

## Minutes

### Audit Risk and Improvement Committee

5/03/2021 at 10.00am

Meeting commenced at

Via videoconference and at Corowa Civic Centre

<b>ITEM 1. Welcome, Acknowledgment of Country and Apologies - 10.05am.</b>
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**Present:**

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

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

**Invited Participants:** Sean Pye (External Auditor - Crowe), Carolyn Rosetta-Walsh (Adams Kenneally White), Heidi Neumeister (Governance Officer), Shane Norman (Finance Manager), Fiona Goodman (Risk Management Coordinator).

**Apologies:** Steve Carmichael (Director Engineering Services),

**Absent:** Susan Appleyard, (Director Development and Environmental Services)

Items are listed in order as discussed.

#### **ITEM 1. Welcome, Acknowledgment of Country and Apologies – 10.05am**

##### **1.1 Disclosures of Interest**

To receive Annual Disclosures of Interest from Independent members and any conflicts of interest with any items on the agenda from attendees.

**RESOLUTION:**

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

##### **1.2 Endorse Minutes of previous meeting – 10.06am**

**RESOLUTION:**

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 11 December 2020 be received and noted as a true and correct copy.

**Moved:** Cr Miegel

**Seconded:** Peter McLean

### **1.3 Audit Risk and Improvement Committee Meeting actions status report – 10.07am**

The Audit Risk and Improvement Committee meetings identify improvement actions to be undertaken. The Meeting Actions report was reviewed for any outstanding actions to be addressed.

**RESOLUTION:**

1. THAT the Committee note the Meeting Actions status report for March 2021
2. THAT copies of the Landfill report and Investment Policy be provided to the Committee at the next meeting.

## **ITEM 2. ANNUAL FINANCIAL STATEMENTS – 10.10am**

### **2.1 Annual Engagement Plan 2021 – 10.10am**

The Audit Office of New South Wales has provided Council with the Annual Engagement Plan for the audit for the year ending 30 June 2021 for information and noting.

**RESOLUTION:**

1. THAT the Annual Engagement Plan 2021 be noted and
2. THAT an interim report be provided to the June meeting.

### **2.2 Workplan for the preparation of 2020/21 EOFY Statements 10.30am**

At the December meeting management advised that the workplan was being updated for the preparation of the 2020/2021 EOFY Statements.

The updated workplan reflecting this year's process and associated improvements was provided for the committee.

**RESOLUTION:**

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

**10.34am Sean Pye left the meeting.**

## **ITEM 2. FINANCIAL MANAGEMENT – 10.35am**

### **3.1 Monthly Financial Performance Report - 10.35 am**

A monthly Financial Performance Report for January 2021 was considered by the Council at its Meeting on 16 February 2021. This report was provided to the Audit Committee for information.

**RESOLUTION:**

1. THAT the Committee note the Financial Performance Report at January 2021.

### **3.2 Quarterly Budget Review Statement - 10.40am**

A Quarterly Budget Review Statement was considered by Council at its meeting on 16 February 2021. An extract of the report and minutes was provided to the Audit Committee.

**RECOMMENDED:**

1. THAT the Committee note the report.

### 3.3 Special Rate Variation – 10.48am

The Special Rate Variation application for 2021/22 was submitted to IPART on 8 February 2021. Council awaits IPART's determination.

Following on from the November 2020 Council meeting, where Council agreed to notify IPART of its intention to submit an application for a Special Rate Variation (SRV) for 2021/22, Council considered the proposed application at an extraordinary Council Meeting on 2 February 2021. It was unanimously agreed to submit the SRV application which is based on the Long Term Financial Plan that was adopted by Council in July 2020 and provides an additional 8% general rate revenue to cover the increased operating costs for running the Corowa Aquatic Centre.

As previously reported there has been a range of community engagement undertaken through the development of this project, prior to Council deciding to proceed with construction of the new facility. In addition, the Special Rate Variation has also formed part of Council's Delivery Program, Long Term Financial Plan and community satisfaction surveying.

Additional community engagement was undertaken in December 2020/21 in relation to the proposed fees and charges and the corresponding rate increase. Whilst feedback was mixed, there was significant feedback that the fees and charges need to be affordable for families.

Taking on board the community feedback about the pricing model, Council made changes to introduce an affordable family season permit. This was to encourage usage of the new facility and support community members to improve their health and wellbeing, which has flow on benefits to the broader community.

The application was submitted by the 8 February 2021 deadline.

Council has also recently conducted community information sessions (in Morundah, Urana, Corowa and Mulwala) to provide additional information to community members on the operations of the Corowa Aquatic Centre, the reasoning why Council has proceeded with a Special Rate Variation, details on the criteria addressed in the application and opportunities for public submissions direct to IPART.

IPART has been progressing through its review of Council's application, with numerous requests for additional information. Council awaits the IPART decision which will be forthcoming in early May 2021.

**RESOLUTION:**

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

### 3.4 Long Term Financial Plan 2020 – 2030 – 11.03am

Updates to the Long Term Financial Plan 2020-2030 were adopted at the 2 February 2021 Extraordinary Council Meeting.

In July 2020 Council formally adopted the following final documents to provide Council direction and allocate resources to Council priorities:

- Delivery Program and Operational Plan 2020/21
- Revenue Policy for the financial year 2020/21 (including Fees and Charges schedule)

- Long Term Financial Plan 2020-2030

These documents detail the long term direction of Council, its key strategic objectives and the associated long term financial projections.

Recognising that new community assets, such as the Corowa Aquatic Centre, would shortly be coming operational, the Long Term Financial Plan included the estimated operating expenditure increases and a need for additional rates to be collected to fund the increased operating costs. The Long Term Financial Plan 2020-2030 recommended to Council and adopted by Council included a 6-8% general rate increase (above the rate peg) to support Council's ongoing financial sustainability.

Now that further modelling has been undertaken of the Corowa Aquatic Centre operating model, with hours of operation, staffing levels and proposed entry fees, It has been confirmed that an 8% general rate increase (including the 2.0% rate peg) is required to fund operation of the new facility.

As a consequence of this more comprehensive information, the Long Term Financial Plan 2020-2030 has been updated to provide additional information on the impact of the rate increase on ratepayers.

Other minor changes to the LTFP are:

- Addition of a summary of Council's financial improvement practices (Section 5.15)
- Recognition of the internal borrowings required in 2020/21 and 2021/22 (Section 5.16)

**RESOLUTION:**

1. THAT the Committee note the updated Long Term Financial Plan 2020-2030.

### **3.5 Financial Sustainability Indicators – 11.14am**

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.

With the development of the next Annual Budget and Long Term Financial Plan, options for improving these financial indicator results will be included in relevant plans.

**RESOLUTION:**

THAT the Committee:

1. note the Financial Indicators, by fund type, and the associated targets and
2. request an update on progress for the August Committee meeting.

## **ITEM 4. INTERNAL AUDIT – 11.28am**

### **4.1 Internal Audit actions update (deferred)**

This report was deferred following consultation with the Chair as there have been no new audits conducted since the last report was provided in December 2020. A new 3 year forward Audit plan is to be developed in conjunction with the new auditors to determine future actions as per Item 4.4

**RESOLUTION:**

1. THAT the Committee note the Internal Audit actions update report is to be deferred until the next meeting when management will bring forward a plan to address the outstanding actions.

## 4.2 Rolling 3 year forward Audit plan – 11.31am

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).

Council has renewed its contract for the Internal Auditor and is pleased to announce the appointment of Adams Kenneally White (AKW) to this important project for the next 3 years. Carolyn Rosetta Walsh, Partner at AKW was in attendance at our meeting and brings with her 20 years' experience in internal audit, risk, business process and internal controls, advisory service. Carolyn has worked across various industries including NSW local government, state and federal government, not for profit and the private sector.

Senior management met with Carolyn prior to the ARIC meeting and agreed to present a draft 3 year forward plan at the next meeting.

### RESOLUTION:

1. THAT the Committee note the update.
2. THAT the draft 3 year forward plan be presented to the next meeting in June.

## 4.3 IA Recent Reports and Publications of Interest – 11.35am

A report on the current internal audit plan progress and any reports or publications of interest was provided to the Committee by the Internal Auditor for review and discussion.

### RESOLUTION:

1. THAT the Committee note the report as discussed.

## ITEM 5. GENERAL REPORTS – 11.37am

### 5.1 Annual Report on Activities from the Chair – 11.37am

The Committee Charter requires that the Chair of the Committee will prepare an annual report to the Council of the Committee's activities.

The Committee's annual report from the Chair was provided to the committee.

### RESOLUTION:

1. THAT the Committee notes the Chair's annual report on the Committee's activities.
2. THAT the report be presented to the next Council meeting.

### 11.38am Adrian Butler left the meeting

## 5.2 Biennial Assessment of Committee performance – 11.40am

The Committee Charter provides for a biennial self-assessment of the Committees performance to be undertaken. The self-assessment was carried out via an online survey.

The report was attached for the Committee to identify any areas requiring improvement.

### RESOLUTION:

1. THAT the Committee review self-assessment report of its performance and note areas for improvement.

## 5.3 2021 Annual Work plan for Audit Risk and Improvement Committee – 11.46am

An Audit Risk and Improvement Committee annual Work plan identifies the key activities required to be carried out by the committee and schedules these across each of the quarterly meetings. The activities identified form the basis of each agenda, while serving to ensure critical functions are not missed and the committee is meeting the compliance requirements as prescribed in its Charter.

It was previously identified that this would be reviewed when the new Internal Auditor commenced and following the commencement of the Internal Auditor (AKW). This plan was provided for review and input from the Internal Auditor.

### RESOLUTION:

1. THAT the 2021 Annual Meeting Plan be circulated with changes as discussed.
2. THAT the revised risk management framework and a report outlining Councils strategic risk register be provided at the next meeting.

## ITEM 6. CONFIDENTIAL REPORTS – 11.56am

### 6.1 Update on Legal matters – 11.56am

The Committee was updated on any legal matters.

### RESOLUTION:

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

### 6.2 Half yearly statistical reports on WH&S matters – 11.57am

The Audit Committee Annual Work plan includes an action to receive half yearly statistical reports on WH&S matters.

Extraction of incident reports are now able to be reported at a strategic level allowing greater oversight and identification of key priorities.

The Committee was provided with a report identifying incidents reported during the 12 month period between February 2020 and February 2121 across the following areas:

- Whole of organisation by number, type and month
- Directorates (Organisational Areas)
- Illness/Injury
- Treatment

**RESOLUTION:**

1. THAT the Committee note the report as attached.

### **6.3 Update on any incidents related to fraud – 12.01pm**

The Committee were advised that there were no known incidents related to fraud.

**RESOLUTION:**

1. THAT the Committee note that there were no known incidents of fraud.

### **6.4 Update on service reviews – 12.02pm**

A verbal update was provided on any service reviews being implemented and any short, medium or long term implications.

**RESOLUTION:**

1. THAT the Committee note that a report will be provided at the next meeting

### **6.5 Review of policies – 12.03pm**

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

**RESOLUTION:**

1. THAT the Committee note the report as attached and
2. THAT the Credit Card policy be presented to the next meeting for review.

## **ITEM 7. GENERAL BUSINESS – 12.04pm**

### **7.1 NSW Government Prequalification Approval – 12.04pm**

Independent Committee member Peter McLean, has recently received confirmation of his successful completion of the training required to become prequalified as an Independent Chair and Member. This enables Peter to be placed on the list of prequalified Scheme members to be provided to agencies with a requirement for an Audit and Risk Committee chair or member.

**RESOLUTION:**

1. THAT the Committee note the successful achievement of Peter McLean becoming prequalified as an Independent Member and Chair.

### **7.2 Other Business**

There were no new items of business put forward for discussion.

## **ITEM 8. NEXT MEETING DATES – 12.05**

The committee considered the proposed meeting dates for 2021 and agreed on the following meeting schedule for 2021.

Friday 11<sup>th</sup> June 2021 (Cr Miegel is a tentative at this stage)

Friday 13 August 2021

Friday 15 October 2021 (Carolyn unable to attend in person but can attend online)

Friday 10 December 2021

**The meeting closed at 12.05pm**