



MINUTES

Audit & Risk Improvement Committee (ARIC)

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Tuesday 28 November 2023

at 2:00 PM

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

1. Acknowledgement of Country

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

2. Attendees

Members (voting):

Ron Gillard, Independent Member (Chair)

Kylie McRae, Independent Member

Deborah Goodyer, Independent Member

Cr Maree Statham, Mayor

Cr Daryl Goodwin, Deputy Mayor

Officers:

Craig Butler, General Manager

Ross Gurney, Director Finance & Governance

Jonathon Reid, Financial Services Manager

Raj Singh, Governance & Risk Manager

Deborah McGrath – Organisation Performance & Communication Manager

Invitees:

Gabriel Fanople, Crowe, external audit contractor

Trinity Newton – Minutes

3. Apologies

Apology:

Mary Yeun - Audit Office of NSW, external auditor

4. Declaration of Interest

The Chair called for any declarations of interest.

The standing declaration of interest by Ron Gillard being on the board of Central Tablelands Weed Authority was noted.

5. Confirmation of Minutes

The minutes of the Audit Risk Committee meeting held 12 September 2023 were presented to the Ordinary Meeting of Council held 24 September 2023.

ACTION

THAT the minutes of the Audit Risk & Improvement Committee meeting held 12 September 2023 be taken as read and confirmed.

MOVED: Kylie McRae

SECONDED: Ron Gillard

The minutes of the Audit Risk Committee meeting held 24 October 2023 were presented to the Ordinary Meeting of Council held 27 November 2023.

ACTION

THAT the minutes of the Audit Risk & Improvement Committee meeting held 24 October 2023 be taken as read and confirmed.

MOVED: Deborah Goodyer

SECONDED: Councillor D Goodwin

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 Committee Recommendations tracking document.

The four-year work plan is a plan for ARIC to ensure that all matters are addressed and crossed off. The Chair will be reviewing the document over the Christmas break period to ensure that all information is current and relevant to Lithgow moving forward.

ACTION / RECOMMENDATION

THAT the Committee note the report on the committee recommendations tracking and four year work plan.

MOVED: Kylie McRae

SECONDED: Deborah Goodyer

CARRIED

7. Agenda Reports

7.1. Compliance

The Director Finance & Governance 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: Councillor D Goodwin

SECONDED: Councillor M Statham

CARRIED

7.2. Internal Audit

- The key recommendations are the actions items that are being tracked from the report on Information security gap analysis.
- The Essential 8 may not all be required. Should seek advice on what is essential to the Council. Staff have completed Essential 8 accreditation training.
- Some actions are due by the end of the year but will not be completed in this timeframe. These need to be reviewed and updated.
- Internal customer service standards are required, and a working party will consider this matter in the new year.
- Expressions of Interest not required for an internal audit review. LCC has a qualified risk auditor.
- Procurement audit scope was discussed. Suggestions from ARIC members were to consider whether anything specific within audit scope was being reviewed, for example: mid or strategic level; whether we are including everything or excluding anything (such as concentrating on payables only); timeframe for internal audit; and to focus on risk areas. Scope required addition of whether it is compatible with the LGA 1993. ARIC members Kylie/Deborah are happy to assist if required.

ACTION / RECOMMENDATION

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

MOVED: Councillor D Goodwin

SECONDED: Deborah Goodyer

CARRIED

7.3. External Audit

- The External Audit contractor gave a verbal update on the external audit process.
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- The committee was informed that Lithgow City Council had obtained an extension to 21 December 2023. However, concerns around asset revaluations and the Audit Office having staff on leave in December may impact the timing to finalise the audit. A further extension has been requested until the end of February 2024. Awaiting response from OLG.
- The financial reports outside of the asset revaluation matter are primarily finalised with the auditor being satisfied with them.
- A thorough review of the water and sewer asset revaluations is required as some assets were not included in prior years.
- Council has access to the Clarence Mine water, the assets associated with the Clarence Water pump have recently been included in the asset audit and confirmed to be the Council's asset. The auditors require the background and the value of the assets, etc..
- The value of the identified assets is circa \$4M and is deemed material.
- Concerns were raised regarding the delay in finalising this information. A suggestion of using an indexation may be a better process to move this forward in a timely manner.
- The committee asked for an out of session update as early as possible.
- The final management report will be tabled at the March meeting.
- Flagged: Auditors to agree and present the final timetable and audit engagement plan at 12 March 2024 committee meeting.

ACTION / RECOMMENDATION

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

MOVED: Kylie McRae

SECONDED: Councillor M Statham

CARRIED

7.4. Internal Controls

- Only one updated policy since the last meeting.

ACTION / RECOMMENDATION

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

MOVED: Deborah Goodyer

SECONDED: Councillor D Goodwin

CARRIED

7.5. Fraud and Corruption

- There were no reports received regarding fraud and corruption since the previous meeting.
- The Lithgow City Council Governance and Risk Manager has reviewed the Fraud Corruption and Control Plans and has made minor changes. These will be tabled at the March 2024 ARIC meeting.
- ARIC members suggested a review of the Fraud & Corruption Control Plan to see whether there may be differences between the plan and that of ICAC policy/toolkit.
- FACET demonstration was not required at this stage. FACET may be an expensive exercise as it is only the 1st phase and may cost at least \$18,000.
- Suggestion from ARIC members – seek feedback directly from Hawkesbury Council on FACET operations and of its benefits.
- Review for relevance to the LCC processes. How do you ensure that the business owners are doing these fraud risk assessments and where do they go?
- Committee members are to forward notes on these matters to the administration to help with this review.

ACTION / RECOMMENDATION

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

MOVED: Kylie McRae

SECONDED: Deborah Goodyer

CARRIED

7.6. Financial Management

- There is a projected 2023/24 surplus due to the take-up of savings where possible.
 - Works funded by Transport NSW are a very long process to receive the funding claims. It was noted that many Councils are in the same predicament as LCC.
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- Annual statement update – it was requested that commentary relating to external audit be included in the 'External Audit' agenda item in future meetings.
- The remaining vacant position in finance management was a specific role which is being reviewed and adjusted to work better in the current organisational structure.

ACTION / RECOMMENDATION

THAT the Committee note the financial management report.

MOVED: Kylie McRae

SECONDED: Deborah Goodyer

CARRIED

7.7. Governance

- Conflict of Interest Declaration (COID) forms have been sent to staff and a policy has been developed.
- ARIC members suggested removal of Conflict of Interest Register from the Policy.
- Comments – Following ICAC standard – LCC will maintain a conflict-of-interest register.
- The level of approval of conflict of interest was discussed noting that the Directors approve the conflicts of interest action plans and, if required, the GM will further review.
- ERM (Enterprise Risk Management) Policy: the policy was drafted by Vincents but drawn from Council's current policy.
- Conflict of Interest Form: the Committee suggested that completed COI (Conflict of Interest) forms be escalated to Directors. A Director sign-off box will be in an updated version of the form.

ACTION / RECOMMENDATION

THAT the Committee note the report on key governance processes.

MOVED: Councillor M Statham

SECONDED: Councillor D Goodwin

CARRIED

7.8. Risk Management

- Updated Enterprise Risk Management Framework and related documents are to go to the Council meeting for adoption in future.
- The Councillors need to be engaged in these matters (i.e. Councillor Information Session) therefore the item will not go to a Council meeting in early 2024.
- ERM Framework / Policy – a general view is that there is duplication or overlapping in the two documents.
 - Concern was that ERM Framework and policy were duplicating information.
 - ARIC members suggested reviewing ERM framework/policy documents to keep policy to a very high-level statement and Framework to include relevant details.
 - Risk Register – from a working document perspective. Controls treatments – need to be controls that are actually and already in place, not targets.
 - Include target controls, mitigation which leads to meeting the risk appetite.
 - Remove the inherent risk columns as it creates confusion – focus on the current residual risk rating and what you are planning on doing.
 - The columns in the Risk register need to be reviewed to be more user friendly.
- Confirmation on control effectiveness is required and needs to be incorporated. A level of management test is required.
- Use the flow through – this is where we are at / this is where we need to go.
- The second line role, management insurance control is useful.
- Another way of doing this is – facilitating risk assessment control.
- The committee asked – is the risk assessment too long or incorrect?
- The risk assessment at this point in time does not include Councillor's assessment.
- Strategic Risk = the Operational Register changes / suggestions also apply to strategic risks.

ACTION / RECOMMENDATION

THAT the Committee note the report on risk management.

MOVED: Deborah Goodyer

SECONDED: Kylie McRae

CARRIED

7.9. Service Reviews and Business Improvement

- No reports from the Audit Office since the September meeting.
- Council's Organisation Performance & Communication Manager joined the meeting to provide an update on service review etc.
- The service profiles are a high-level service overview and will be going into a sub service level review in the following year.
- An overview of the information required, and the process of the service review plan was given.
- Thinking about the service offered, not the job they do has been a challenge.
- A service review budget will be factored into the SRV (Special Rate Variation) budget in the new financial year.
- The committee noted that this process and information will be used across many projects.
- The Service Management Framework being carried out by an independent reviewer is almost complete.
- The committee noted that a report is to be brought back regarding the Council's level of asset maturity with recommendations for improvement. This will be implemented through the IP&R (Integrated Planning and Reporting) Framework.

ACTION / RECOMMENDATION

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

MOVED: Councillor D Goodwin

SECONDED: Councillor M Statham

CARRIED

7.10. Performance Data & Measurement

- Measuring performance is a long-term project.
 - Need to check what is reporting now, checking systems, and working with both to achieve an outcome.
 - Consideration of possible external assistance with this project.
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- How do we currently measure performance? Currently with IP&R (Integrated Planning and Reporting) it is performance based, with strategic performance, it is activity based.
- LCC needs to scope out what it is trying to achieve?.
- Specific areas have commenced, such as a new phone system that will record data on calls received and/or not answered, wait time etc.
- The Committee asked for the status and feedback on the trial performance of analytic dashboard.
- 6 monthly delivery plans are in progress.

ACTION / RECOMMENDATION

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

MOVED: Kylie McRae

SECONDED: Deborah Goodyer

CARRIED

7.11. Strategic Planning

The cost of the upcoming election was discussed and noted that the cost is comparable to previous elections with CPI adjustment.

The cost of the election is funded from the election reserve and has been funded from this account over the last four years.

ACTION / RECOMMENDATION

THAT the Committee note the report on strategic planning.

MOVED: Councillor D Goodwin

SECONDED: Deborah Goodyer

CARRIED

8. General Business

Meetings dates for 2024 to be the second Tuesday of March, June, September, and December 2024.

With the council election scheduled to occur on 14 September 2024, there will not be any impact on the proposed 10 September 2024 ARIC meeting that will occur during the caretaker period as there is no decision making done by this committee.

Special financial statements meetings will not be scheduled until required at a later date.

9. Meeting Close

There being no further business the Chairperson declared the meeting closed at 4:29pm.