



MINUTES

Audit & Risk Improvement Committee (ARIC)

held at

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

on

Tuesday 10 December 2024

at 2:00 PM

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DRAFT

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

Member (non-voting):

Cr Steven Ring	Deputy Mayor - Delegated Councillor
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Officers:

Ross Gurney	General Manager
Jonathon Reid	Acting Director Finance & Governance

Invitees:

Karen Taylor	Audit Office of NSW (external auditor)
Trinity Newton	Minutes
Sally Hall	Governance & WHS Coordinator

The Chair informed the Committee that it has been agreed in principle, that the meetings of the ARIC will not go beyond a 3 hour meeting and will be closed by 5pm.

3. Apologies

Raj Singh	Governance & Risk Manager
Leanne Smith	Intentus (external audit contractor)

4. Declaration of Interest

No Declarations of Interest were made.

5. Confirmation of Minutes

ACTION / RECOMMENDATION

THAT the Minutes of the Audit Risk and Improvement Committee meeting of 10 September 2024 be taken as read and confirmed.

6. Business Arising from Previous Minutes

6.1. Committee Recommendations Tracking

The Independent Members noted that the table has not been duly updated to reflect the current status. Item still there from September 2023. It was requested that more effort be applied by staff to ensure communication of progress is accurate, informative and timely.

'Status Updates' should be cumulative and show the previous statuses that were reported.

Tracking List does not accurately reflect the discussion/agreement at Item 7.3 of the last meeting. Other instances where dates, etc., have been arbitrarily changed. Also, five actions not added from the last meeting.

Not comprehensively reflecting what is required/expected.

Committee to be provided with an updated list (including new items) with the draft minutes, as well as the list being updated and reported of progress to the following meeting.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the update on the Committee's actions from prior meetings.
2. Request the Committee Recommendation Tracking List be revised and updated following each meeting and distributed with the draft minutes; and
3. Progress against the tracked actions to be provided at each meeting.

6.2. Demonstration of Compliance Register

Provision had not been made at the meeting for the Pulse Compliance System to be presented to the Committee on the screen.

ACTION / RECOMMENDATION

THAT an out of session demonstration of the Pulse Compliance Register be provided to the Independent Members and Cr Ring in late January 2025.

6.3. Operation Hector Gap Analysis

The Committee noted that the Operation Hector Gap Analysis did not address the requirements of a gap analysis and was not informative of the gaps identified in Council's systems, the root causes, the corrective action(s) needed, and did not include a timeframe for the delivery of the required actions.

The Committee suggested that a standardised gap analysis report format be used or developed to assist in undertaking this task, similar to the Information Security Gap Analysis in today's papers.

ACTION / RECOMMENDATION

THAT the requested Operation Hector Gap Analysis properly undertaken and re-presented to the next ARIC meeting.

7. Reports

7.1. External Audit

7.1.1. Presentation of Audited Financial Statements

Karen Taylor summarised the FY24 external audit process, including presentation and discussion of the Engagement Closing Report and Final Audit Management Letter (the latter provided as a late report on 9 December).

The Committee focussed a majority of its discussion on Council's lack of readiness for audit and the need for significant improvement. In particular:

- An improvement plan was requested to be put into place for the next financial year.
- It was considered that corners were cut by the finance staff and this needs to be addressed.
- Between now and March, that an improvement plan be drafted, with the new Director's input, outlining how this will be implemented and put in place by mid-March 2025.
- An analysis and understanding of resourcing needs is also required.
- The draft improvement plan is to be distributed to the Independent Members by 14th February 2025 to enable a review and the provision of feedback by 28th February for Council's consideration.
- The issues raised in the FY24 Engagement Closing Report must specifically be addressed in the improvement plan.
- Other major issues experienced over the past 5 years are to be identified and appropriately addressed in the improvement plan, eg. workload with capital works needs to be done earlier than it currently is, or split into smaller periods or more manageable tasks that can be done in advance.
- Take a holistic bird's-eye view for the improvement plan. Breaking down the preparation and completion of parts of financial statements is only part of this. We need to also ensure we have appropriate certification of financial control effectiveness which will help with preparation of statements and Council's readiness for audit. This needs to be tied into the process.

ACTION / RECOMMENDATION

THAT an improvement Plan be prepared outside of session, with the new Director of Finance and Governance's input, to address the issues raised within the Engagement Closing Report as well as any other significant areas that impact the audit readiness of Council.

7.1.2. Internal Control Effectiveness Certification

ACTION / RECOMMENDATION

THAT the Committee note that a draft management certification checklist to improve Council's Internal Control Effectiveness will be provided to the March 2025 meeting.

7.1.3. Other AONSW Correspondence

ACTION / RECOMMENDATION

THAT the Committee note the gap analysis against the AONSW's Performance Audit on Road Management in Local Government will be presented to a future ARIC meeting.

7.1.4. Progress Against External Audit Recommendations

ACTION / RECOMMENDATION

THAT the Committee note the update on External Audit Recommendations.

7.2. Financial Management

The committee discussed the reasons for an unsatisfactory projected financial position compared with the original budget. It was stated that there was \$700,000 brought forward to fill potholes which primarily contributed to the revised result.

There was an enquiry on Council's working capital position - not very good – is this expected to be better by 31/12/2024 and have the unexpended grants been adjusted? The position had been updated for October 2024 and the figure has improved.

ACTION / RECOMMENDATION

THAT the Committee note the Financial Management Report.

7.3. Internal Audit

7.3.1. Internal Audit Charter & Internal Audit Manual

The Chair will provide the General Manager with an ARIC endorsed 'draft' Internal Audit Charter for Council's adoption based on the discussions and agreement at the September 2024 ARIC meeting in respect of Council's outsourced internal audit model.

The corrected and updated charter, while based on the OLG's model, has also been appropriately updated/modified with the assistance of IIA to comply with the new Global Internal Audit Standards which were released at the start of 2024 with an effective date of 9 January 2025.

An example internal audit manual for use in performing its 'small scale management reviews' will be provided to Council for its review and customisation prior to March 2025. Once adapted to Council's systems and needs, it can be presented back to the Committee for endorsement prior to adoption.

ACTION / RECOMMENDATION

THAT the Committee endorsed 'draft' Internal Audit Charter be presented to Council for adoption.

7.3.2. Internal Audit SWP Revision

The SWP is required to be compliant with the updated Internal Audit Charter and therefore needs to be reviewed and updated, or potentially rescinded.

It was also noted that there was a significant amount of overlap and duplication between the previous Charter and the original SWP (which wasn't sought by, reviewed, or endorsed by the Committee). If Council believes it still requires an SWP, the document should purely focus on the procedures surrounding the 'small scale management reviews' and the governance by an internal audit manual type document, though some overlap/duplication would exist there also.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the report and ensuing discussion;
2. Request that Council reconsider the need for an SWP for the 'Management Reviews' function; and
3. If deemed necessary, request the correction and adjustment of the SWP to reflect a procedural document for 'Management Reviews' only, and for this to be presented to the June 2025 ARIC meeting for review.

7.3.3. Progress of External Provider EOI

ACTION: A copy of the External Provider EOI document to be sent to the Committee – and confirm it has been placed on Vendor Panel.

ACTON: One of the ARIC committee members to be included in the process. General Manager to check who is available when the evaluations are carried out. Sally will make contact.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the report on the progress of the External Provider EOI Plan;
2. Request Sally Hall to confirm that the EOI is on Vendor panel, and to provide copies of the final EOI documents to the Independent Members ASAP; and
3. Upon receipt of the EOI documents, determine and confirm which ARIC member will participate on the EOI selection panel.

Change in proceedings: The Committee agreed to bring forward Agenda items 9.1 through 9.4 to ensure they received adequate discussion time and resolution at today's meeting. Once discussed and resolved, the Agenda resumed at item 7.4 below.

7.4. Progress Against IA/Review Recommendations

7.4.1. Customer Service Review

There has been no further progress since June 2024.

The General Manager noted that he would a thorough review of the action plan to be undertaken. There is still relevance to the action list but requires a comprehensive review of currency and relevance.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the report on the Customer Service Review actions; and
2. Request a report be provided to the March 2025 meeting detailing the review of the Customer Service action plan for currency and relevance.

7.4.2. Rating Review

The Committee discussed the tracking of due dates. Original agreed dates are to be locked into spreadsheets, with a second column of any revised dates that are agreed with the ARIC. This is applicable to ALL action plans presented to ARIC.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the update on the Rating Review action list; and
2. Request improvements be made to the tracking of due dates and revised dates.

7.4.3. Information Security Gap Analysis

Management were asked to ensure that the report 'updated due date' is updated and current.

The IS Gap Analysis – status and comments suggests that it possibly has not been updated since the previous meeting (back to July). Dates are overdue but status states that it is on track. The comments do not match what is progressing.

Management actions – rather than “this may be covered by “, determine if it is covered and remove it from the Action List.

Follow standard protocol – report until it is 'completed' to ARIC, then remove off the next report to ARIC.

ACTION / RECOMMENDATION

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

7.4.4. Procurement Audit

The action list is from only two meeting cycles past, yet the 'management action' column remains empty and it is difficult to ascertain any progress in the 'comments' due to lack of dates/timing included. Everything on the list states it is 'on track', but almost all dates are overdue as of preparing and distributing the report. An extremely poorly presented update against internal audit findings and recommendations.

A verbal update was given by Sally on general Procurement matters.

Speaking generally in respect of all 'action progress updates' being reported to the ARIC, and as discussed at previous meetings, the Committee raised again that it was 'best practice' to utilise the role of the Head of Internal Audit to review the information provided in all of these reports for accuracy and completeness prior to their inclusion in the business papers. As part of this process, the Head of Internal Audit should also appropriately investigate and/or seek evidence to ensure that all 'completed' actions are duly verified.

ACTION / RECOMMENDATION

THAT the Committee notes the report against the Procurement internal audit.

7.5. Enterprise Risk Management Framework (ERMF)

7.5.1. ERMF Development

It was requested that the older tasks be completed as a priority rather than the new tasks that appear to be taking precedence. Finish what has been started.

An updated Operational Risk Register was requested to be presented to the March Meeting 2025 and needs to adequately address the issues identified by the Committee at the September 2024 meeting, particularly regarding the verification of existing controls/treatments and the determination of the residual risk ratings (ie. existing, not future/targeted).

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the update on the ERMF development; and
2. Request a current/updated Operational Risk Register be presented to the March 2025 meeting.

7.5.2. Progress Against Risk Maturity Review Recommendations

The Committee asked for clarification of a repeated comment in the Management Comment column as to 'action following review of ERMF'. The agenda item commentary also states a 'potential internal audit project' being a review of the ERMF. Given the amount of outstanding actions, a review is not cost effective, particularly given that this action list is from a review in March 2023.

Discussion was held and a clarification to be sought by Sally Hall. An explanation is required as to why the original review recommendations are not acted upon. Further, all incomplete actions in the

report have an action due dates that are well overdue with no or incomplete comments/updates to allow for any understanding or explanation.

ACTION / RECOMMENDATION

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

7.5.3. Business Continuity Plan (BCP) Review

The BCP Review Team will be reconvened in 2025.

Concern and confusion was raised as to why core functions (eg. IT , water, waste, etc.) had been split out into numerous sub-plans when they would have a significant amount of overlap that would be more efficient to be consolidated in an BCP event.

Clarification was also sought as to whether sub-plans #9 through #25 currently exist or are being developed, as well as what the expected timeframe and frequency is for testing all 25 sub-plans (ie. each sub-plan annually?) and the cost involved.

ACTION / RECOMMENDATION

THAT the Committee note the update on the Business Continuity Plan.

7.5.4. Other ERMF Matters

A commitment on the date of the self-assessment for cyber security was requested. This is to be carried out by way of a checklist by the IT Department.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the report on other ERMF matters; and,
2. Request the proposed date for the Cyber Security self-assessment is to be determined and reported to the March 2025 ARIC meeting.

7.6. Asset Management

The Committee asked for a timeframe for completing the “Current Asset Management Improvement Work Program” and the “Road Renewal Backlog” items.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the update on developments / progress in the area of Asset Management.
2. Requested Management to provide details on the program timeframes to the next meeting.

7.7. Service Management Framework

Business cases are being planned for the 2025/26 financial year at the moment. It was requested that the Service Management Framework action plan (with a timeframe) be presented to the ARIC once developed.

ACTION / RECOMMENDATION

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

7.8. Policies/SWP's

ACTION / RECOMMENDATION

THAT the Committee note the update on the Policies/SWPs.

7.9. Strategic Planning - IP&R Framework Documents

The Committee requested that in future, large informational type reports be included as links to documents and not to provide the full document as an attachment. The draft 2023/24 Annual Report and State of the City report have been placed on the Council's website.

ACTION / RECOMMENDATION

THAT the Committee note the Integrated Planning and Reporting Framework update.

8. Standing Items

8.1. Standing Item - Non Compliance

ACTION / RECOMMENDATION

THAT the Committee note the update on non-compliance matters.

8.2. Standing Item - Fraud & Corruption

ACTION / RECOMMENDATION

THAT the Committee note the update on Fraud and/or Corruption matters.

8.3. Standing Item - Conflicts of Interest

This was dealt with earlier in the meeting during other discussions.

ACTION / RECOMMENDATION

THAT the Committee note the report on Conflict of Interest matters.

8.4. Standing Item - Major Projects Review

The Committee requested that estimated costs and/or approved budget details be included in a financial section of the report. The Chair also clarified that for future reports, this section will only need to include new major projects or a brief update on significant changes/milestones in respect previous advised major projects.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the update on major projects.
2. Budget information be included in future Major Project review reports.

8.5. Standing Item - Change in Risk Profile

ACTION / RECOMMENDATION

THAT the Committee note the update on changes in Risk Profile.

8.6. Standing Item - OLG Circulars

ACTION / RECOMMENDATION

THAT the Committee note the report on OLG Circulars.

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

The Statecover self-assessment tool is changing to a 3 year process, rather than annual process.

CIPs were received last week and have yet not been presented to the Executive Team. The Committee requested the CIPs, once presented to ELT.

Modern slavery approach – LCC has been through the process and has reviewed the supplier masterfile. LCC has the basic requirements in place and includes information in the Annual Report.

ACTION / RECOMMENDATION

THAT the Committee note the update on the non-ARIC initiated audit/reviews.

8.8. Standing Item - Governance

ACTION / RECOMMENDATION

THAT the Committee note the update on Governance matters.

9. General Business

9.1. ARIC Workplan Update

ACTION / RECOMMENDATION

THAT the Audit, Risk and Improvement Committee endorse the draft ARIC Workplan, and for the endorsed Workplan to be presented to Council for consideration and adoption.

9.2. OLG Guidelines Gap Analysis

The Chair advised the Committee that his gap analysis for the 'final' OLG Guidelines was fruitless, and would now require Council to do an analysis on their own by utilising the OLG's model attestation as a guide.

ACTION / RECOMMENDATION

THAT the Committee:

1. Note the discussion on performing a gap analysis against the OLG Guideline; and
2. Request management to undertake their own gap analysis utilising the model attestation, and to report their findings to the March 2025 meeting along with an action plan to address any non-compliance before 30 June 2025.

9.3. Main Street Footpath Revitalisation Program

ACTION / RECOMMENDATION

That the Committee request Councillor Ring to provide details out of session in January 2025, to clarify the specific areas of concern that Council would like the ARIC to review.

9.4. Meeting Dates for 2025

ACTION / RECOMMENDATION

THAT the Committee agreed the ARIC meeting dates for 2025 as:

- 11 March 2025
- 10 June 2025
- 9 September 2025
- 9 December 2025
- with the date to be determined by the Chair for holding a 'special meeting' to review the draft financial statements prior to referral to audit.

9.5. Call for Other General Business

- The ARIC were informed by the General Manager that there were asbestos fragments located in the fill used around two new playgrounds. Safework were informed and will report back to LCC on their findings. The Committee requested a further update once more details become available (ie. level of asbestos found, risk to public/council, actions agreed/required to remove and/or mitigate risk, and timeframe for those actions).

Meeting closed at 4:42pm
