



MINUTES

Audit & Risk Improvement Committee (ARIC)

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Tuesday 20 June 2023

at 2:00 PM

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1. Acknowledgement of Country

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. Attendees

Neil Maltby, Independent Member (Chair) - voting
Ron Gillard, Independent Member – voting
Kylie McRae, Independent Member – voting
Cr Maree Statham, Mayor - voting
Ross Gurney, Chief Financial and Information Officer - ex-officio
Jonathon Reid, Financial Services Manager – ex-officio
Gabriel Fanople, Crowe, external auditor - invitee
Mary Yeun - Audit Office, external auditor – invitee
Trinity Newton – Minutes – invitee

3. Apologies

Cr Cassandra Coleman, Deputy Mayor - voting
Craig Butler, General Manager - ex-officio

4. Declaration of Interest

Ron Gillard requested that the ARIC note his ongoing declaration of interest as he is a member of the board of the UMCC of which Lithgow Council is a member.

That a standing declaration of interest by Ron Gillard be accepted and noted for each meeting of ARIC as he is on the board of UMCC.

MOVED: Neil Maltby

SECONDED: Councillor M Statham

CARRIED

5. Confirmation of Minutes

The Committee discussed the role of non-voting Councillors in attending ARIC meetings. It was noted that section 12.6 of the Terms of Reference states “individual Councillors are not entitled to request or receive information from the Committee”.

On the minutes of 14 March 2023, Councillor S Lesslie is to be noted as an observer on the attendees list.

The March meeting minutes were presented to the Ordinary Meeting of Council on 27 March 2023.

ACTION

THAT the Minutes of the 14 March 2023 meeting were taken as read and confirmed.

MOVED: Neil Maltby

SECONDED: Ron Gillard

6. Business Arising from Previous Minutes

6.1. Committee Recommendations Tracking

The Chair called for any matters arising from previous minutes.

Following a non-voting Councillor's attendance at the March ARIC meeting, it was noted that non-voting Councillors are not entitled to individually request or receive information from the Committee (S12.6 - Terms of Reference). Councillors are welcome to attend ARIC meetings as an observer, however, should seek prior permission from the Chair.

Item 6.4 – the audit engagement plan has been sent to Committee members.

The 2023/24 Operational Plan and SRV Program report is being finalised and put to the 26 June Council meeting. The CFIO will send a copy of the report to committee members for information.

The Committee reviewed the Committee Recommendations Tracking.

Procurement Integrity Questionnaire - there will be a report to the ARIC at the September meeting.

ACTION

The ARIC noted and accepted matters arising from the 14 March 2023 meeting minutes.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED:

7. Agenda Reports

7.1. Terms of Reference - Actions

CFIO will be creating a four year strategic workplan for discussion at the September meeting.

The Committee noted that future years will be added onto the side of the excel annual workplan document to create a rolling 4 year plan. CFIO will distribute the 4 year plan to Committee members after working the suggestions into a revised document.

Discussion was held on the OLG guideline requirement that the Mayor not be a voting member of an ARIC. The Committee agreed to retain the status quo and review if and when the government changes the requirements.

Ron Gillard referred to Section 5.7 of his copy of the Terms of Reference (ToR) which referred to sharing the independent members with Oberon Council. Upon checking, the CFIO determined that this section of the ToR had been deleted from the final version of the ToR. No changes to the ToR are proposed for the 2023/24 year.

Section 5.1 relating to the composition of the Committee (Mayor as a voting member) will be reviewed in twelve months.

ACTION / RECOMMENDATION

THAT the Committee:

1. Recommend the appointment of Neil Maltby as Chair, with the appointment to be reviewed at the end of December 2023.
2. Note that future Chair appointments will be made directly by Council following consultation with independent members.
3. Note the 2023/24 Annual Work Plan.
4. Note that a four-year strategic plan will developed for presentation to the Committee at the September 2023 meeting.
5. Note the agreed change proposed to the Terms of Reference for the 2023/24 year.

MOVED: Councillor M Statham

SECONDED: Ron Gillard

CARRIED:

7.2. Risk Management

Council is in the process of recruiting a Governance and Risk Manager which will assist with addressing risk management resourcing gaps.

The committee sought clarity on Council's ability to meet the timeline dates set for the Enterprise Risk Management (ERM) Maturity Review actions. The review of the ERM Framework will commence in July with training to follow.

CFIO to correct the wording of the Risk Management Champion – this should be a senior staff member.

Any comments on the (ERM) Maturity Review actions to be sent to CFIO to review and update the document.

The Vincents proposal for the review of the ERM Framework was sent to the ARIC for information. O'Connor Marsden (OCM) also submitted a proposal – Kylie McRae informed the Committee she is a former employee of OCM and sometimes has dealings with them.

Review of new risk – it was noted that no new risks are being reported. Maintenance of the Risk Register will be a responsibility of the new Governance role. Risk management is included in Council reports and reviewed by the CFIO.

There have been no impacts of risks on insurances which are currently being renewed.

The Committee discussed cyber security risks. The gap analysis draft report has been discussed with the IT Manager - some items were incorrect and a meeting has been arranged with the consultant to correct the issues.

The ERM Committee meets every four weeks. The agenda is quite robust at present - the Committee asked to be provided with a copy of the JLT Public Sector Risk Report

ACTION / RECOMMENDATION

THAT the Committee note the report on risk management.

MOVED: Ron Gillard

SECONDED: Kylie McRae

CARRIED:

7.3. Compliance

The Committee discussed the Hunter Councils compliance self-assessment tool - comprehensive compliance checklist and a list of training questions. CFIO will send the complete document to ARIC members for information. For the training questions that are answered no - further information will be supplied and reported to ARIC on business arising at future meetings. In most cases the correct answer should be N/A.

The annual budget for training is only around \$200K at present. Administration is aware that this should be supplemented. As an organisation, looking at recruiting cadets and trainees and graduates etc. A reserve fund will be established (from budget savings) to help fund training plans moving forward.

The CFIO stated:

- There are no significant compliance matters to report,
- There have been no changes to compliance management, and
- There are no overdue items in the compliance calendar.

The Committee queried whether there is any reporting to the GM that staff with responsibility for compliance matters have completed their compliance requirements. The CFIO stated that a compliance calendar is maintained, and compliance actions are allocated and checked as completed in the Pulse system.

A recent focus of the ERM Committee has been on asbestos and volunteer policy. The committee was informed there have been no recent asbestos incidents, it is merely related to issues at other Councils being monitored and reviewed by the Committee.

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED:

7.4. Internal Audit

The Committee noted the changes to the 4 year internal audit plan. The CFIO stated that the plan had been reviewed and updated by the Risk Coordinator to ensure that the program was risk focussed. It was agreed that, in future, significant proposed changes to the internal audit plan are to be considered by the Committee. Reporting is to include the reasons for any proposed changes to the plan.

The Committee requested that the Customer Service Review recommendations document be converted to the regular internal audit actions format.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Councillor M Statham

CARRIED:

7.5. External Audit

Gabriel Fanople provided an update of the progress of the audit. The work on the interim audit is almost complete. The remaining documents have now been received. A meeting has been scheduled for Council and the auditors to review the outcomes of the audit.

There have been no issues raised on cyber security, however, a more accurate update will be provided at the next meeting.

The CFIO reported that a letter had been received from the OLG drawing Council's attention to the legislated requirement for Council to submit its financial statements to the OLG by 31 October each year. Every effort will be made to complete the 2022/23 statements on time. The staffing issues which were problematic in the previous year have been substantially resolved.

The Committee discussed the possibility of the Audit Office starting its Engagement Plan process a little earlier. Meeting dates could be locked in earlier to enable all processes to be completed prior to Audit finalisation. The Audit Office informed the Committee that generally, across the local Government sector, the auditors are currently attempting to engage with Councils earlier in the audit process.

The Audit Engagement Plan proposes that Council approve the financial statements for lodgement to OLG on 24/10/23. An MS Teams meeting with the independent members will be scheduled to review the financial statements prior to lodgement.

The CFIO will forward the interim audit management letter to Committee members once it is finalised.

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Councillor M Statham

CARRIED:

7.6. Internal Controls

The CFIO reported that there are no overdue recommendations to correct internal controls weaknesses.

The CFIO provided a report on the status of policy and procedure reviews. There are a large number of policies and procedures which are due or overdue for review.

It was suggested that the SWPs and policies relating to high risk matters be reviewed as a priority and should be reviewed annually. The ARIC were informed that high risk policies and procedures are being reviewed as a matter of urgency.

The Committee requested an update at each meeting on the progress of completing the overdue reviews.

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED:

7.7. Fraud and Corruption

The CFIO reported that improved purchasing controls are being put in place. This includes changes to purchasing thresholds requiring more than one written quotation and a record of the reasons for choosing a supplier e.g., price, quick service etc.

The CFIO reported on a recent demonstration of the Centium FACET Fraud & Corruption Evaluation Tool. Council is considering implementation of the tool. ARIC members requested a brief presentation to the September meeting on the new system and how integration to the enterprise risk management system occurs when it is implemented.

The CFIO stated that controls to treat high residual risks had been reviewed and the residual risk had been reassessed as no higher than medium risk.

The Committee noted that Fraud and Corruption Prevention Control had been removed from the 4 year internal audit plan. Ron Gillard stated that the Fraud and Corruption Prevention Framework would still require audit after the framework is reviewed.

The CFIO clarified that the recent training delivered to Councillors only covered fraud and corruption training in relation to planning matters. Training on fraud and corruption was included in the code of conduct training in August 2022.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED:

7.8. Financial Management

The CFIO reported that Council is on target for a large operating surplus for the 2022/23 financial year due to the receipt of natural disaster grant income. Council should also achieve its savings target, even with the natural disaster spending.

The Committee discussed the importance of effective communication to the community on any operating surplus, the impact of natural disaster funding and the reasons for the structural deficit. The Community need to know that the cash impact is negligible.

The 2023/24 SRV Program will be put to the June Council meeting for adoption.

ACTION / RECOMMENDATION

THAT the Committee note the financial management report.

MOVED: Neil Maltby

SECONDED: Kylie McRae

CARRIED:

7.9. Governance

The CFIO reported that no major conflicts of interests have been reported in the 2022/23 year.

ACTION / RECOMMENDATION

THAT the Committee note the report on key governance processes.

MOVED: Ron Gillard

SECONDED: Councillor M Statham

CARRIED:

7.10. Strategic Planning

The draft 2023/24 Operational plan is being put to the Ordinary Meeting of Council on 26 June 2023.

The CFIO reported that planned savings targets are being achieved. The Committee asked for a report to the September meeting on achievement of the 2022/23 savings targets.

ACTION / RECOMMENDATION

THAT the Committee note the report on strategic planning.

MOVED: Neil Maltby

SECONDED: Councillor M Statham

CARRIED:

7.11. Service Reviews and Business Improvement

The Committee discussed the Audit Office report on planning and managing RFS bushfire equipment. The Committee assessed that legislation will ultimately dictate the result and impact on Councils.

The CFIO reported that the Service Planning project will be initiated in July 2023.

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED:

7.12. Performance Data & Measurement

The CFIO acknowledged that performance measurement is one area that Council needs to take steps forward and needs to establish processes.

A monthly budget review is carried out by managers and directors, as required by formal procedures. A role has been added to help monitor and manage budgets. Moving to monthly financial reporting is preferable. The CFIO reports to ELT on budgeting on a monthly basis.

The Committee queried how Council carry out measurements of the operational plan implementation etc. There should be regular reporting on IP&R outcomes. Council meets the requirements of IP&R using the Pulse system.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED:

8. General Business

Meeting dates are to be set for the full financial year. Meetings are planned for the second Tuesday of the month at 2pm.

Calendar appointments are to be sent to ARIC members and the meeting time will be extended to 3 hours.

9. Meeting Close

There being no further business the Chairperson declared the meeting closed at 4:02pm.

DRAFT