

9.1. Audit Risk and Improvement Committee Minutes - 1 December 2022 and 3 February 2023

AUTHOR: Ian Curry, Manager Council & Committee Services

ENDORSED BY: Shane Sullivan, Executive Manager Governance

ATTACHMENTS:

1. 1 Dec 2022 ARIC Minutes [9.1.1 - 5 pages]
2. 3 Feb 2023 ARIC Minutes [9.1.2 - 14 pages]

PURPOSE:

The purpose of this report is to provide the Minutes of the Audit, Risk and Improvement Committee meetings held on 1 December 2022 and 3 February 2023.

EXECUTIVE SUMMARY:

In accordance with the Audit, Risk and Improvement Committee Charter, attached are the minutes of the meetings of:

1 December 2022, and
3 February 2023.

The minutes of the 1 December 2022 meeting have been endorsed by the Committee. The minutes of the 3 February 2023 meeting have been endorsed by the Chair and will be reported to the next Committee meeting.

There are no specific matters arising from the meetings referred to Council for adoption.

FINANCIAL IMPLICATIONS:

There are no financial implications to this report.

RECOMMENDATION:

- 1. THAT** the Minutes of the 1 December 2022 Audit, Risk and Improvement Committee meetings be adopted in accordance with the Audit, Risk and Improvement Committee Charter.
- 2. THAT** the Minutes of the 3 February 2023 Audit, Risk and Improvement Committee meetings be adopted in accordance with the Audit, Risk and Improvement Committee Charter.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership

5.2 Council is well governed and customer focused

BACKGROUND

The Audit, Risk and Improvement Committee Charter provides the following:

7. The endorsed Minutes of the Committee Meetings will be submitted to the next available Council meeting for adoption subject to any confidentiality requirements of specific items.

CONSULTATION REQUIREMENTS

Community engagement is not required.

DETAIL

The minutes of the 1 December 2022 meeting have been endorsed by the Committee at its meeting held 3 February 2023. These minutes are attached and provided to Council in accordance with the Audit, Risk and Improvement Committee Charter.

The minutes of the 3 February 2023 meeting have been endorsed by the Chair and will be reported to the next Committee meeting. These minutes are attached and provided to Council in accordance with the Audit, Risk and Improvement Committee Charter.



MINUTES

The Minutes of the
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
held remotely
at 10.00am on Thursday 1 December 2022.



Chair:

Brian Hrnjak (Independent Member) in the Chair.

Members:

Independent Member: Brian Hrnjak
Independent Member: Ron Switzer
Councillor Member: Councillor Santer - Deputy Mayor
Councillor Member: Councillor Beregi

Staff:

Margaret Palmer, Director Corporate Services
Christian Menday, Manager Financial Services
Shane Sullivan, Executive Manager Governance
Ian Curry, Manager Council and Committee Services

Others present:

Susan Leahy, Head of Internal Audit

Unaib Jeffrey, NSW Audit Office
Telman McGowan, NSW Audit Office

Apologies: Therese Manns, General Manager
Alex Hardy, Prosperity (External Audit)

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1. Apologies

1.1. Apologies

Nil

2. Disclosures of Interest

2.1. Disclosures of Interest

Nil

3. Confirmation of Minutes

3.1. Confirmation of Minutes

The Chair advised that these Minutes would be confirmed at the next Committee meeting in 2023.

4. Opening Meeting

The Chair opened the meeting read the Acknowledgement of Country.

5. Committee Reports

5.1. Financial Statements for the Year Ended 30 June 2022

AUTHOR: Christian Menday, Manager Financial Services and Darren Goode, Manager Accounting Services.

To present the updated draft Financial Statements for the year ended 30 June 2022 to the Committee for independent assessment and feedback.

At the meeting was held on 18 November 2022, the Committee resolved that:

1. Council seek a further extension to the submission from the Office of Local Government for the statements for the year ended 30 June 2022 to allow legal advice to be obtained; and
2. the accounts are brought back to the Committee for consideration in time for the 12 December 2022 Council meeting or other such meeting as shall be determined.

Subsequent to the meeting, the financial statements were amended to protect the legal position of the Council. The document was then forwarded to the auditors for review and then to the Audit Office.

The amendments were as follows:

1. Note D3-1 Contingencies – reference to claims for increased construction costs associated with the redevelopment of North Sydney Olympic Pool in the disclosure has been amended to “Project Cost Increase Report for North Sydney Olympic Pool redevelopment”.
2. Note F3-1 Events occurring after the reporting date – reference to claims for increased construction costs associated with the redevelopment of North Sydney Olympic Pool in the disclosure has been amended to “Project Cost Increase Report for North Sydney Olympic Pool redevelopment”.
3. The ‘authorised for issue’ date has been amended from 28 November 2022 to 15 December 2022 where necessary in the document.

The financial implications are unchanged from those disclosed in the previous report presented to the Committee on 18 November (refer Attachment 1).

RECOMMENDATION:

1. THAT the draft Financial Statements for the year ended 30 June 2022 be considered by the Committee.

A Motion was moved by Councillor Beregi and seconded by Councillor Santer

1. THAT the draft Financial Statements for the year ended 30 June 2022 be referred to Council for consideration.

The Motion was put and Carried.

Resolved to Recommend:

1. THAT the draft Financial Statements for the year ended 30 June 2022 be referred to Council for consideration.

Voting was as follows:

For/Against 4 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer
Against: Nil
Absent: Nil

6. Closure

The Meeting concluded at 10.48am.



MINUTES

The Minutes of the **Audit, Risk & Improvement Committee Meeting** held in the Supper Room of North Sydney Council Chambers, 200 Miller Street, North Sydney at 10am Friday 3 February 2023.



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1. Opening Meeting

At the commencement of business 10:01am those present were:

Chair and Independent Member: Brian Hrnjak

Councillor Members: Councillors Beregi and Santer

Independent Members: Ron Switzer and Rhonda Wheatley

Staff members in attendance:

Therese Manns (General Manager),
Margaret Palmer (Director Corporate Services)
Shane Sullivan (Executive Manager Governance)
Christian Menday (Manager Financial Services)

Also in attendance:

Susan Leahy (Head of Internal Audit)

For Item 5.1 Completed Internal Audit Report - Rates and Billings
Mahesha Rubasinghe (Grant Thornton)

For Item 5.3 Internal Audit Recommendations Status Report:
Joseph Hill (Director City Strategy)

For Items 5.7 Information Technology Services InfoSec Update and 5.8 Information
Technology Services Quarterly Update:
Michael McFarlane (IT Manager)
Robert Glinski (Team Leader IT Operations and Security)

The meeting was opened by the Chair.

The Chair acknowledged Therese Manns, General Manager attending her first meeting.

The Chair acknowledged and welcomed Rhonda Wheatley to the Committee as an
Independent Member.

Councillor Santer gave the Acknowledgement of Country.

2. Apologies

There were no apologies

3. Disclosures of Interest

There were no Disclosures of Interest

Rhonda Wheatley noted in relation to Item 5.5 Compliance and Risk Management Update that she is currently a member of the Kiama Audit, Risk and Improvement Committee

4. Confirmation of Minutes

The Minutes of the previous meetings held 18 November 2022 and 1 December 2022 were taken as read and confirmed.

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5. Committee Reports

5.1. Completed Internal Audit Report - Rates and Billings

AUTHOR: Susan Leahy, Head of Internal Audit

To consider the final Audit report.

This audit was completed by Grant Thornton as part of the 2022/23 Internal Audit plan.

One moderate and three low risk recommendations were made as follows:

Non-rateable Properties	Non-rateable properties are not subject to providing periodic attestations to substantiate their exempt status.
Rates Setting Process	The mechanisms for recording the review and approval of key outputs throughout the rates setting process requires further formalisation. There is also a lack of segregation of duties throughout the entire function.
Hardship Treatment	The treatment of financial hardship requests is inconsistent and does not align with Council's Financial Hardship Policy.
Policies and Procedures	Several informal procedural documents exist, which are not incorporated within Council's formal policy framework.

RECOMMENDATION:

1. THAT the billings and collections internal audit report be received and noted. Mahesha Rubasinghe, from Grant Thornton was present for this Item.

The Motion was moved by Councillor Santer and seconded by Councillor Beregi.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the billings and collections internal audit report be received and noted.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5.2. Internal Audit Status Report - January 2023

AUTHOR: Susan Leahy, Head of Internal Audit

This report provides a status on the Internal Audit Function in terms of resources, planned and completed audits.

- An internal audit of rates (billings and collections) has been completed by Grant Thornton and will be reported on separately.
- Planning for plant and fleet management has commenced. This audit will be completed by InConsult who are currently finalising the same audit at Ku-ring-gai Council.
- The assurance map (refer attachment 2) has been updated by allocating 46 residual risks identified as being extreme or moderate documented in the September 2022 operational risk register against the auditable areas. The areas of assurance will require confirmation with management to provide a full picture of Council's assurance activities.

A 4-year internal audit plan is under development for the shared service.

RECOMMENDATION:

1. THAT the report be received and noted with respect to the:

1. 2022-23 internal audit plan.
2. Update of assurance map with the assignment of risks
3. Summary of shared service privacy and information awareness recommendations

4. Deferral of the plant and fleet management internal audit
5. planning for the IP&R internal audit will commence

The Motion was moved by Councillor Santer and seconded by Ron Switzer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the report be received and noted with respect to the:

1. 2022-23 internal audit plan.
2. Update of assurance map with the assignment of risks
3. Summary of shared service privacy and information awareness recommendations
4. Deferral of the plant and fleet management internal audit
5. planning for the IP&R internal audit will commence

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5.3. Internal Audit Recommendations Status Report

AUTHOR: Susan Leahy, Head of Internal Audit

To report on the progress of previous internal audit recommendations made.

At the completion of each audit, an Action Plan for Implementation of Report Recommendations is provided to Council management for comment and determination of accountabilities. Prior to each Audit & Risk Committee (ARIC) meeting an updated status is sought from management. The status – is linked to ‘traffic light’ reporting that is in accordance with the following:

-  Action Plan – Completed
-  Action Plan – Progressing to schedule
-  Action Plan – Progressing but behind schedule
-  Action Plan – Progress stalled or substantially behind schedule

RECOMMENDATION:

1. **THAT** the status of past internal audit recommendations be received and noted.

The Motion was moved by Rhonda Wheatley and seconded by Ron Switzer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. **THAT** the status of past internal audit recommendations be received and noted.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5.4. Workers Compensation - Lost Time Report

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is to update the Committee regarding Workers Compensation performance - Lost Time Injuries in accordance with the adopted Annual Audit, Risk, and Improvement Committee Agenda.

For the period from 1 July 2022 to 31 December 2022, Council has lodged 7 workers compensation claims. This is in comparison to 15 claims for the 2021/22 period.

During the same period there have been two lost time injuries totaling 23 days of lost time.

For 2021/22 to 28 February 2022, Council has incurred \$75,158.12 in workers compensation claims through its insurer GIO through the NSW government agency ICARE. In 2019/2020, although the number of claims was lower, there were three claims which were over \$80,000. Council has been advised that this will result in an increased premium for 2022/2023 of \$932,448 (compared to \$713,713 for the previous year).

For 2022/23 to 31 December 2022, Council has incurred \$27,143.04 in net workers compensation claims through Council's insurer GIO, of which \$6,785.37 will impact next year's premium calculations.

Actual insurance premiums for the 2022/2023 totaled \$1,260,108 which represented a \$319,268 increase based upon a premium review provided by workers compensation regulators ICARE in January 2022 advising a projected cost of \$940,840. The increase has primarily been influenced by two claims with premium impacting costs totaling \$117,350.

One of these claims has subsequently been declined in July 2022 and the second claim dating back to April 2020 will cease to impact insurance premium as at 30/06/2023.

An insurance benchmarking review undertaken by ICARE as at 30 November 2022 estimated the premium payable to be \$1,010,690 for the 2023/2024 period. It should be noted that this is an estimate only and further workers compensation claims incurred may affect this overall calculation.

Due to the significant increase in premium costs (including from the time of quotation to invoicing) work has commenced to:

- Ascertaining if there would benefit from moving to another provider through ICARE (rather than GIO)
- Obtaining a quote through Council's insurer Statewide for their services using our claims history
- Apply significantly greater oversight of both GIO and ICARE's management of our claims portfolio.

RECOMMENDATION:

1. THAT the Committee note the Workers Compensation Lost Time Report.

The Motion was moved by Councillor Santer and seconded by Rhonda Wheatley.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the Committee note the Workers Compensation Lost Time Report.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley
Against: Nil
Absent: Nil

5.5. Compliance and Risk Management update

AUTHOR: Shane Sullivan, Executive Manager Governance

In accordance with the Annual Audit, Risk and Improvement Committee Agenda, the purpose of this report is to provide the Committee with an update on:

- Compliance matters generally
- Steps to monitor the effectiveness of compliance and ethics program
- Any examinations by regulatory agencies
- Whistle-blower arrangements
- Enterprise risk management framework

Since the conduct of the Local Government election a number of actions have been taken as required under the Local Government Act 1993 including the adoption of key policies and the review of the Community Strategic Plan, Delivery Program and Operational Plan.

The Public Interest Disclosures Act received assent on 13 April 2022 and will come into force up to 18 months after assent (13 October 2023). Council remains subject to the PID Act 1994 until the new Act comes into force.

There are no financial implications related to this report.

RECOMMENDATION:

1. THAT the Committee note the Compliance and Governance update report

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the Committee note the Compliance and Governance update report

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley
Against: Nil
Absent: Nil

5.6. Guidelines - Risk Management and Internal Audit for local councils in NSW (Office of Local Government)

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is to provide ARIC with an assessment of Council's compliance against the Guidelines for Risk Management and Internal Audit for Local Government in NSW.

The Office of Local Government issued the Guidelines for Risk Management and Internal Audit for Local Government in NSW on 19 December 2022. Councils are required to comply with the Guidelines from 1 July 2024. The final Guidelines will be issued when the supporting Regulation is made in early 2023 but no significant changes are anticipated.

Attached is a summary of the key requirements of the Guidelines and an assessment as to Council's compliance with the Guidelines.

There are no financial implications of this report.

However, there are financial implications associated with the guidelines

RECOMMENDATION:

1. THAT the Committee notes the report.

The Motion was moved by Councillor Beregi and seconded by Councillor Santer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the Committee notes the report.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5.7. Information Technology Services InfoSec Update

AUTHOR: Robert Glinski, Team Leader IT Operations & Security

The purpose of this report is to provide ARIC with a status of North Sydney Council's security as reported to the Information Security Working Group (InfoSec). This will also provide some insight into the IT Department's recent activities to ensure the safety of its network.

This report demonstrates the several layers of security; physical devices, software testing of the network with remediation and education of staff.

RECOMMENDATION:

1. THAT the Committee note this report.

The Motion was moved by Councillor Beregi and seconded by Councillor Santer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the Committee note this report.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5.8. Information Technology Services Quarterly Update

AUTHOR: Michael Macfarlane, IT Manager

PURPOSE:

This is a summary of Information Technology's (ITC) Delivery Program progress for the current financial year.

The Delivery Program is supported by the ICT Strategy, which is designed to meet the service expectations and priorities of the community and staff by building the tools and systems they need to respond to customers in real time, through human-centered design thinking.

RECOMMENDATION:

1. THAT ARIC notes the update and project risks.

The Motion was moved by Rhonda Wheatley and seconded by Councillor Santer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. **THAT** ARIC notes the update and project risks.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

5.9. North Sydney Olympic Pool Project

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is to provide an updated on the North Sydney Olympic Pool construction project governance and probity actions.

On 1 September 2022, OCM were engaged to provide probity advice to Council on the North Sydney Olympic Pool construction project.

As part of their engagement and as required under the governance structure, the probity advisor is to provide a quarterly report to the Audit, Risk and Improvement Committee. A Probity report is not provided to this meeting due to the short timeframe since the last report and the focus and resetting as a result of the Independent Review (as resolved by Council on 10 October 2022).

Since their engagement OCM have provided advice in respect of the following:

- The Governance structure for the project
- Compliance with grant funding requirements
- Suitability of reporting to Council and confidentiality requirements of this reporting

In addition, a Probity Plan has been developed. This plan was considered by the Steering Committee at its meeting on 15 November 2022 and subsequently provided to the Committee. Some changes are required to the Probity Plan to align elements to recommendations from the Independent Review and to reflect the changed Steering Committee membership.

The Independent Review as resolved by Council has now been conducted and work has commenced on reviewing and implementing the agreed actions. This includes engagement with Councillors. Reporting of progress against the agreed actions will come the Audit, Risk and Improvement Committee commencing April 2023.

OCM have been engaged with their engagement being funded as a cost of the project.

PricewaterhouseCoopers were engaged to undertake the Independent Review. This has been secured and funded through Council's legal budget.

RECOMMENDATION:

1. THAT the Committee note the North Sydney Olympic Pool construction project governance update.

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the Committee note the North Sydney Olympic Pool construction project governance update.

Voting was as follows:

For/Against 5 / 0

For: Councillor Beregi, Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

Item 5.10 Verbal Update from General Manager

Therese Manns gave a verbal update to the Committee.

The following topics were reported:

- Structural change of senior staff structure reported to Council 30 January 2023.
- System and business improvement opportunities.
- Workforce initiatives including a focus on leadership framework and culture.
- Resignation of Councillor Dr Alanya Drummond and countback election.

Councillor Beregi left the meeting at 12.13pm and did not return.

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

The Motion was put and **Carried**.

Resolved by the Committee:

1. THAT the Committee note the verbal update from the General Manager.

Voting was as follows:

For/Against 4 / 0

For: Brian Hrnjak, Councillor Santer, Ron Switzer and Rhonda Wheatley

Against: Nil

Absent: Nil

6. Closure

That the Chair now formally closed the meeting.

The Meeting concluded at 12:27pm.