

Minutes

Audit Risk and Improvement Committee

1 April 2022 at 10.00am

WELCOME, ACKNOWLEDGEMENT OF COUNTRY - 10.00am

Present:

Members: Linda MacRae (Independent external member and Chairperson), Peter McLean (Independent external committee member) – via online.

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

Invited Participants: Carolyn Rosetta-Walsh (Adams Kenneally White), - via online Susan Appleyard (Director Development and Environmental Services) via online, Shane Norman (Finance Manager), Sean Pye (External Auditor – Crowe

Apology: Heidi Neumeister (Governance Officer), Steve Carmichael (Director Engineering Services),

Purpose: As per Committee Terms of Reference 17/13884

Note: The order of items are recorded in the order in which they were presented at the meeting.

ITEM 1. GOVERNANCE – 10.01am

1.1 Apologies – 10.01am

To receive any apologies from attendees.

RESOLUTION:

1. THAT any apologies be accepted and noted.

CARRIED

1.2 Disclosures of Interest – 10.01am

There were no disclosures of any conflicts of interest with items on the agenda from attendees.

RESOLUTION:

1. THAT any disclosures be noted.

CARRIED

1.3 Endorse Minutes of previous meeting – 10.03am

The Minutes of the meeting held on 10 December 2021 were submitted for the Committee to endorse as being a true and correct copy.

Draft minutes of the meeting were noted at the Ordinary meeting of Council on 15 February 2022.

RESOLUTION:

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 10 December 2021 be received and noted as a true and correct copy.

CARRIED

1.4 Audit Risk and Improvement Committee Meeting actions report

The Audit Risk and Improvement Committee meetings identify improvement actions to be undertaken.

At the last ARIC meeting it was determined that

- all actions be reviewed and
- assessed for current relevance,
- removed from the list if unable to be achieved, with reasons noted and acceptance of risk
- revised target dates be included in the report for the next meeting in December.

This revised audit actions report has been reviewed with these considerations in mind.

RESOLUTION:

1. THAT the Committee note the Actions report for March 2022.

CARRIED

1.5 Committee Annual Meeting Plan – 10.05am

An Audit Risk and Improvement Committee annual meeting plan (work plan) was prepared for comment and approved at its December ARIC meeting. The annual meeting plan identifies the key activities required to be carried out by the committee and schedules these across each of its meetings throughout the year. The activities form the basis of each agenda and serve to ensure critical functions are not missed and the committee is meeting the compliance requirements as prescribed in its Terms of Reference.

The Committee discussed the risk activity in the Annual Meeting Plan and Council's role with providing oversight of the organisation's risk profile, including being informed of changing risks to the organisation.

RESOLUTION:

1. THAT the Committee note the final Annual Meeting Plan.

CARRIED

ITEM 2. FINANCIAL MANAGEMENT – 10.08am

2.1 Annual Financial Statements for year end 30 June 2022 – 10.08am

2.1.1 External Audit Annual Engagement Plan – 10.08am

The NSW Audit Office Annual Engagement Plan for 2021/22 was provided to the Committee for review.

RESOLUTION:

1. THAT the Committee note the NSW Audit Office Annual Engagement Plan for 2021/22.

CARRIED

2.1.2 Status of External Audit Recommendations – 10.28am

Council is required to regularly monitor the implementation of any recommendations made by the External Auditor. These reports are generally included as part of the Audit Actions report and shown as a separate table.

The report was provided for the Committee for review.

The Committee noted that the report also include progress on recommendations from internal audits that had been conducted.

Committee members were provided with a brief update on recent events with Camden Council, whereby a volunteer was fatally injured whilst undertaking an activity that was ultimately found to be within the scope of Council's WHS responsibility. Given the significant risk to Council associated with volunteer activity, Camden Council had made a prompt decision to cease delegating functions to S355 Committees. The Committee and attendees discussed the risks to Federation Council and the need to undertake improvement in this area.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

2.1.3 Report on Accounting Legislative Changes - 10.33am

The Committee is required to annually review significant accounting legislative changes; regulatory and or professional pronouncements and any relevant policies to ensure the Council's Financial Reports (Annual and Management) reflect any such changes.

The Committee was provided with a copy of the NSW Audit Office report *Financial reporting issues and developments Local Government December 2021* which outlined a summary of changes.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

2.2 Management financial reporting – 10.38am

2.2.1 Financial Performance Report -10.38am

A monthly Financial Performance Report for 31 January 2022 was considered by the Council at its Meeting on 15 February 2022. This report was provided to the Audit Committee for information and noting.

RESOLUTION:

1. THAT the Committee note the Financial Performance Report at 31 January 2022.

CARRIED

2.2.2 Quarterly Budget Review Statement – 10.48am

Summary

A Quarterly Budget Review Statement at 31 December 2021 was adopted by Council at its meeting on 15 February 2022. The report was provided to the Audit Committee for consideration.

RECOMMENDED:

1. THAT the Committee note the report.

CARRIED

ITEM 3. GENERAL REPORTS – 10.51am

3.1 Chair’s Annual Report – 10.51am

The Terms of Reference require that the Chair of the Committee will prepare an annual performance report to the Council of the Committee's activities. A copy of the report was provided for the Committee.

RESOLUTION:

1. THAT the Committee notes the Chair’s annual report on the Committee’s performance and activities throughout the year.
2. THAT the Chair’s annual report be submitted to Council.

CARRIED

3.2 Committee Terms of Reference and Schedule of Responsibilities – 10.56am

NSW Councils must adopt the Audit Risk and Improvement Committee Terms of Reference within 6 months of a new Council being elected. Amendments were made to the revised Terms of Reference to take into account the new legislation.

The revised Terms of Reference and Schedule of Responsibilities were included for Committee to endorse prior to being presented to Council.

The requested the following changes be made to the Terms of Reference:

Section 3 – add “external and” to precede internal audit in paragraph 2

Section 6 – remove paragraph 2 as it does not yet take effect

Section 6.1 – replace backup with alternate

Section 6.3 – add internal auditors to list of invitees, remove text re current committee members, relocate remaining text to Section 6.1

Section 10 – remove “and opinions” from paragraph 2, remove paragraphs 3, 4 and 7 as it does not yet take effect, add requirement for annual report from Chair

Section 11.1 – add internal auditors to list of invitees

Section 12.4 – remove as does not yet take effect

Section 12.5 – remove as does not yet take effect

Attachment A (e) – remove 9 & 10 as does not yet take effect

Attachment A (i) – adjust alignment

RESOLUTION:

1. THAT the Committee notes the revised Terms of Reference and Schedule of Responsibilities with proposed amendments

CARRIED

3.3 Renewal of Chairs Term and Independent Member review – 11.01am

At its December ARIC meeting, the Committee discussed the requirement to facilitate a renewal of the independent member's term in accordance with the Terms of Reference. The Committee referred back to management for an amended timeline to ensure that overlap between Committee members occurs to maintain continuity of knowledge and strategic oversight.

Under the proposed new Risk Management guidelines Councils will have until 2027 to ensure ARIC membership complies with the guidelines. This allows councils to transition into the new membership requirements as and when membership of existing ARICs expire.

Management has reviewed the existing timeline and now proposes to extend the independent members' term where independence and eligibility requirements are able to be met and members are in agreement. The Committee were provided with proposed amended timelines.

RESOLUTION:

1. THAT the Committee endorse the revised timeline and any extension to the existing independent member terms.
2. THAT a review of the independent members be conducted.

CARRIED

3.4 Proposed changes to Audit Risk and Improvement – 11.04am

In 2016, the NSW Government made it a requirement under the Local Government Act 1993 ('Local Government Act') that each council have an Audit, Risk and Improvement Committee.

The Office of Local Government has developed a draft internal audit and risk management framework to support and inform the operations of ARICs. The new framework will be governed by regulations and *Guidelines for risk management and internal audit for local councils in NSW*. These will prescribe the minimum standards for each council's audit, risk and improvement committee, risk management framework and internal audit function.

The Committee has agreed to review any amendments or proclamation of any components of the draft guidelines, to enable us to identify any actions to be implemented from this.

There were no new elements that have been implemented.

RESOLUTION:

1. THAT the Committee note the report on the Risk Management Internal Audit Framework.

CARRIED

3.5 Integrated Planning and Reporting update– 11.06am

Council is reviewing its key strategic planning documents as required every four years following an ordinary election of Councillors. The Council may endorse the existing plan, endorse amendments to the existing plan or develop and endorse a new CSP, as appropriate to ensure that the area has a CSP covering at least the next 10 years.

The suite of documents under review includes the

- Community Strategic Plan
- Four Year Delivery Program

- Operational Plan
- Resourcing Strategy inclusive of the following:
 - Long Term Financial Plan
 - Workforce Management Plan and
 - Asset Management Plan

Feedback from the community in relation to the key priorities and strategies previously identified with the development of these documents has been obtained via a community survey which was open from 5 March 2022. Almost 70 submissions were received and have informed the update of the Community Strategic Plan and the development of the next Delivery Program.

Draft documents are being presented to Council at the 16 May ordinary meeting to enable 28 day exhibition and adoption of final documents by 30 June.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED

ITEM 4. INTERNAL AUDIT – 11.08am

4.1 Report on Internal Audit Recommendations – 11.08am

The outstanding internal audit actions report provides oversight of the internal audits conducted and the progress in addressing any agreed recommendations and improvement actions.

The report on outstanding Internal Audit actions was provided for the Committee to review.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

4.2 Strategic Internal Audit Plan and Annual Audit Work Program – 11.13am

At the last meeting in December, the committee was updated on the status of the 3 year Internal Audit Plan and Annual Work Program. The Chair requested that management develop a 3 year plan in conjunction with the internal auditors and submit their draft plan to the Committee Members for consideration prior (out of session) to the next meeting. This draft plan was emailed to committee members on 22 February seeking endorsement from the Committee members and to ensure our new Councillor Representative had an opportunity to review this.

Following feedback from the Committee the updated version was provided for the Committee.

RESOLUTION:

1. THAT the Committee endorses the proposed Strategic Internal Audit Plan including the Annual Audit Work Program.

CARRIED

4.3 Endorse Audit Scopes – 11.16am

The Committee Terms of Reference requires any new audit scopes to be endorsed by the committee at each meeting or when required.

Three audits were proposed for 2022:

- Fraud Control review
- Gap analysis against findings from the Central Coast Council reviews
- Project Management internal audit.

RESOLUTION:

1. THAT the Committee endorses:
 - a. the Fraud Control scope as proposed
 - b. The Gap Analysis Terms of Reference as proposed
 - c. The Project Management Terms of Reference as proposed following consideration of Manex feedback.

CARRIED

4.4 Recent Reports and Publications of Interest - 11.21am

The Committee was provided with a summary of recent reports and publications of interest which included the Report of Public Enquiry into Central Coast Council.

RESOLUTION:

1. THAT the Committee note the progress report and publications for discussion.

CARRIED

ITEM 5. CONFIDENTIAL REPORTS – 11.31am

5.1 Update on legal matters – 11.31am

An update was provided on current legal matters.

RESOLUTION:

1. THAT the Committee note the update on legal matters as presented by the General Manager and Director Corporate and Community Services.

CARRIED

5.2 WH&S Incident reporting – 11.33am

A report was provided to the December ARIC meeting. At this meeting it was requested that further detail be provided regarding the vehicle, plant and other incidents. This information was provided to the Committee.

RESOLUTION:

1. THAT the Committee note the report provided regarding the vehicle, plant and other incidents.

CARRIED

5.3 Update on Business Continuity and Disaster Recover Plans – 11.36am

A Federation Council Business Continuity Plan (BCP) was adopted by Council in March 2020.

Training and testing of the BCP was conducted in August 2020. A cybersecurity exercise was also conducted in August 2021 which included testing of the BCP and the DRP.

A review of the some components of the BCP was undertaken in 2021 to assist with keeping the plan current. A further review will be undertaken later in 2022.

In addition to the BCP, Council has a Disaster Recovery Plan. This was tested in December 2020, with the exercise identifying improvements to Council's disaster recovery plan. The plan was also tested as part of the August 2021 cyber security exercise.

RESOLUTION:

1. THAT the Committee note the status of the Business Continuity Plan and Disaster Recovery Plan.

CARRIED

5.4 Risk Management Update – 11.39am

An update was provided on the risk management framework and current status of the Risk Management Coordinator role.

RESOLUTION:

1. THAT the Committee note the status of the risk management framework and the changed status to the Risk Management Coordinator's position.

CARRIED

5.5 Update on compliance / non-compliance – 11.42am

The Committee was advised there were no issues of non-compliance to report.

RESOLUTION:

1. THAT the Committee note the status on areas of non-compliance.

CARRIED

5.6 Update on any incidents related to fraud – 11.45am

There were no incidents related to fraud to report. .

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

5.7 Update on service reviews – 11.48am

An update on Service Reviews was provided to the Committee.

RESOLUTION:

2. THAT the Committee note the report.

CARRIED

5.8 Review of Council policies – 11.51am

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

The Committee was provided with an update on the Credit card policy and the status of the Fraud control policy.

RESOLUTION:

1. THAT the Committee note the status of council's relevant policies and procedures as provided.

CARRIED

ITEM 6. GENERAL BUSINESS – 11.53am

6.4 General Business

There was no items of General Business.

ITEM 7. NEXT MEETING – 11.58am

7.1 Next Meeting

The Audit Office was provided with tentative dates for future ARIC meetings. The following dates have been provided.

RESOLUTION:

1. THAT the Committee confirm the following meeting schedule for 2022:
 - Friday 3 June
 - Friday 5 August
 - Friday 14 October
 - Friday 9 December

Next Meeting Friday 3rd June 2022

Meeting closed at 12.00pm