

7.3. Audit, Risk and Improvement Committee - Minutes 15 October 2021

AUTHOR: Ian Curry, Manager Council & Committee Services

ENDORSED BY: Shane Sullivan, Executive Manager Governance

ATTACHMENTS:

1. ARIC Minutes 15 October [7.3.1 - 6 pages]

PURPOSE:

Council is required to consider the Minutes of this Committee under the Code of Meeting Practice.

EXECUTIVE SUMMARY:

This report presents the recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 15 October 2021 for Council adoption. The minutes are attached for information.

FINANCIAL IMPLICATIONS:

There are no financial implications associated with this report.

RECOMMENDATION:

- 1.**THAT** the 2020/21 Financial Statements be adopted. (5.1)
- 2.**THAT** the internal audit plan and resourcing position be received and noted. (5.2)
- 3.**THAT** the feedback provided with respect to the OLG's Risk Management and internal Audit Guidelines be received and noted. (5.2)
- 4.**THAT** the status of past internal audit recommendations be received and noted. (5.3)
5. **THAT** the report on privacy and information awareness be received and noted. (5.4)
- 6.**THAT** the report on Section 7.11 Contributions and Section 7.12 Levies be received and noted. (5.4)
- 7.**THAT** the Infosec Risk Register update be noted. (5.5)
- 8.**THAT** the revised Council Leased Properties update report be noted. (5.6)
- 9.**THAT** the current proposed workplace for Governance developed against the NSW Audit Office Governance Lighthouse be noted. (5.7)
- 10.**THAT** the Draft Guidelines - Risk Management and Internal Audit for local councils in NSW report be noted. (5.8)

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

In accordance with Council's Code of Meeting Practice:

20.24 The minutes of meetings of each Committee of the Council must be confirmed at a subsequent meeting of the committee.

In accordance with the Audit, Risk & Improvement Committee Charter:

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

This report presents the recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 15 October 2021 for Council adoption. The minutes are attached for information.

NORTH SYDNEY COUNCIL

REPORT OF AUDIT, RISK & IMPROVEMENT COMMITTEE

SUBJECT: PROCEEDINGS OF COMMITTEE AT MEETING HELD IN THE SUPPER ROOM AT THE COUNCIL CHAMBERS, NORTH SYDNEY, ON 15 OCTOBER 2021 AT 10.00AM.

PRESENT

Prior to the start of this meeting, the Committee met at an in camera session with Mr Hardy, Prosperity Advisers Group.

Brian Hrnjak, Independent Chair and Ron Switzer, Independent Member
Councillor Mutton

All Committee members attended remotely via Zoom.

Council Staff: Ken Gouldthorp, General Manager
Margaret Palmer, Director Corporate Services
Asif Ali, Manager Financial Services
Darren Goode, Manager Accounting Services.
Shane Sullivan, Executive Manager Governance
Robert Glinski, Team Leader IT Ops & Security
Ian Curry, Manager Council and Committee Services

Visitors: Susan Leahy, Head of Internal Audit North Shore Councils
Alex Hardy, Prosperity Advisers Group (Item 5.1)
Unaib Jeffrey, Audit Office (Item 5.1)
Gary Mottau, Auditor (Item 5.4)

Apologies:
Cr Kathy Brodie

1. Declarations of Interest

Nil

2. Minutes

The Minutes of the previous meeting held on 25 June 2021, copies of which had been previously circulated, were taken as read and confirmed.

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5.1 2020/21 Draft Audited Financial Statements

Author: Asif Ali, Manager Financial Services and Darren Goode, Manager Accounting Services

The purpose of this report is to present the 2020/21 Financial Statements to the Committee for independent assessment and feedback.

As per provision 6.6 of the North Sydney Council Audit, Risk 7 Improvement Committee Charter, the roles and responsibilities of the Committee in relation to external audit, requires an independent assessment and feedback on the financial statements.

The independent Auditor's report will be incorporated into the Financial Statements when they presented to Council on 25 October 2021.

The 2020/21 Financial Statements disclose a net operating surplus for the year of \$23.7 million including capital grants and contributions. Excluding capital grants and contributions, the result was a deficit of \$507,000.

RECOMMENDATION:

1. THAT the 2020/21 Financial Statements be considered by the Committee.

Resolved to recommend:

1. THAT the 2020/21 Financial Statements be adopted.

Voting was unanimous

5.2 Internal Audit Status Report

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.

RECOMMENDATION:

1. THAT the internal audit plan and resourcing position be received and noted.

2. THAT the feedback provided with respect to the OLG's Risk Management and internal Audit Guidelines be received and noted.

Resolved to recommend:

1. THAT the internal audit plan and resourcing position be received and noted.

2. THAT the feedback provided with respect to the OLG's Risk Management and internal Audit Guidelines be received and noted.

Voting was unanimous

5.3 Internal Audit Recommendations Status Report

Author: Susan Leahy, Head of Internal Audit

Report on the progress of previous recommendations made.

RECOMMENDATION:

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

Resolved to recommend:

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

Voting was unanimous

5.4 Completed Internal Audit Reports

Author: Susan Leahy, Head of Internal Audit

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The internal audit of Privacy and Information Awareness and S7.11 Contributions and S7.12 Levies have been completed. The two full internal audit reports are provided for the Committee's information.

RECOMMENDATION:

1. **THAT** the report on privacy and information awareness be received and noted
2. **THAT** the report on Section 7.11 Contributions and Section 7.12 Levies be received and noted.

Resolved to recommend:

1. **THAT** the report on privacy and information awareness be received and noted
2. **THAT** the report on Section 7.11 Contributions and Section 7.12 Levies be received and noted.

Voting was unanimous

5.5 Infosec Risk Register (Datasets and Owners)

Author: Robert Glinski, Team Leader IT Ops & Security

The purpose of this paper is to inform ARIC about the new InfoSec Risk Register that has been developed by IT with input from the InfoSec Committee members, its aim is to provide transparency of the datasets held by the Council and assign data owners and controls over each dataset.

Currently the Information Technology risks associated with data breaches and cyber are contained in the Enterprise Risk Register in a summarised form. Whilst this provides a good overview across the Council of the type of risks faced, it does not provide adequate visibility of the risks and issues that exist at a detailed level for the datasets owned by the Council.

With data security conversations taking place in the media, and the topic of questionnaires by our External and Internal Auditors, it is timely that a more detailed Register of the Council's datasets, owners and controls be created.

This view is supported by the State Government now providing Councils with its Cyber Security Policy as a guideline for Councils, it outlines 20 foundational requirements of which requirement 3.3 states:

Classify information and systems according to their business value (i.e. the impact of loss of confidentiality, integrity or availability), adhere to the requirements of the NSW Government Information Classification Labelling and Handling Guidelines and

- *assign overall responsibility for information asset protection and ownership*
- *implement controls according to their classification and relevant laws and regulations*
- *identify the council's "crown jewels".*

The allocation of owners to datasets will provide clarity regarding responsibility and give the individual owners of datasets a better understanding of their data and the implications of breaches in releasing data.

In addition, the intention is to ensure that owners of datasets become members of the InfoSec Committee. The Committee's purpose is to provide clear direction and visible management support for security initiatives, initiate plans and programs to maintain information security awareness and ensure that security activities are executed in compliance with policy.

This report will be accompanied by an explanatory presentation of the Infosec Risk Register, its function, and the NSW State Government's Cyber Security Guidelines for Council.

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RECOMMENDATION:

1. THAT ARIC note the update.

Resolved to recommend:

1. THAT the Infosec Risk Register update be noted.

Voting was unanimous

5.6 Council Leased Properties Update

Author: Daniel Peacock, Assets and Taxation Account

At the Audit, Risk and Improvement Committee (ARIC) meeting of 2 October 2020, following a previous request from Councillor Mutton a report was presented, which detailed:

- All Council “owned” Property that is leased or available to lease.
- With respect to each property, the date and quantum of the last valuation.
- As regards each property that is leased, the date and term of the lease; and the quantum of the rent payable.
- As regards each property that is not presently leased, the date it became vacant.

The minutes of the October ARIC meeting were reported to Council on 26 October 2020, and a further request for information was sought by Councillor Mutton. The following resolution was noted:

With respect to each property, the valuation for each of the previous three years be presented.

This report addresses the request for the additional information and provides a detailed summary of the current reported position of Council’s rental properties.

The report was previously submitted to the Committee meeting on 25 June 2021 when it was resolved to recommend:

1. THAT the Council Leased Properties update report be deferred until the next Committee meeting and the valuations provided be updated with the figures available at 30 June 2021.

An updated schedule of leased properties to June 2021 is attached.

RECOMMENDATION:

1. THAT the revised Council Leased Properties update report be noted.

Resolved to recommend:

1. THAT the revised Council Leased Properties update report be noted.

Voting was unanimous

Cr Mutton retired from the meeting at 12.27pm

5.7 Governance Health Check and Work Plan

Author: Shane Sullivan, Executive Manager Governance

The purpose of this report is to advise the Audit Risk and Improvement Committee of a review of North Sydney Council’s Governance Health against the Governance Lighthouse (NSW Audit Office and the share the program of work planned to address gaps identified and progress improvement.

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Using the NSW Audit Governance Lighthouse checklist, a maturity assessment was completed of North Sydney Council's Governance Health.

As a result, a workplan for the current financial year and next three years has been developed based on a priority order from the assessment. The plan for 2021/22 is an ambitious plan, particularly given the conduct of the election and onboarding/induction of Council.

An indicative workplan for 2022/23 to 2024/25 has also been developed. It is acknowledged that this plan may change as a result of shifting requirements and priorities. It will also need to be responsive to legislative changes.

The workplan has been consulted with the General Manager and MANEX who have provided their endorsement.

An area of specific interest for the Committee will be the review of the Enterprise Risk Management Framework. This has already commenced with workshops to articulate Council's risk appetite. A further report will be provided to the Committee as this review proceeds.

Another impact area will be the review of the Committee, its Charter etc in response to the finalisation of the OLG Guidelines.

There are no financial implications as a result of this report.

RECOMMENDATION:

1. THAT the Committee note the current proposed workplace for Governance developed against the NSW Audit Office Governance Lighthouse.

Resolved to recommend:

1. THAT the current proposed workplace for Governance developed against the NSW Audit Office Governance Lighthouse be noted.

Voting was unanimous

5.8. Draft 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 draft guidelines and propose issues for submission to the Office of Local Government in response for their call.

A discussion paper, A New Risk Management and Internal Audit Framework for Local Councils in NSW, was released in late 2019 on the proposed model. The Office of Local Government (OLG) has since refined the proposed model in response to this feedback.

The new framework will be governed by regulations and Guidelines for risk management and internal audit for local councils in NSW. These will prescribe the minimum standards for each council's audit, risk and improvement committee, risk management framework and internal audit function.

OLG is now seeking the views and feedback of councils and other stakeholders on the draft Guidelines for risk management and internal audit for local councils in NSW prior to finalising them.

Attached is a table assessing the compliance of North Sydney Council against the draft guideline and identifying what action may be required for compliance. Issues are also identified for submission to the Office of Local Government.

There are no financial implications of this report.

However, there are financial implications associated with the guidelines

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RECOMMENDATION:

1. THAT the Committee notes the report.

Resolved to recommend:

1. THAT the Draft Guidelines - Risk Management and Internal Audit for local councils in NSW report be noted.

Voting was unanimous

The meeting closed at 12.32pm.

The next meeting will be held on Friday 19 November 2021 at 10.00am