



MINUTES

Central Tablelands Alliance (CTA) Audit & Risk
Improvement Committee (ARIC)

held at

Council Administration Centre
Committee Room
180 Mort Street, Lithgow

on

Wednesday 6 July 2022

at 2:00 PM

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The Chairperson declared the meeting open at 2:04 pm.

1. Acknowledgement to Country

Acknowledgement of Country

I would like to begin this meeting by acknowledging the Traditional Owners of this land on which we meet today. I would also like to pay respect to Elders both past, present and emerging.

2. Present

Present: Neil Maltby, Ron Gillard, Phillip Ross, Daniel Mobilia, Gabriel Faponle.

Officers: Ross Gurney, Craig Butler, Cr Maree Statham, Cr Cassandra Coleman, Negreeta Nunan (minutes)

3. Apologies

There were no apologies.

4. Declaration of Interest

There were no declarations of interest.

5. Staff Reports

5.1. Business Arising from Previous Minutes

The chair called for any matters arising from the previous minutes.

CFIO advised that the following matters had been completed:

- Benchmark Council's risk framework status compared with the new guidelines - included in Item 5.3 Risk Management.
- Report on Customer Service review - recommendations of the Customer Service Performance Audit included as an attachment to Item 5.5 Internal Audit.

CFIO requested through the Chair if the rating review section of the financial management report (Item 5.9) can be addressed as the first item of business with Martin Rush (Future Together Group) present to answer questions. The Chair agreed to the request.

Neil Maltby raised the matter of the query sent regarding the case involving a volunteer worker from Camden Council. The outcome is that all volunteers require direct supervision from council, CFIO to provide an update on this matter at the next meeting and actions being undertaken.

Action/ recommendation:

THAT the Committee note the update on the committee recommendations from the prior meetings.

MOVED: Phil Ross

SECONDED: Ron Gillard

5.2. Terms of Reference - Actions

CFIO informed the committee that, following Council's adoption of the ARIC Terms of Reference (ToR) at the 26 April meeting, there are a number of actions required by the Committee.

These are election of the Chair, setting of independent member fees, development of workplans and assurance reporting.

At 5.2, the ToR states - the governing body is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee. The ToR further states that the Chair is to be an independent voting member of the Committee.

Nominations are sought for appointment as Chair of the Committee, for recommendation to Council.

Neil Maltby was nominated as current chair to continue and to revisit in 12 months time.

Independent Member Fees

The CFIO stated that Lithgow Council's ARIC has been a joint / shared cost arrangement with Oberon Council. As both Councils are no longer holding joint meetings on the same day, it is uncertain as to whether Oberon Council will continue with the shared ARIC arrangement.

Lithgow to discuss with Oberon their membership of the CTA ARIC and the invoicing and to work out who is to be invoiced moving forward.

CFIO to come back to the independent members with a decision on member fees.

Work Plans

The Committee must develop a strategic plan every four years to ensure that all matters listed in Schedule 1 are reviewed by the Committee over each Council term. The strategic plan must be reviewed at least annually to ensure it remains appropriate.

Council Circular 21-26 stated that Councils are not required to establish a risk management framework and internal audit function that complies with the Guidelines until 30 June 2024.

CFIO recommended that the Committee hold off developing a strategic plan until (at the latest) the end of financial year. A draft 2022/23 Annual Work Plan has been developed (included as an attachment). The draft 2022/23 Work Plan has been built from the 2021/22 Annual Work Plan. Ron Gillard made some suggestions on some minor changes. CFIO to make those changes.

Propose to have the next meeting in late October for financial statements for lodgement.

The Committee's ToR covers the responsibilities outlined in the draft guidelines with key items in the workplan relating to each responsibility.

Assurance reporting:

The Committee agreed to defer assurance reporting pending finalisation of the guidelines.

Neil Maltby commented on the statement:

- At 12.3 - *the Committee will provide an annual assessment to the governing body and General Manager each year on the Committee's work and its **opinion** on how Council is performing*

The question was raised as to the word "opinion" on how Council is performing.

Phil Ross gave advice that the role of the Audit Committee is advisory, and the Committee does not express an opinion. It is a review of the work of Council. Recommend to hold back on that item.

ACTION / RECOMMENDATION

THAT the Committee:

- 1. Nominate Neil Maltby to be appointed as Chair of the Committee, with review in 12 months (for recommendation to Council).**
- 2. Note that determination of independent member remuneration to be deferred pending further communications with Oberon Council and to be dealt with outside the ARIC committee meeting.**
- 3. Note that a 2022/23 Annual Work Plan will be finalised in consultation with the Committee with the changes suggested.**
- 4. Defer assurance reporting pending finalisation of the guidelines.**

MOVED: Phil Ross

SECONDED: Ron Gillard

5.3. Risk Management

CFIO provided the committee with an update on Council's risk management framework and current improvement actions.

The report includes last financial year planned improvements and other work plan items. This includes progress on the Statewide Mutual Risk program.

Report on Statewide Mutual Risk program

Council will be participating in the Statewide initiative for this financial year. The initiative has been added to the internal Audit program and includes training, risk appetite statement development and risk maturity review which is benchmarked against the ERM standard. A table was provided for the Committee on prioritised risks associated with Council's operations.

Review of Council's risk framework status compared with the new guidelines

AS ISO 31000:2018 provides each Council with a systematic process to identify, assess and prioritise risks, decide how they will be managed, and document and communicate them across the Council.

Ron Gillard requested that management come back to the committee with a timeframe as to when the items answered "no" will be addressed.

Ron Gillard asked how often does the risk register come to the ARIC meeting? CFIO advised council uses the Pulse system and risks should be reviewed by managers on a monthly basis. CFIO to send the full risk register to the committee members. It was suggested the committee should see the Risk Register annually to be placed into the work plan moving forward with the main focus being the items outstanding.

ACTION / RECOMMENDATION

THAT the Committee note the report on risk management.

MOVED: Ron Gillard

SECONDED: Phil Ross

5.4. Compliance

CFIO provided Committee with an update on Council's legal and compliance framework and current improvement actions for last financial year, as well as a report on the current items.

The compliance register is held in the Pulse software and in the recent days Council have requested updates to be provided by the relevant staff to ensure there are no outstanding compliance items. CFIO to forward to the compliance register to the Committee noting that all have been completed. The OLG compliance calendar is used as well as any other items identified by internal activities which goes to an Executive meeting monthly for review.

Hunter JO self review tool

The document is quite comprehensive which provides a useful tool for self-assessments and then come back to the committee.

CFIO to go through the question section and determine a prioritised list then bring back to the next meeting.

The self-assessment to be used as part of the audit plan moving forward and concentrate on the 5 main priorities.

ACTION / RECOMMENDATION

THAT the Committee:

- 1. Note the report on legal and compliance risks.**
- 2. Note that a prioritised list will be provided to the next Committee meeting on the Hunter JO self review questionnaire with the 5 main priorities to form part of the audit plan.**

MOVED: Phil Ross

SECONDED: Ron Gillard

5. Internal Audit

CFIO provided the committee with an update on Council's internal audit program which includes the four year audit plan.

The 2 which are on the agenda for this financial year are the Drinking Water Management System and the Audit and Risk Management framework.

The Drinking Water Management System to be progressed with Water & Wastewater.

CFIO provided an update on the Customer Service Performance Audit and the proposed next steps which are being worked through with the relevant staff involved. The review recommendations are included as an attachment which was reviewed by the committee.

Phil Ross made the comment and asked advice on the following:

The scope of the review to be provided to Committee members. The full report from Insyght to be provided to the committee. When looking at some of the recommendations tends to be more inward looking and no benchmarking against others. There is a CS network group who do benchmarking with CFIO to follow up on the timelines on when the next steps are with actions that are closed out. CFIO to consider benchmarking against other Councils with an item to be placed on the next agenda and for future agendas on outstanding items reporting.

Framework for undertaking service reviews by the UTS to be provided by Phil Ross to CFIO.

Ron Gillard noted the delays from NSW Health which have impacted progress of the Drinking Water Management System audit. Council to work with NSW Health to progress, CFIO to follow up on this matter. To provide and update for the next committee meeting

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Neil Maltby

5.6. External Audit

CFIO included the annual audit engagement plan which has been finalised and also the recently released Auditor General's report.

Of the issues identified in the report the main issue is the rural firefighting equipment. Council is of the opinion that it does not control the assets. There is pressure from the Auditor General to include the RFS equipment in their asset register and this will impact depreciation expense. LG NSW have provided a position paper to help councils support their position that they do not control the assets. There will be regular discussions with Crowe on this position. At this stage no listing of the equipment has been able to be obtained.

The current service agreement with RFS was dated 2011 with reference that RFS are to maintain the records of the fleet and to provide the information to Council.

Daniel Mobilia provided commentary - the Audit Office is taking the view that Council must recognise RFS assets. Regarding the concept of control this is something that has been considered and the Audit Office view is that control does lie with Council. With regards to the position, Council is asked to work with OLG and RFS to obtain the asset listing and that the required action is a stocktake and review of the assets. If unrecorded, potentially leads down the path of qualified audit opinion.

Ron Gillard noted that the matter will not be resolved and the reality is that OLG in their Code of Accounting Practice outlines what councils are to do under the accounting standards and Council should apply the approach. The RFS list needs to come from the Audit Office. Independent assessments is hard for rural councils to carry out a stocktake would be at a huge cost to council. Council should not be incurring these costs. To loop back to CFIO and audit manager from the audit perspective.

Ross to send the position paper to Committee members once completed. To get back to auditors in no more than a week.

Ron Gillard requested a comment on the progress of the interim audit achieved and any issues raised in the management letter. Gabriel Faponle provided a comment that the audit went well, one issues had been raised and CFIO advised.

ACTION / RECOMMENDATION

THAT the Committee:

- 1. Note the update on Council's external audit program.**
- 2. Note the information provided on the Annual Audit Engagement Plan.**
- 3. Note management's responses to the Local Government 2021 – Auditor-General's Report.**
- 4. Note the update on the interim audit management letter.**

MOVED: Ron Gillard

SEONDED: Neil Maltby

5.7. Internal Controls

CFIO provided an update on the addition of the Committee's internal control responsibilities as set in Schedule 1 of the Lithgow ARIC Terms of Reference.

CFIO compiled a report on the workplan items, which are managed in the Pulse system and regularly updated and reviewed. A review of delegations must be completed by the GM within 12 months of the election. There are two parts being the delegations register in pulse and the financial purchasing delegations included in the Purchasing procedure..

ACTION / RECOMMENDATION

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

MOVED: Ron Gillard

SECONDED: Neil Maltby

5.8. Fraud and Corruption

CFIO reported on the workplan item achieved with a review of the Code of Conduct required within 12 months of the election-

- All staff Code of Conduct training delivered in May 2022 and Councillor Code of Conduct training is scheduled for August 2022.
- Fraud risk assessment - high residual risk ratings have been reassessed where action is being taken and a risk treatment plan is in place.
- The assessment was undertaken 12 months ago and is due now for review. To be placed on the next agenda for update.

ACTION / RECOMMENDATION

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

MOVED: Phil Ross

SECONDED: Neil Maltby

5.9. Financial Management

CFIO confirmed that Council engaged Future Together Group (FTG) to conduct a review of Council's rating structure last year and the recommendations of the review report were presented to the March ARIC meeting.

At the 25 July 2022 meeting, Council endorsement will be sought to progress engagement with the community on two financial sustainability options. The options are to maintain services with a Special Rate Variation (from 1/7/23) or to reduce services from that same point in time.

Martin Rush from FTG finalised a technical paper on the rating review and the report will become a public document once Council has considered the community engagement.

The General Manager provided some context on the matter. The findings in the report followed a definitive investigation which compared Lithgow Council to like for like Councils Mid Western, Muswellbrook, Singleton, looked at the revenue gap, asset management (roads in particular) with four additional areas of increased levels of service which have been assessed alongside of risks.

Phil Ross commented that at the last meeting the issue was raised regarding shifting the revenue structure to specific industries and the issue regarding timeframes for certain industries to continue operations. Martin Rush responded with a brief overview of the recommendation in the report. Mr Rush informed the committee of the comparative Councils and relative rating revenue. Mr Rush informed the committee of the four additional service areas which are risk based.

CFIO informed the committee of the SRV communications strategy and Engagement Timeline which is a comprehensive engagement plan with the key dates included.

The decision asked of Council is to progress with engagement to seek community input on financial sustainability options.

CFIO to provide a copy of the FTG technical paper to the committee once released as a public document.

CFIO noted the updated on the budget which has now been adopted by council at the June meeting.

The October ARIC meeting to be set down in General Business, CFIO to send out the proposed meeting date to the committee.

ACTION / RECOMMENDATION

THAT the Committee:

- 1. Note the financial management report.**
- 2. Endorse the findings of the Our Place Our Future Rating Review Technical Paper.**

MOVED: Ron Gillard

SECONDED: Phil Ross

5.10. Governance

CFIO stated that the purpose of this report is to provide the Committee with an update on Council's key governance processes which covers conflicts of interest, policies due for review, Code of Meeting Practice reviewed and adopted by council.

The report outlines information on the Information and Communications Technology (ICT) Governance. The policies are reviewed and updated annually.

Council has partnered with Kaon to develop a set of customised ICT policies that tie in with all ISO standards and Essential 8 rules. The policies are reviewed and updated annually. The ICT Policy Review Schedule is included as an attachment for the Committee's information.

Also provided an update on the internal risk management framework from the Local Government internal auditors network. Council's Risk Co-ordinator has joined.

Phil Ross raised the matter in regard to the donations policy and grants policy with a checklist. Key controls are included in the Victorian Auditor General's report. The financial assistance grant policy to be forwarded to the committee for their information.

Phil Ross noted an observation on the attached ICT policy review schedule attachment with an error on the next review dates. CFIO to amend.

Phil Ross asked CFIO what the position of Council is on recruiting independent members (to advertise or use the Joint Organisation panel). CFIO responded that he had recently participated on the Joint Organisation panel.

ACTION / RECOMMENDATION

THAT the Committee note the report on key governance processes and the Risk Management and Internal Audit Framework.

Moved: Ron Gillard

SECONDED: Neil Maltby

5.11. Strategic Planning

CFIO provided the report for an update to the committee on Council's strategic planning.

Relates to Councils IP&R process and measurement against Councils objectives adopted at the June 2022 meeting for the committee to be informed of adoption.

IP&R documents are to be uploaded to the website by the end of July. CFIO to advise Ron Gillard when the documents have been uploaded.

Assumptions in LTFP - did not include the specifics of the SRV, did need to include an SRV scenario to balance the operating result for future years. The plan is to provide an updated LTFP to the August 2022 Council meeting.

ACTION / RECOMMENDATION

THAT the Committee note the report on strategic planning.

SECONDED: Neil Maltby

MOVED: Ron Gillard

5.12. Service Reviews and Business Improvement

CFIO provided an update on Council's progress with service reviews and business improvement.

Have recently conducted 3 service reviews which are nearing completion with a summary of those reviews attached. Council outsourced the three reviews and a plan is to be implemented for ongoing reviews.

A service review plan is to be presented at a future ARIC meeting. Reports to be provided to the Committee (when available) for feedback, monitoring implementation and follow up on the reviews. To ensure the review and those tasks are being undertaken by Council. Need to monitor that Council have reported and Management responded accordingly and completed in a reasonable time with improvements put in place.

CFIO reported on the response to Auditor-General Report - Local Government Business and Service Continuity Arrangements for Natural Disasters. Noted that improvements to be made that BCP scenario training plan will be considered as part of the ERM Framework review.

ACTION / RECOMMENDATION

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

MOVED: Phil Ross

SECONDED: Neil Maltby

5.13. Performance Data & Measurement

This report outlines the Performance Data & Measurement responsibility of the committee which has not been a focus on to date.

Added into the annual workplan and put in what Council are currently doing in regard to benchmarking which is monitored against OLG performance measures each quarter. Trial dashboards to be implemented for the customer requests management system and once value assessed, they can be included in HR payroll. Also looking at other performance indicators - still to be determined and implemented.

Ron Gillard raised the question in regard to the Tech one system and the feedback on its use. CFIO advised that the Techone software is working well and in the last 12 months moved to the cloud service. Council connects with other councils when implementing new modules. Within the budget have the scope to make improvements in the finance area.

ACTION / RECOMMENDATION

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

SECONDED: Neil Maltby

MOVED: Ron Gillard

6. General Business

Asset valuation in times of inflation to be provided by Phil Ross to CFIO.

Next meeting scheduled for Tuesday 25 October 2pm.

Committee gave a vote of thanks to the CFIO for his diligence and the thorough detailed reports.

MOVED: Ron Gillard

SECONDED: Neil Maltby

CARRIED:

7. Meeting Close

Next Meeting: Tuesday 25 October 2022 at 2pm.

There being no further business the Chairperson declared the meeting closed at 4:25pm.