



BUSINESS PAPER

Audit, Risk & Improvement Committee (ARIC)

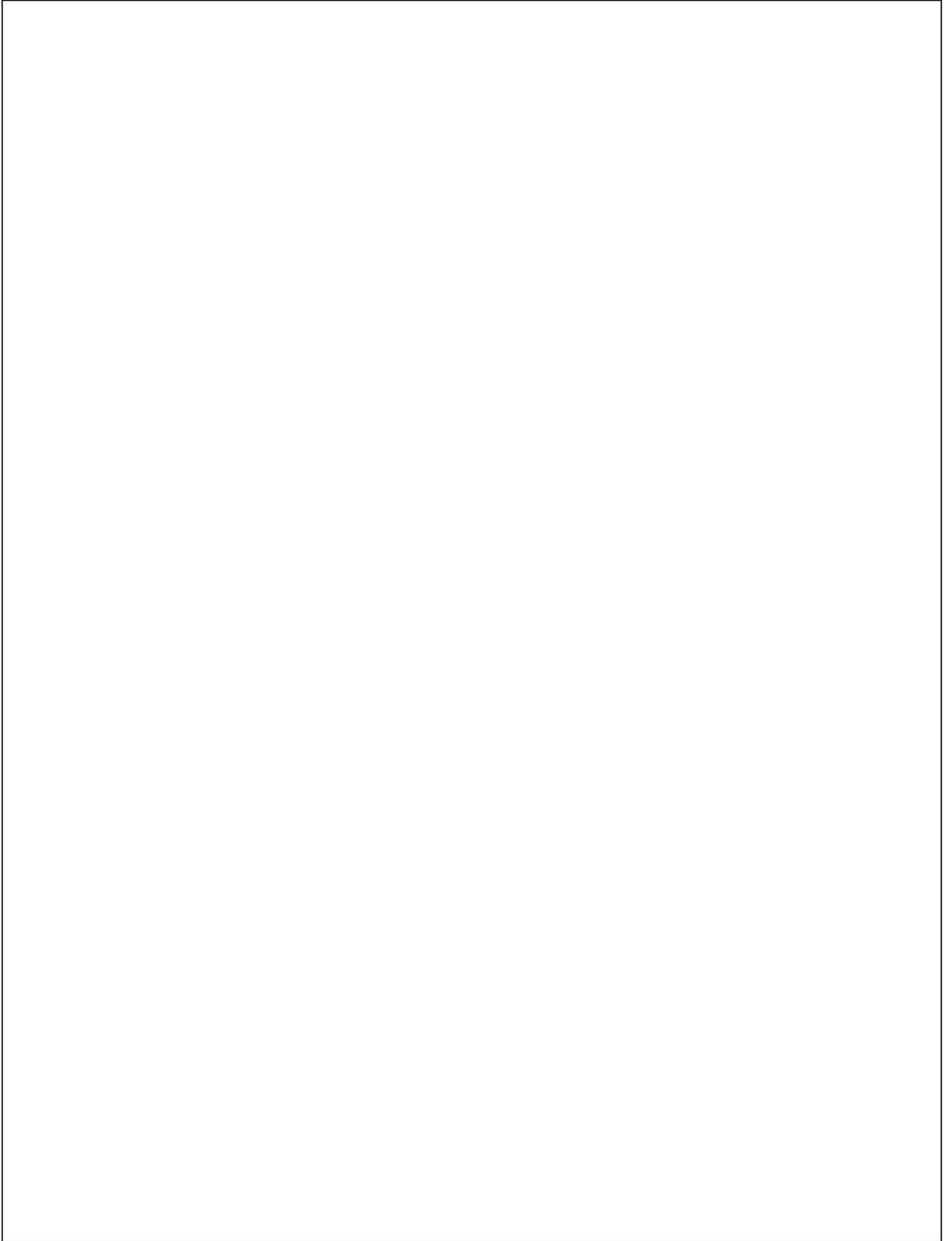
held at

Maldhan Ngurr Ngurra - Lithgow Transformation Hub
Zoom Room
154 Mort Street, Lithgow

on

Tuesday 10 September 2024

at 2:00 PM



ORDER OF BUSINESS

1. Acknowledgement of Country	5
1.1. Acknowledgement of Country.....	5
2. Attendees	5
3. Apologies	5
4. Declaration of Interest	5
5. Confirmation of Minutes.....	5
6. Business Arising from Previous Minutes	6
6.1. Committee Recommendations Tracking	6
6.2. Other Business Arising	6
7. Reports.....	7
7.1. External Audit Update.....	7
7.1.1. External Audit Update.....	7
7.1.2. Draft Statements Referral to Audit.....	7
7.1.3. Audit Timetable.....	7
7.1.4. Progress Against External Audit Recommendations.....	7
7.1.5. Internal Control Effectiveness Certification	8
7.1.6. Other AONSW Correspondence	8
7.2. Financial Management.....	8
7.2.1. Financial Management.....	8
7.3. Internal Audit (IA) Function Update	8
7.3.1. (IA) Function/Model/Charter Development	8
7.3.2. IA Provider EOI.....	9
7.4. IA Planning	9
7.4.1. IA Planning - Residual IA Plan	9
7.4.2. Strategic IA Plan Development	10
7.4.3. Procurement IA Report	10
7.5. Progress Against IA/Review Recommendations	10
7.5.1. Customer Service Review.....	10
7.5.2. Rating Review	10
7.5.3. Information Security Gap Analysis	10
7.5.4. Procurement Audit.....	11
7.6. Enterprise Risk Management Framework (ERMF) Update	11
7.6.1. ERMF Update - Enterprise Risk Management Framework Development - Risk Register Review	11
7.6.2. Progress Against Risk Maturity Review Recommendations	11
7.6.3. Risk Register Review.....	11
7.6.4. Business Continuity Plan (BCP) Review.....	11

7.6.5. Other ERMF Matters - Including BCP Review Update	12
7.7. Asset Management	12
7.7.1. Asset Management	12
7.8. Service Management Framework.....	12
7.8.1. Service Management Framework.....	12
7.9. Policies/SWP's	12
7.9.1. Policies/SWP's	12
7.10. Strategic Planning.....	13
7.10.1. Strategic Planning - IP&R Documents.....	13
7.10.2. Performance Data & Measurement System.....	13
8. Standing Items	13
8.1. Standing Item - Compliance Matters.....	13
8.2. Standing Item - Fraud & Corruption Register.....	13
8.3. Standing Item - Conflicts of Interest	13
8.4. Standing Item - Major Projects Review.....	14
8.5. Standing Item - Change in Risk Profile.....	14
8.6. Standing Item - OLG Circulars	14
8.7. Standing Item - Non-ARIC Initiated Audits/Reviews	14
9. General Business	15
9.1. Committee's Annual Performance Report to Council.....	15
9.2. ARIC Workplan Update	15
9.3. OLG Guidelines Gap Analysis.....	15
9.4. Call for Other General Business	15
10 Meeting Close.....	16

1. Acknowledgement of Country

1.1. 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

Members (voting):

Ron Gillard,	Independent Member (Chair)
Kylie McRae	Independent Member
Deborah Goodyer	Independent Member

Officers:

Ross Gurney	General Manager
Jonathon Reid	Acting Director Finance & Governance
Raj Singh	Governance & Risk Manager

Invitees:

Sally Hall	Governance & WHS Coordinator
Sarah Lewis	Minutes
Karen Taylor	Audit Office of NSW (external auditor)
Leanne Smith	Intentus (external audit contractor)
Jodie Thomas	Intentus (external audit contractor)
Mary Estocapio	Intentus (external audit contractor)

The Committee noted that the non-voting Councillor Member and Mayor were not in attendance as Council is in the Caretaker Period for the upcoming Council election.

3. Apologies

All being present there were no apologies.

4. Declaration of Interest

Nil declaration of interest declared.

Proceedings in brief:

The Committee agreed that all recommendations will be resolved by consensus and that, rather than recording movers and seconders, the minutes will only record any instances of voting member dissent.

Further, the Chair advised the Committee of the need to trim down the future minutes of the meetings as they have become very detailed and at times confusing. It is expected that critical items for action will be included as part of the Committee's recommendations as agreed by consensus, with only those matters of significance being noted in the minutes.

5. Confirmation of Minutes

In respect of the Minutes for 11 June 2024, the Chair provided clarification to the last 'action' of #7.2 (at bottom of page 6) that the word "draft" had inadvertently been missed and should have read 'Final draft IA Procurement report'. It was also clarified that the Committee's endorsement of any IA report would only occur following presentation to the Committee at a meeting, preferably by the author of the report.

Also in respect of the Minutes for 11 June 2024, the Chair requested clarification in respect of the terminology used in the first 'action' of #7.8 with reference to "Operational Risk Management Plans". This was clarified by Council and should have read 'Operational Risk Register'.

ACTION / RECOMMENDATION

THAT the Minutes of the Audit Risk and Improvement Committee meetings of 11 June 2024 and 3 September 2024 be taken as read and confirmed, noting the minor clarifications.

6. Business Arising from Previous Minutes

6.1. Committee Recommendations Tracking

The Chair deferred discussion regarding the attached Internal Audit RFT Example to item #7.3.2.

In respect of the Tracking document, it was highlighted that the Council adopted Terms of Reference did not appear to be based on the final track changes version from the 11 June meeting and minuted amendments, and that some minor but necessary changes were missed.

ACTION / RECOMMENDATION

THAT the Committee note the update on the Committee's recommendations from prior meetings, and that management perform a review of the TOR against what the Committee had endorsed at the 11 June meeting.

6.2. Other Business Arising

In respect of the Minutes for June 11, it was noted that the following items have not been included in the current meeting agenda and/or in the Tracking document of the previous item:

- Page 5 - #7.1 Compliance:
 - demonstration of compliance register to ARIC meeting
 - legislative compliance policy development
 - report to ARIC of how Council is maintaining requirements not in Register
- Page 11 - #7.9 Service Reviews and Business Improvement – gap analysis against findings and recommendations from 'Operation Hector'

ACTION / RECOMMENDATION

THAT the Committee request the missed items from 11 June 2024 meeting be added to the Committee Recommendations Tracking list and reported to the next meeting.

7. Reports

7.1. External Audit Update

7.1.1. Interim Audit

ACTION / RECOMMENDATION

THAT the Committee note the Interim Management Letter and presentation by the external auditor.

7.1.2 Draft Statements Referral to Audit

Following the latest update, Committee members are still awaiting the final draft statements. The Committee were advised that some detail is missing from the financial statements notes, but this will not significantly affect the audit process proceeding.

ACTION / RECOMMENDATION

THAT the Committee note the update on the referral of the draft 2023/24 financial statements for audit and request that the completed final version of the draft statements referred to audit be provided to the Committee once available.

7.1.3 Audit Timetable

The external auditors provided an update on progress against the agreed timetable:

- no major concerns at present with meeting the timeline dates.
- final audit clearance meeting scheduled for the 11 October 2024.
- though the existing Mayor and Deputy Mayor have signed the statements, the auditors may require the new Council to sign.

ACTION / RECOMMENDATION

THAT the Committee note the update on the audit timetable.

7.1.4. Progress Against External Audit Recommendations

7.1.4. Progress Against External Audit Recommendations

The Committee highlighted its preference to receiving this report in the previous and consistent format as used in the audit actions spreadsheet.

ACTION / RECOMMENDATION

THAT the Committee note the progress against external audit recommendations.

7.1.5. Internal Control Effectiveness Certification

ACTION / RECOMMENDATION

THAT the Committee note the plan to complete a first draft of a customised internal controls checklist and provide to the 10 December 2024 ARIC meeting.

7.1.6. Other AONSW Correspondence

No new correspondence/reports were provided.

As they were no longer required at the meeting, the external audit team left the meeting at 2:46pm.

7.2. Financial Management

ACTION / RECOMMENDATION

THAT the Committee note the report on financial management.

7.3. Internal Audit (IA) Function Update

7.3.1. IA Function/Model/Charter Development

Following initial discussions on the proposed hybrid IA model for Council, and the subsequent development and adoption of an Internal Audit Charter, it has now become apparent to the Committee that the actual IA model of Council will be an outsourced one. As a result, the IA Charter will require revision by the Governance and Risk Manager, approval by Committee, then be presented to Council for adoption in early 2025.

The new IA standards that become effective in early 2025 will also form part of the IA Charter revision.

The Committee expressed concern that the SWP 5.9 titled "Internal Audit Model / Structure / Responsibilities" was not provided to them for review prior to approval, particularly given the fundamental issues that have now been identified and will need to be addressed and corrected in the SWP. It was further expressed that the corrected SWP will need to reflect that its focus is on the in-house non-internal audit (second line) activities, and that a separate internal audit manual should be established to support the revised IA charter for an outsourced model.

ACTION / RECOMMENDATION

THAT the Committee:

1. note the report on the IA Model / Function / Charter Development;
2. request Kylie McRae to provide Council with an example IA manual and a template for an Internal Audit Charter that conforms with the new standards and reflects an outsourced internal audit function;
3. request the Governance and Risk Manager to review and modify the provided example IA manual and Internal Audit Charter template to suit Council's needs, and present them for review by the Committee at the December meeting; and
4. request the Governance and Risk Manager to revise the current SWP to address the concerns identified, and for the draft revision to be presented for review at the December Committee meeting prior to General Manager approval.

As Jonathon Reid was no longer required at the meeting, he left the meeting at 3:06pm.

7.3.2. IA Provider EOI

It was noted that the included document in the business papers was an unmodified version of the document provided by the Independent Members, though the Governance and Risk Manager advised that he had prepared a marked up copy.

Discussions proceeded around the process for reviewing the EOI submissions, including the necessity of having an Independent Member from the Committee as part of the review panel.

ACTION / RECOMMENDATION

THAT the Committee:

1. note the report;
2. request the Governance and Risk Manager to provide the marked up draft EOI to all Independent Members by the end of the week;
3. request the Independent Members to provide their revisions and/or comments to the Governance and Risk Manager by the end of September;
4. request the Governance and Risk Manager to provide the expected timetable of the EOI process; and
5. request Council to include at least one Independent Member on the EOI review panel.

7.4. IA Planning

7.4.1. Residual IA Plan

Given the imminent EOI process, the Committee briefly discussed the limited benefits of continuing with the residual plan versus prioritising Council's efforts towards developing and finalising the IA Function.

ACTION / RECOMMENDATION

THAT the Committee advise Council to cease undertaking the audits identified in the Residual IA Plan given the EOI process.

7.4.2. Strategic IA Plan Development

ACTION / RECOMMENDATION

THAT the Committee note the update on the Strategic IA Plan development.

7.4.3. Procurement IA Report

The Committee advised that it is normal practice for the internal audit provider to present their audit report and findings to the Committee. Further, some concerns were raised with the report format with the Committee suggesting that as part of the new IA model Council may wish to consider developing a report format for Council or alternatively specifying certain matters to be included in all internal audit reports. Both items are preferred by the Committee and should be included as part of the requirements in the EOI documentation.

The Committee asked whether the level of probity controls differed based on the dollar value and/or risk profile of projects. Management advised that for high dollar value/high risk procurements an independent probity advisor is generally appointed.

ACTION / RECOMMENDATION

THAT the Committee accepts the Procurement IA report.

7.5. Progress Against IA/Review Recommendations

7.5.1 Customer Service Review

ACTION / RECOMMENDATION

THAT the Committee note the report on the Customer Service Review actions.

7.5.2. Rating Review

ACTION / RECOMMENDATION

THAT the Committee note the update on the Rating Review action list report.

7.5.3. Information Security Gap Analysis

ACTION / RECOMMENDATION

THAT the Committee note the report on the progress of the Information Security Gap Analysis recommendations.

7.5.4. Procurement Audit

The Committee provided feedback that including the information of the 'root cause' of each finding is useful for future reference of the Committee and Responsible Officers and should be adopted as a standard practice for all audit action lists whenever possible.

ACTION / RECOMMENDATION

THAT the Committee note the report on the progress against the Procurement audit recommendations.

7.6. Enterprise Risk Management Framework (ERMF) Update

7.6.1. ERMF Development

Discussed that the risk registers should be reviewed to ensure that they reflect clear distinction between existing controls that are currently in place/operating and the desired state where additional action is required.

ACTION / RECOMMENDATION

THAT the Committee note the report on the Enterprise Risk Management Framework development.

7.6.2. Progress Against Risk Maturity Review Recommendations

The Committee identified a number of errors in due dates that need correcting, along with 'status' that were not consistent with due dates and/or progress comments.

ACTION / RECOMMENDATION

THAT the Committee note the report on the Risk Maturity Review actions.

7.6.3. Business Continuity Plan (BCP) Review

ACTION / RECOMMENDATION

THAT the Committee;

1. note the report;
2. requests a report be provided listing each of the BCP sub-plans, their last review date, their targeted review date, and the date of the last scenario test of the sub-plan; and
3. based on the BCP requirements, suggests Council develops a program to undertake an increased level or combined approach to enable scenario testing of all sub-plans in a tighter timeframe.

7.6.4. Other ERMF Matters

ACTION / RECOMMENDATION

THAT the Committee note the report on other ERMF Matters.

7.7. Asset Management

7.7.1. Asset Management

ACTION / RECOMMENDATION

THAT the Committee note the update on developments / progress in the area of Asset Management.

7.8. Service Management Framework

7.8.1. Service Management Framework

ACTION / RECOMMENDATION

THAT the Committee note the update on the development of the Service Management Framework.

7.9. Policies/SWP's

7.9.1. Policies/SWP's

ACTION / RECOMMENDATION

THAT the Committee note the report on policies and SWPs.

7.10. Strategic Planning

7.10.1. Strategic Planning - IP&R Documents

The Committee raised questions on how Council reports on SRV spending in alignment with IPART approval. The GM advised that bi-annual report is provided to Council, and the information will be included in Council's Annual Report.

The Chair requested that the future reporting on the Cyber Security NSW Guidelines for Local Government Self-assessment be moved the ERM section of the agenda as its focus is on cyber security maturity and risk.

ACTION / RECOMMENDATION

THAT the Committee:

1. note the Integrated Planning and Reporting Framework update and stakeholder reports; and
2. request the General Manager to provide the 2023/24 SRV report to the Independent Members out of session.

7.10.2. Performance Data & Measurement System

ACTION / RECOMMENDATION

THAT the Committee note the update on the Performance Data Measurement System.

8. Standing Items

8.1. Standing Item - Compliance Matters

The Chair clarified the Committee's primary focus for this standing item is to be advised of matters of non-compliance that have been identified since the last meeting and Council's response to date.

ACTION / RECOMMENDATION

THAT the Committee note the report on compliance matters and the verbal report from the General Manager that to the best of his knowledge there are no non-compliance matters to report to the Committee.

8.2. Standing Item - Fraud & Corruption Register

ACTION / RECOMMENDATION

THAT the Committee note the report on matters of fraud and/or corruption.

8.3. Standing Item - Conflicts of Interest

The Committee also received a verbal update on the process for updating the registers (staff and councillors), including annual and active declarations, with review of action plans annually.

ACTION / RECOMMENDATION

THAT the Committee note the report on Conflicts of Interest.

8.4. Standing Item - Major Projects Review

In respect of the Wolgan Valley Road project:

- Awaiting approval on the project (expected by end of November 2024).
- Concerns were raised re Council's capability to complete the project, particularly with this being a \$300million+ project, as well as taking into consideration the Main Street Project issues. Council advised that they need to go out to tender for project management.
- The Committee asked for succinct project updates of significant matters to be provided at future meetings.

For clarity, the Chair advised that this standing item is not just for the Wolgan Valley Road project but is to include all major projects going forward. In general, the Committee would like to see the supporting progress risk assessments for all projects over \$5 million and/or flagged as a high risk as they are approved by Council.

The General Manager advised that an existing project that meets this criteria is the Clarence to Wallerawang Pipeline Project. The project risk assessment and a brief summary of the project's history and current status will be provided to the next meeting.

ACTION / RECOMMENDATION

THAT the Committee note the update on major projects.

8.5. Standing Item - Change in Risk Profile

ACTION / RECOMMENDATION

THAT the Committee note the report on any changes in Council's Risk Profile.

8.6. Standing Item - OLG Circulars

For clarity, the Chair confirmed that outstanding or unaddressed OLG Circular items from the previous calendar quarter are required in the report, along with an explanation and estimated timeframe to complete.

ACTION / RECOMMENDATION

THAT the Committee note the report on OLG Circulars.

8.7. Standing Item - Non-ARIC Initiated Audits/Reviews

Questions were raised by the Committee on the Modern Slavery prevention actions. Council advised that they would take a risk based approach to managing their obligations.

ACTION / RECOMMENDATION

THAT the Committee note the report on the Non-ARIC Initiated Audits/Review.

9. General Business

9.1. Committee's Annual Performance Report to Council

ACTION / RECOMMENDATION

THAT the Committee endorse the draft Annual Performance Report to Council, and requests for the report to be presented to Council at the 28 October 2024 meeting.

9.2. ARIC Workplan Update

The Chair reported that the draft ARIC workplan has been subject to development since March this year. As soon as practicable before the next meeting, the Chair will provide an updated draft workplan to the General Manager to review the source documents referenced for accuracy, as well as discuss and agree the timing of the meeting deliverables. It is intended for the final draft of the workplan to be presented to the December meeting for endorsement.

ACTION / RECOMMENDATION

THAT the Committee note the report on the current status of developing the ARIC Workplan.

9.3. OLG Guidelines Gap Analysis

ACTION / RECOMMENDATION

THAT the Committee defer consideration of requiring Council to perform a gap analysis against the OLG Guidelines to the December meeting, with the Chair to investigate and provide an example of a potential model to use.

9.4. Call for Other General Business

Main Street CBD Stage 2 Footpath Revitalisation Program

The Committee discussed the potential roles of ARIC in Council's resolution and that what is being asked of ARIC is unclear. The Chair also asked the General Manager to provide some insight to the resolution, as well as with the project management and other issues as to why Council could not meet the grant requirements.

ACTION / RECOMMENDATION

THAT the Committee refer the requested ARIC review back to Council via an information session to gain clarification on what specific areas of concern that Council would like the ARIC to review.

Terms of Reference Requirements for Meetings

The Chair raised that there needs to be improvements around the ToR requirements in regard to the deliverables for Committee meetings, specifically the preparation of the agenda, distribution of business papers, and the preparation, Chair approval, and circulation of draft minutes.

To achieve this, it was suggested that the following be implemented:

- one month prior to the scheduled meeting, the Council to provide a draft 'subject based' agenda to the Chair for review;
- 10 days before the meeting, final draft agenda and business papers provided to the Chair for review and approval;
- following Chair approval, the agenda and business papers to be circulated to all meeting attendees;
- draft minutes from the meeting are to be prepared and internally reviewed within 10 days of the meeting and provided to the Chair for review; and,
- the Chair reviewed draft minutes are to be circulated within two weeks of the meeting.

An additional request was made for all attachments to be combined with the business papers as one document if Council's system allows for it. It was also acknowledged that a shared drive may be required for distribution of the consolidated pack due to the potentially large size of the file.

10 Meeting Close

There being no further business the Chair declared the meeting closed at 5:30pm