

## **DRAFT Minutes**

### **Audit Risk and Improvement Committee**

**3 September 2021 at 10.00am**

**Via Videoconference**

#### **Welcome, Acknowledgment of Country and Apologies - 10.15am.**

**Present:**

**Members:** Linda MacRae (Independent external member and Chairperson), Cr. Paul Miegel (Councillor Representative), 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), Carolyn Rosetta-Walsh (Adams Kenneally White), Heidi Neumeister (Governance Officer), Shane Norman (Finance Manager), Fiona Goodman (Risk Management Coordinator).

**Apologies:** Susan Appleyard (Director Development and Environmental Services)

**Absent:** Steve Carmichael, Director Engineering Services

**Purpose:** As per Committee Terms of Reference 17/13884

**Meeting commenced later than scheduled due to audio issues with Chairs video connection. Chair connected via phone for audio and used video connection without audio to enable viewing of attendees.**

#### **ITEM 1. Governance - 10.15am.**

##### **1.1 Apologies – 10.15am**

To receive any apologies for the meeting.

**RESOLUTION:**

1. THAT the Committee note the apologies received.

**CARRIED**

##### **1.2 Disclosures of Interest – 10.15am**

To receive disclosures of any conflicts of interest with items on the agenda from attendees.

**RESOLUTION:**

1. THAT the Committee note that there were no disclosures received.

**CARRIED**

### **1.3 Pecuniary Interest Returns – 10.16am**

To receive Annual Pecuniary Interest Returns under Part 4 of the *Model Code of conduct for Local Councils in NSW (2018)* for Designated persons.

Designated persons as defined in the Model Code of Conduct (Clause 4.21) includes a person who is a member of a Committee of the council identified by the council as a Committee whose members are designated persons because the functions of the Committee involve the exercise of the council's functions (such as regulatory functions or contractual functions) that, in their exercise, could give rise to a conflict between the member's duty as a member of the Committee and the member's private interest.

Council has identified that Independent members of our Audit Committee as Designated Persons for the purposes of Part 4 of the Model Code of Conduct.

Pecuniary Interest Returns are required to be published on Councils website under the Government Information (Public Access) Regulations Schedule 1 – Additional Open Access Information of local authorities.

In accordance with the Information and Privacy Commissions Guideline 1, Council conducts the public interest test in relation to each return and redacts any information where there is an overriding public interest against disclosure, for example a residential address or signature.

Disclosures of interests are required to be submitted within 3 months after:

- 30 June each year for the 12 months period up to 30 June in the year requested
- becoming a councillor or designated person and
- becoming aware of an interest they are required to disclose.

Forms are required to be returned no later than 30 September.

#### **RESOLUTION:**

1. THAT the Pecuniary Interest Returns of Independent Committee members are submitted in accordance with the Model Code of Conduct.

**CARRIED**

### **1.4 Endorse Minutes of previous meeting - 10.17am**

The Minutes of the meeting held on 11 June 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 20 July 2021 Item 8.2).

#### **RESOLUTION:**

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 11 June 2021 be received and noted as a true and correct copy.

**CARRIED**

## **1.5 Audit Risk and Improvement Committee Meeting actions report – 10.18am**

The Audit Risk and Improvement Committee meetings actions report identifies actions to be undertaken to facilitate improvement functions.

This report was not been able to be prepared due to a system error requiring technical support from the provider and subsequent testing to take place. The timing of having this system adjustment meant that staff were not able to complete the updates in time for this report.

This report will be prepared for the next meeting in October.

### **RESOLUTION:**

1. THAT the updated Audit Meeting Actions report be circulated with the agenda for the 15 October 2021 meeting.

### **CARRIED**

## **ITEM 2. ANNUAL FINANCIAL STATEMENTS – 10.19am**

### **2.1 Interim Management letter June 2021 – update on status of actions – 10.19am**

Council's external auditors, Crowe Albury, concluded their interim audit in June 2021. The management letter on the interim phase of the audit was received at the last meeting held on 11 June 2021

A status update of each of the recommendations was provided for the Committee.

### **RESOLUTION:**

1. THAT the update on recommendations from the Interim Management Letter be noted.

### **CARRIED**

### **2.2 Update on the preparation of 2020/2021 EOFY Statements – 10.20am**

Preparation of the financial statements has progressed in accordance with the year end work plan that has previously been presented to the Committee.

The financial statements are expected to be available for the external auditors as scheduled (6 September).

### **RESOLUTION:**

1. THAT the Committee note the status of the preparation of the 2020/21 Financial Statements.

### **CARRIED**

## **ITEM 3. FINANCIAL MANAGEMENT – 10.22am**

### **3.1 Financial Sustainability Indicators – 10.22am**

Council's Long Term Financial Plan contains a number of consolidated financial indicators to inform Council decision making. More comprehensive financial information will provide greater assistance for Councillors and Council officers. The financial indicators have now been calculated at a fund level (general, water, sewer and waste) to enable the financial performance of each fund to be considered independently.

An update of the progress of these indicators was provided for the information of the Committee as resolved at the ARIC meeting on 5 March 2021.

The updated financial indicators were provided to the Committee 'out of session' by email on 30 August 2021 with the following comments:

"The financial sustainability indicators have now been updated based on the LTFP 2021-2031 that was adopted by Council in June (as attached).

There has been a general improvement in the results as a result of the future SRV planned from July 2023 (8-12% per annum for five years). This has enabled increased investment in roads in future years and enabled a portion of the waste management charge to be set aside to fund future rehabilitation of our landfills.

However the revaluation of roads in 2020 has had a significant detrimental effect on two of the ratios - operating performance and capital expenditure. The revaluation has resulted in roads depreciation increasing by \$3m per annum. Whilst this is a non-cash adjustment, it does reflect the use of our roads assets and the need to invest in the maintenance and renewal of roads. These ratios have been recalculated based on depreciation prior to the revaluation. As displayed in the attached, these ratios would have been very healthy and have painted an improved financial result for Federation Council."

The Committee discussed the issues raised above as well as the necessity for Council to continually monitor its restricted and unrestricted cash position.

#### **RESOLUTION:**

1. THAT The Committee note the updated Financial Indicators, by fund type.

#### **CARRIED**

### **3.2 Financial Performance Report – 10.35am**

A monthly Financial Performance Report for 31 July 2021 was considered by the Council at its Meeting on 17 August 2021. This report was also provided to the Audit Committee for information and noting.

#### **RESOLUTION:**

1. THAT the Committee note the Financial Performance Report at 31 July 2021.
2. THAT the Director of Corporate and Community Services provide a short report on the status of Council's internal loan application at the next Meeting.

#### **CARRIED**

## General reports

### ITEM 4. INTERNAL AUDIT – 10.44am

#### 4.1 Internal Audit reports actions update – 10.44am

This report was not been able to be prepared due to a system error requiring technical support from the provider and subsequent testing to take place. The timing of having this system adjustment meant that staff were not able to complete the updates in time for this report.

There have been no new internal audits undertaken since the last report.

This report will be prepared for the next meeting in October 2021.

#### RESOLUTION:

1. THAT the updated Audit Meeting Actions report be circulated with the agenda for the 15 October 2021 meeting.

#### CARRIED

#### 4.2 IA Progress Report and Recent Reports and Publications of Interest – 10.45am

There has been no internal Audits scheduled for this quarter, however we have received some publications and items of interest from Adams Kenneally White (AKW). The items and their findings were discussed in light of any potential impacts on Council.

#### RESOLUTION:

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

#### CARRIED

### ITEM 5. PLANNING – 10.49am

#### 5.1 Audit Office Annual Work Program – 10.49am

The NSW Audit Office has released its Final Annual Work Program 2021 for performance audits to be conducted over the next 3 years from 2021-2024. These performance audits assess whether the activities of government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws.

Key priorities identified in the report for 2021-2022 includes a financial audit of approximately 500 NSW Government agencies, universities and councils.

The full report and list of priorities was provided for the information of the Committee.

#### RESOLUTION:

1. THAT the Committee note the reports.

**CARRIED**

## **5.2 Rolling 3 year forward plan – 10.56am**

Discussions have been conducted with Council's Manex team and Council's internal auditor AKW. It has been agreed that a focus on Council's risk management and governance frameworks would be relevant to inform future planning. A draft internal audit scope to undertake a gap analysis of the risk management and governance frameworks and practices at Federation Council was provided for the information of the Committee.

### **RESOLUTION:**

1. THAT the Committee endorse the proposed scope of the Internal Audit Review “ Gap Analysis of Council's Risk Management and Governance Frameworks”.

## **ITEM 6. QUALITY ASSURANCE – 11.03am**

### **6.1 Review of Committee Charter – 11.03am**

The review of the Committee Charter was last carried out in October 2020 and as part of that review we amended the review period to once every two years to coincide with the Internal Audit Framework requirement to support alignment with the model Charter being implemented by December 2022.

When the Workplan still had an annual review timeframe the review was rescheduled to September 2021 due to the election date change from September 2020 resulting from Covid-19. This was to enable the new Council to have oversight of the Charter and our Audit function. NSW Local Government elections have been further postponed to 4 December 2021.

With our last being undertaken less than 12 months ago and the new council being elected in December 2021, it was proposed that the Committee confirm the review of the Charter be carried out no later than 30 June 2022. This will allow compliance with the proposed new guidelines and our Charter and still allow the new Council an opportunity to review our system of internal controls.

### **RESOLUTION:**

1. THAT the Audit Committee Charter be circulated to all members on 1 February 2022 with any proposed changes or items for consideration.
2. THAT any proposed changes be discussed and agreed at the March 2022 Committee meeting to enable changes to be finalised for adoption by Council by 30 June 2022.
3. THAT the revised Charter be presented to Council for adoption before 30 June 2022.

**CARRIED**

### **6.2 Review of Committee Workplan (Annual Meeting Plan) – 11.05am**

An Audit Risk and Improvement Committee Workplan/Annual Meeting Plan identifies the key activities required to be carried out by the Committee and schedules these across each of the meetings. Federation Council currently holds 5 meetings per year (quarterly to address progress in implementing internal controls and another to specifically address external financial audit activities).

The activities identified in the Workplan form the basis of each meeting agenda, while serving to ensure critical functions are not missed and the Committee is meeting the compliance requirements as prescribed in its Charter.

The plan was scheduled for review at the August meeting and was attached for the Committee for comment.

It was recommended that the review of the internal auditor be scheduled for the midpoint of the internal audit contract.

**RESOLUTION:**

1. THAT the Committee note the receipt of the Committee's Workplan and that Committee Members forward any suggested amendments to Management in time for further discussion prior to the ARIC meeting in December 2021.

### **6.3 Review of Schedule of Responsibilities – 11.08am**

The Committee Charter (4.4.1) requires the Committee to develop a 'Schedule of Responsibilities' and review this annually (generally at the final Meeting of the calendar year), with this Schedule forming the basis of an 'Annual Work Plan' for the Committee' and forming an attachment to the Audit Charter. A review of the Committees Schedule of Responsibilities was due to be carried out in August 2021.

The Schedule of Responsibilities was attached for the Committee for comment.

**RECOMMENDED:**

1. THAT the Committee note the receipt of the Committee's Schedule of Responsibilities and that Committee Members forward any suggested amendments to Management in time for further discussion prior to the ARIC meeting in December 2021.

<b>ITEM 7. CONFIDENTIAL REPORTS – 11.10am</b>
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### **7.1 Update on Service Reviews – 11.10am**

To receive any updates on any service reviews being implemented and any short, medium or long term implications.

1. THAT the Committee note that there were no current service reviews that had been completed.

**CARRIED**

### **7.2 Risk Management – 11.12am**

A diagram to support understanding of the framework has been developed and was provided to the Committee for information. The diagram, highlighted the elements of the risk management framework that and the level of maturity of each of the elements within the organisation.

The current focus is on finalising the risk assessment by directorate, so that it can be used to inform the three year internal audit plan. This work builds on the risk assessments completed in 2017 prior to the development of the last three year internal audit plan. The draft risk assessment for the Corporate and Community Services Directorate was also attached for information.

**RESOLUTION:**

1. THAT the Committee note the update on the risk management framework.

**CARRIED**

### **7.3 Insurance Renewal – 11.18am**

Council's Insurance program expires on 30th June each year. This program is based upon areas of risk Council has identified and chosen to transfer/share the financial risk with a self-insured Mutual and others. JLT/Marsh Insurance Brokers provide Federation Council as a member of Statewide Mutual Insurance renewal offering on a number of areas for the forthcoming year. This has been based upon declarations, and schedules submitted by Council.

The Risk Management Coordinator provided an update on the factors influencing the renewal offering from JLT/Marsh and advised that the insurance report had been lodged by the due date of 28th June 2021.

#### **RESOLUTION:**

1. THAT the Committee note the Insurance Renewal Summary Report.

#### **CARRIED**

### **7.4 Update on Incidents – 11.31am**

A report on incidents that have been lodged with Council from July 2020-July 2021 was provided for the Committee by the Risk Management Coordinator. This included further explanation regarding motor vehicle and respiratory Covid risks as well as the progress on the development of systems to manage these.

#### **RESOLUTION:**

1. THAT the Committee note the Incident Report for July 2020 - July 2021.

#### **CARRIED**

### **7.5 Site Specific Emergency Management – 11.38am**

The most recent report on Council's Site Specific Emergency Management Project was provided to the Committee for information.

#### **RESOLUTION:**

1. THAT the Committee note the Site Specific Emergency Management Project Progression Report.

#### **CARRIED**

### **7.6 Update on legal matters – 11.41am**

The General Manager reported to the Committee that the only major legal challenge Council is dealing with at present, relates to DA 2020/162 - Redlands and Cemetery Roads Corowa - Residential Subdivision - Council will be in the NSW Land and Environment Court on 20/21/22 September defending its decision to not approve the subdivision due to a lack of information. Further update to be provided at the next meeting.

#### **RESOLUTION:**

1. THAT the Committee note the current status of the legal matters relating to the Corowa Subdivision.



2. THAT an update is provided to the Committee on the Redlands and Cemetery Roads Residential Subdivision at the next meeting.

**CARRIED**

## **7.7 Update on any incidents related to fraud – 11.42am**

The Committee noted that there had been no instances of fraud reported since the last meeting.

**CARRIED**

## **7.8 New Audit and Risk Management framework – 11.43am**

The Audit, Risk and Improvement Committee section of the Local Government Amendment (Governance and Planning) Act 2016 was proclaimed on the 18<sup>th</sup> August. This proclamation has the effect of commencing the legal requirement of Councils to establish an Audit Risk and Improvement Committee.

A discussion paper, A New Risk Management and Internal Audit Framework for Local Councils in NSW, was released in late 2019 on the proposed model. OLG received over 150 submissions from the local government sector and risk management and internal audit practitioners in response to the discussion paper.

OLG has refined the proposed model in response to this feedback. The risk management and internal audit framework for NSW Councils has been released for a 3-month consultation period. Draft Guidelines and a summary of changes since the last discussion paper was released are available on the Office of Local Government website. Councils are encouraged to provide feedback on this discussion paper by 26 November 2021.

### **RECOMMENDED:**

1. THAT Management provide feedback on the discussion paper to support Councillors being included on the Committee in a formal capacity.
2. THAT Committee Members and Management provide other feedback on the recommendations contained in the Framework / Guidelines prior to a report for the October 2021 ARIC meeting.
3. THAT a copy of the feedback report be presented to the October 2021 ARIC meeting for endorsement at the October 2021 Council meeting for Council submission by 26 November.

**CARRIED**

## **7.9 Review of Council policies – 11.53am**

The Annual Meeting Plan included provision for the Committee to ensure that the Council has robust policies and procedures in place. Councils Public Interest Disclosures policy was presented as per the Annual Meeting Plan for August.

### **RESOLUTION:**

1. THAT the Committee note the status of council's current Public Interest Disclosure Policy.

**CARRIED**

## **ITEM 8. GENERAL BUSINESS – 11.55am**

### **8.1 Postponement of NSW Government Election – 11.55am**

The Minister for Local Government has published an order in the Gazette under section 318C of the Local Government Act 1993 (the Act) postponing all council elections to 4 December 2021 in response to the escalating outbreak of the Delta variant of the COVID-19 virus in Greater Sydney and the potential for further outbreaks in regional areas.

Current councillors and popularly elected mayors will continue to hold their civic offices until council elections are held on 4 December 2021.

The making of the order does not affect the requirement to hold mayoral elections which must still be held for mayors elected in September 2019 when their two year-terms expire in September 2021.

Mayors elected in September 2020 will continue to hold office until council elections on 4 December 2021.

Due to amalgamations, Council was on a three-year term and held the Mayoral election in 2019 for a one-year term in anticipation of the Local Government Election in September 2020. Due to COVID-19, the Local Government election was originally postponed until 4 September 2021.

Under the Local Government Act 1993, the Mayor elected by councillors is for a two-year term. It was resolved at the September 2020 Ordinary meeting of Council that the Mayor would remain for another one-year term without the need for an election. Council resolved that the term for which the Deputy Mayor is elected be determined as one year.

This will result in a Mayoral election being conducted in September this year.

#### **RESOLUTION**

1. THAT the Committee note the report.

#### **CARRIED**

### **8.2 IPC Compliance Audit Report - Local Government Sector - Disclosure of Information – 11.58am**

The Information and Privacy Commission has undertaken a compliance audit of open access requirements under the Government Information (Public Access) Act 2009 (GIPA Act) relevant to Information Access Guideline 1 - For Local Councils on the disclosure of information (returns disclosing the interest of councillors and designated persons) (Guideline 1).

The results of this desktop audit identified that there is inadequate compliance across the local government sector with the open access requirements relevant to the disclosure of interests of councillors, designated persons and delegates. The full report was provided to the Committee as an attachment.

Councils were requested to respond to the report with their assessment of the recommendations in the report and whether they agreed to accept the recommendations either in full, in part or not at all. Council has agreed to all of the recommendations most of which are currently in place.

#### **RESOLUTION:**

1. THAT the Committee note the report and the acceptance of all of the recommendations.

**CARRIED**

<b>ITEM 9. NEXT MEETING – 11.59am</b>
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The next meeting is scheduled for Friday 15 October as per the Annual Meeting Plan and will have a focus on the financial reports.

**Meeting closed at 12.00pm**