



MINUTES

JOINT COUNCILS MEETING

CENTRAL TABLELANDS ALLIANCE (CTA) AUDIT AND RISK IMPROVEMENT
COMMITTEE (ARIC)

held at

Lithgow City Council/Webex
180 Mort Street, Lithgow

on

Wednesday 9 December 2020

at 10:00 AM

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1. Welcome & Acknowledgement of Country

2. Attendees

Neil Maltby (Chair) (voting delegate)	Independent Member
Phillip Burgett (voting delegate)	Independent Member
Phil Ross (voting delegate)	Independent Member
Ray Thompson, Mayor (voting delegate)	Lithgow City Council
Steve Ring, Deputy Mayor (voting delegate)	Lithgow City Council
Mark Kellam, Deputy Mayor (voting delegate)	Oberon Council
Gary Wallace, General Manager	Oberon Council
Craig Butler, General Manager	Lithgow City Council
Lynette Safranek, Corporate Services Director	Oberon Council
Ross Gurney, Chief Financial & Information Officer	Lithgow City Council
Chariee Bultitude, Director	Audit Office
Rhiannan Whiteley, Secretariat	Lithgow Council

3. Apologies

Kathy Sajowitz, Mayor (voting delegate)	Oberon Council
John O'Malley, Intentus	Oberon Council – External Auditor
Gabriel Faponle, Crowe	Lithgow Council - External Auditor

4. Confirmation of Minutes

Lithgow is proceeding with the Records Management Internal Audit and considering a Water and Wastewater audit as the second project for this financial year, Lithgow has not had any further discussions with Oberon regarding joint projects for this financial year although will check in with Oberon before proceeding with the Water and Wastewater audit to see if there is an opportunity for joint procurement.

From Oberon's perspective, a risk enterprise process and program has been implemented and a second program will be identified in the first part of the second quarter.

Reference was made in relation to Item 7 of the agenda and a correction of Phil Burgett's name is required.

With reference to Item 9 of the previous minutes – Chariee Bultitude addressed the Committee and advised that Annual Performance Audit program was a little delayed in being released by the Auditor -General this year. A short video was to be prepared for this meeting, however, Chariee advised she was not able to get the technology to work in relation to this item as yet.

Chariee provided a verbal update to the Committee in relation to the Audit Office annual program – the work program is finalised and is a 3-year program. The planning has begun on the 20/21 performance audits and there is a significant focus on local government. The

procurement performance audit is nearing completion and is close to being released and then there are four other performance audits in the planning process for 20/21:

- Business continuity and disaster recovery planning;
- Council annual charges;
- Coordination of agencies in precinct planning – this is a combination with state agencies and local government; and
- Compliance review which is focusing on cyber security.

Each Council should assess themselves against the findings from the performance audits. This should be a standing item on the agenda. This is a good way of making best use of the work completed by the Auditor General.

Agenda item 8 missing – correction required to numbering in minutes.

Both Oberon and Lithgow Councils have endorsed the previous minutes at their November Council meetings.

ACTION

THAT the Minutes of the 9 September 2020 meeting be taken as read and confirmed.

MOVED: Phil Burgett

SECONDED: Phil Ross

5. Business Arising from Previous Minutes

NIL

6. Presentations

NIL

7. Agenda Reports

7.1. ICAC Report: Dealing with Corruption & Fraud: The role of public sector Audit & Risk Committees

The ICAC report was provided to the Committee by Phil Ross – CFIO Lithgow highlighted the summary sections.

There was a section in relation to Fraud and Corruption controls and that ARIC should obtain assurance that Councils have a Fraud and Corruption control framework in place. The Framework is periodically checked and kept under review and applicable guidance and other better practice measures are being implemented. Ross Gurney stated that Lithgow has a suitable framework in place.

Summary for internal audit – both Councils now have an internal audit plan in place.

It is important to ensure that there is flexibility within the internal audit program to be able to add in projects as we identify risks and be able to move projects around within the plan and bring in new projects.

GM of LCC asked for Lithgow CFIO to clarify point 3 in relation to not only producing internal audits but also testing controls. CFIO advised we need to include testing of processes and controls in the scope of the audits. The ICAC report is particularly focused on fraud and corruption but more broadly we need to ensure we are testing controls around systems and processes. There should be a broader assessment of controls other than just financial controls.

Neil Maltby reiterated his view on surprise audits. Ensuring we have processes in place to ensure things you think are happening are happening correctly, e.g. audit of income.

Risk Management Summary was also discussed by the Committee – this is again in relation to Fraud and Corruption and Lithgow certainly has the framework in place with the Risk Register.

Phil Ross questioned how, as a Committee, we satisfy ourselves that risk management is happening in terms of fraud and corruption. On other ARICs he is involved with, the public officer provides a summary report in relation to complaints that may give rise to issues around corruption or fraud. This is one way as a Committee they could obtain assurance that this is happening.

Oberon can provide their Annual Report which includes information on complaints, for the committee to review.

CFIO has included this as part of the CTA ARIC workplan to keep the committee aware of it.

Phil Ross queried whether the audit management letters go directly to the chair of the committee and other key documents - Charlee confirmed that is standard practice.

Phil Burgett agrees with the observation around a high level report regarding indicators around fraud. Fraud management also involves being reassured that critical reconciliations of accounts are being done on a timely basis as well. If not up to date, it could be another indicator of fraudulent activity.

Phil Ross stated that Wollongong Council ARIC have implemented a process where an update is provided by the public officer every meeting – a general overview around trends of complaints would be an indicator to the committee. If there is an annual report produced then this would be sufficient.

Ross Gurney stated that reconciliations are always checked as part of the external audit and if there is an issue it will be included in the management letter.

The committee were advised that Ross Gurney and Lynette Safranek are the public officers at each council. It is a defined role in the Local Government Act with specific functions.

There is a section within the Annual report that provides information on Public Interest Disclosures. The Committee requested regular updates as issues emerge. Ross Gurney indicated this is listed as part of the work plan for the committee.

Recommendation

THAT:

1. This report be noted as reviewed and discussed by the Committee
2. The Committee be provided with a summary of the Public Officers report on any disclosures in the Annual Report

MOVED: Phil Ross

SECONDED: Neil Maltby

Lithgow Council will discuss recommendation no. 2 in the Lithgow ARIC meeting.

7.2. AO Performance Audit - credit card management in Local Government

Chariee Bultitude advised that the Auditor General is impressed that this Committee has been proactive with reviewing the performance audits that are tabled and applying them at the Councils and indicated we are way ahead compared to other audit Committees.

Oberon advised they are following all the guidelines and have effective controls in place – they only have 5 credit cards - fuel cards connected with our vehicles. They are compliant.

Lithgow has provided a report to Council's executive and Finance Committee. CFIO noted one improvement action that he can follow up and report back to the committee once completed – which is the documenting procedures and controls for the use of fuel cards.

ACTION / RECOMMENDATION

THAT the report on the performance audit of credit card management in Local Government be noted by the Committee.

MOVED: Phil Ross

SECONDED: Neil Maltby

7.3. AO Performance Audit - Governance and internal controls over local infrastructure contributions

Oberon have not had an opportunity to review this performance audit report.

Lithgow has put a report together and waiting further feedback from other departments within council. Lithgow is implementing the Tech One Developer Contribution Module. This will help to streamline our processes and automate them and will be a major improvement on the system we currently have in place.

ACTION / RECOMMENDATION

THAT the report on the performance audit of governance and internal controls over local infrastructure contributions be noted by the Committee.

MOVED: Phil Burgett

SECONDED: Neil Maltby

7.4. AO Performance Audit - support for regional town water infrastructure

Lithgow has not been completed a report on this performance audit as it was more focused on issues found with the Department of Planning, Industry and Environment. CFIO has had discussions with Lithgow Council's Water and Wastewater Director regarding the report and he has been informed that the department is undergoing significant change and improvement as a result of this report.

This Audit report is critical of the department in terms of their whole oversight in decision making for the IWCM's. Lithgow is deep in the process of developing an IWCM and this report may have had some effect because we are getting a great deal of support for advancing the process. It talks significantly also on the lack of regional coordination in regional water management.

Oberon advised they have been going through a process for the better part of four years about getting a new sewerage treatment plant up and running and the biggest problem has been the major departments within state government not communicating and being obstructive. It has been a difficult process and fully support the recommendations of the report.

General Manager Oberon commented that the issue goes beyond just IWCM's because the whole report was critical of a number of government organisations and that this is a uniquely positive outcome for regional Australia and for those local government areas that are reliant on a single point source of water.

General Manager Lithgow is hopeful that the report is a vehicle for change and that we get significantly more support and logical and evidenced based decision making as well as a fair share of funding for Councils like Oberon and Lithgow.

In terms of risk there is nothing higher for Oberon – this report certainly highlights the concerns being raised for some time. When a council utilises a single point source of water it needs to ensure that the urban water supply isn't compromised.

Chariee Bultitude commented that all recommendations made by the Auditor-General have to be followed up by the public accounts committee to ensure that all recommendations in tabled reports are followed up and actioned.

ACTION / RECOMMENDATION

THAT the Committee notes and endorses the recommendations in the AO Performance Audit - support for regional town water infrastructure.

MOVED: Phil Burgett

SECONDED: Neil Maltby

7. General Business

2021 CTA ARIC Committee meeting dates

The Committee tentatively established the meeting dates for the next two meetings being 9 March 2021 and 8 June 2021.

Lithgow Secretary to send out meeting invitations to Committee members.

The March meeting of 2021 will be hosted by Oberon with the June meeting will be hosted by Lithgow.

Caretaker mode would come in effect before elections - consider another meeting before the end of the term of the Councils.

Audit Committee Guidelines

General Manager Oberon made comment with regards to the Audit committee which has been operating for a period of time now without any legislative guidance as to how the State Government want the Audit Committees run. Would it be worthwhile acknowledging this and sending a request to the Office of Local Government (OLG) seeking them to put some emphasis on the audit and risk committees or do we continue as is?

The new OLG Audit Committee Guidelines are expected in March 2021 (delayed as a result of COVID).

The Committee agreed that undertaking a self-assessment of where we are at would be beneficial.

Phil Ross indicated that he has resources for this process based on best practice guidelines and will distribute to the Committee.

A Self-assessment of the Committee to be listed for discussion at the next meeting of the Committee while we await the release of OLG guidelines.

ACTION / RECOMMENDATION

THAT:

1. The Committee note the dates for the 2021 CTA ARIC Committee meetings
2. A self-assessment of the committee be listed for discussion on the March 2021 Meeting agenda.

MOVED: Neil Maltby

SECONDED: Phil Burgett

8. Meeting Close

Next Meeting: 9 March 2021 at Oberon.

There being no further business the Chairperson declared the meeting closed at 10.49am.