



MINUTES

Audit & Risk Improvement Committee (ARIC)

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Tuesday 14 March 2023

at 2:00 PM

ORDER OF BUSINESS

1. Acknowledgement of Country.....	3
2. Present.....	3
3. Apologies	3
4. Confirmation of Minutes	3
6.4. External Audit	3
5. Business Arising from Previous Minutes.....	4
6. Agenda Reports	5
6.1. Risk Management	5
6.2. Compliance	5
6.3. Internal Audit.....	6
6.4. External Audit	6
6.5. Internal Controls	6
6.6. Fraud and Corruption	7
6.7. Financial Management	7
6.8. Governance	7
6.9. Strategic Planning	8
6.10. Service Reviews and Business Improvement.....	8
6.11. Performance Data & Measurement	8
7. General Business	9
8. Meeting Close	9

The Chairperson declared the meeting open at 2pm.

1. Acknowledgement of Country

Lithgow City Council acknowledges Wiradjuri Elders past and present of the Wiradjuri nation - the original custodians of the land on which the Lithgow's communities reside. The Council also extends our respects to our neighbouring nations.

The Chair acknowledged Wiradjuri Elders past and present of the Wiradjuri nation - the original custodians of the land on which the Lithgow's communities reside and extended respect to our neighbouring nations.

2. Present

Present:

Neil Maltby, Independent Member (Chair) - voting

Ron Gillard, Independent Member - voting

Cr Maree Statham, Mayor - voting

Cr Cassandra Coleman, Deputy Mayor - voting

Cr Stephen Lesslie

Craig Butler, General Manager - ex-officio

Ross Gurney, Chief Financial and Information Officer - ex-officio

Jonathon Reid – Financial Services Manager – ex-officio

Gabriel Fanople, Crowe, external auditor - invitee

Mary Yuen, Audit Office, external auditor – invitee

Trinity Newton – Minutes - invitee

3. Apologies

All being present there were no apologies.

4. Confirmation of Minutes

ACTION

THAT the Minutes of the Audit Risk & Improvement Committee meeting held on the 13 December 2022 be taken as read and confirmed.

MOVED: Neil Maltby

SECONDED: Ron Gillard

Procedural Motion

The Committee bring forward Item 6.4 on the business paper, External Audit update for discussion with the Audit Office representative being present.

MOVED: Neil Maltby

SECONDED: Ron Gillard

6.4. External Audit

Mary Yuen introduced herself as the newly appointed Audit Office Director.

The committee received a verbal update from the external auditors on audit matters and discussed the following items:

- Final 2021/22 Audit Management Letter -
 - Prior year issues included errors in inventory counts. CFIO gave an update on the planned stocktake – on 29 March a full count will be carried out to determine any stock variances with a further count to be carried out in June. Ron Gillard stated that the committee was not advised of the stocktake issue at the December meeting with the auditor not being present.
 - Excessive leave – ongoing issue, is being addressed.
 - Audit readiness - ensure that everything is ready for the on-site audit.
- Water and Sewer asset revaluations are nearly finalised. The Committee asked if the values had changed significantly. The CFIO indicated that water reticulation asset values had increased, mainly due to a large number of newly identified assets.
- A meeting will be held on 16 March to plan the 2022/23 audit. An engagement plan will then be developed and should be available within two weeks. The CFIO will send a copy of the engagement plan to independent members once finalised.

ACTION / RECOMMENDATION

THAT the Committee note the update on Council's external audit program.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

5. Business Arising from Previous Minutes

The Chair called for any matters arising from previous minutes.

The Committee reviewed the Committee Recommendations tracking sheet.

- 33 expressions of Interest have been received for the independent committee member position. Within the next 1-2 weeks a review of applications and a short list of candidates will be established.

Audit Risk Committee Annual Workplan

- Under the new guidelines a four-year workplan will be required.
- Teams meeting to be scheduled with the independent members to establish priorities.

SWP 12.8 Volunteer Management

- There is a Council resolution for an information session regarding current volunteer management practices and, in turn, a timetable for developing a Volunteer Policy. A review of the SWP is being undertaken at present.

Telephone Survey – Customer Service Benchmarking

- A National Local Government Customer Service Benchmarking Mini Program has been joined, will consider joining a full survey in the future.
- Mystery shopper has been undertaken for a number of years with generally good results.

ACTION / RECOMMENDATION

That the Committee note the update on the Committee recommendations from prior meetings.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

6. Agenda Reports**6.1. Risk Management**

The Committee discussed the Risk Management report, including the following matters:

- A Procurement Integrity Questionnaire obtained from the Institute of Internal Auditors has been completed. The CFIO reported that some improvements can be made as a result of the questionnaire. The Committee requested that the improvements identified be presented at the next meeting.

Annual work Plan items;

- The Enterprise Risk Management (ERM) Review will be completed by the end of March.
- The ERM maturity review report will be presented to the next meeting.
- The current risk register needs to be built upon.
- The committee would like to know and acknowledge all changes in risk assessments - both up and down.

ACTION / RECOMMENDATION

THAT the Committee note the report on risk management.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

6.2. Compliance

The General Manager informed the Committee that there was to be a review of the current structure to include a governance / risk position being created.

Corporate Systems Checklist – the Committee asked for an update on progress to collect statistics etc. to be included in the next meeting business paper.

The Committee was informed of the reporting requirements on compliance and obligations under the Modern Slavery Act. This is generally addressed via a procurement policies, standard contracts and tender documents. The CNSWJO obtained advice and have supplied wording for policies etc. to cover these requirements.

No significant compliance matters since the last ARIC meeting.

ACTION / RECOMMENDATION

THAT the Committee note the report on legal and compliance risks.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

6.3. Internal Audit

The audit plan has been extended to 4 years.

The risk management framework review is underway.

Budget and staff resourcing capacity has only allowed for two external audit projects per year.

Drinking water management has been removed from the internal audit report due to delays from the Department of Health. This audit is still required, however it has been deferred.

Going forward, the committee requested that the audit scopes be provided before they are released.

Internal Audit Action List was reviewed:

- A workshop will be held to recommence implementation of the Customer service review recommendations.
- In-house internal audit function - is to be determined with the main issue being staff resourcing.
- New OLG guidelines - Committee asked for a summary page covering what Council intends to do based on the current draft guidelines.
- An internal audit charter needs to be established to comply with the OLG guidelines by 1/7/24.
- A report will be provided to the next meeting on the SRV application and the plan for resource allocation to internal audit.

ACTION / RECOMMENDATION

THAT the Committee note the report on the internal audit program.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

6.4. External Audit

This item was dealt with earlier in the meeting.

6.5. Internal Controls

The Committee requested that the policy and SWP register be presented to ARIC annually. The CFIO will present the register to the June ARIC meeting.

ACTION / RECOMMENDATION

THAT the Committee note the update on Council's internal controls.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

6.6. Fraud and Corruption

No recent fraudulent activity has been reported since the last meeting of ARIC.

The CFIO has scheduled a demonstration of Centium's fraud evaluation tool, FACET for May 2023.

The committee noted that Councillors received fraud and corruption training as part of the recent planning system training.

ACTION / RECOMMENDATION

THAT the Committee note the report on fraud and corruption controls.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

6.7. Financial Management

The Committee noted:

- The 2022/23 Quarter Two Budget Review report went to Council on 27 February 2023 and was reported as satisfactory.
- The CFIO stated that approx. \$3M deficit is would be expected for 2022/23, if not for one-off operating grants. The prepayment of the Financial assistance grant may be different this year.
- Red fleet and related depreciation expense also affects the figures.
- The SRV application - is with IPART and their determination will be announced mid-May.

ACTION / RECOMMENDATION

THAT the Committee note the financial management report.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

6.8. Governance

The Committee noted that no significant conflicts of interest have been reported since the last meeting of ARIC.

The CFIO will move the update on policies due for review to the Internal Controls report in future.

ACTION / RECOMMENDATION

THAT the Committee note the report on key governance processes and the update on the Risk Management and Internal Audit Framework Guidelines.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

6.9. Strategic Planning

The Committee reviewed the report in the business paper as presented by the CFIO.

The committee discussed the option of utilising the Joint Organisation in relation to addressing issues of climate change and its impact on IP&R.

ACTION / RECOMMENDATION

THAT the Committee note the report on strategic planning.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

6.10. Service Reviews and Business Improvement

The committee reviewed the report and discussed:

- Addressing cyber security risk.
- Development Applications Audit Office Performance Audit: assessment and determination stages.

The Future Together Group working on business unit reviews at present, with the plan to finish the reviews this month.

ACTION / RECOMMENDATION

THAT the Committee note the update on Council's progress with service reviews and business improvement.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

6.11. Performance Data & Measurement

The CFIO outlined for the committee how performance monitoring is utilised to measure achievement of strategic objectives, as set in Council's IP&R documents.

It was noted that infrastructure backlog ratio, buildings & infrastructure renewal ratio are all ratios which are not met on a regular basis by LCC.

ACTION / RECOMMENDATION

THAT the Committee note the update on Council's progress with performance data and measurement.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

7. General Business

The matter of compliance risk management as a result of the regulations and licencing aspects of Council's scheduled premises was raised by Cr Lesslie, who was in attendance as an observer of the Meeting.

Ron Gillard declared a Conflict of interest in relation to any matter to do with UMCC as he also has a role with that organisation.

The CFIO and General Manager gave advice that historic matters have been addressed. The General Manager explained that processes and mitigations have been improved as a result of previous issues. The General Manager stated that risk assessment within Council is a major consideration for the Executive and there are numerous systems and processes in place to ensure regulatory compliance, such as regular training, inductions, documentation and testing of procedures through mock exercises.

The Chair stated that often things will come out of nowhere and as long as they are addressed and mitigations are put into place then that is acceptable.

The Committee were also informed that if there is anything that needs to be raised urgently by Councillors, it can be done out of session to the Mayor or General Manager between ARIC meetings.

ACTION / RECOMMENDATION

The Committee note the discussions and points raised in relation to compliance risk management.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

9. Meeting Close

Next Meeting: Tuesday 20 June 2023 at 2pm in the Committee Room.

There being no further business the Chairperson declared the meeting closed at 3:54 pm.