

Minutes

Audit Risk and Improvement Committee

31/03/2023 at 10.00am

WELCOME, ACKNOWLEDGEMENT OF COUNTRY - 10.03am

Present:

Members: Linda MacRae (Independent external member and Chairperson) via online, Cr. Rowena Black (Councillor Representative), Peter McLean (Independent external Committee member) via online.

Attendee (non-voting): Adrian Butler (General Manager) via phone and in person, Jo Shannon (Head of Internal Audit and Director Corporate and Community Services).

Invited Participants: Carolyn Rosetta-Walsh (Adams Kenneally White) via online, Susan Appleyard (Director Development and Environmental Services) via online Urana office, Theo Panagopolous (Director Engineering Services), Heidi Neumeister (Governance Officer), Shane Norman (Manager Finance), Jason Gilbert (Crowe) via online, Sangmin Lee (Director Financial Audit - Auditor Office of NSW), via online.

Apologies: Nil

Purpose: As per Committee Terms of Reference 17/13884

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

ITEM 1. GOVERNANCE – 10.03am

1.1 Apologies – 10.03am

To receive any apologies for the meeting.

RESOLUTION:

1. THAT the apologies as listed above received be noted (there were no apologies received)

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 the Committee noted that no conflicts of interest were received.

CARRIED:

1.3 Endorse Minutes of previous meeting – 10.04am

The draft minutes of the ARIC meeting held on 09 December 2022 were submitted for the Committee to endorse as being a true and correct copy.

These will be presented to Council at its Ordinary April meeting.

RESOLUTION:

1. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 09 December 2022 be received and noted as read with minor changes as discussed.
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 – 10.06am

The Committee discussed items identified in the meetings actions report and the progress made on completing the actions. It was noted that the Strategic Risk register was being reviewed to take into consideration the impact of the floods and the appointment of a new Director.

The Chair requested that a draft Strategic Risk Register be provided to the June ARIC meeting.

The Chair expressed some WHS concerns for Council regarding Council's Section 355 Committees. She indicated that Council could be exposed to significant work place risks if WHS issues were not identified and mitigated. The Chair further indicated that all work place WHS risks should be identified for all Council work places and appropriate remedial action be taken to address such risks.

The General Manager joined the meeting at 10.09am via phone.

RESOLUTION:

1. THAT the Committee note the Meeting actions report and any verbal updates provided by responsible Directorates.
2. THAT Management provide a draft Strategic Risk Register at the June ARIC meeting.
3. That Council be advised of the Committee's concerns regarding the identification and remediation of WHS risks at all Council work places, including those associated with Council's Section 355 Committees.

CARRIED:

1.5 Chair's Annual Performance Report – 10.25am

The Chair prepared an annual performance report to the Council of the Committee's activities which was provided for the Committee for any comment prior to being sent to the Council.

The Chair advised that she would work with Management to schedule a suitable date for her to attend a Council briefing / workshop to discuss the work of ARIC, including the new draft Guidelines for Risk Management and Internal Audit.

RESOLUTION:

1. THAT the Committee notes the Chair's annual performance report on the Committee's performance and activities throughout the year.
2. THAT the annual performance report be submitted to Council
3. THAT arrangements are made to enable the Chair to meet with Council at a Council workshop as soon as possible to discuss the work of ARIC, including the new draft Guidelines for Risk Management and Internal Audit.

CARRIED:

1.6 Annual Meeting Plan review – 10.27am

The annual meeting plan identifies the key activities required to be carried out by the Committee and schedules these across each of its meetings throughout the year. The activities form the basis of each agenda and serve to ensure critical functions are not missed and the Committee is meeting the compliance requirements as prescribed in its Terms of Reference.

A draft annual meeting plan for 2023 was provided to the Committee for review and/or further changes.

RESOLUTION:

1. THAT the Committee endorse the Annual Meeting Plan 2023 subject to a minor change to timing of Item 4 WHS statistics report which will be deferred until the June meeting. (See also Item 5.10)

CARRIED:

1.7 Councillor voting rights – 10.29am

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.

Council received a response from the Minister acknowledging the concerns of the Committee and reiterating the intent of the guidelines.

RESOLUTION:

1. THAT the Committee note the response from the Minister.

CARRIED:

1.8 Superannuation payments to ARIC Members – 10.31am

The Committee was presented with information provided from the Office of Local Government to the Local Government Internal Audit Network (LGIAN) regarding the payment of superannuation to independent ARIC members. The information states that it is NSW Treasury's view, based on legal advice, that independent chairs and members of audit and risk committees are deemed to be "employees" under the *Superannuation Guarantee (Administration) Act 1992*. This advice is reflected in the *New Guidelines for Risk Management and Internal Audit for Local Government in NSW* which state that these will be compulsory.

The liability to make superannuation contributions for audit, risk and improvement committee members is one that rests with each Council.

RESOLUTION:

1. THAT the Committee note the response from the Office of Local Government to LGIAN regarding superannuation payments to ARIC members.
2. THAT Council consider the matter of making superannuation payments to independent ARIC members.

CARRIED:

The General Manager left the meeting at 10.34am.

1.9 Release of the Guideline on the use and management of Credit Cards – 10.36am

The Committee discussed at length the Office of Local Government's (OLG's) Guideline on the Use and Management of Credit Cards (credit card guidelines), developed in response to a performance audit of credit card usage at six local councils by the NSW Audit Office.

RESOLUTION:

1. THAT the Committee note the Guideline on the Use and Management of Credit Cards.
2. THAT the next review of the Credit Card Policy incorporates fuel cards.

CARRIED:

The General Manager re-joined the meeting at 10.43 am.

ITEM 2. Financial Management – 10.45am

Jason Gilbert (Associate Partner – Crowe) joined the meeting via online at 10.45am.

2.1 Statutory Financial Reporting

2.1.1 Status of Previous External Audit Recommendations – 10.45am

An update was provided to the Committee on outstanding actions and progress for the External Audit.

RESOLUTION:

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

CARRIED:

Sangmin Lee (Director Financial Audit - Auditor Office of NSW) joined the meeting at 10.51am.

2.1.2 External Audit Annual Engagement Plan – 10.45am

The Committee discussed the draft Annual Engagement Plan for the year ended 30 June 2023 and the valuations for assets which needs to be realistic and achievable.

The Engagement Timetable needs to be reviewed in line with Council meeting dates and ARIC Committee dates.

RESOLUTION:

1. THAT the Committee note the External Audit Annual Engagement Plan 2023.
2. It was noted that in respect of revaluation of buildings assets (specialised and non specialised) and water and sewerage assets, that the Auditors and management will be in a position to advise the Committee at the June Meeting of the status of these valuations.
3. It was noted that the footpath revaluations were almost completed.
4. It was noted that further work was required to more accurately calculate the 'provision for landfill rehabilitation'.
5. That the time table (October meeting dates) for the Council and ARIC for the completion of the Annual Financial Statements be finalised as soon as possible

CARRIED:

Carolyn Rosetta-Walsh (Partner, (Adams Kenneally White) left the meeting at 11.21am

2.2 Management Financial Reporting – 11.21am

2.2.1 Monthly Financial Performance Report – 11.21am

A monthly Financial Performance Report for 31 January 2023 was considered by Council at its Ordinary Meeting on 28 February 2023. This report was also provided to the Committee for information and noting.

RESOLUTION:

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

CARRIED:

Carolyn Rosetta Walsh (Partner, (Adams Kenneally White) re-joined the meeting at 11.23am

The General Manager left the meeting at 11.31am

2.2.2 Quarterly Budget Review Statement – 11.33am

A Quarterly Budget Review Statement and cover report was prepared for Council consideration at its February ordinary meeting. The report was also provided to the Committee for consideration.

A discussion was held regarding the financial impact on Council of the recent severe flood events.

The Director Corporate and Community Services presented an extract of the monthly performance report for February 2023 indicating some of the actual costs to date.

The Chair requested that Management advise how Council was proposing to fund the estimated net costs associated with the flood remediation works. Some of these costs should be known for inclusion in the March Quarterly Budget Review Statement. It was agreed that the March QBRS be provided to ARIC members as soon as it is available.

RESOLUTION:

1. THAT the Committee note the report.

2. THAT the Committee note the Summary Changes to the QBRS for 31st December 2022.
3. THAT the March Quarterly Budget Review Statement be issued to the Committee when available.

CARRIED:

The General Manager re-joined the meeting at 11.34am

ITEM 3. Integrated Planning and Reporting Framework (IP&R) – 11.40am

The Committee was provided with an update on the Council's Integrated Planning and Reporting activities. In particular, the Committee was provided with information concerning the Delivery Program and Annual Operational Plan review as well as the proposed Special Rate Variation.

A discussion was held regarding the various options available to Council if the Special Rate Variation currently being considered by the NSW Government was not approved or partially approved. The Director Corporate and Community Services provided a summary presentation outlining some possible scenarios and action that would be required in each scenario. It was noted that the IP&R documentation would incorporate several SRV scenarios.

The Committee was advised that some notable changes proposed to the 2023/23 IP&R documentation included:

- Transfer of the Annual Budget detail from the Long Term Financial Plan document to the Annual Operational Plan
- Inclusion of areas of service that Council will review
- Provision of additional detail on the resourcing requirements for actions contained in the Annual Operational Plan

Draft documents will be circulated to Committee members for feedback when ready for distribution to Councillors.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED:

General reports – 11.57am

ITEM 4. Internal Audit

4.1 Internal Audit – Gap Analysis - 11.57am

The Internal Auditor provided an overview of the gap analysis which provides a gap analysis against the findings of the Central Coast Council reviews and recommendations for improvement at Federation Council.

RESOLUTION:

1. THAT the Committee note the internal audit report.

2. THAT the report be reconsidered again at the June 2023 ARIC meeting following the addition of management comments and an action plan.

CARRIED:

4.2 Internal Audit – Project Management – 12.07pm

The Project Management internal audit was scheduled to be undertaken in February 2023. With the focus on the IP&R plans and the Special Rate Variation this was not able to proceed at that time. Further dates are under consideration.

RESOLUTION:

1. THAT the Committee note the update.
2. THAT the Project Management internal audit review be carried out in conjunction with the Service Review of Project Management and that the audit review report be provided to the Committee at the meeting in June 2023.

CARRIED:

4.3 Internal Audit reports actions update – 12.11pm

The outstanding internal audit actions report provides oversight of the internal audits conducted and the progress in addressing any agreed recommendations and improvement actions.

This report was discussed in relation to the actions completed and those remaining outstanding.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED:

4.4 IA Progress Report and Recent Reports and Publications of Interest – 12.13 pm

Adams Kenneally White provided an internal audit project dashboard report and publications and items of interest, which were reviewed by the Committee.

RESOLUTION:

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

CARRIED:

ITEM 5. Confidential Reports – 12.16 pm

5.1 Service reviews – 12.16 am

The Committee were updated with the progress made in relation to service reviews being implemented and any short, medium or long-term implications.

The Committee was advised that in accordance with NSW Local Government requirements that two service reviews were required to be taken per annum. Advice to be provided if this is a calendar or financial year.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

5.2 Legal matters - 12.16 pm

The General Manager and the Director Development and Environmental Services provided an update on two legal matters pertaining to the Council.

RESOLUTION:

1. THAT the Committee note the update on legal matters concerning Council.
2. THAT the General Manager provides a further update at the next meeting in June.

CARRIED:

5.3 Fraud – 12.17 pm

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

RESOLUTION:

1. THAT the Committee note there had been no reported instances of fraud since the last meeting.

CARRIED:

5.4 Update on any non-compliance issues – 12.18 pm

The Committee were provided with a report on any non-compliance matters.

RESOLUTION:

1. THAT the Committee note the report.

CARRIED:

5.5 Credit Cards – 12.19 pm

A review of credit card transactions is required to be presented to the Committee annually. This item was deferred for the December 2022 meeting due to the resignation of Council's Finance Officer. A replacement commenced in March 2023 and this reporting will now be progressed.

RESOLUTION:

1. The Committee noted the update and requested that this review be reported to the Committee at the June 2023 Meeting.

CARRIED:

5.6 Commission of Inquiry into Moira Shire Council – 12.23 pm

An independent commission of inquiry has been established by the Office of Local Government for the Moira Shire Council. The commission was called to examine various matters concerning the council's performance and governance arrangements.

The report details the findings and actions taken and was provided for the Committee for information.

A discussion was held regarding the findings and recommendations of this Commission of Inquiry, particularly if any of these findings or recommendations had any implications for Federation Council.

The Chair indicated that she would arrange a meeting with the General Manager and the Director Corporate and Community Services to discuss this matter.

RESOLUTION:

1. THAT the Committee note the report as presented.

CARRIED:

5.7 Risk Management – 12.26 pm

An update was provided to the Committee on the status of the risk management of the implementation of the recommendations contained in the StateCover WHS Self Audit Report.

The Committee noted that this matter had not progressed and requested that the report be provided at the June 2023 Meeting.

RESOLUTION:

1. THAT the Committee note the report received and the verbal update provided at the meeting.
2. THAT a further report be provided to the Committee at the June 2023 meeting.

CARRIED:

5.8 Guidelines for Risk Management and Internal Audit – 12.28 pm

The Guidelines for Risk Management and Internal Audit have been approved and advised in the OLG Circular to Councils 22-41 on 19 December. OLG has issued the approved Guidelines in draft form pending the supporting Regulation amendments being made so that councils can start to implement them.

Councils must comply with the Guidelines from 1 July 2024. As of this date, all councils and joint organisations will be required to ensure audit risk and improvement committee chairs and members meet the eligibility and independence requirements set out in the Guidelines and have a risk management framework and internal audit function in place that complies with the Guidelines.

From 1 July 2024 Council will be required to have an independent chair in addition to a minimum of two independent members, bringing our independent to a total of three. The new guidelines will deem any independent member ineligible if they are a current councillor of any NSW Council.

It was recommended that an extension be offered to the Chair until 30 June 2024 and the 2nd independent member until 30 June 2024 with a third independent member to be appointed prior to 1 July 2024.

RESOLUTION:

1. THAT the Committee note the report as provided.
2. THAT the Committee recommend to Council that the ARIC Independent member terms be extended as follows:

Chair – extend to 31 August 2025

2nd Independent member – extend until 30 June 2024

3. THAT the Committee recommend that a third independent member be appointed in 2023 and a replacement 2nd independent member be appointed to commence from July 2024, pending the guidelines being assented, to ensure adequate transfer of knowledge and experience of independent members can occur.

CARRIED:

5.9 Review of Council policies – 12.29 pm

Council's policy register was provided for the ARIC members.

RESOLUTION:

1. THAT the Committee note the status of Council's relevant policies.
2. That the Chair work with Management to identify those policies that ARIC should review and then prioritise the review of these policies.

CARRIED:

5.10 WHS Incident Reporting (half yearly statistics) - 12.32 pm

The Committee were provided with an update regarding the progress of this item.

RESOLUTION:

1. THAT the WHS incident reports be provided to the Committee within the next 4 weeks.

CARRIED:

5.11 Business Continuity and Disaster Planning 12.32 pm

Council recently participated in a Cyber Security NSW project to have penetration testing conducted of Council's IT network. The testers indicated that they were impressed with the security controls in place at Federation.

RESOLUTION:

1. THAT the Committee note the update.

CARRIED:

5.12 Local Government Internal Audit Network (LGIAN) survey of Internal Audit and ARIC functions – 12.32 pm

A survey of Internal Audit and ARIC functions across the Local Government Internal Audit Network were provided for the Committees information.

The survey results may provide a useful baseline as Councils implement the OLG Guidelines.

RESOLUTION:

1. THAT the Committee note the report

CARRIED:

ITEM 6. General Business – 12.34 pm

There were no new items of general business.

ITEM 7. NEXT MEETING – 12.35 pm

The Committee confirmed the meeting for Friday 16 June 2023 and proposed the following meeting dates to be considered for the remainder of 2023:

- 18 August 2023
- TBA October 2023 (Pending Auditors and management advice regarding the availability of the final financial statements)
- 8 December 2023.

RESOLUTION:

1. THAT the Committee be advised of an appropriate date for the October 2023 meeting and the proposed dates for the June; August and December 2023 Meeting be agreed 'in principle'.

CARRIED:

Meeting closed at 12.35 pm