

Minutes

Audit Risk and Improvement Committee

8 December 2023 at 9.30am

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 Deputy General Manager and CFO).

Invited Participants: Jason Gilbert (External Auditor - Crowe), Carolyn Rosetta-Walsh (Adams Kenneally White) via online, Susan Appleyard (Director Development and Environmental Services), Shane Norman (Manager Finance).

Apologies: Theo Panagopoulos (Director Engineering Services), Luke Bobilak (Manager People and Culture).

Purpose: As per Committee Terms of Reference 17/13884

ITEM 1. Governance

1.1 Apologies

To receive any apologies for the meeting. Two apologies were received as listed above .

RESOLVED:

1. THAT the apologies be noted.

CARRIED

1.2 Disclosures of Conflicts of Interest

There were no conflicts of interest declared.

RESOLVED:

1. THAT the Committee note there were no conflicts of interest declared.

CARRIED

1.3 Minutes of previous meeting

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

RESOLVED:

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 18 August 2023 be received and noted as read.

2. THAT the Minutes be submitted to Council at the next available meeting, for noting and publishing on Council's website.

CARRIED

The Chair also noted the following items to be included on the next Committee meeting agenda:

- Policies review update
- WHS Audit
- Strategic Risk Register
- Internal Audit Plan review
- S355 Committee report
- June 2023 Quarterly Budget Review Statement

1.4 Audit Risk and Improvement Committee Meeting actions

The Audit Risk and Improvement Committee was provided updates on actions of significance that have been progressed.

The Committee noted the work undertaken in improving performance measures and requested that existing reporting of performance measures be added to future Committee agendas.

RESOLVED:

1. THAT the Committee note the update.

CARRIED

1.5 Biennial review of Committee's performance

The Committee recently undertook a self-assessment of its performance.

RESOLUTION:

1. THAT the Committee note the Biennial Review of Committee's Performance Report.

CARRIED

ITEM 2. Annual Financial Statements

2.1 Annual Financial Statements for the year ending 30 June 2023

Council is required to prepare financial statements each financial year. Council officers have been working with Council's external auditors Crowe to finalise the preparation of financial statements for the year ended 30 June 2023 to enable Council to authorise the financial statements at its meeting to be held on 12 December 2023.

The draft financial statements for the year ended 30 June 2023 were presented to Council's Audit Committee for review, with a view to seeking a recommendation for Council adoption of the financial statements.

Council's external auditor attended the meeting and provided their findings to the Audit Committee.

RESOLVED:

1. THAT the report on progress of completion of the Annual Financial Statements for Federation Council as at 30 June 2023 be noted;
2. THAT the Audit Committee consider the Annual Financial Statements for the year ended 30 June 2023 and recommend them to Council for adoption at its meeting on 12 December 2023;
3. THAT the Committee note that a 'Qualified Audit Opinion' would be issued by the NSW Auditor General regarding the non-recognition of Rural Fire Fighting Equipment Assets; and
4. THAT the Committee express its appreciation and thanks to the External Auditor and to all Finance Team staff involved in the preparation of the Annual Financial Statements, especially given the challenging circumstances associated with recognising flood damaged infrastructure.

CARRIED

2.2 Landfill rehabilitation liability

As previously advised, Council operates four landfills and has an obligation to rehabilitate these when closing. For the past four years this has been recognised as a contingent liability (i.e. it is disclosed in a narrative however the financial liability is not recognised in the balance sheet).

Further work has been undertaken since June 2023 to better understand this liability. A position paper has been prepared and the Committee noted that following discussions with the external auditors it has been agreed to continue to disclose this as a contingent liability with further work to be undertaken over the next 12 months to develop closure plans and obtain EPA endorsement as required.

RESOLVED:

1. THAT the Committee note the report and the landfill rehabilitation position paper.

CARRIED

2.3 Status of External Audit recommendations

Council is required to regularly monitor the implementation of any recommendations made by the External Auditor.

Discussions with representatives of Crowe at the external audit close-out meeting indicated that pleasing progress has been made on implementing recommended improvements, with implementation of some of the recommendation now recognised as complete.

The external auditors advised that some risk ratings will increase where items have been unresolved for multiple years.

RESOLVED:

1. THAT the Committee note the update.

CARRIED

Jason Gilbert (Crowe) left the meeting at 10.45am.

ITEM 3. Financial Management

3.1 Monthly Financial Performance

A Monthly Financial Performance Report for 31 October 2023 was considered by the Council at its meeting on 28 November 2023. The report was provided to the Audit Committee for information and noting.

RESOLVED:

1. THAT the Committee note the Financial Performance Report at 31 October 2023.

CARRIED

3.2 Quarterly Budget Review Statement

A Quarterly Budget Review Statement for the first quarter of 2023/24 was adopted by Council at its meeting on 28 November 2023. This report was provided to the Audit Committee for information and noting.

RESOLVED:

1. THAT the Committee note the Quarterly Budget Review Statement for September 2023.

CARRIED

ITEM 4. Integrated Planning and Reporting

4.1 Annual Report 2022/23

The Annual Report for 2022/23 has been prepared and endorsed by Council. The Committee was advised that the Annual Report will be updated when the financial statements are finalised. This will result in the addition of the financial statements and associated audit reports, a financial summary and required SRV reporting.

The Committee requested the updated version of the Annual Report be added to the next ARIC agenda.

RESOLVED:

1. THAT the report be noted.

CARRIED

ITEM 5. Internal Audit

5.1 Draft Internal Audit Charter

The *Risk Management and Internal Audit for local government in NSW Guidelines* require Councils to adopt an Internal Audit Charter. Accordingly, a draft Internal Audit Charter was developed in accordance with the model charter. This was provided to the Committee at its 18 August 2023 Committee meeting for feedback and suggested changes.

The internal audit charter is to be developed by the audit, risk and improvement committee in consultation with the General Manager and the head of the internal audit function and approved by resolution by the governing body of the Council.

The Committee discussed various sections of the Charter and its appropriateness for Federation Council and agreed that this be deferred to the next ARIC meeting following any feedback from Committee members.

RESOLVED:

1. THAT the Committee note the report on the draft Internal Audit Charter.

CARRIED

5.2 Internal Audit – Project Management

The Project Management internal audit was conducted in the latter part of 2023. A report of findings has been received with management responses still to be finalised. The recommendations contained in the report are generally supported.

The Committee requested the final report with management responses by included on the agenda of the next meeting.

RESOLVED:

1. THAT the Committee note the update.

CARRIED

5.3 Internal Audit – Credit Cards

The Credit Card internal audit is currently underway. A verbal update was provided.

RESOLVED:

1. THAT the Committee note the update.

CARRIED

5.4 Internal Audit – Gap Analysis

The Internal Audit - Gap Analysis (against findings from Central Coast Council and the Finch Report) resulted in number of recommendations for improvement to financial management practices at Federation Council. A status update of progression with implementing recommendations was presented to Council at its meeting on 31 October 2023 and was presented to the Committee.

RESOLVED:

1. THAT the Committee note the report.

CARRIED

5.5 Internal Audit Project Dashboard and Recent Reports and Publications of Interest

The attached internal update and publications of interest have been provided by AKW for the committee to note.

RESOLVED:

1. THAT the Committee note the dashboard and the publications of interest.

CARRIED

ITEM 6. General Business

6.1 Independent Review

The Committee noted its first sighting of the Institute for Regional Futures (University of Newcastle) study on the financial sustainability of Federation Council and the advantages and disadvantages of amalgamation.

The Committee requested this be added as a standing agenda item for future ARIC meetings.

RESOLVED:

THAT the Committee note the report and associated recommendations and that it give consideration to how it can add value to the Council in addressing any of the recommendations that Council accepts

CARRIED

6.2 Service Reviews

The Committee was provided with an update on the progress of service reviews as contained in the Delivery Program for 2023/24.

RESOLVED:

1. THAT the Committee note the update, and
2. THAT the Committee note that the Corowa Aquatic Centre service was finalised with Council resolving option 3 (tiered supervision model) for the operation of the Corowa Aquatic Centre for a three year period.

CARRIED

6.3 Legal matters

There were no reported updates on legal matters.

RESOLVED:

1. THAT the Committee note the update.

CARRIED

6.4 Fraud Control

There have been no reported instances of fraud since the last ARIC meeting.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.5 Update on any non-compliance issues

No updates were provided on any non-compliance issues.

RESOLVED:

1. THAT the Committee note the update.

CARRIED

6.6 WHS Reporting

A WHS incidents report for the period ended 30 September 2023 was received by the Committee. The Committee discussed the importance of reporting on near misses.

RESOLVED:

1. THAT the Committee note the WHS report at 30 September 2023.

CARRIED

ITEM 7. Next Meeting

RESOLVED:

THAT the Committee agree to the following schedule of meetings for 2024:

- Friday 1 March 2024
- Friday 14 June 2024
- Friday 23 August 2024
- Friday 11 October 2024 (pending financial statements)
- Friday 13 December 2024

CARRIED

The meeting closed at 12pm.