5 Mins

Report: The committee discussed the meeting schedule for 2019 and sample audit plans.

Action: *Next meeting to be decided after we discuss with external auditors and Finance Manager with a view to bringing the meeting forward and tentatively schedule Friday 11th October subject to external auditors availability.*

Responsible: Jo Shannon

Due Date: 30 June 2019

Item 15: Forward plan for internal audits All 5 Mins

Report: The committee reviewed the schedule for 2019 internal audits. Kathie suggested that we incorporate a rolling 3 year forward plan and will bring this to the next meeting.

Action: *Rolling 3 year forward plan for inclusion at next meeting and included on the agenda.*

Responsible: Kathie Teasedale/Heidi Neumeister

Due Date: 30 September 2019