

Minutes

Audit Risk and Improvement Committee

09/12/2022 at 10.00am

WELCOME, ACKNOWLEDGEMENT OF COUNTRY - 10.02am

Present (Online):

Members: Linda MacRae (Independent external member and Chairperson), Cr. Rowena Black (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).

Invited Participants: Carolyn Rosetta-Walsh (Adams Kenneally White), Susan Appleyard (Director Development and Environmental Services), Steve Carmichael (Director Engineering Services), Heidi Neumeister (Governance Officer), Shane Norman (Manager Finance) Kristie Richey (Manager Information Technology and Customer Service).

Apologies: Steve Carmichael (Director Engineering Services), Kristie Richey (Manager Information Technology and Customer Service)

Purpose: As per Committee Terms of Reference 17/13884

ITEM 1. GOVERNANCE – 10.02am

1.1 Apologies – 10.02am

To receive any apologies for the meeting.

RESOLUTION:

1. THAT the apologies as listed above be noted.

CARRIED

1.2 Conflicts of Interest – 10.03am

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

RESOLUTION:

1. THAT no conflicts of interest were received.

CARRIED

1.3 Endorse Minutes of previous meeting – 10.04am

The minutes of the ARIC meeting held on 14 October 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 14 October 2022 be received and noted as read.
2. THAT the Minutes be submitted to Council for noting and publishing on Council's website.

CARRIED

1.4 Audit Risk and Improvement Committee Meeting actions report – 10.05am

The Audit Risk and Improvement Committee was updated on the Council's decision to streamline its reporting to twice yearly reporting for all audit actions, in line with the current six-month reporting schedule for IP&R. Any updates or risks identified that would prevent the completion of / or progression of actions is to be tabled as a separate report to each ARIC meeting by the responsible Directorate.

RESOLUTION:

1. THAT the Committee note the Actions report for August 2022 and any additional comments provided by responsible Directorates.

CARRIED

1.5 Renewal of Chair's term – 10.15am

The Committee discussed the existing terms and the extension approved by Council to the independent members including the Chair. Whilst being cognisant of the proposed guidelines in the planning for knowledge continuity it was reiterated that the guidelines have not yet been made final.

Both independent members were appointed in August 2017 for a period of three years. This was extended by agreement with both parties until March 2022. Following an assessment of their performance, Council resolved at its September 2022 Ordinary meeting to endorse the reinstatement of both independent members until 2023 in order to meet the proposed changes to the guidelines if required. Alternatively, the maximum (8 year) term for each of the independent members would expire in August 2025.

The ARIC has been monitoring the proposed framework and changes as they are implemented, since the guidelines were first released in 2019 and further revised in 2021 to enable Council to pivot to respond to the changes if required, and to consider further when finalised.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

1.6 Councillor voting rights – 10.17am

The Committee noted that at its September Ordinary meeting, Council endorsed the preparation of a written response to OLG outlining the Committee's concerns at the removal of Councillor voting rights under the proposed Guidelines for Risk Management and Internal Audit for Local Government in NSW.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

1.7 Annual Meeting Plan – 10.18am

An Audit Risk and Improvement Committee annual meeting plan approved at its April 2022 ARIC meeting, is required to be reviewed annually. This was provided to the Committee with the agenda for comment.

The Chair supported the proposal that any proposed changes be noted prior to 28 February, to enable discussion and changes to be finalised for endorsement at the March 2023 ARIC meeting.

The Chair also noted that this should be read in conjunction with the Schedule of Responsibilities and Terms of Reference to ensure consistency and relevance to current needs and risks.

RESOLUTION:

1. THAT the Committee members provide feedback and proposed changes prior to 28 February 2023.

CARRIED

ITEM 2. FINANCIAL MANAGEMENT – 10.20am

2.1 Statutory Financial Reporting – 10.20am

2.1.1 Annual Financial Statements

The Committee discussed the Independent Auditors Reports as presented by its External Auditor representative at the November Council meeting and the subsequent final management letter that was issued, including updates on external audit recommendations.

RESOLUTION:

1. THAT the Committee note the auditors' reports and final management letter.

CARRIED

2.2 Management Financial Reporting – 10.45am

2.2.1 Monthly Financial Performance Report

A monthly Financial Performance Report for 31 October 2022 was considered by Council at its Ordinary Meeting on 29 November 2022. This report was also provided to the Audit Risk and Improvement Committee for information and noting.

The Committee discussed the many challenges facing Council as a result of the recent floods, including the following:

- The Corowa Office will remain closed for some time. Damage to be ascertained and the building to be inspected to ensure it is safe.
- Substantial costs will be incurred to remediate flood damaged infrastructure, such as roads and bridges. Some Government funding is available but Council's cost is still to be determined.
- For flood damage to Council assets there is a \$250K insurance deductible.
- Expenses associated with tree damage is not claimable.
- There are challenges in resourcing materials and suitable contractors
- The saleyards has experienced revenue loss due to stock losses etc.
- There is a significant weed problem resulting from flood waters.

RESOLUTION:

1. THAT the Committee note the Financial Performance Report at 30 November 2022 and the issues that Council is addressing as a result of recent floods throughout the municipality.

CARRIED

2.2.2 Quarterly Budget Review Statement

A Quarterly Budget Review Statement and cover report was prepared for Council consideration at its November ordinary meeting and provided to the Audit Risk and Improvement Committee for consideration.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

ITEM 3. GENERAL REPORTS – 10.58am

ITEM 3. INTEGRATED PLANNING AND REPORTING

3.1 Annual Report 2021/22 – 10.58am

The Committee noted the completion of the Annual Report for 2021/22 and subsequent endorsement by Council.

RESOLUTION:

1. THAT the update on the 2021/22 Annual Report be noted.

CARRIED

3.2 Strategic Asset Management Plan 2022-2032 – 11.00am

The Committee was updated on the draft Strategic Asset Management Plan for 2022-2032 as presented to the Council and placed on public exhibition. Council received two submissions, by the due date, by members of the public which will be considered prior to Council finalising the draft.

This key part of the Resourcing Strategy will be used to guide future investment in roads, bridges, water and sewer and other assets. The Committee discussed the limitations on funding available versus the required levels to address all recommended renewal and upgrade works. It recognised the requirement for Council to prioritise which of its assets it renews first and to continue to seek grant funding to supplement the Special Rate Variation application that Council is proceeding with, whilst continuing to maintain pressure on containing costs and reviewing service levels.

Further to this, the Committee noted that Council may need to renew its risk appetite statement and increase its risk tolerance to accommodate the increased risks associated with non-renewal of assets.

RESOLUTION:

1. THAT the update on the Strategic Asset Management Plan be noted.
2. THAT the Committee note the funding shortfalls in the General Water and Sewer asset renewal requirements contained in the Plan.
3. THAT the Committee recommend that Council renew its risk appetite and controls to manage the increased risks as a result of the funding shortfall to renew assets.

CARRIED

ITEM 4. INTERNAL AUDIT – 11.15am

4.1 Internal Audit program – 11.15am

The Committee was provided with the first year of the Internal Audit program and the status of these. Adams Kenneally White also provided an internal audit project dashboard report for review by the Committee.

RESOLUTION:

1. THAT the Internal audit – Project Management - Scope be noted and that the sample projects be drawn from the calendar year from 1/1/2022 until 31/12/2022.
2. THAT, if possible, the Project Management internal audit be completed for review by the Committee at the March 2023 meeting.
3. THAT the Committee be provided with a copy of the 'GAP Analysis report' as soon as possible 'out of session', with the March 2023 ARIC agenda to include the report noting that this has been received by the Committee prior to the Meeting.
4. THAT the internal audit project dashboard be noted.

CARRIED

4.2 Internal Audit reports actions update – 11.30am

The Committee was provided with a report on outstanding Internal Audit actions at the August 2022 meeting and additional verbal updates. The Committee noted that this will be updated with new actions following the completion of the planned internal audits with a revised report prepared for the March 2023 ARIC meeting.

RESOLUTION:

1. THAT the update be noted

CARRIED

4.3 Review of Internal Auditor – 11.31am

The Committee agreed to postpone the Internal Auditor review until after the completion of the Project Management internal audit, so as not to unfairly disadvantage them.

RESOLUTION:

1. THAT the update be noted

CARRIED

4.4 Recent Reports and Publications of Interest – 11.32am

Adams Kenneally White provided a report on publications and items of interest for review by the Committee.

RESOLUTION:

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

CARRIED

ITEM 5. CONFIDENTIAL REPORTS – 11.34am

5.1 Update on service reviews – 11.34am

The Committee was advised that there were no further updates on service reviews.

RESOLUTION:

1. THAT the Committee note the report regarding service reviews.

CARRIED

5.2 Update on legal matters – 11.35am

The Committee was updated on legal matters currently before the Council.

RESOLUTION:

1. THAT the Committee noted the update provided by Management on current legal matters concerning Council.

CARRIED

5.3 Update on any incidents related to fraud -11.38am

The Committee was advised that there had been no reported incidents of fraud.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED

5.4 Credit Cards - 11.38am

The Committee agreed to defer this item with a report to be provided to the Committee in 2023.

RESOLUTION:

1. THAT the committee note the update.

CARRIED

5.5 Gifts and Benefits Register – 11.39am

A copy of Council's Gifts and Benefits register was provided to the Committee for review.

RESOLUTION:

1. THAT the Committee note the report on the Gifts and Benefits Register.

CARRIED

5.6 WHS/Risk Management – 11.40am

The Committee was provided with copies of the StateCover WHS Self-Audit Report and associated Actions Plan for review. An update on the recent commencement of the Risk and Safety Officer was also provided. It was noted that staff have been focussed on reviewing the systems currently used and making improvements to

enable greater uptake by all staff. It was also noted that since the recent floods Staff have been addressing the large number of claims being received.

RESOLUTION:

1. THAT the Committee note the update and the WHS Self-Audit Report and action plan.
2. THAT a further update be provided to the March 2023 ARIC meeting on the status of the implementation of the recommendations contained in the StateCover WHS Self-Audit Report.

CARRIED

5.7 Draft Risk Management and Internal Audit Guidelines – 11.43am

Summary

There have been no further changes to the current legislation as proposed under the draft guidelines. y

RESOLUTION:

1. THAT the Committee note the update.

CARRIED

5.8 Review of Council policies – 11.45am

The Committee requested at its August 2023 meeting that an update on the Investment Policy be provided to the December meeting. A draft Investment Policy was provided. This draft Policy has also be provided to TCorp for review prior to submission to Council for adoption.

Comments regarding the status of the following Policies were provided:

- Asset Management Policy
- Public Interest Disclosure Policy
- Complaints Handling Policy

RESOLUTION:

1. THAT the Committee note the status of Council's relevant policies and procedures.
2. That the following changes be made to the draft Investment Policy.
 - a) A requirement that any Investment Adviser referred to at Item 12 in the Policy, must be licenced and be able to provide evidence of this licence.
 - b) A tolerance level be built in to the tables relating to Credit Quality Limits, Counterparty Limits and Investment Horizon Limits (Item 15,16 and 17) to ensure operational application will not be impeded by impractical limitations.

CARRIED

ITEM 6. INFORMATION TECHNOLOGY – 11.55am

6.1 Information Technology – 11.55am

The Committee were provided with an updated copy of the IT Risk Register and received an update of the Councils ICT systems including updates on the ICT Disaster Recovery Plan.

RESOLUTION:

1. THAT the Committee note the status of council's IT preparedness and recent learnings.

CARRIED

ITEM 7. GENERAL BUSINESS – 12.01pm

There was some discussion about the capacity for Council to consider the inclusion of a summary report to the community on the financial statements as this might support the community to better understand and obtain clarity on Council's financial position and strategies for long term sustainability.

ITEM 8. NEXT MEETING – 12.06pm

RESOLUTION:

1. THAT the Committee agree to the following tentative dates for ARIC meetings for the beginning of 2023:
 - Friday 24 March 2023
 - Friday 16 June 2023

CARRIED

Meeting closed at 12.08pm