

Minutes

Audit Risk and Improvement Committee

12/08/2022 at 10.00am

WELCOME, ACKNOWLEDGEMENT OF COUNTRY - 10.04am

Present:

Members: Linda MacRae (Independent external Member and Chairperson), Cr. Rowena Black (Councillor Representative), Peter McLean (Independent external Committee member) via online.

Attendee (non-voting): Jo Shannon (Head of Internal Audit and Director Corporate and Community Services).

Invited Participants: Jason Gilbert, (External Auditor - Crowe) via online, Carolyn Rosetta-Walsh (Adams Kenneally White) via online, Heidi Neumeister (Governance Officer), Shane Norman (Manager Finance).

Apologies: Adrian Butler (General Manager), Steve Carmichael (Director Engineering Services), Susan Appleyard (Director Development and Environmental Services)

Purpose: As per Committee Terms of Reference 17/13884

ITEM 1. GOVERNANCE – 10.04am

1.1 Apologies

To receive any apologies for the meeting.

RESOLUTION:

1. THAT the apologies as listed above be noted.

CARRIED

1.2 Annual Disclosure by Councillors and Designated Persons – 10.05am

Updated disclosure forms have been received from ARIC Independent Members Linda MacRae and Peter McLean.

RESOLUTION:

1. THAT Independent Members updated Disclosure Forms be tabled at the September Ordinary Council meeting.

CARRIED

1.3 Conflicts of Interest - 10.06am

There were no conflicts of interest declared by attendees at the Meeting relating to any items on the agenda. Peter McLean (Independent Member) advised that he has been invited to join another NSW Council as an Independent Member, which is not deemed to be a conflict.

RESOLUTION:

1. THAT the Committee note the disclosure received.

CARRIED

Carolyn Rosetta Walsh (AKW) joined the meeting at 10.09am

1.4 Minutes of previous meeting – 10.07am

The Minutes of the meeting held on 10 June 2022 were submitted for the Committee to endorse as being a true and correct copy.

RESOLUTION:

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 10 June 2022 be received and noted as a true and correct copy.
2. THAT the Minutes be submitted to Council for noting and publishing on Council's website.

CARRIED

1.5 Meeting actions report – 10.12am

The Audit Risk and Improvement Committee meetings identify actions to be undertaken. The status of these actions is monitored at each meeting.

RESOLUTION:

1. THAT the Committee note the Meeting Actions update report.

CARRIED

ITEM 2. FINANCIAL MANAGEMENT – 10.17am

2.1 Statutory financial reporting

2.1.1 Update on External Audit Interim visit - 10.17am

The 2021/2022 Interim External Audit was conducted throughout July. Feedback from the External Auditor at the exit meeting indicated that there has been an improvement in controls and financial processes since the previous visit. This result was reiterated by the External Auditor at the meeting, who also confirmed that there were no new issues raised. He also advised that an Interim Management Letter is not provided when no new issues are raised.

Further explanation was provided by the External Auditor in relation to the RFS assets issue that could impact the 2021/2022 Financial Statements of NSW Councils.

Jason Gilbert (Crowe) left the meeting at 10.28am

RESOLUTION:

1. THAT the Committee note the update from the External Auditor regarding the Interim External Audit visit, also noting that there were no new issues raised during this visit and as a result there is no Interim Management Letter provided.
2. THAT the Committee remain cognisant of the following issues raised by the External Auditor:
3.
 - a. That in regard to the RFS Assets valuation and Council recognition issue there is likely to be 3 possible scenarios for the preparation and audit of the 2021/2022 Financial Statements:
 - i) If Council does not do the work to value the assets and therefore such assets are not recognised, there could be a 'limitation of scope' Audit Office qualification/statement.
 - ii) If Council does the work to value the assets and such valuations are material and still Council determines not to recognise such assets, there could be a 'except for materiality' Audit Office qualification' /statement.
 - iii) If Council does the work to value the assets and determines that such assets are not of material value and therefore are not required to be recognised in Council's Financial Statements.
 - b. Indexation for unit costs for asset classes. Councils needs to undertake an assessment of the potential effect of the probable higher indexation of unit value costs for all asset classes, including asset classes that are not due for a full revaluation.

CARRIED

2.1.2 Status of External Audit recommendations – 10.29am

Council is required to regularly monitor the implementation of any recommendations made by the External Auditor. The Committee was informed that there have been no further updates to the report since April.

RESOLUTION:

1. THAT the Committee note the External Audit recommendations report.

CARRIED

2.2 Management financial reporting

2.2.1 Financial Performance Report – 10.34am

A monthly Financial Performance Report for 30 June 2022 was considered by the Council at its Meeting on 18 July 2022. This report was also provided to the Audit Committee for information and noting.

The Committee was advised that a monthly Financial Performance Report for 31 July 2022, is being prepared for the next Council meeting on 15 August 2022 and will be circulated to the committee prior to the meeting.

RESOLUTION:

1. THAT the Committee note the Financial Performance Reports at 30 June 2022 and 31 July 2022.

CARRIED

ITEM 3. GENERAL REPORTS – 10.48am

3.1 Internal Auditor Review – 10.48am

The Committee Terms of Reference (12.3) requires the Head of the Internal Audit to initiate a review of the performance of the Internal Auditors at least once every two years. The Committee Annual work plan has this scheduled for the first Committee meeting after the 30th June. (11).

The Committee agreed to postpone the review until after the Fraud Control Policy and the Gap Analysis Project Audits have been finalised.

RESOLUTION:

1. THAT the performance review for the internal auditors be rescheduled for completion and a report to the December 2022 ARIC meeting.

CARRIED

3.2 Independent Committee Member's Review – 10.49am

The Committee Terms of Reference (6.1) requires the governing body to undertake an assessment of the Chair's or an Independent Member's performance prior to approving the reappointment or extension of the Independent Member's term. Reappointment of the Chair and Independent Members is also to be subject to the individual still meeting independence and eligibility requirements.

At the June ARIC Meeting, the Committee resolved to endorse the methodology and Performance Assessment Tool to enable Independent Members to complete the self-assessment prior to 30 June 2022.

The performance self-assessments have been received and a report is being prepared for the Council meeting in September.

RESOLUTION:

1. THAT the Committee note that the Independent Member self-assessments have been received and that a report will be provided to Council at its September meeting regarding reappointment.

CARRIED

3.3 Draft NSW Risk Management and Internal Audit Guidelines update – 10.54am

Following recent discussions, the Office of Local Government (OLG) and NSW Treasury have agreed that the NSW Government's Prequalification Scheme for Audit and Risk Committee Chairs and Members will not be suitable for use by councils and joint organisations.

Under the new requirements, all Councils will be required, at a minimum, to have an ARIC that comprises of the following:

- one Independent Chair who meets the independence and eligibility criteria for an ARIC Chair, and
- at least two Independent Members who meet the independence and eligibility criteria for ARIC members.
- Councils may appoint one non-voting Councillor member to its ARIC who meets the eligibility criteria for Councillor members.

The timeframe for compliance with the ARIC membership requirements in the Guidelines will be brought forward to 1 July 2024. Whilst still in draft it is expected that as of this date all Councils and Joint Organisations will be required to ensure ARIC Chairs and Independent Members meet the eligibility and

independence requirements set out in the Guidelines, and have a risk management framework and internal audit function that complies with the Guidelines.

Changes identified that Federation Council ARIC will need to address to meet the revised guidelines before 30 June 2024 will be:

- Appointment of two additional Independent Members due to one current Independent Member being recently appointed as a Councillor to Camden Council.
- Removal of the voting capacity of Council representative in accordance with eligibility requirements.
- Undertake a criminal record and financial status (bankruptcy) check of ARIC Chair and Members before their appointment or re-appointment.

RESOLUTION:

1. THAT the Committee note the update.
2. THAT the Committee recommends to Council that a written response to the OLG be prepared that expresses the view of the Committee to include the following:
 - a) That Councillor Members on ARIC's should be of equal standing as full voting Independent Members.
 - b) That membership of the ARIC not be limited to one non-voting Councillor but Independent Members should comprise the majority of Members.
 - c) That the Committee does not agree with the proposed eligibility requirement that prevents Independent ARIC Members from being a Councillor at another Council (subject to the 'normal' Local Government Conflict of Interest requirements').

CARRIED

3.4 Integrated Planning and Reporting Update – 11.08am

At the June ARIC meeting Council's suite of draft Integrated Planning and Reporting documents were provided to the Committee.

On review it was identified that there was an error in the computation providing the unrestricted cash in the Long-Term Financial Plan sustainability indicators. This was rectified in the final version adopted by Council.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED

ITEM 4. INTERNAL AUDIT – 11.10am

4.1 Progress report on Internal Audit recommendations – 11.10am

The outstanding internal audit actions progress 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 review – 11.16am

The Committee has a requirement to review its Strategic Internal Audit Plan at least annually to ensure it addresses Council's material strategic and operational risks. The Strategic Internal Audit Plan was developed in January 2022 and is not due for review until January 2023.

RESOLUTION:

1. THAT this action be deferred until December 2022.

CARRIED

4.3 Endorse Audit Scopes – 11.19am

The Committee endorsed the following audit scopes on 1 April 2022.

- Fraud Control Policy and
- Gap Analysis Projects

AKW provided a draft Fraud Policy for consideration. Some minor changes have been made and the policy has been recommended to Council for adoption at the August meeting.

A draft scope for the Project Management Review is currently being reviewed by Management.

RESOLUTION:

1. THAT the Committee note the update.
2. THAT a copy of the draft Project Management scope either be provided to the Committee 'out of session' for noting and comments, or be included in October 2022 ARIC meeting agenda.

CARRIED

4.4 IA Progress Report and Recent Reports and Publications of Interest – 11.21am

Various publications of interest were provided by AKW for the Committee to note.

RESOLUTION:

1. THAT the Committee note the publications for discussion and relevance in the context of Federation Council.

CARRIED

ITEM 5. CONFIDENTIAL REPORTS – 11.26am

5.1 Legal matters – 11.34am

The Director of Corporate and Community gave a brief update on several legal matters currently before the Council.

RESOLUTION:

1. THAT the Committee note the status of legal matters before the Council.

CARRIED

5.2 Half yearly statistical reports regarding WH&S matters – 11.28am

The update on WH&S matters was deferred pending the appointment of a Risk and Safety Officer.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED

5.3 Risk Management update -11.28am

The update on the risk framework and progress was deferred pending the appointment of a Risk and Safety Officer.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED

5.4 Council's Insurance Premiums – 11.28am

A brief summary of the insurance that Council has accepted for 2022/23 was provided to the Committee.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

5.5 Major Projects Risk Report – 11.32am

The Committee has a responsibility to ensure that the Council has up to date, sound and effective risk management practices in place for Major Projects, that provides a reporting status update frequency according to the level of risk.

This report was deferred pending the appointment of a Risk and Safety Officer.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

5.6 Legislative compliance / non-compliance – 11.33am

There were no matters raised impacting on compliance.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

5.7 Incidents of Fraud – 11.39am

The committee was advised of one report of fraud received by management which will be investigated by an independent investigator, with an update provided when the matter is concluded.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

5.8 Review of policies – 11.43am

The committee was provided with copies and an update on the status of the following policies:

Code of Conduct and Procedures for the Model Code of Conduct and Investments policy.

RESOLUTION:

1. THAT the Committee note the status of council’s relevant policies and procedures.
2. THAT the Investments policy be submitted to the Committee at the December, 2022 ARIC meeting.

CARRIED

ITEM 6. GENERAL BUSINESS – 11.48am

There were no new items of business to report.

ITEM 7. NEXT MEETING – 11.48am

The Committee agreed to the following dates for meetings for the remainder of 2022:

- Friday 14 October 2022
- Friday 9 December 2022

Additional dates for the FY23 until 30 June were tentatively agreed.

RESOLUTION:

1. THAT the Committee agree to the following tentative dates for ARIC meetings for the first half of 2023:
 - Friday 24 March 2023
 - Friday 23 June 2023

CARRIED

Meeting closed at 11.50am