

**Report to General Manager**

Attachments:

1. Minutes - 8 November 2019

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**SUBJECT:** Audit, Risk and Improvement Committee - Minutes 8 November 2019**AUTHOR:** Peita Rose, Governance Officer**ENDORSED BY:** Margaret Palmer, Director Corporate Services**EXECUTIVE SUMMARY:**

This report presents the recommendations of the meeting of the Audit, Risk and Improvement Committee (ARIC) held on 8 November 2019 for Council adoption. The Minutes are attached for information.

**FINANCIAL IMPLICATIONS:**

Council has allocated \$87,125 in the 2019/20 budget for external audit functions - \$13,400 has been expended to date. Council has allocated \$98,270 in the 2019/20 budget for the internal audit program - \$1,000 has been expended to date.

**RECOMMENDATION:**

- 1. THAT** the Fraud & Corruption Risk Assessment – Internal Audit Report be received and noted. (AR01)
  - 2. THAT** this report and the status of the 2019 internal audit plan and development of the 2020 plan be received and noted. (AR02)
  - 3. THAT** Council submit either an individual or a combined response on behalf of the shared service in relation to the Office of Local Government discussion paper on the new risk management and internal audit framework, before submissions close on 31 December 2019. (AR02)
  - 4. THAT** the survey of the internal audit function's annual performance be developed and circulated to all stakeholders with a report to be provided to the first committee of 2020. (AR02)
  - 5. THAT** the status of past internal audit recommendations be received and noted. (AR03)
  - 6. THAT** the Annual Insurance Update report be received and noted. (AR04)
  - 7. THAT** the fraudulent activities at North Sydney Oval be noted by the Committee. (AR05)
  - 8. THAT** Council's credit card processing procedures for all locations be reviewed and updated. (AR05)
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## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

Direction: 5. Our Civic Leadership

Outcome: 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. 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.*

## **CONSULTATION REQUIREMENTS**

Community engagement is not required.

## **SUSTAINABILITY STATEMENT**

The sustainability implications are of a minor nature and as such did not warrant a detailed assessment.

## **DETAIL**

This report presents the recommendations of the meeting of the Audit, Risk and Improvement Committee held on 8 November 2019 for Council adoption. The Minutes are attached for information.

The following summarises the 'Actions for Future Meetings' arising from the reports as discussed and adopted at the meeting:

- Circulate proposed submission to the OLG discussion paper on the new risk management and internal audit framework for comment by exception.
  - Progress report to the Committee prior to the end of the financial year in relation to Council's compliance with the change to Australian Accounting Standards.
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**Minute Book Page No 13****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 FRIDAY, 8 NOVEMBER 2019 AT 10.00AM**

**PRESENT**

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

**Council Staff:**

Ken Gouldthorp	General Manager
Margaret Palmer	Director Corporate Services
Garry Ross	Manager Financial Services
Jon Paul Agnew	Manager Risk
Louise Saule	WHS Specialist
Susan Leahy	Head of Internal Audit North Shore Councils (External)
Peita Rose	Governance Officer (Minutes)

**Visitors:**

Richard Briggs	Jardine Lloyd Thompson
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**Apologies:**

Luke Malone	External Auditor (Prosperity Advisers Group)
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**25. Declarations of Interest**

Nil.

**26. Minutes**

The Minutes of the previous meeting held on 8 October 2019, copies of which had been previously circulated, were taken as read and confirmed.

Moved by Brian Hrnjak and seconded by Councillor Mutton.

It was agreed that Item AR04: Annual Insurance Update be brought forward at this time to allow Richard Briggs from Jardine Lloyd Thompson to address the Committee on this Item.

**27. AR04: Annual Insurance Update**

Report of Jon Paul Agnew, Manager Risk

This report provides the annual update on Council's insurance program following renewal of cover for FY2020. Total contributions and premiums have risen 1.0% p.a. in real terms over the five fund years to date.

This past year has seen considerable effort in coordinating and improving data sources,

and this report includes a detailed summary of events and losses.

**Recommending:**

1. **THAT** the Annual Insurance Update report be received and noted.

Council's Manager Risk and Council's WHS Specialist presented the Annual Insurance Update to the Committee.

Richard Briggs from Jardine Lloyd Thompson addressed the Committee with a market update.

**Resolved to recommend:**

1. **THAT** the Annual Insurance Update report be received and noted.

Voting was unanimous.

**28. AR01: Fraud & Corruption Risk Assessment – Internal Audit Report**

Report of Susan Leahy, Head of Internal Audit North Shore Councils

A copy of the risk assessment review has been completed by Internal Audit and the full report is provided for the Committee's information.

Through collation of management's responses in the fraud risk assessment workshops, a high-level review of relevant fraud related policies and procedures and an analysis of the results to the survey, Internal Audit performed an evaluation of the fraud and corruption framework at North Sydney Council against the 10 Fraud attributes recommended by the Audit Office NSW's Fraud Control Improvement Kit. Overall, it was noted that the fraud and corruption framework at North Sydney Council is considered to be well established, as evidenced by a culture that takes fraud and corruption related risks and associated ethical behaviours seriously.

**Recommending:**

1. **THAT** the Fraud & Corruption Risk Assessment – Internal Audit Report be received and noted.

**Resolved to recommend:**

1. **THAT** the Fraud & Corruption Risk Assessment – Internal Audit Report be received and noted.

Voting was unanimous.

**29. AR02: Internal Audit Status Report**

Report of Susan Leahy, Head of Internal Audit North Shore Councils

This report provides an overview of the Internal Audit program.

**Recommending:**

1. **THAT** this report and the status of the 2019 internal audit plan and development of the 2020 plan be received and noted.
2. **THAT** the Committee determine whether to collate a combined response on behalf of the shared service in relation to the Office of Local Government discussion paper on the new risk management and internal audit framework, before submissions close on 31 December 2019.
3. **THAT** the survey of the internal audit function's annual performance be developed and circulated to all stakeholders with a report to be provided to the first committee of 2020.

**Resolved to recommend:**

1. **THAT** this report and the status of the 2019 internal audit plan and development of the 2020 plan be received and noted.
2. **THAT** Council submit either an individual or a combined response on behalf of the shared service in relation to the Office of Local Government discussion paper on the new risk management and internal audit framework, before submissions close on 31 December 2019.
3. **THAT** the survey of the internal audit function's annual performance be developed and circulated to all stakeholders with a report to be provided to the first committee of 2020.

Voting was unanimous.

**30. AR03: Internal Audit Recommendations Status Report**

Report of Susan Leahy, Head of Internal Audit North Shore Councils  
Report on the progress of previous recommendations made.

**Recommending:**

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.

**31. AR05: Fraudulent Credit Card Transactions – North Sydney Oval**

Report of Garry Ross, Manager Financial Services

Council has been contacted by NSW Police in relation to an investigation involving the fraudulent use of a credit card used to purchase alcohol at a sporting event held on 3 August 2019 at North Sydney Oval.

The incident has been reported to Council's Public Officer, the General Manager and the Director Open Space and Environmental Services. The Manager responsible for the function at the time of this event has since retired. The current replacement Manager has been informed.

A preliminary investigation of the two transactions by Finance officers has been completed and the extent of the fraud has been established. The two individual transactions shown on page 2 of the attachment could not be identified as the credit card merchant copy has not been retained.

It has been established that the fraudulent transactions took place during a Saturday afternoon Rugby match and that the purchases would have been from portable bar facilities on the outer ground. These temporary bars are stand-alone cash register and EFTPOS terminals which are not part of the integrated system installed in the permanent structures within the Oval.

The extent of the dollar value of the fraud can be approximately determined as the policy at the Oval limits allow only four alcoholic beverages to be purchased at one time, which equates to approximately \$36.00 per transaction.

**Recommending:**

1. **THAT** the fraudulent activities at North Sydney Oval be noted by the Committee.
2. **THAT** Council's credit card processing procedures for all locations be reviewed and updated.

**Resolved to recommend:**

1. **THAT** the fraudulent activities at North Sydney Oval be noted by the Committee.
2. **THAT** Council's credit card processing procedures for all locations be reviewed and updated.

Voting was unanimous.

**32. General Business**

The following summarises the 'Actions for Future Meetings' arising from the reports as discussed and adopted at the meeting:

- Circulate proposed submission to the OLG discussion paper on the new risk management and internal audit framework for comment by exception.
- Progress report to the Committee prior to the end of the financial year in relation to Council's compliance with the change to Australian Accounting Standards.

**NSC Payroll – Correctness and Accuracy**

In light of recent publicity around mainly underpayments in certain well known businesses, the Committee requested a briefing on the review of payroll procedures to avoid this situation occurring at Council (attached).

The General Manager outlined the payroll process at Council and advised that most staff were paid in accordance with the Local Government Officers Award. Procedures are also in place for staff to query any aspect of their pay (as advised on weekly pay notifications). Current manual procedures for overtime approval are being reviewed with a view to automation. An independent review of certain aspects of payroll is currently being undertaken and will be provided to the Committee upon completion. Margaret Palmer, Director Corporate Services, also provided some information regarding this matter to the Committee and advised that she had prepared a Briefing Paper which would be distributed to all members with the Minutes of this meeting.

The meeting closed at 12.05pm.

The next meeting will be held on Friday 27 March 2020 at 10.00am.



## M E M O R A N D U M

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**TO:** Audit, Risk & Improvement Committee  
**FROM:** Margaret Palmer, Director Corporate Services  
**DATE:** 8 November 2019  
**RE:** **General Business Item – Payment in Accordance with the Local Government Officers Award**

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### Definition of ‘Payment’

Payment includes:

- Award Salary;
- Superannuation;
- Allowances;
- Leave entitlements;
- Shift penalties; and
- Overtime.

### Industrial Framework

North Sydney Council operates under the State Industrial Relations Legislation and the State Industrial Relations Commission. It is not regulated under the national industrial relations system i.e. The Fair Work Act. NSW Local Government has its own industry specific Award (*The Local Government Officers Award*) which sets minimum salary bands and conditions on an enterprise basis.

In accordance with the Local Government Act, Senior Staff (in Council’s case, the GM and Directors) are employed on standard contracts mandated by the Office of Local Government (OLG). They fall outside of the Award system and the Act and contracts exclude them having recourse to the Industrial Relations Commission.

As part of its governance structure, Council has a Performance and Executive Remuneration Panel in place comprising of the Mayor, Deputy Mayor, two Councillors and an independent (expert) member – Mr Matthew McArthur from McArthur and Associates.

The organisations that have been penalised/caught underpaying all operate under the national system and often have multiple awards (rather than our single enterprise award).

### Steps Taken by Council to Ensure All Staff are Being Properly/Accurately Paid

North Sydney Council has a very structured pay system. Most staff are paid above award levels. Each position is evaluated using the OCR evaluation system and a range of six salary steps is identified together with an entry rate. This system also identifies the Band and Level for the position under the Award.

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All new staff including casuals are informed in writing of their pay rate and in the case of casuals the rate is broken down to show their base rate and how the loadings are applied under the Award. All casuals submit time sheets and the loadings are applied under the Award. Council employs a limited range of casuals including Bar Staff, Lifeguards, Administration staff and Library staff.

All these positions have a pre-determined entry rate for the type of work they complete which is commensurate with the appropriate Band and Level of the Award. New staff rates and positions are established by Workforce Planning and checked via Payroll so there is a double check built in within the system.

It is worth noting that the main area of salary/employment contention with unions tends to be with Councils employing outside of the Local Government Award such as through labour supply companies, utilisation of temporary staff and engagement of casual staff.

**Current Practices**

Council's practices include the following:

- **Regular review of payroll coding** which should be done at a minimum when the new Award is handed down and any amendments between; any legislative changes to tax and superannuation. This is done to ensure that hours and allowance codes are set up correctly, i.e. allowances with superannuation payable are set as such; hours codes are set up as serviceable when leave entitlements are to be accrued.
- **Regular review of payroll processes and procedures.**
- **Regular review of leave entitlements.** Weekly review of all leave accruals for employees in the current pay week to ensure entitlements have accrued correctly and appropriate adjustments made as required. There are some shortcomings with our system and there are circumstances that require adjustments. We tend to set up the system where possible to under-apply entitlements as it is much easier to rectify underpayments than overpayments.
- **External independent payroll audit of payroll** processes across the organisation.

**Potential Improvements**

We suggest the following improvements:

- **Review current staff receiving annualised salaries** for accuracy of calculation which is part of our audit reconciliations.
- **Implement a new system to reduce the manual processing** of payroll to reduce the risk of error.