

Minutes

Audit Risk and Improvement Committee

14 June 2024 at 10.00am

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: Theo Panagopoulos (Director Engineering Services), Luke Bobilak (Manager People and Culture), Shane Norman (Manager Finance), Martine Hall (Governance Officer), Tracey Cullen (Governance Support Officer).

Apologies: Jason Gilbert (External Auditor - Crowe), Leanne Brodie (Crowe), Carolyn Rosetta-Walsh (Adams Kenneally White) Hugh Wilson (Audit Office of NSW), Min Lee (Audit Office of NSW), Susan Appleyard (Director Planning, Place and Sustainability)

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 – 10.00 am

1.1 Apologies

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

RESOLVED:

1. THAT the apologies listed above be noted.

CARRIED

1.2 Conflicts of Interest

There were no conflicts of interest with items on the agenda declared.

RESOLVED:

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

CARRIED

1.3 Annual Disclosure by Councillors and Designated Persons

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 for the period 30 June 2023 to 30 June 2024.

Following documentation was provided:

- Attachment 1: Disclosure by Councillors and Designated Persons Form (17/14848).
- Attachment 2: [Information Access Guideline 1 for Local Councils - September 2019.](#)
- Attachment 3: [Model Code of Conduct for Local Councils in NSW - A Guide to Completing Returns of Interest.](#)

RESOLVED:

1. THAT Independent Members will provide an updated Disclosure Form after 30 June 2024 and before 31 July 2024 for the period 30 June 2023 to 30 June 2024 to enable these to be tabled at the next Ordinary Council meeting.

CARRIED

1.4 Endorse Minutes of previous meeting

The Minutes of the meeting held on 8 March 2024 were submitted for the Committee to endorse as being a true and correct copy.

The minutes will be presented to Council at its Ordinary July meeting.

Following documentation was referenced:

- Attachment 4: Minutes Audit Risk and Improvement Committee 8 March 2024 (24/24939).

RESOLVED:

1. THAT the Committee endorsed the Minutes of the Audit Risk and Improvement Committee meeting held on 8 March 2024 as complete and accurate.
2. THAT the Minutes of the Audit Risk and Improvement Committee held on 8 March 2024 be submitted to Council at the Ordinary July 2024 Council meeting, for noting and publishing on Council's website.

CARRIED

1.5 Audit Risk and Improvement Committee Meeting actions report

The Audit Risk and Improvement Committee meetings actions report identifies actions arising from ARIC meetings and progress made on completing the actions.

Report unavailable for the meeting.

Item deferred to next meeting.

1.6 Chair's Annual Performance Report

The Terms of Reference require that the Chair of the Committee will prepare an annual performance report to the Council of the Committee's activities. A copy of this report was provided for consideration and a recommendation that this be presented to councillors and submitted to Council.

Following documentation was referenced:

- Attachment 5: ARIC Chair's Annual Performance Report (24/24941).

RESOLVED:

1. THAT the Committee noted the ARIC Chair's annual performance report and endorsed it to be presented to Councillors and submitted to Council at a date to be confirmed.

CARRIED

1.7 Annual Meeting Plan

The ARIC annual meeting plan was adopted at the 8 March 2024 ARIC meeting with minor changes (as attached).

It was recommended that the time of the review of the Committee's 'Schedule of Responsibilities' (as part of ToR review) (item E6) be conducted as part of the review of the Committee Terms of Reference (E5) in 2025.

Following documentation was referenced:

- Attachment 6: Annual Meeting Plan 2024 Audit Risk and Improvement Committee (18/4939).

RESOLVED:

1. THAT the Committee agreed Activity E6 in the Annual Meeting Plan be scheduled for 2025 in line with Activity E5.
2. THAT the Committee adopted the Annual Meeting Plan, as amended, for 2024.

CARRIED

ITEM 2. Annual Financial Statements – 10.19 am

2.1 Previous External Audit Recommendations

Council is required to regularly monitor the implementation of any recommendations made by the External Auditor. These reports are generally included as part of the Audit Actions report and are included as part of the twice-yearly reporting process.

Following documentation was referenced:

- Attachment 14: Final Management Letter 2022/23 - Status update May 2024.

RESOLVED:

1. THAT the Committee noted receipt of the report and noted the content.
2. THAT the Committee requested the interim management letter, if issued, be included on the agenda of the next ARIC meeting scheduled for 23 August 2024.

CARRIED

2.2 External Audit 2023/24

The final Annual Engagement Plan for the year ended 30 June 2024 was circulated to ARIC members on 22 March 2024.

Following documentation was referenced:

- Attachment 7: External Audit FA1724 Annual Engagement Plan 2024 (24/24944).

RESOLVED:

1. THAT the Committee noted the updated report.

CARRIED

ITEM 3. Financial Management – 10.26 am

3.1 Monthly Financial Performance Report

A monthly Financial Performance Report for 30 April 2024 was considered by Council at its Ordinary Meeting on 28 May 2024. This report is provided to the Audit Committee for information and noting.

Discussion:

The Committee discussed:

- The financial risk exposure in relation to the receipt of grant funds.
- Current unrestricted cash holdings and the continued regular monitoring required to manage funds. The Committee to discuss this matter at each meeting.
- Consistency of asset classifications and terminology between budgets, quarterly budget review statements and monthly financial performance reporting.
- Opportunities to improve reader understanding of restriction requirements on a large proportion of Council 's cash funds.

Following documentation was referenced:

- Attachment 8: Financial Performance Report at 30 April 2024 (24/24359).

RESOLVED:

1. THAT the Committee noted the Financial Performance Report at 30 April 2024.
2. THAT the Committee monitor the Council's restricted and unrestricted cash position at each meeting.

CARRIED

3.2 Quarterly Budget Review Statement

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

Following documentation was referenced:

- Attachment 9: Council report - Quarterly Budget Review Statement to 31 March 2024 – (24/20476).

RESOLVED:

1. THAT the Committee noted the Quarterly Budget Review Statement to 31 March 2024.

CARRIED

ITEM 4. Integrated Planning and Reporting – 11.23 am

4.1 Delivery Program – Annual Operational Plan 2024/25 (Draft)

Council was presented with the draft Delivery Program, Operational Plan and Annual Budget, along with the updated Long Term Financial Plan, at the April meeting of Council. These documents provide a guide to Council's operations and help the organisation meet community demands for services and infrastructure by maximising what it can achieve with its available resources, whilst planning for a sustainable future.

These plans have been developed with financial sustainability at the forefront and propose a further SRV application to lock in a permanent increase to general rates from July 2025. There is a focus on asset renewal and maintenance; on mandatory requirements before discretionary.

The public exhibition period for these strategic documents closed on 4 June 2024 with 13 submissions received.

Discussion:

The Committee discussed the draft IP&R plans, the planned improvement in Council's financial position and recommended:

- Further disclosure in the documentation on operating grants, particularly clarifying which grants are recurring or non-recurring.
- Details in the capital works schedule disclosing the funding of such works.
- Management considers the option of including an additional schedule detailing controllable operating revenue and expenditure, and the allocations of operating funds (Council's 'own source revenue' (OSR)) to loan redemption, capital works and transfers to reserve.

Following documentation was referenced:

- Delivery Program 2022-2026.
- Operational Plan 2024-2025.
- Annual Budget 2024-2025.
- Long Term Financial Plan 2024 - 2034 final draft.

RESOLVED:

1. THAT the Committee noted the draft Delivery Program, Operational Plan, Annual Budget and Long-Term Financial Plan.
2. THAT the Committee be advised how Council incorporates the annual budget payment of loan redemption (principal payments) into its IP&R financial plans.

CARRIED

ITEM 5. Internal Audit – 11.45 am

5.1 Internal Audit – Project Management

The Project Management internal audit report with management responses was provided for consideration by the Committee.

At the May 2024 Council meeting a budget allocation of \$200,000 was provided to implement a robust project management framework and software to support it.

Following documentation was referenced:

- Attachment 10: Internal Audit – Project Management (23/45332).

RESOLVED:

1. THAT the Committee noted the Project Management Internal Audit report, including management agreement with the recommendations.

CARRIED

5.2 Internal Audit – Credit Cards

The Credit Card internal audit is still underway. There has been delays at Council's end with staff on leave and vacancies.

A verbal update was provided and further updates will be included in future ARIC Committee meetings.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

5.3 Internal Audit – Payroll

At the March 2024 ARIC meeting, the Committee recommended the next internal audit be conducted on Council's payroll processes. This was supported by management and an appropriate internal audit scope will be developed with Council's internal auditor, AKW, for ARIC input. No further progress has been made on this matter.

RESOLVED:

1. THAT the Committee note the update.
2. THAT the scope for the proposed payroll internal audit be provide to the Committee 'out of session' if it is available prior to the August 2024 ARIC meeting.

CARRIED

5.4 Internal Audit reports actions update

Council is required to regularly monitor the implementation of any recommendations made by the External Auditor. These reports are generally included as part of the Audit Actions report and are included as part of the twice-yearly reporting process.

An updated report for the period ending 30 June 2024 will be included on the August 2024 ARIC agenda.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

5.5 IA Progress Report and Recent Reports and Publications of Interest

Report unavailable for the meeting.

Item deferred to the next meeting.

ITEM 6. General Business – 12.02 pm

6.1 Independent Review

As previously reported, in November 2023 Council received an independent peer reviewed business case study from the Institute for Regional Futures (University of Newcastle) on the financial sustainability of Federation Council and the advantages and disadvantages of amalgamation.

Reports were presented to Council in April and May 2024 to adopt relevant recommendations and provide a brief status update. The latest report was provided for the information of the Committee.

Following documentation was referenced:

- Attachment 11: Independent Review recommendations (24/15188).

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.2 Section 355 Committees

Recruitment has commenced to appoint a Volunteer Project Officer to progress this project. Applications close 26 June 2024. Council's resources will allow for a fixed term 18-month contract for the position commencing immediately upon recruitment.

The Volunteer Management Working Group continues to progress improvements in advance of this appointment being made, with the development of a Risk Analysis Framework and draft Volunteer Management Procedure.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.3 Service reviews

The Committee was provided an update on service reviews contained in the Delivery Program for 2023/24, including:

- Corowa Aerodrome.
- Community Engagement.
- Water Services.
- Sewerage Services.
- Corowa Aquatic Centre.

In addition, a review of Council's Service NSW service has been undertaken. The current ratepayer subsidy to this service is approx. \$25,000 per annum. A business case has been submitted to the NSW Government for additional funding support.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.4 Legal matters

To receive any updates on legal matters.

The Committee was advised that there are no further legal matters since the last ARIC meeting.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.5 Fraud Control

The Committee Annual Meeting Plan includes provision for the Committee to ensure that Council has a Fraud Control Framework and Policy in place and that these are regularly reviewed by the committee (at least bi-annually). It is also a responsibility of the Committee to monitor any reports of fraud that are received by Council.

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

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.6 Update on any Non-Compliance issues

To receive an update on any non-compliance issues.

As advised at the last ARIC meeting, there has been an audit conducted of the pay for staff employed in Council's Corowa Aquatic Centre. Errors were identified in relation to the payment of penalty rates for weekend work, overtime, meal allowances and superannuation.

The audit revealed that there were overpayments and underpayments to 50 employees. Over a three-year period, there were overpayments of wages totalling approx. \$46,000. Management has agreed not to recover these overpayments. There were a couple of minor underpayments of wages. These payments have now been made. Over the three-year period there were underpayments of superannuation totalling approx. \$26,000. This superannuation has now been paid.

There have been numerous learnings from this audit.

A further verbal update was provided.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.7 Strategic Risk Register

Council's Strategic Risk Register continues to be updated. Statewide Mutual have been included in the review and have recommended changes to the template. A meeting was held in May 2024 with the General Manager and Deputy General Manager and representatives from Statewide to better understand key strategic risks.

Further updates will be made over coming months with a view to having a comprehensive update completed by mid-September. This will support an induction workshop with Statewide and newly elected councillors in late 2024.

A working draft will be provided for the August 2024 ARIC meeting.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.8 StateCover WHS Self Audit Report

The 2023 Statewide Mutual Continuous Improvement Pathway (CIP) Self-Assessment - Benchmarking Report was considered at the March 2024 ARIC meeting.

The actions contained within the associated WHS Action Plan are currently being actioned. The three priority areas are Psychosocial risk, Asbestos management and Volunteer management.

In addition to this annual process, a comprehensive audit is undertaken by StateCover on cyclical basis. This audit, called a BOOST audit, commences with a desktop review followed by a site visit. This was conducted in May. The audit report will be provided to ARIC when it is received.

The Committee requested further detail on the coverage of the recent asbestos inspections of Council buildings.

RESOLVED:

1. THAT the Committee noted the update.

CARRIED

6.9 WHS Incident Reporting

A WHS incidents report for the period ended 31 May 2024 is attached for information of the Committee.

The Committee sought clarification on the types of incidents included in the various reporting categories.

Following documentation was referenced:

- Attachment 12: WHS Incident Report at 31 May 2024 (24/24875).

RESOLVED:

1. THAT the Committee noted the WHS report at 31 May 2024.

CARRIED

6.10 Review of Council policies

The Committee Annual Meeting Plan includes provision for the Committee to monitor the status of key Council policies and procedures as a key factor in mitigating risks identified and compliance requirements.

The attached policy register provides a listing of all Council policies (both those adopted by Council and the General Manager).

Whilst there are numerous policies overdue for review, steady progress is being made with a number of policies at public exhibition stage. Council officers are seeking to have policies updated by the end of 2024.

The Committee discussed initial thoughts on the policies of particular relevance for ARIC oversight. Relevant policies identified include the Procurement Policy, WHS Policy and Risk Management Policy. The Committee requested a schedule of relevant policies be prepared for Committee consideration. The Chair to discuss this matter with the Deputy General Manager and the Governance Officer.

Following documentation was referenced:

- Attachment 13: Policy Register at 31 May 2024.

RESOLVED:

1. THAT the Committee noted the update on Council policies.
2. THAT the Committee be provided with a schedule of relevant policies, at the next ARIC meeting, that it should have oversight of and determine an appropriate and achievable time frame for consideration of such policies.

CARRIED

ITEM 7. NEXT MEETING 12.23 pm

At the December 2023 ARIC meeting, the Committee adopted the following schedule of meetings for 2024:

- Friday 8 March 2024
- Friday 14 June 2024
- Friday 23 August 2024
- Friday 11 October 2024 (pending financial statements)
- Friday 13 December 2024

RESOLVED:

1. THAT the Committee noted the next meeting is scheduled for 23 August 2024.

CARRIED

1.8 Independent Member Recruitment – 12.23 pm

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 members to a total of three. The new guidelines will deem any independent member ineligible if they are a current councillor of any NSW Council.

Advertising has commenced for any expressions of interest from interested parties and a timeline for the Expression of Interest was provided.

The Chair to be involved in the selection and interview process for the appointment of new independent ARIC members.

RESOLVED:

1. THAT the Committee noted the timeline for the Expression of Interest process.

CARRIED

1.9 Independent Members – interim – 12.24 pm

Whilst the new guidelines deem any independent member ineligible if they are a current councillor of any NSW Council, the legislation is worded that they are ineligible to be appointed, rather than ineligible to serve. This distinction is relevant for an interim solution whilst the expression of interest process for new independent members is progressed. The new legislation comes into effect on 1 July 2024.

The Committee discussed the feasibility of re-appointing an existing independent member prior to 1 July 2024 (even though he is a current NSW councillor) to assist in ensuring continuity of skills and the introduction of new members on ARIC.

RESOLVED:

1. THAT the Committee agreed that it would be appropriate to recommend the reappointment of an existing independent member for a limited period to support an orderly transfer to the new independent members.

CARRIED

Meeting closed at 12.30pm