

## Minutes

### Audit Risk and Improvement Committee

4 September 2024 commencing at 10.04am

**Members (voting):** Linda MacRae (Independent external member and Chairperson), Peter McLean (Independent external committee member).

**Member (non-voting):** Cr. Rowena Black (Councillor Representative).

**Attendee (non-voting):** Adrian Butler (General Manager), Jo Shannon (Internal Audit Coordinator and Deputy General Manager and CFO).

**Invited Participants:** Jason Gilbert (External Auditor - Crowe), Susan Appleyard (Director Planning, Place and Sustainability), Theo Panagopoulos (Director Engineering Services), Luke Bobilak (Manager People and Culture), Martine Hall (Governance Officer), Shane Norman (Manager Finance).

**Apologies:** Carolyn Rosetta-Walsh (Adams Kenneally White).

**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 10.04 am

##### 1.1 Apologies

One apology for the meeting as noted above.

**RESOLVED:**

1. THAT the apology listed above be noted.

**CARRIED**

##### 1.2 Conflicts of Interest

There were no conflicts of interest declared.

**RESOLVED:**

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

**CARRIED**

### 1.3 Endorse Minutes of Previous Meeting

The status of previous minutes from ARIC Committee meetings is as outlined in the table below:

Date of meeting	Draft minutes circulated to Chair and Committee	Minutes endorsed by ARIC	Final minutes presented to Council	Minutes uploaded to Council's website
14 June 2024	9 July 2024	4 September 2024		
8 March 2024	-	14 June 2024	30 July 2024	20 August 2024
8 December 2023	-	8 March 2024	26 March 2024	9 April 2024

#### Discussion:

The Committee discussed the extended period of time for ARIC Committee minutes being presented to Council (refer to timeline of 8 March meeting). The current process is that ARIC Committee Minutes are not presented to Council until after the minutes have been endorsed by ARIC. It was noted that the ARIC Committee Minutes, as reviewed and approved by the ARIC Chair, are generally endorsed by the Committee with minimal changes. The Committee recommended the following change to process:

- The Chair will review and approve the draft ARIC Committee Minutes
- Approved (by the Chair) ARIC Committee Minutes will be presented at the next available Council Meeting

The minutes of the meeting held on 14 June 2024 were submitted for the Committee to endorse as being a true and correct copy.

The minutes of the meeting held on 14 June 2024 will be presented to Council at the next available meeting.

Following documentation was referenced:

- [Attachment 1. Draft Federation ARIC Meeting Minutes 20240614 \(24/29614\)](#)

#### RESOLVED:

1. THAT the Committee endorsed the Minutes of the Audit Risk and Improvement Committee meeting held on 14 June 2024 as complete and accurate.
2. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 14 June 2024 be submitted to Council at the next available meeting, for noting and publishing on Council's website.
3. THAT the Minutes of the Audit Risk and Improvement Committee meeting held on 4 September 2024 be reviewed and approved by the Chair and submitted to Council at the next available meeting, for noting.

#### CARRIED

## **ITEM 2. Annual Financial Statements 10.11 am**

### **2.1 Previous External Audit Recommendations**

#### Summary

At the June Committee meeting, the Committee requested the interim management letter, if issued, to be included in this Agenda.

Jason Gilbert (External Auditor - Crowe), confirmed that an interim management letter would not be issued as there were no new high-risk matters arising from the interim audit visit. An email had been sent to the General Manager confirming that any findings will be included in the Final Letter.

#### **Discussion:**

The Committee and External Auditor discussed the progress of the Financial Statement preparation and the timing for when the Financial Statements will be available for the Committee's review. It was agreed that the required financial documentation will be ready for review by ARIC by Friday 18 October 2024 and that the next Committee meeting will be moved to coincide with this date.

External Auditors will commence the Financial Audit visit on 30 September 2024.

Jason Gilbert left meeting 10.17 am.

#### **RESOLVED:**

1. THAT the Committee noted the update.
2. THAT the next ARIC Committee meeting be moved to 18 October 2024.

#### **CARRIED**

## **ITEM 1. Governance – continued 10.18 am**

### **1.4 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.

ARIC has a role to monitor the implementation of any internal and external audit recommendations and to ensure that Council is operating in a financially sustainable manner and with the resources; capacity and capability to undertake its strategic plans and programs.

#### **Discussion:**

*Item 6.8: The Committee requested further detail on the coverage of the recent asbestos inspections of Council buildings.*

A verbal report was provided advising that detailed inspections reports are available and being reviewed to prepare an Executive Summary for MANEX and ARIC. Preliminary thoughts on information to include in the Executive Summary include:

- Overview of which buildings the inspections covered
- Specific detail on high-risk findings
- General detail on lower risk findings
- Actions proposed as a result of the review (including by when and by whom and the financial implications)

The Committee requested that level of compliance with relevant legislation be included in the summary.

Agreed the Executive Summary be available at the December 2024 ARIC meeting.

Following documentation was referenced:

- [Attachment 2. ARIC actions – status update – August 2024 \(24/36428\)](#)

**RESOLVED:**

1. THAT the Committee noted the update.
2. THAT the Executive Summary on the Asbestos Inspections be presented at the December 2024 ARIC meeting.

**CARRIED**

## 1.5 Independent Member Recruitment

Interviews have been conducted for new Independent Members. Referee checking is currently underway.

A verbal update was provided advising that referee checks will be finalised by the end of the week, at which time the Selection Panel will reconvene to finalise the appointment recommendations.

**Discussion:**

Committee discussed that the appointment recommendations wouldn't be presented to Council until October due to the Council Elections. Due to the delayed timeframe, it was agreed that the recommended candidates be contacted to confirm they are still available before the recommendations are made to Council.

Committee discussed contacting the candidates in the interim to advise of the delay and updated timeframe.

**RESOLVED:**

1. THAT the Committee noted the update on the Independent Member Recruitment.
2. THAT emails are sent to the short-listed candidates to advise of the delay and the next steps of the recruitment process be noted.

**CARRIED**

## 1.6 Terms of Reference & Schedule of Responsibilities

### Summary

The Committee's Terms of Reference and Schedule of Responsibilities has been updated in accordance with the Risk Management and Internal Audit for local government in NSW Guidelines and Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023.

Changes to the Terms of Reference include:

- Removed Background section
- Updated the title of Chief Audit Executive to Internal Audit Coordinator
- Added the requirement for three independent external members (previously two members)
- Councillor member amended to a non-voting member
- Review arrangements amended to match guidelines
- New section further information

Committee is required to review the changes made and consider:

- Section 12 Measuring Success - is this still required and if any amendments are needed.
- Section 15 Further Information – new section as per Model Terms of Reference – is this to remain?

Only wording change made to the Schedule of Responsibilities:

- Head of Internal Audit Function replaced with Internal Audit Coordinator

### Discussion:

Committee discussed the following changes:

- Consistent use of the term 'Council' and removing the term 'Governing Body'
- Consistent use of the title Internal Audit Coordinator
- Section 4. Authority – amend wording of the final point to include a dollar value: Obtain external legal or other professional advice in line with Council's procurement policies (Chair to provide wording)
- Section 5. Composition & Tenure – remove names of committee members
- Section 10.0 Meetings (Frequency, Attendance & Quorum) –
  - Amend to include an open invitation for Councillors to attend ARIC Committee meetings as an observer (Councillors to be added to ARIC calendar invites)
  - Amend that the Committee must meet separately at least once a year with the Internal Auditor not Internal Audit Coordinator
  - Section 11. Review Arrangements – revert to original version where terms of reference are reviewed once every four years (in line with Council term)

Following documentation was referenced:

- [Attachment 3. Draft Audit Risk and Improvement Committee \(ARIC\) \(TOR\) \(Terms of Reference\) and SoR \(17/13884\) – marked changes](#)
- [Attachment 4. Draft Audit Risk and Improvement Committee \(ARIC\) \(TOR\) \(Terms of Reference\) and SoR \(17/13884\) – PDF version](#)

**RESOLVED:**

1. THAT the Committee endorsed the updated the Audit Risk and Improvement Committee Terms of Reference (with the changes discussed) and recommend it to Council for adoption.

**CARRIED**

**ITEM 3. Financial Management 10.36 am**

**3.1 Monthly Financial Performance**

Summary

Monthly Financial Performance Reports for:

- 30 June 2024 was considered by the Council at its meeting on 30 July 2024.
- 31 July 2024 was considered by the Council at its meeting on 27 August 2024.

The reports are provided to the Audit Committee for information and noting.

Note the Quarterly Budget Review Statement to 30 June 2024 has not been considered by Council as yet. This will be made available to the Committee at the next meeting.

Following documentation was referenced:

- [Attachment 5. Financial Performance Report at 30 June 2024 \(24/34591\)](#)
- [Attachment 6. Financial Performance Report at 31 July 2024 \(24/34592\)](#)

**RESOLVED:**

1. THAT the Committee noted the Financial Performance Reports at 30 June 2024 and 31 July 2024.

**CARRIED**

**ITEM 4. Integrated Planning and Reporting 10.48 am**

**4.1 Delivery Program – Annual Operation Plan 2023/24: Progress Report**

Summary

The General Manager's Six-Month Progress Report to Council for the 2023-24 financial year outlining progress against the Delivery Plan for the period 1 January to 30 June 2024, has now been prepared and presented to Council.

This report is provided to the Committee for information and noting.

Following documentation was referenced:

- [Attachment 7. Six monthly progress report to council 2023-2024 \(H2\) \(24/35235\)](#)

**RESOLVED:**

1. THAT the Committee noted the Six-Monthly Progress Report for the period 1 January to 30 June 2024.

**CARRIED**

**ITEM 5. Internal Audit 10.54 am**

**5.1 Internal Audit – Credit Cards**

Report unavailable for the meeting.

Item deferred to October 2024 Meeting.

**5.2 Internal Audit – Payroll**

Report unavailable for the meeting.

Item deferred to October 2024 Meeting.

**5.3 Internal Audit Reports - Actions Update**

Report unavailable for the meeting.

Item deferred to October 2024 Meeting.

**ITEM 6. Risk Management & Compliance 10.59 am**

**6.1 Legal Matters**

A verbal report was presented, to advise Council is in a Class 1 Section Conference in the Land and Environment Court, with respect to DA 2024/260530, Tango Developments, for a proposed retaining wall and associated works in the Murray River Bank, near Bundalong.

**RESOLVED:**

1. THAT the Committee noted the update on legal matters concerning Council.

**CARRIED**

## 6.2 Update on Non-Compliance Issues

There have been no non-compliance issues since the last ARIC Meeting.

### RESOLVED:

1. THAT the Committee noted the update on non-compliance issues concerning Council.

### CARRIED

## 6.3 StateCover WHS Self Audit Report

Boost is a new initiative from StateCover introduced in 2023. It is an evidence-based audit of eight (8) crucial WHS elements. The audit criteria are taken from the StateCover WHS Self-Audit, which is based on the principles of ISO 45001.

The BOOST audit is primarily focused on WHS management system elements and areas that have legal compliance requirements or are significant causes of injuries and claims. Some of the criteria covered in the audit also have strong links to officer due diligence obligations under the WHS Act and this should be considered when prioritising the audit findings for action. Details of the WHS duties and obligations for each of the audit criteria can be found in the Legal Compliance Table at the end of the report.

### Discussion:

The Committee discussed the results of the following WHS Management System Elements - Planning, Management Review, Client and Public Violence and General Psychosocial Risks.

Query on Client and Public Violence taken on notice – further details to be provided at December 2024 Meeting.

Following documentation was referenced:

- [Attachment 10. WHS – StateCover – Boost Audit – Report Federation May 2024 \(24/35427\)](#)

### RESOLVED:

1. THAT the Committee noted the Boost Audit Report dated May 2024.
2. THAT the Committee receive an updated report and action plan at the December 2024 ARIC Meeting.

### CARRIED

## 6.4 WHS Incident Reporting

### Volunteer Incident

An incident is currently being investigated relating to a volunteer and the use of Council heavy plant. Manex has determined that volunteers are not to utilise heavy plant from this point forward.



Committee was advised that an external investigation to ascertain all facts is underway. Committee requested an update at the October meeting.

### **WHS Incident Report (31 August 2024)**

A WHS incidents report for the period ended 31 August 2024 was provided for the information of the Committee.

#### **Discussion:**

The Committee requested further information on how a serious, moderate and insignificant level is defined.

Following documentation was referenced:

- [Attachment 11. WHS Monthly Reporting – August 2024 \(24/35796\)](#)

#### **RESOLVED:**

1. THAT the Committee noted the WHS incident report for the period ended 31 August 2024.
2. THAT the Committee be provided with an updated report on the Volunteer Incident at the October 2024 ARIC meeting.
3. THAT the Committee be provided with definitions of serious, moderate and insignificant levels (as contained within the regular WHS incidents report) at the December 2024 ARIC meeting.

#### **CARRIED**

## **6.5 Insurance Coverage**

Each year Federation Council conducts an insurance renewal summary that captures the increases and/or decreases on previous years renewals. This summary also points out insurance trends and risk exposures to Council. The report works through each individual policy that Council holds with Statewide Mutual and discusses increases, policy wording changes or any Claims Experience Discount Distribution we have received.

#### **Discussion:**

The Committee noted their dissatisfaction at the significant quantum of insurance premiums paid by Council (exceeds \$1m) and discussed investigating when this could be reviewed. Management advised that with current resourcing the earliest this could be considered would be 2025/26. The Committee requested management consider this when possible.

The Committee requested management's views on the reduction in the number of vehicle incidents (from 43 down to 21).

Given the significant premiums paid, the Committee requested Council consider whether it should be insuring all assets, for example, solar panels, artwork, etc. This may be a means to contain the cost of insurance premiums.

The Committee discussed if coverage for Pollution/Environmental Liability should be included and the risks of not having it.

Following documentation was referenced:

- [Attachment 12. Federation Council Insurance Renewal Summary Report 2024 -2025 \(24/28942\)](#)

**RESOLVED:**

1. THAT the Committee noted the Insurance Renewal Summary Report 2024/25.

**CARRIED**

## **6.6 Strategic Risk Register**

Work has continued on the draft strategic risk register. The next step of the process is for this draft document to be work shopped with Manex to ensure the document captures the most significant strategic risks that they see for the organisation. This is now scheduled for Monday 16 September 2024. From there the document would be endorsed by the general manager and workshopped with Council to develop the risk appetite against each risk area identified in the document.

**Discussion:**

The Committee discussed Reputation (Ref No 2) and whether reputation is a consequence rather than a risk and that it should be managed in line with the other risks.

Following documentation was referenced:

- [Attachment 13. Federation Council – Strategic Risk Register – Draft V 01 – May 24 \(24/35429\)](#)

**RESOLVED:**

1. THAT the Committee noted the current working draft of the Strategic Risk Register and requested an update at the October 2024 ARIC meeting.

**CARRIED**

## **ITEM 7. Fraud Control 11.36 am**

### **7.1 Fraud Control**

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

The Fraud Control Plan will be deferred to the December 2024 meeting.

**RESOLVED:**

1. THAT the Committee noted the update.

**CARRIED**

## ITEM 8. General Business 11.36 am

### 8.1 Service Reviews

The Committee was provided with an update on the following Service Reviews contained in the Delivery Program for 2023/24:

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

The following table provides a summary of the status of each of these service reviews.

Service area	Note	Status update (November 2023)	Status update (February 2024)	Status update (May 2024)	Status update (August 2024)
Corowa Aerodrome		To be commenced	To be commenced	Commenced March 2024. Community input period closes 12 June 2024.	Draft report being developed for Council consideration and further community engagement.
Community Engagement	This service review will be undertaken as part of the development of the new comprehensive Community Engagement Strategy.		A contract was awarded in December 2023 with works to commence in early 2024.	Community input period closes 19 June 2024	Draft report being developed for Council consideration and further community engagement.
Water Services	This service review will be undertaken as part of the Public Works engagement to advance future water service planning.		Work is continuing.	Work is continuing. A request to the funding body for an extension of time to complete this work has been submitted.	Work is continuing.
Sewerage Services	This service review will be undertaken as part of the Public Works		Work is continuing.	Work is continuing. A request to the funding body for an extension of	Work is continuing.

Service area	Note	Status update (November 2023)	Status update (February 2024)	Status update (May 2024)	Status update (August 2024)
	engagement to advance future sewer service planning.			time to complete this work has been submitted.	
Corowa Aquatic Centre	This service review was considered at the October 2023 Council meeting and is now complete. Whilst the management recommendation was to outsource the operation of the pool to an external provider, Council resolved to operate the pool with Council employees for a further period of time.		n/a	Completed in October 2023	

A review of Council’s Service NSW service has been finalised. The current ratepayer subsidy to this service is approx. \$25,000 per annum. Council considered options to reduce the days of service delivery which would result in a lower level of service and a lower cost. Council agreed to maintain current service levels and the associated ratepayer subsidy.

A review of Council’s planning and development services has progressed with EOIs sought from relevant consultants. This work will be progressed through the remainder of 2024.

**RESOLVED:**

1. THAT the Committee noted the update.

**CARRIED**

## 8.2 Section 355 Committees

### Summary

#### Recruitment of Volunteer Coordinator

Council undertook a recruitment process to fill the position of Volunteer Coordinator. The process attracted two candidates with only one deemed suitable for interview.

After progressing the recruitment process through to reference checks, the candidate was nominated as the preferred candidate but was unable to be contacted again and after a number of weeks, Council ceased its recruitment of the candidate.

Council is currently investigating options to assess the viability of making the role of Volunteer Coordinator an ongoing role (as opposed to limited term) by making it a hybrid position with other governance responsibilities, to attract a larger pool of applicants.

It is anticipated Council will work through the internal processes around this and be back out to market, if it is deemed to be viable, prior to the end of the 2024 calendar year.

**Discussion:**

The Committee again discussed the significant risks associated with volunteers and Section 355 Committees undertaking works on behalf of Council and again referred to the Camden Council situation (where a volunteer died and Council was held liable). The risks associated with this matter have previously been referred to the Council by the Committee. The Chair also discussed this matter with the Council at her briefing with Council on 27 August 2024. To mitigate risks, it is critical that volunteers be trained and comply with Council's policies and procedures and other relevant laws and regulations. Monitoring of such compliance is required by Council. The Committee reiterated the need to address these risks as a priority.

**RESOLVED:**

1. THAT the Committee noted the update and requested an update at the October 2024 ARIC meeting, particularly in relation to the recruitment of a suitable Volunteer Coordinator.

**CARRIED**

## 8.3 CrowdStrike Event (19 July)

### Report

On the 19 July 2024 a significant disruption to Federation Council business operations occurred due to a faulty software update provided by CrowdStrike. This incident caused the hard-rebooting and failure of a number of Federation Council Systems. It was also identified that the corporate website host (Granicus) was affected.

**Incident Summary:**

**Date and Time of Incident:** The outage began at 14:30 on Friday 19 July and was resolved for critical services by 19:00 on the 19 July and for operational services by 14:00 20 July.

**Impact:** For the time between 14:0 and 19:00 19 July, all Council systems were affected, except Water and Sewer SCADA Systems.

**Response:** IT received complaints from users that their workstations were crashing. Concurrently, IT received a number of alerts from their monitoring systems that servers were also crashing. IT quickly determined that CrowdStrike was the cause of the crashing and began to develop a course of action.

- IT logged a support ticket with CrowdStrike at 14:50.
- By 15:15, IT had researched and tested a process to stop the crashing and had begun to stabilise server systems.
- At 15:30 IT received instructions from CrowdStrike on how to stop the crashing – the same process that they had already developed themselves.

- IT worked into the night to stabilise all council servers and critical systems. It was determined that critical Water and Sewer systems were stable and the On Call staff were briefed on what to do if they crashed.
- On Saturday 20 July, IT attended all sites to ensure that operational systems were repaired and functional. The goal was to ensure that every system required for Council to deliver normal services on Monday morning was functional. By 14:00 on Saturday this was achieved.
- Some non-critical user systems were affected and have been repaired in the days since.

**Post Incident Analysis:** By their very nature, all Endpoint Detection and Response (EDR) software platforms require explicit trust and low- level access to operating systems. This risk is no higher or lower with CrowdStrike compared to any other platform. CrowdStrike is used by 298 of the Fortune 500 in the US, and is generally considered one of the best in the market.

There are no decisions we could have made that would have prevented the delivery of a corrupt software update crippling our systems. We already run with a N-1 configuration (one agent version behind the current release) as a precaution, but that does not prevent the immediate delivery of definition updates.

Our in-house Incident Response capability rather than outsourced IT, and full control of our on-premises systems rather than cloud hosting, allowed us to be on top of the incident extremely quickly.

We will pay close attention to CrowdStrike’s response to this incident, and should there be no readily visible improvement in their Quality Control and Cultural failings that led to this incident, we will investigate a new EDR Vendor when our current contract comes to completion.

**RESOLVED:**

1. THAT the Committee noted the update and expressed its thanks to the Staff involved in ensuring that Council operations were operational again very quickly.

**CARRIED**

## 8.4 Review of Council Policies

It is proposed that the ARIC Committee have clear oversight of the review of the following policies:

- Procurement
- Risk Management
- Section 335 Committees
- Corporate Credit Cards
- Business Continuity (and Disaster Recovery)
- WHS

According to the Workplan, the Committee is also due to review:

- Councillors and Staff Code of Conduct
- Investments

**Schedule of policies for review:**

A schedule for the review of the above policies will be developed and will be referred to the next meeting of ARIC for feedback.

**Risk Management Policy:**

The Risk Management Policy was internally reviewed in August 2024. Changes that were made include reference updates and the inclusion of the Local Government (Audit, Risk and Improvement Committees) Regulation 2023 in Section 5 of the policy. With some minor changes from Manex, this will be referred to the next meeting of ARIC for feedback.

**Volunteer Management Policy:**

The Volunteer Management Policy was internally reviewed in August 2024. With some minor changes from Manex, this will be referred to the next meeting of ARIC for feedback.

**Work Health and Safety Policy:**

The Work Health and Safety policy was internally reviewed in July 2024 and sent to the Leadership Group and MANEX for review and input. Changes that were made include the inclusion of the following legislation into the Work Health and Safety Policy:

- Public Health Act 2010 and Public Health Regulation 2022
- Protection of the Environment Operation Act 1997 and subordinate legislation

**Discussion:**

The Committee discussed the definition of worker, as contained within the proposed WHS Policy: “Person/s carrying out work in any capacity for a person conducting a business or undertaking and includes councillors, staff, volunteers and contractors.” It was recommended that the policy be reviewed with a focus on volunteers and contractors and strengthened around the roles and responsibility of volunteers and Section 355 Committees.

The Volunteer Management Policy and Section 355 Committee Policy be added to Section 8. References and Associated Documents.

Following documentation was referenced:

- [Attachment 14. Work Health & Safety Policy – v2 – July 2024 \(18/15492\)](#)
- [Attachment 15. Federation Council document and policy register](#)

**RESOLVED:**

1. THAT the Committee noted the update on Council policies.
2. THAT the Work Health and Safety policy be reviewed and strengthened to include the roles and responsibility of volunteers and Section 355 Committees.

**CARRIED**

## **ITEM 9. Next Meeting 11.57 am**

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

- Friday 8 March 2024 (amended from Friday 1 March 2024)
- Friday 14 June 2024
- Wednesday 4 September 2024 (amended from Friday 23 August 2024)
- Friday 11 October 2024 (pending financial statements) (rescheduled to 18 October 2024)
- Friday 13 December 2024

Feedback has been received from the external auditors that the proposed meeting on 11 October 2024 will be too early for finalisation of the financial statements. Accordingly, it is recommended to defer this meeting to 18 October 2024.

### **RESOLVED:**

1. THAT the Committee endorsed the next meeting to be held on 18 October 2024.

### **CARRIED**