

## 9.1. Audit, Risk and Improvement Committee Minutes - 28 July 2023

<b>AUTHOR</b>	Ian Curry, Manager Council & Committee Services
<b>ENDORSED BY</b>	Luke Harvey, Director Corporate Support
<b>ATTACHMENTS</b>	1. 28 July ARIC Minutes [9.1.1 - 12 pages]
<b>CSP LINK</b>	5. Our Civic Leadership 5.2 Strong civic leadership and customer focussed services

### PURPOSE:

The purpose of this report is to enable Council to consider the Minutes of this Committee as required under the Audit, Risk and Improvement Committee Charter.

### EXECUTIVE SUMMARY:

- This report presents the recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 28 July 2023 for Council adoption. The minutes are attached for information.
- There are no items from the meeting for Council determination.

### RECOMMENDATION:

**1. THAT** the Minutes of the Audit, Risk and Improvement Committee meeting held on 28 July 2023 be adopted in accordance with the Audit, Risk and Improvement Committee Charter.

## **Background**

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

*7. REPORTING 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.*

## **Report**

The minutes of the 28 July 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.

## **Consultation requirements**

Community engagement is not required.

## **Financial/Resource Implications**

There are no financial implications to this report.

## **Legislation**

Under section 428A of the *Local Government Act 1993*, all councils (including county councils) and joint organisations are required to have an ARIC or to have entered into an arrangement with another council or joint organisation to share an ARIC from 4 June 2022. Council is compliant with this requirement.



## 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 10.00am Friday 28 July 2023.



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## 1. Opening Meeting

At the commencement of business 10.00am, those present were:

Chair and Independent Member Brian Hrnjak  
Councillors Beregi and Santer  
Independent Members Ron Switzer and Rhonda Wheatley (remotely)

Head of Internal Audit: Susan Leahy

Alex Hardy, Prosperity Partners

Dane Parsons (InConsult, remotely for Item 5.4 only)

Staff members: Therese Manns (General Manager, remotely), Luke Harvey (Director Corporate Support), Gary Parsons (Director Open Space and Infrastructure, remotely), Christian Menday (Manager Financial Services) and Ian Curry (Manager Council and Committee Services).

The meeting was opened by the Chair.

Cr Santer gave the Acknowledgement of Country

## 2. Apologies

The Chair advised that Karen Taylor (Audit Office NSW) had indicated her inability to attend the Committee meeting on 28 July 2023

## 3. Disclosures of Interest

There were no declarations of interest

## 4. Confirmation of Minutes

The Minutes of the previous meeting held 28 April 2023 were taken as read and confirmed.

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

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. Reports

### 5.1. End of Year Financial Statements - Engagement Plan and Project Plan

<b>AUTHOR</b>	Christian Menday, Manager Financial Services
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#### PURPOSE:

The purpose of this report is to update the Committee of the progress of the NSW Audit Office's Audit Engagement Plan, and the continued development and evolution of Council's project plan to deliver the Financial Statements.

#### CHARTER

This report is provided to the Committee in accordance with the following requirements under the Committee Charter:

##### Part 6.3 External Accountability:

- Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.

##### Part 6.6 External Audit

- Provide input and feedback on the financial statements and performance audit coverage proposed by external audit and provide feedback on the external audit services provided.
- Review all external plans and reports in respect of planned or completed external audits and monitor the implementation of audit recommendations by management.
- On 21 March 2023, Council received the attached engagement plan for the Audit of the North Sydney Council Financial Statements for the year ending 30 June 2023. Progress has been made in completing the Audit and delivering the Statements as outlined in the attached plan update.
- Council staff and the external auditors are heavily focused on delivery of the statements and the status of items is progressing daily. Staff and representatives of the Audit Office will be on hand to deliver verbal progress updates.
- In response to - and to support delivery against - the Engagement Plan, Council has developed a project plan for the Financial Statements. The project plan is based on guidance from the Australian Government Department of Finance's *Financial Statements Better Practice Guide 2022*. Council has not previously had a documented project plan. A draft of the Plan was presented to the Committee at its meeting of 28 April 2023.

- The high-level aspects of this project plan are attached for the information and update of the Committee.

**RECOMMENDATION:**

1. **THAT** the Audit, Risk and Improvement Committee notes the updates to the project plan and progress to date.
2. **THAT** the Audit, Risk and Improvement Committee schedule an Extraordinary Meeting to consider the draft Financial Statements before they are presented to Council for endorsement.

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

1. **THAT** the Audit, Risk and Improvement Committee notes the updates to the project plan and progress to date.
2. **THAT** the Audit, Risk and Improvement Committee schedule an Extraordinary Meeting in the week commencing 9 October 2023 to consider the draft Financial Statements before they are presented to Council for endorsement.

The Motion was put and **carried**

**Resolved to Recommend:**

1. **THAT** the Audit, Risk and Improvement Committee notes the updates to the project plan and progress to date.
2. **THAT** the Audit, Risk and Improvement Committee schedule an Extraordinary Meeting in the week commencing 9 October 2023 to consider the draft Financial Statements before they are presented to Council for endorsement.

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

<b>AUTHOR</b>	Susan Leahy, Head of Internal Audit
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**PURPOSE:**

The purpose of this report is to provide an update on the status of the Internal Audit plan, resources, and activities of the internal audit function.

**CHARTER**

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This report is provided to the Committee in accordance with the following requirement under the Committee Charter:

- review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
  - consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
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- The 2022/23 internal audit plan has been completed with 2 audits cancelled whilst Council goes through an organisational review.
  - An internal audit of plant and fleet management has been completed by InConsult and is reported on separately.
  - A draft internal plan 2023/24 has been developed that will require further review.
  - The report outlines responses to the specific responsibilities that come under the Internal Audit area of responsibility.

**RECOMMENDATION:**

1. **THAT** the status of the 2022/23 internal audit plan for North Sydney and the shared service be received and noted.
2. **THAT** the draft 2023-24 internal audit plan be received and noted by the ARIC with a final plan to be circulated out of session.
3. **THAT** the summary of the AONSW performance reports be received and noted.

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

The Motion was put and **carried**.

**Resolved to Recommend:**

1. **THAT** the status of the 2022/23 internal audit plan for North Sydney and the shared service be received and noted.
2. **THAT** the draft 2023-24 internal audit plan be received and noted by the ARIC with a final plan to be circulated out of session.
3. **THAT** the summary of the AONSW performance reports 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



### 5.3. Internal Audit Recommendations Status Report

<b>AUTHOR</b>	Susan Leahy, Head of Internal Audit
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#### PURPOSE:

The purpose of this report is to monitor and seek management updates on the progress of previous internal audit recommendations.

#### CHARTER

This report is provided to the Committee in accordance with the following requirement under the ARIC and Internal Audit Charter:

*Monitor the implementation of internal audit recommendations by management.*

- Ten existing internal audit recommendations were carried forward since last reported on in April 2023. There were an additional six recommendations arising from the project management audit bringing the total reported on to 16. Updates are provided in the attached spreadsheet (Attachment 1).
- In addition, there were 22 cyber security recommendations that are carried forward. These are tracked separately (Attachment 2).

#### RECOMMENDATION:

**1. THAT** the Audit, Risk and Improvement Committee receive and note the status of past internal audit recommendations.

The Recommendation was moved by Councillor Beregi and seconded by Ron Switzer.

The Motion was put and **carried**.

#### Resolved to Recommend:

**1. THAT** the Audit, Risk and Improvement Committee receive and note the status of past internal audit recommendations.

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 5.4 was considered prior to Item 5.1)*

### 5.4. Internal Audit Report - Plant and Fleet Management

<b>AUTHOR</b>	Susan Leahy, Head of Internal Audit
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**PURPOSE:**

This audit was completed by InConsult as part of the 2022/23 Internal Audit plan. The report has now been reviewed by management with responses and timeframes for completion collated.

**RECOMMENDATION:**

**1. THAT** the Audit, Risk and Improvement Committee receive and note the plant and fleet management internal audit report.

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

**1. THAT** the Audit, Risk and Improvement Committee receive and note the plant and fleet management internal audit report.

**2. THAT** the matters of Fringe Benefits Tax compliance raised in the audit be referred to management for inclusion in the future internal audit program.

**3. THAT** an external review of leaseback calculations be undertaken.

**4. THAT** a further report on the progress of this review be submitted to the Committee in six months.

The Motion was put and **Carried**.

**Resolved to Recommend:**

**1. THAT** the Audit, Risk and Improvement Committee receive and note the plant and fleet management internal audit report.

**2. THAT** the matters of Fringe Benefits Tax compliance raised in the audit be referred to management for inclusion in the future internal audit program.

**3. THAT** an external review of leaseback calculations be undertaken.

**4. THAT** a further report on the progress of this review be submitted to the Committee in six months.

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. Annual Insurance Update**

<b>AUTHOR</b>	Shane Sullivan, Executive Manager
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**PURPOSE:**

The purpose of this report is to provide an annual update on Council's Insurance program for the information of the Committee.

**EXECUTIVE SUMMARY:**

The purpose of this brief report is to provide an annual update on Council's insurance program following renewal of cover for FY2024.

**RECOMMENDATION:**

**1. THAT** the annual insurance update be received.

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

The Motion was put and **carried**.

**Resolved to Recommend:**

**1. THAT** the annual insurance update be received.

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. North Sydney Olympic Pool - Major Projects Update**

<b>AUTHOR</b>	Shane Sullivan, Executive Manager
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**PURPOSE:**

The purpose of this report is to update the Committee of actions taken in relation to the North Sydney Olympic Pool project.

**CHARTER**

This report is provided to the Committee in accordance with the following requirement under the Committee Charter:

## 6.2: Control Framework

Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors.

- Council continues to provide regular public reports regarding the project with the most recent being to the meeting of 26 June 2023:

<https://www.northsydney.nsw.gov.au/ecm/download/document-10494762>

- Council engaged O'Connor Marsden in 2022 to provide probity overview of the project and provide advice to the Steering Committee as appropriate. No advice has been sought since the last report.
- Following the 26 April 2023 report to Council, the Office of Local Government was notified of the public report. In response they have requested further documentation which has been provided.

**RECOMMENDATION:**

**1. THAT** the Audit, Risk and Improvement Committee note the North Sydney Olympic Pool Major Projects Update Report.

The Recommendation was moved by Councillor Beregi and seconded by Rhonda Wheatley.

The Motion was put and **carried**.

**Resolved to Recommend:**

**1. THAT** the Audit, Risk and Improvement Committee note the North Sydney Olympic Pool Major Projects 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

### 5.7. People & Culture - Pulse Surveys July 2023

<b>AUTHOR</b>	Lisa Ucles, Manager, People and Culture
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**PURPOSE:**

The purpose of this report is to provide an overview of the implementation of the Officevibe pulse surveys completed by North Sydney Council staff.

- Officevibe pulse surveys provide a mechanism for frequent engagement with Council staff.
- Officevibe currently has 8,000 customers worldwide across multiple industries including local government.
- Launched at Council in March 2023, more than 80% of Council staff now complete a fortnightly, 10-question survey which measures 10 key metrics.

**RECOMMENDATION:**

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**1. THAT** the Audit, Risk and Improvement Committee note this overview of the Officevibe pulse surveys at North Sydney Council.

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

The Motion was put and **carried**.

**Resolved to Recommend:**

**1. THAT** the Audit, Risk and Improvement Committee note this overview of the Officevibe pulse surveys at North Sydney Council.

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. Cyber Incident Report

<b>AUTHOR</b>	Michael Macfarlane, Information Technology Manager
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**PURPOSE:**

The purpose of this report is to provide a summary of a cyber incident that occurred as a result of a routine penetration test.

- A routine external penetration test found an application programming interface (API) used to send information between the NSW Planning Portal and internal council systems did not have an adequate level of security applied.
- There was a risk this data could have been intercepted by a third party.
- On discovery Council shut down the API and contacted our insurance company for advice.
- Council's Insurers recommended we engage legal firm Clyde and Co as advisors on mandatory reporting and other legal matters, and Triskele Labs as digital forensic specialists.
- On review of the data potentially exposed it was deemed to be low-risk publicly available data related to planning applications, with no mandatory reporting required.
- The ongoing review of forensics by Triskele Labs has found no evidence of the data being intercepted by a third party to date.

**RECOMMENDATION:**

**1. THAT** the Audit Risk and Improvement Committee note this incident.

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

The Motion was put and **carried**.

**Resolved to Recommend:**

**1. THAT** the Audit Risk and Improvement Committee note this incident.

Voting was as follows:

For/Against 5 / 0

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

**Against:** Nil

**Absent:** Nil

**6. Closure**

The Meeting concluded at 12.13pm.