

Minutes

Audit Risk and Improvement Committee

11 December 2020

Meeting commenced at 10.05am

Via videoconference and at Corowa Civic Centre

ITEM 1. Welcome, Acknowledgment of Country and Apologies - 10.05am

Present:

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

Attendees (non-voting): Adrian Butler (General Manager), Jo Shannon (Head of Internal Audit and Director Corporate and Community Services) - both in attendance

Invited Participants: Brad Bohun (via videoconference) and Sean Pye, (External Auditors) (not present) - Crowe, Heidi Neumeister (Governance Officer) – in attendance, Fiona Goodman, (Risk Management Coordinator) - via videoconference

Apologies: Shane Norman (Finance Manager), Susan Appleyard (Director Development and Environmental Services)

Absent: Steve Carmichael (Director Engineering Services)

Items are listed in order as discussed.

1.1 Disclosures of Interest

RESOLUTION:

1. THAT the Committee note that there were no conflicts of interest to declare.
NOTED

1.2 Endorse Minutes of previous meeting

RESOLUTION:

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 16 October 2020 be received and noted as a true and correct copy

CARRIED

1.3 Audit Risk and Improvement Committee Meeting actions report

This item was rescheduled from the August 2020 meeting.

RESOLUTION:

1. THAT the Committee note the ARIC Meeting Actions Report as presented.

CARRIED

ITEM 3. FINANCIAL MANAGEMENT - 10.12am

3.1 Quarterly Budget Review Statement – September 2020 - 10.12am

A Quarterly Budget Review Statement for the period ending 30 September 2020 was considered by the Council at its Meeting on 17 November 2020. This report is also provided to the Audit Committee for information and noting.

RESOLUTION:

1. THAT the Committee note the September 2020 Quarterly Budget Review Statement.

NOTED

3.2 Financial Performance Report – 10.15am

The Committee considered the monthly Financial Performance Report for October 2020 as presented to Council at its meeting on 17 November 2020.

RESOLUTION:

1. THAT the Committee note the Financial Performance Report at 31 October 2020.

NOTED

10.15 am Brad Bohun (NSW Audit Office Contract External Auditor – (Crowe)) joined the meeting.

ITEM 2. ANNUAL FINANCIAL STATEMENTS - 10.15am

2.1 Annual Financial Statements for the year ending 30 June 2020

An update on the status of the preparation of the 2019/2020 Financial Statements was provided by the Director Corporate and Community and was attached as a summary report.

Brad Bohun from Council's External Auditor Crowe, provided further detail and clarification where required.

Considerable discussion took place regarding the Council's cash position as at 30 June 2020 and the challenges going forward for Council to manage this low unrestricted cash position and remain in a financially sustainable position. The Director Corporate and Community Services indicated her concern at the low unrestricted cash position, as the 30 June 2020 unrestricted cash position included the prepaid proportion of the 2020/2021 Financial Assistance Grants and the need to closely monitor the cash position. The Chair requested that ongoing and regular monitoring and reporting to the Council (via the regular financial reporting process to Council); the Executive

Management Team and the Audit Risk and Improvement Committee of the unrestricted cash position be undertaken taking into account any influences on this unrestricted cash position, such as (but not limited to) the Financial Assistance Grants prepayment.)

The Chair also asked that a forward plan for the preparation of the 2020/2021 Financial Statements be provided at the March 2020 meeting.

RESOLUTION:

1. THAT the report on progress of completion of the Annual Financial Statements for the Federation Council as at 30 June 2020 be noted; and
2. THAT the Audit Committee note that the final 2019/2020 Annual Financial Statements were authorised by the Council at its 20 October Ordinary meeting.
3. THAT the NSW Audit Office Engagement Closing Reports be noted.
4. THAT ongoing and regular monitoring and reporting to the Council (via the regular financial reporting process to Council); the Executive Management Team and the Audit Risk and Improvement Committee of the unrestricted cash position be undertaken taking into account any influences on this unrestricted cash position (such as (but not limited to) the Financial Assistance Grants prepayment.)
5. THAT a forward plan be provided for the preparation of the 2020/2021 Financial Statements at the March 2020 meeting.

CARRIED

10.42 am Brad Bohun left the meeting.

ITEM 3. FINANCIAL MANAGEMENT (CONTINUED) – 10.42am

3.3 Special Rate Variation

The Director Corporate and Community Services provided an update of the application for a Special Rate Variation for 2021/22 noting that a final decision on the application will be made by Council at an extraordinary meeting in early February 2021.

RESOLUTION:

1. THAT the Committee note the update on the Special Rate Variation application for 2021/22.

NOTED

ITEM 4. INTERNAL AUDIT – 10.52am

4.1 Internal Audit status update report

The Internal Audit status update report was provided to the Committee for comment and discussion.

RESOLUTION:

1. THAT the Committee note the Internal and External Audit status update report.

NOTED

4.2 Update on Fraud Training and Landfill Rehabilitation Review

An update on the Fraud Training and Landfill Rehabilitation improvement projects was provided to the Committee. A copy of the Landfill Rehabilitation Internal Audit Report was tabled at the meeting for discussion (this Report to be distributed to the Committee 'out of session').

RESOLUTION:

1. THAT the Committee note the status of the Fraud Training and Landfill Rehabilitation Review 'improvement projects'.
2. THAT an electronic copy of the Landfill Rehabilitation Report be distributed to the Committee following this meeting.

CARRIED

ITEM 5. GENERAL REPORTS

5.1 Review credit card expenditure annually

The Credit Card register is to be reviewed annually as per the Committee Work Plan. The Credit Card register was unavailable for this meeting and the Committee requested that this be provided at the next meeting.

RESOLUTION:

1. THAT the Credit Card register be provided at the next meeting.

NOTED

5.2 Review Gifts and Benefits register annually

The Gifts and Benefits register is to be reviewed annually as per the Committee Work Plan and ensures oversight of the Council's processes for managing Gifts and Benefits received in accordance with the Code of Conduct.

Report

There has been nothing entered since Jan 2020.

RESOLUTION:

1. THAT the Committee note the report.

NOTED

5.3 Biennial Review of Committee

The Committee discussed the biennial review of the Committee and considered the template provided by the Institute of the Internal Auditors Australia for relevance to the Committee review. A template was developed to reference the Committee's key objectives as outlined in the Terms of Reference.

The template has been drafted for the Committee to review for comment and / or changes.

It was agreed that amendments will be made to the assessment template and forwarded to the Committee members in the form of a survey. Results of the self-assessment survey are to be presented to the March 2021 meeting.

RESOLUTION:

1. THAT the Committee review the draft Federation Council template for changes prior to implementation and
2. THAT the revised template be forwarded to Committee members in a survey format with results to be presented to the March 2021 meeting.

CARRIED

5.4 StateCover WHS Audit Report 2020-2021

StateCover Mutual, provides Federation Council with an annual WHS self-audit tool to assist in the evaluation and monitoring of its WHS management system.

The audit consists of two following sections:

1. WHS Management System and
2. Key Priority Areas.

Overall significant improvements have been noted from the previous years (2018/2019) and these are highlighted in the attached report.

The Risk Management Coordinator gave an overview of the Action Plan and updates as noted in the report as well as challenges identified. The actions have been populated in Councils reporting system Pulse and the current updates were provided at Item 6.2.

It was also noted that the Risk Officer position has not been able to be filled at this stage and has impacted on the results of this audit.

RESOLUTION:

1. THAT the Committee note the StateCover Audit Results report and the improvements undertaken over the last 12 months.
2. THAT the actions are considered for endorsement by Manex.

CARRIED

ITEM 6. CONFIDENTIAL REPORTS - 11.33am

6.1 Update on Legal matters

[Summary](#)

To receive any updates on any existing, new and potential legal matters.

RESOLUTION:

1. THAT the Committee note the status of legal matters as outlined.

NOTED

6.2 a) Update on Councils half yearly statistical reports on WH&S matters

The Committee discussed the attached report on WH&S matters and the status of recommended actions, noting that these were already discussed and should have been incorporated with Item 5.4.

RESOLUTION:

1. THAT the Committee note the status of Council's WH&S half yearly statistical reports and note the further progress in the development of WH&S issues.

NOTED

6.2 b) Update on Councils incident reports

The Committee received an update on incidents reported up to December 2020.

Clarification on Covid-19 incidents was provided by the Risk Management Coordinator.

RESOLUTION:

THAT the Committee note the half yearly statistical report on incidents lodged with Council.

NOTED

11.42 am Adrian Butler left the meeting.

11.50 am Adrian Butler returned to the meeting.

6.3 Annual review of internal audit Work Plan

At the August meeting the Committee reviewed the proposed changes to the Internal Audit Charter and 'Schedule of Responsibilities', noting that the Strategic Internal Audit Plan and the Annual Committee Work Plan will be undertaken following the appointment of the new Internal Auditor.

The Charter and Schedule of Responsibilities were presented to Council at its Ordinary meeting held in October. They were also provided with a transition plan to highlight Council's progress in line with the scheduled changes for core requirements to be achieved in accordance with the proposed (A New Risk Management and Internal Audit Framework for Local Councils in NSW).

The Internal Auditor has not yet commenced and is expected to commence at the beginning of 2021.

RESOLUTION:

1. THAT the Committee note the revised Audit Risk and Improvement Committee Charter and Schedule of Responsibilities.
2. THAT the Committee note "A new Risk Management and Internal Audit framework for local Councils in NSW" has not yet been adopted.
3. THAT the review of the Strategic Internal Audit Plan and the Internal Audit Committee Work Plan be conducted when the Internal Auditor has commenced.

CARRIED

6.4 Update on Business Continuity Planning - high level report on outcomes of the BCP testing

The Risk Management Coordinator provided a high level report on the outcomes of the BCP testing as reported to the August Committee meeting.

RESOLUTION:

1. THAT the Committee note the high level report provided and the continued focus on Council's Business Continuity Planning.

NOTED

6.5 Status of the EPA asbestos issue

The Committee discussed the existing EPA asbestos issue at its August 2020 meeting and in the absence of the Director Engineering Services and the Director of Development and Environmental Services, requested a report to be provided to the Committee at the December meeting.

RESOLUTION:

1. THAT the Committee note the report on the EPA asbestos matter.

NOTED

6.6 Update on any incidents related to fraud

The Director Corporate and Community advised that there were no incidents related to fraud.

RESOLUTION:

1. THAT the Committee note that there was nothing to report relating to any incidents of fraud.

NOTED

6.7 Update on Internal Audit contract renewal

The Director Corporate and Community Services will provide an update on the status of the new Internal Audit Contract.

It was noted that this process is expected to be completed by the end of December.

RESOLUTION:

1. THAT the Committee note the status of Council's Internal Audit contract renewal.

NOTED

6.8 Review of policies and procedures.

The Annual Meeting Plan included provision for the committee to ensure that the Council has robust policies and procedures in place. The Annual Meeting Plan for December included the following policies for review

- Section 355 Committee Policy
- Investments policy
- Procurement Policy
- Credit Card Policy

Discussion took place regarding the necessity to review the Investment Policy as soon as practicable. Such a review to consider criteria for adequate liquidity within the Council's separate Business funds. The reviewed Policy to also provide for separate administrative procedures, relating to investing of funds, to ensure appropriate authorisation and segregation.

RESOLUTION:

1. THAT the Committee note the status of Council's relevant policies and procedures.
2. THAT the Committee note that the Investment Policy was due for renewal in June 2019 and requested that this review take place as soon as practicable. The Committee also requested that when the Investment Policy is reviewed that it include the following:
 - a. that the investment criteria include adequate liquidity within the Council's separate Business funds; and
 - b. that the Policy provide for separate administrative procedures, relating to investing of funds, to ensure appropriate authorisation and segregation.

NOTED

ITEM 7. GENERAL BUSINESS

7.1 Recent Reports and Publications of Interest

A report on the current internal audit plan progress and any reports or publications of interest is normally provided by the Internal Auditor. Due to this contract being under review we will not have any representation at this meeting from the Internal Auditor.

It was recommended that this item be deferred to the next meeting.

RESOLUTION:

1. THAT the Committee defer this item to the next meeting.

CARRIED

7.2 Committee Term – Duration of Council Term

The Director of Corporate and Community noted the Internal Audit Committee independent member's contract renewal for review on the Annual Meeting Plan. The Charter states that the Independent Committee member's contract will be for a term of council. The current Council term has been extended to September 2021 by the Office of Local Government due to Covid-19. Discussion took place as to whether this should be amended in the Charter. It was also noted that the rotation of Committee member contract end dates be considered to ensure continuity.

RESOLUTION:

1. THAT the renewal of the independent Committee member's contract be amended on the Annual Meeting Plan to September 2021
2. THAT agreement for an extension to the existing term be received by both parties.
3. THAT the Committee review the current terms for Committee members to ensure there is adequate crossover to enable continuity.

CARRIED

ITEM 8. NEXT MEETING

To confirm the next meeting date scheduled for 5 March 2021.

The meeting closed at 12.30pm.