



MINUTES

Audit Risk Improvement Committee
(ARIC)
held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Tuesday 12 September 2023

at 2:00 PM

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The Chairperson declared the meeting open at 2:00pm.

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.

2. Attendees

Neil Maltby, Independent Member (Chair) - voting
Ron Gillard, Independent Member – voting
Kylie McRae, Independent Member – voting
Cr Maree Statham, Mayor - voting
Cr Cassandra Coleman, Deputy Mayor - voting
Craig Butler, General Manager - ex-officio
Ross Gurney, Chief Financial and Information Officer - ex-officio
Jonathon Reid, Financial Services Manager – ex-officio
Deborah McGrath - Corporate Planning and Communications Officer – ex-officio
Gabriel Fanople, Crowe, contract external auditor - invitee

3. Apologies

Apologies: Mary Yuen, Audit Office of NSW

4. Declaration of Interest

The Chair called for any declarations of interest.

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

A standing declaration of interest by Ron Gillard was accepted for each meeting of the ARIC as he is on the ARIC of UMCC.

5. Confirmation of Minutes

The minutes of the 20 June 2023 meeting were noted by Council at the Ordinary Meeting held on 24 July 2023 (Min. No. 23-131).

ACTION

THAT the Minutes of the meeting of be taken as read and confirmed.

MOVED: Neil Maltby

SECONDED: Councillor M Statham

6. Business Arising from Previous Minutes

6.1. Committee Recommendations Tracking

The Chair called for any matters arising from previous minutes.

The Committee reviewed the business arising from previous minutes spreadsheet.

The CFIO presented the 2022 National Local Government Customer Service Benchmarking Mini Program Report. The Mini Program did not include an individual comparative report on how Lithgow is performing compared to other Councils in Australia. Once more data is collected, Council will participate in the full program. When a new phone system is installed in 2023/24, Customer Service will be able to collect data for KPI's. Council is below other Councils for staff capacity in customer service.

The Volunteer Management Procedure is in progress. Awaiting HR input.

Procurement Integrity Questionnaire and responses to be uploaded to the ARIC SharePoint group.

The 4 Year ARIC Work Plan requires version control. CFIO to upload the current version to the ARIC SharePoint group.

Clarification was sought on the meeting that will be arranged with the independent members to review the draft financial statements before they are lodged. The CFIO responded that the matter will be discussed in the Financial Management report.

Details of the achievement of 2022/23 savings targets to be uploaded to the ARIC SharePoint group.

7. Agenda Reports

7.1. Risk Management

The CFIO reported that the Risk Framework review is progressing well and is on track to be completed on time.

Finalisation of the Strategic and Operational Risk Registers is in progress. Workshops have occurred with Risk Managers, which included risk management training.

Project Risks are to be added to the Risk Register when a project is approved. Trigger points have been set up on critical projects.

Risk Appetite Statements have been set by the Executive Team. The Statements can be included as an attachment to the revised Enterprise Risk Management Policy for Council's endorsement.

The Risk Framework review project milestones are to be uploaded to the ARIC SharePoint group.

Question raised on the high number of strategic risks, some might be more operational risks and could be taken out. The CFIO will review the strategic risks, with the aim of reducing the number to around 15.

Kylie McRae stated that the ERM Maturity Review action to define the internal and external risk contexts should be part of the Risk Framework review. The CFIO will ask for the Risk Process Guidelines to include a definition of the internal & external risk contexts.

With the ERM Maturity Review actions, CFIO to re-word actions to state that the Governance & Risk Manager can assist the responsible risk owner.

ACTION / RECOMMENDATION

THAT the Committee note the report on risk management.

MOVED: Neil Maltby

SECONDED: Kylie McRae

CARRIED

7.2. Compliance

The CFIO presented the compliance report. There were no significant compliance matters to report.

ACTION / RECOMMENDATION

THAT the Committee note the report on the legal and compliance framework and current improvement actions.

MOVED: Kylie McRae

SECONDED: Ron Gillard

CARRIED

7.3. Internal Audit

The 4 Year Internal Audit Plan will be reviewed once the Risk Framework Review has been completed and a Governance & Risk Manager has commenced.

Kylie McRae asked that any significant proposed changes return to the Committee for review and approval of the amended internal audit plan and any proposed changes. The 20 June 2023 meeting minutes noted 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." This is consistent with ARIC's role as stated in the OLG guidelines.

The confidential Information Security Gap Analysis Report will be uploaded to the ARIC SharePoint group. The report is in final draft and currently being reviewed. The CFIO will organise for an action list (with completion timeframes) to be created for the 1 high risk and 8 medium risk report recommendations.

The Committee requested that the Customer Service Review Recommendations report become a recurring item. The CFIO will migrate the Customer Service Review recommendations to a standard action list.

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED

7.4. External Audit

Gabriel Fanople provided information on the one finding from the interim audit. An interim audit Management Letter will not be provided. The finding, relating to cyber security, will be reviewed as part of the final on-site audit and, if necessary, will be included in the final letter.

Ron Gillard expressed concerns that an interim management letter would not be provided, as stated in the audit engagement plan. The feedback was taken on board by the Audit Office and an explanation was provided stating that there has been a delay in the process.

The cyber security risk finding was rated as moderate risk. Council does conduct recurrent penetration testing. Council's cyber risk strategy will be reviewed by the auditors during the final audit.

The Finance team was commended for completing all the 2022 audit actions.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

7.5. Internal Controls

The CFIO reported that there are no overdue internal and external audit recommendations to correct internal control weaknesses. The Committee asked that, in future, the CFIO's attestation be expanded to state that there is no awareness of other internal control weaknesses from other sources.

The Committee requested that information be provided on high risk policies and procedures that should be reviewed as a matter of urgency and that the Committee be updated on the progress on completing these overdue policies and procedures. CFIO to upload an updated spreadsheet to the ARIC SharePoint group for discussion at the next meeting.

The Committee asked that actions on internal & external audit recommendations to correct internal control weaknesses be a standing agenda item.

The CFIO advised that the Procurement SWP had significant changes and staff were communicated the changes via a number of forums and can request one-on-one training. Once the Governance and Risk Manager is appointed, the development of policies and procedures for managing conflicts will be a priority. Regular conflict of interest reports will be provided to the General Manager.

The Committee discussed gifts and benefits. There is a register for gifts and benefits, and staff are declaring these. The gift cap is \$50. The Mayor noted her attendance at functions. The Code of Conduct permits the acceptance of invitations to and attendance at local social, cultural or sporting events with a ticket value that does not exceed \$50. Gifts or benefits that exceed \$50 in value must not be accepted.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Kyle McRae

CARRIED

7.6. Fraud and Corruption

The CFIO reported that the Fraud and Corruption Control Policy was updated with minor changes.

Clarification was sought on Council's fraud and corruption control system. The CFIO stated that Council's Fraud and Corruption Control Plan references the Audit Office of NSW's Fraud Control Improvement Kit.

The Committee asked that Fraud Risk Assessment and Control Plan be provided. The CFIO will upload the documents to the ARIC SharePoint group. The Committee queried whether fraud risks are included in the Pulse Risk Register. The CFIO responded that operational fraud risk will be included in the updated Risk Register.

The Committee suggested that the policy wording be changed from "illicit" to "corrupt". Also suggested that additional roles are listed as a person that customers or residents can report suspect fraud or corruption, not to only list the General Manager. The CFIO will make these changes to the policy.

Centium's fraud evaluation tool, FACET, will be considered when the Governance & Risk Manager commences. The Committee asked for a presentation of FACET at the December 2023 meeting.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Councillor M Statham

CARRIED

7.7. Financial Management

The committee discussed the report on financial management.

The contract auditors have contacted the CFIO to discuss the need for a lodgment extension for the 2022/23 Financial Statements. A one month extension to the end of November is proposed. Discussion needs to occur with the Finance team as to whether a one month extension is sufficient. The Committee also requested that Council confirm with the contractor and Audit Office that they are sufficiently resourced to meet the one month extension deadline.

The Financial Services Manager presented a verbal update on progress towards completing the 2022/23 Financial Statements. A video conference will be organised with independent members when a complete draft set of financial statements is close to being finalised.

The Financial Services Manager also presented an Inventory stocktake report. The report will be uploaded to the ARIC SharePoint group. A full stocktake had not been completed for approximately 2 years, with interim sample stocktakes being undertaken due to WHS issues at the Store. The process for collecting items from the store has been changed to track items better. Water and Wastewater have an emergency stock of items for after hour jobs. The Storekeeper has been setting up a system to notify when stock is low.

Disaster funding is being paid, \$1.5 million and another \$1.8 million to come shortly.

ACTION / RECOMMENDATION

THAT the Committee note the financial management report.

MOVED: Kylie McRae

SECONDED: Councillor M Statham

CARRIED

7.8. Governance

The CFIO presented the governance report. No major conflicts of interest have been reported since the last ARIC meeting.

ACTION / RECOMMENDATION

THAT the Committee note the report on key governance processes.

MOVED: Neil Maltby

SECONDED: Ron Gillard

CARRIED

7.9. Strategic Planning

The Corporate Planning and Communications Officer attended the meeting for the remaining agenda items.

The Committee discussed the Strategic Planning report. The Committee requested that the January to June 2023 Six Month Progress Report and Council report be provided for information. The documents will be uploaded to the ARIC SharePoint group.

The Committee requested an overview of the FTG business unit review reports, when the reports are available.

Going forward reports will be written by the Governance & Risk Manager, CFIO and Deborah McGrath. Clarification on the deliverables from the staff and some training will occur to tighten the process and reports.

The Mayor, Deputy Mayor and General Manager left the meeting at 4 pm due to other commitments.

ACTION / RECOMMENDATION

THAT the Committee note the report on strategic planning.

MOVED: Ron Gillard

SECONDED: Kylie McRae

CARRIED

7.10. Service Reviews and Business Improvement

The Corporate Planning and Communications Officer reported on Service Reviews and business improvement initiatives.

The consultant briefed the Councillors on the Service Planning project at a recent Councillor Information Session and a report on the draft policy will be going to the September Council meeting.

Service profiles and service demand workshops will be conducted in October 2023 with Service Managers. A facilitator has been engaged to assist with completing workbooks. Service plans will tie back to the strategic plans. Following the workshop there will be a 6 week data collection period. Once the reports are finalised they will be put into Pulse and actions and performance indicators can be identified.

For Audit Office of NSW Performance Audits, the Committee asked that specific recommendations which are applicable to Lithgow Council be noted. The CFIO will review the recommendations for the financial management and governance in MidCoast Council report.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Kylie McRae

CARRIED

7.11. Performance Data & Measurement

The Corporate Planning and Communications Officer reported on performance data and measurement.

Two workshops from CNSWJO will occur to help develop the state of the city reports. Monthly business reports will go to ELT to capture data and provide information on performance.

ACTION / RECOMMENDATION

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

MOVED: Neil Maltby

SECONDED: Kylie McRae

CARRIED

8. General Business

As soon as the draft financial reports are near completion, the independent members will be notified of a meeting to discuss the financial statements.

9. Meeting Close

Next Meeting: Tuesday 12 December 2023 at 2 p.m.

There being no further business the Chairperson declared the meeting closed at 4:20 p.m.