

Minutes

Audit Risk and Improvement Committee

16 June 2023 at 10.00am

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): Adrian Butler (General Manager), 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, Susan Appleyard (Director Development and Environmental Services) via online, Theo Panagopoulos (Director Engineering Services), Luke Bobilak (Manager People and Culture) via online, Heidi Neumeister (Governance Officer), Shane Norman (Manager Finance).

Apologies: Nil

Purpose: As per Committee Terms of Reference 17/13884

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

ITEM 1. GOVERNANCE – 10.02 am

1.1 Apologies – 10.02 am

To receive any apologies for the meeting.

RESOLUTION:

1. There were no apologies received.

CARRIED:

1.2 Conflicts of Interest -10.03 am

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

RESOLUTION:

1. THAT any conflicts of interest be noted.

CARRIED:

1.3 Annual Disclosure by Councillors and Designated Persons – 10.04 am

To receive Disclosures of Councillors and designated staff in accordance with Clause 4.21 of the Model Code of Conduct for Local Councils in NSW.

RESOLUTION:

1. THAT Independent Members provide an updated Disclosure Form after 30 June 2023 and before the 30 September 2023 for the period 1 July 2022 to 30 June 2023 to enable these to be tabled at the October Ordinary Council meeting.

CARRIED:

1.4 Endorse Minutes of previous meeting – 10.05 am

The status of previous minutes from ARIC Committee meetings was provided to the Committee.

RESOLUTION:

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 31 March 2023 be received and noted as read.
2. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 31 March 2023 be submitted to Council for noting and publishing on Council's website.

CARRIED:

1.5 Audit Risk and Improvement Committee Meeting actions report – 10.06 am

The Audit Risk and Improvement Committee was provided a copy of the latest meetings actions report. Further verbal updates were provided at the meeting.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

1.6 Chair's Annual Performance Report – 10.12 am

The Terms of Reference require that the Chair of the Committee provides an annual performance report to the Council of the Committee's activities. The Chair's Annual Report was endorsed at the May 2023 Council meeting and the Chair is scheduled to present to the Councillors at the June Council workshop on 27 June 2023.

RESOLUTION:

1. THAT the Committee note the update regarding the Chair's Annual Performance report.

CARRIED:

1.7 Annual Meeting Plan review – 10.09 am

The draft annual meeting plan was submitted to the Committee for comment and endorsed at the March 2023 ARIC meeting subject to a minor amendment. The final Annual Meeting Plan was attached for the Committee to endorse.

RESOLUTION:

1. THAT the Committee note the Annual Meeting Plan for 2023.

CARRIED:

1.8 Committee Terms of Reference and Schedule of Responsibilities – 10.16 am

The revised Terms of Reference and Schedule of Responsibilities were included for the Committee to endorse or to make changes. There is a requirement in the new guidelines, that Council endorse the Terms of Reference at least once during its term. The Terms of Reference were last endorsed by Council in June 2022.

Federation Council's Audit Risk and Improvement Committee Terms of Reference is currently reviewed annually by the Committee. The Committee agreed to amend the requirement to review the Terms of Reference annually by the Committee to once every three years or as required due to changes in legislation.

RESOLUTION:

1. THAT the Committee note the revised Terms of Reference and Schedule of Responsibilities
2. THAT the Terms of Reference (Clause 11.1) include the ability for the Committee to hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.
3. THAT Clause 12.2 of the Terms of Reference regarding the review of these Terms be amended as follows:

'At least once every four years the Audit Committee will review the ARIC Terms of Reference, unless changes in legislation or Council Policy deem an earlier review is considered necessary.'

Council agrees not to approve changes to these Terms of Reference without prior consideration by the Committee.'

CARRIED:

1.9 Biennial Review of Committee's performance – 10.30 am

The Committee Annual Meeting Plan requires that a biennial assessment of the Committee's performance to be carried out. The previous assessment was conducted in January 2021 and is scheduled for review again this year.

The template previously used was provided for the Committee to advise any changes prior to issuing.

RESOLUTION:

1. THAT the Committee review the current Federation Council template for changes prior to implementation before mid July.
2. THAT a review be conducted to enable presentation of the results to the August ARIC meeting.

CARRIED:

ITEM 2. Financial Management – 10.32 am

Note: Items following are listed in the order by which they were addressed.

2.2 Management Financial Reporting

2.2.1 Monthly Financial Performance Report – 10.32 am

A monthly Financial Performance Report for 30 April 2023 was considered by Council at its Ordinary Meeting on 30 May 2023. This report was also provided to the Audit Committee for information and noting.

RESOLUTION:

1. THAT the Committee note the Financial Performance Report at 30 April 2023

CARRIED:

2.2.2 Quarterly Budget Review Statement – 10.39 am

A Quarterly Budget Review Statement and cover report was prepared for Council consideration at its May ordinary meeting. The report was circulated to the Chair and independent member and also provided to the Audit Committee for consideration.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED:

ITEM 3. Integrated Planning and Reporting Framework (IP&R) – 10.45 am

3.1 Review of Delivery Program and Annual Budget – 10.45 am

The Committee was provided with an update on the development and review of the draft Delivery Program, Operational Plan and Annual Budget for 2023/24, along with the updated Long Term Financial Plan which had been endorsed in principle at its April meeting of Council. Before being placed on exhibition.

Council is currently reviewing the documents in line with the IPART decision to ensure the final plans can be adopted at the 27 June 2023 Council meeting.

RESOLUTION:

1. THAT the Committee note the report.
2. THAT the Committee provide feedback on the draft Integrated Planning and Reporting plans.

CARRIED:

ITEM 4. Internal Audit – 11.13 am

4.1 Internal Audit – Gap Analysis - 11.13 am

An internal audit was conducted in 2022 to provide a gap analysis against the findings of the Central Coast Council reviews and provide any recommendations for improvement at Federation Council.

The report was circulated to ARIC members on 14 December 2022 and included in the March agenda for discussion. Management responses were circulated prior to the meeting.

RESOLUTION:

1. THAT the Committee note the UPDATED Gap Analysis internal audit report.

CARRIED:

4.2.1 Independent review – 11.15 am

The Committee was advised of the following Council resolutions made at an extraordinary Council meeting on 9 June 2023:

- 1. That Federation Council engage a consultant to undertake an independent peer reviewed business case study on the financial sustainability of Federation Council and the advantages/disadvantages of amalgamation.*
- 2. That Council allocate adequate funding to cover the cost of the review, being approximately \$130,000, in this year's budget from savings, and receive a further report at the June ordinary meeting.*
- 3. That council consider engaging the pre eminent Professor Joseph Drew and his independent nominees, Professor Masato Miyazaki from Saitama University, Japan and Professor Diogo Ferreira from IST Portugal to undertake the peer reviewed study, considering Professor Drew is a Local Government specialist and is also very experienced in the issues and costs associated with amalgamated Councils.*

The Committee discussed the need to ensure that the Terms of Reference are developed with Council, independent of Management, and agreed that it would be prudent to seek advice on this from IPART prior to engaging a consultant to undertake the financial sustainability review. The Committee agreed to advise Council that it is prepared to review the Terms of Reference once developed.

RESOLUTION:

1. THAT the Committee note the Council resolutions made on 9 June 2023 relating to a proposed financial sustainability review
2. That the Committee recommend to Council that it engage an independent qualified person (independent of Management) to assist it in developing the Terms of Reference for the proposed financial sustainability review.
3. That the Committee request Council to provide it with the Terms of Reference for review.

CARRIED:

Jason Gilbert (External Auditor - Crowe) joined the meeting at 11.20am.

Statutory Financial Reporting

2.1.2 External Audit 2022/23 – 11.38 am

The final Annual Engagement Plan was included as an attachment to the agenda with the interim visit taking place in the week ending 16 June 2023.

The External Auditor advised that there may not be an interim management letter if there were no substantial new items to be addressed.

The Auditor advised of the following relating to the 2022/23 financial end of year matters:

- An extension of time (until the next financial year) will be sought to undertake the revaluation of the water and sewer assets.

- The impact of flooding in the 2022/23 financial year to be assessed to determine if impairment of assets had occurred.
- An updated dollar assessment of Landfill Provision to be made this financial year for inclusion in the financial statements.

The Finance Manager advised that the revaluation of Building Assets would be undertaken by APV Valuers and is scheduled to be available by mid Augst 2023. The Committee indicated that is an extremely short time frame to ensure accurate Building valuations are available for inclusion in the financial statements.

RESOLUTION:

1. THAT the Committee note the updates from the External Auditor.

CARRIED:

2.1.1 Status of Previous External Audit Recommendations – 11.38 am

Council is required to regularly monitor the implementation of any recommendations made by the External Auditor. The latest report was attached for information with a verbal update provided of any notable changes.

RESOLUTION:

1. THAT the Committee note the report and verbal update provided.

CARRIED:

2.1.3 Revaluation of building assets – 11.43 am

At the March meeting the Committee discussed the revaluation of buildings assets (specialised and non specialised). The Auditors and management provided a further update of the status of these valuations. (refer 2.1.2)

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

2.1.4 Annual Financial Statements- Time table – 11.46 am

To enable scheduling of the October 2023 ARIC meeting, the Committee discussed possible dates for the completion of the Annual Financial Statements.

RESOLUTION:

1. THAT the October 2023 timetable (for the Council and ARIC, for the completion of the Annual Financial Statements be confirmed as soon as possible and that ARIC Members be advised accordingly.

CARRIED:

General reports

4.2 Internal Audit – Project Management – 11.54 am

The Project Management internal audit took place this week with input from a number of staff and key stakeholders. A verbal update was provided at the meeting.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

4.3 Internal Audit reports actions update – 11.56 am

The latest outstanding internal audit actions report was provided to the Committee for information with a verbal update on any notable changes or areas of concern.

The report for progress to June 2023 will be presented to the August 2023 ARIC meeting.

The Committee again expressed concern particularly around the work of the S355 Committees.

RESOLUTION:

1. THAT the Committee note the report and the verbal update provided.

CARRIED:

4.4 IA Progress Report and Recent Reports and Publications of Interest – 12.04 pm

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

RESOLUTION:

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

CARRIED:

ITEM 5. Confidential Reports – 12.05 pm
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5.1 Service reviews – 12.05 pm

The Committee were provided an update on the development of a service review framework including the establishment of a working group and service review training for service area managers.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

5.2 Legal matters -12.07 pm

The Committee was provided with an update on legal matters including the changes to be implemented to the Planning Portal as of 1 July 2023.

RESOLUTION:

1. THAT the Committee note the update on legal matters.

2. THAT an update on the effects of the Planning Portal changes be provided to the Committee at its August meeting.

CARRIED:

5.3 Fraud Control – 12.11 pm

The Committee has a responsibility to monitor any instances of fraud that are reported by Council. The Committee was advised that there had been no reported instances of fraud since the last ARIC meeting.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

5.4 Update on any non-compliance issues – 12.12 pm

The Committee were provided with a verbal update on any compliance issues.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED:

5.5 Credit Cards – 12.14 pm

The Committee discussed the most current credit card transaction report provided with the agenda.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

5.6 Risk Management

5.6.1 Strategic Risk Register – 12.18 pm

A draft Strategic Risk Register was provided to the Committee noting that the register was to be workshopped with the Manex team in July 2023, with an endorsed version to be included for the August ARIC meeting.

RESOLUTION:

1. THAT the Committee note the report received.
2. THAT the endorsed Risk Register be provided to the Committee for the August meeting.

CARRIED:

5.6.2 StateCover WHS Self Audit Report – 12.19 pm

The Committee was provided with an update on the WHS Self Audit report which was to be circulated after the meeting.

RESOLUTION:

1. THAT the Committee note the update.
2. THAT the Chief Audit Executive circulate the WHS Self Audit Report to the Committee after the meeting.

CARRIED:

5.6.3 WHS Incident Reporting (half yearly statistics) – 12.20 pm

The Committee were provided with a verbal update on the WHS incidents reported at the March 31 ARIC meeting.

RESOLUTION:

1. THAT the Committee note the verbal report provided.
2. THAT the Chief Audit Executive circulate the WHS Incident Reporting (half yearly statistics) to the Committee after the meeting.

CARRIED

5.6.4 Guidelines for Risk Management and Internal Audit – Update - 12.22 pm

OLG has issued the approved Guidelines in draft form pending the supporting Regulation amendments being made so that councils can start to implement them.

A recommendation to extend the independent members terms and appoint a third independent member was endorsed by Council at the June Ordinary Council meeting.

RESOLUTION:

1. THAT the Committee note the report as provided.

CARRIED:

5.6.5 Review of Council policies – 12.22 pm

Council's policy register was updated and provided to the Committee at its March meeting. The Chair also provided a suggested list of key policies for ARIC oversight. It was agreed that ARIC Members would review and prioritise this policy schedule for further discussion at the next Meeting in August 2023

RESOLUTION:

1. THAT the Committee note the update on Council policies.
2. THAT the policy register, detailing overdue policies, be included in the August 2023 ARIC Agenda for the Committee to determine the priority for consideration of these overdue policies.

CARRIED:

ITEM 6. General Business – 12.27 pm

6.1 IPART Methodology Submission – 12.27 pm

The Committee were advised of an invitation to Council to make a submission regarding the methodology for conducting an IPART submission.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED:

ITEM 7. NEXT MEETING – 12.30 pm

The Committee previously agreed to the following dates for meetings for the beginning of 2023:

- 18 August 2023
- 20 October 2023 (To be confirmed)
- 8 December 2023

Meeting closed at 12.30 pm