



SNOWY MONARO
REGIONAL COUNCIL

Minutes

Audit Risk And Improvement Committee Meeting

2 October 2020

**AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COMMITTEE ROOM, 81 COMMISSIONER STREET, COOMA NSW 2630
ON FRIDAY 2 OCTOBER 2020**

MINUTES

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**MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COMMITTEE ROOM, 81 COMMISSIONER STREET, COOMA NSW 2630 AND
MICROSOFT TEAMS**

**ON FRIDAY, 2 OCTOBER 2020
COMMENCING AT 10.06AM**

PRESENT:

Voting Attendees:

Melissa Tooke, Chair
Adam Vine, Independent Member
Councillor Anne Maslin, Council Member
John Barbeler, Independent Member
Miles Pearson, Independent Member

Non-Voting Attendees:

Peter Bascomb, Chief Executive Officer

Guests:

David Rawlings, Chief Strategy Officer
Lawrissa Chan, Director - Financial Audit - Audit Office of NSW
Eric Nathaniel, Audit Leader - Financial Audit - Audit Office of NSW
Matt Payne, Manager Finance
Jacqueline Sullivan, Management Accountant

1. OPENING OF THE MEETING

The Chair opened the meeting at 10.06AM with Acknowledgement of Country and showing respect to the First Custodians of Snowy Monaro Lands.

2. APOLOGIES

Nil.

3. DECLARATIONS OF PECUNIARY INTERESTS/CONFLICT OF INTEREST

Nil.

4. ADOPTION OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING 19 JUNE 2020

COMMITTEE RECOMMENDATION

ARIC29/20

THAT the minutes of the Audit Risk And Improvement Committee Meeting held on 19 June 2020 are confirmed as a true and accurate record of proceedings.

Moved Mr Pearson

Seconded Mr Barbeler

CARRIED

5. BUSINESS ARISING

5.1 AUDIT, RISK AND IMPROVEMENT COMMITTEE RECOMMENDATIONS

Record No:

Responsible Officer:	Chief Executive Officer
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	10.2 Sound governance practices direct Council business and decision making
Delivery Program Objectives:	10.2.1 Independent audit and risk framework drives accountability
Attachments:	1. Audit, Risk and Improvement Committee Recommendations

EXECUTIVE SUMMARY

The Audit, Risk and Improvement Committee (ARIC) makes resolutions in relation to reports presented at its meetings. This report serves to provide an update on the progress of Committee recommendations.

COMMITTEE RECOMMENDATION

ARIC30/20

- A. That Council's Audit, Risk and Improvement Committee note the progress on Committee recommendations.
- B. 46/19 - be rolled over to 2020/2021.
- C. 18/20 – the Committee receive a quarterly update of the WHS status as part of the general reports.
- D. 18/20e – that ELT revisit the decision for the Senior Internal Auditor to attend SMT meetings on a quarterly basis.

Moved Mr Vine

Seconded Mr Pearson

CARRIED

6. PRESENTATIONS

Nil.

7. SPECIAL AGENDA ITEMS

7.1 PRESENTATION - CORPORATE INFORMATION SYSTEM (CIS) PROJECT UPDATE

Record No:

Responsible Officer:	Chief Strategy Officer
Author:	Senior Internal Auditor
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	10.2 Sound governance practices direct Council business and decision making
Delivery Program Objectives:	10.2.1 Independent audit and risk framework drives accountability

Attachments: 1. One Page CIS Project Status as at 8 July 2020 (Post Go Live)
ARIC Charter Reference: 5.2.6

EXECUTIVE SUMMARY

This report is a placeholder in Special Agenda Items section for the presentation to provide an opportunity for Council's Audit, Risk and Improvement Committee (ARIC) to make recommendations on the presentation.

Updates:

- Implementation of the CIS project completed.
- Some post implementation problems, with Payroll (online timesheets for Plant) and processing invoices.
- Agreement with Civica not signed off as yet.

The following officer's recommendation is submitted for ARIC's consideration.

COMMITTEE RECOMMENDATION

ARIC31/20

That Council's Audit, Risk and Improvement Committee:

- A. Receive and note the information in the presentation and the Chief Strategy Officer's update on Corporate Information System Project.
- B. Congratulate the project team, SMEs and staff on their achievement for a job well done.

Moved Mr Vine

Seconded Mr Pearson

CARRIED

8. REPORTS

8.1 CHIEF EXECUTIVE OFFICER REPORT

Record No:

Responsible Officer: Chief Executive Officer
Key Theme: 4. Leadership Outcomes
CSP Community Strategy: 10.2 Sound governance practices direct Council business and decision making
Delivery Program Objectives: 10.2.1 Independent audit and risk framework drives accountability
Attachments:
ARIC Charter Reference: 5.2.8; 5.3.6; 5.6.1; 5.7.1; 5.8.4

EXECUTIVE SUMMARY

Council's Audit, Risk and Improvement Committee (ARIC), at its meeting on 5 December 2018, requested (Resolution No. ARIC97/18) that a verbal report by the General Manager regarding Council plans and direction be included in all meetings as a standard agenda item.

This report also incorporates the former Fraud and Corruption Control Report. It advises the Committee of any allegations of fraudulent or corrupt conduct reported to the Chief Executive Officer or to an external body such as ICAC.

Topics discussed:

- Implementation of the CIS project.
- Fraud – no issues.
- Exit of staff out of the organisation.
- Significant change impacts due to drought, bushfires and Covid-19.
- Redesign and restructure.
- Unsuccessful recruitment of a CFO – will test the market in February 2021.
- Snowy Hydro is ramping up recruitment which presents a challenge for Council with potential loss of staff. Two engineers have already departed Council to Snowy Hydro.
- Replacement of the Senior Internal Auditor. Consideration being given to a shared external provider through CRJO. In the short term, the new Risk Management Officer will be tasked with actions.
- Risk with financial viability due to impacts of Covid-19 and Aged Care.
- Staff working from home resulted in a productivity hit. Most staff have now returned to work.
- Claims for Blazaid have been submitted for reimbursement by the State Government.

Action:

Chief Strategy Officer:

- Send out a brief summary regarding the Risk Management Officer.
- Share Staff Survey results.

The following officer's recommendation is submitted for ARIC's consideration.

COMMITTEE RECOMMENDATION	ARIC32/20
That Council's Audit, Risk and Improvement Committee receive and note the information in the verbal report provided by the Chief Executive Officer	
Moved Mr Barbeler	Seconded Chair Tooke
	CARRIED

The Chief Strategy Officer was absent from the meeting from 11.02am returning at 11.04am.

The following guests joined the meeting at 11.04am:

Matt Payne, Manager Finance

Jacqueline Sullivan, Management Accountant

Lawrissa Chan, Audit Office

Eric Nathaniel, Audit Office

8.2 2020 FINANCIAL STATEMENTS

Record No:

Responsible Officer:	Chief Strategy Officer
Author:	Manager Finance
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	11.2 Council utilises sound fiscal management practices, pursues and attracts other sources of income
Delivery Program Objectives:	11.2.2 Provision of statutory reporting enables our leaders to make decisions on Council's financial sustainability
Attachments:	1. DRAFT General Purpose Financial Statements for the year ended 30 June 2020 (<i>Under Separate Cover</i>) 2. DRAFT Special Purpose Financial Statements for the year ended 30 June 2020 (<i>Under Separate Cover</i>)
ARIC Charter Reference:	5.4.3; 5.4.4;

EXECUTIVE SUMMARY

As per SMRC's Audit, Risk and Improvement Committee (ARIC) Charter, the Committee must:

- 5.4.3 *Review the financial statements and provide advice to the Chief Executive Officer (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the responsible financial officers and Councillors.*
- 5.4.4 *Satisfy itself that the financial statements are supported by appropriate management signoff on the statements.*

A copy of Snowy Monaro Regional Council's DRAFT General Purpose and Special Purpose Financial Statements for the year ended 30 June 2020 are circulated separately to this report for the Committee's review.

The Audit Office of New South Wales will provide the Independent Auditor's Report to Council after the audit that was commenced week beginning 28 September 2020. The report and final audited statements will be circulated to the Committee out of session.

In accordance with Section 417(5) of the *Local Government Act 1993*, council is required to lodge its Audited Financial Statements and Financial Data Return (FDR) to the Office of Local Government by 31 October 2020. However, due to the COVID-19 pandemic Councils have been provided the option to defer the lodgement by one month. SMRC aims to lodge the financial statement per the original timeline.

As per Section 5.4.7 of SMRC's ARIC Charter, the Committee must *Review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements.*

Council's 2020 Annual Report is under preparation and will be provided to the Committee at its next meeting on 2 December 2020. In accordance with Section 428(1) of the *Local Government Act 1993*, council is required to prepare its annual report and notify the Minister (via OLG) that the Annual Report

has been posted on Council's website by 30 November 2020. However, due to the COVID-19 pandemic Councils have been provided the option to defer the lodgement by one month. SMRC aims to publish its annual report per the original timeline.

The following officer's recommendation is submitted for the Committee's consideration.

COMMITTEE RECOMMENDATION

ARIC33/20

- A. That Council's Audit, Risk and Improvement Committee receive and note the information in the attached:
- DRAFT General Purpose Financial Statements for the year ended 30 June 2020.
 - DRAFT Special Purpose Financial Statements for the year ended 30 June 2020.
- B. That the Financial Statements be referred back to the Committee following the finalisation of the audit process for endorsement at a date to be determined based on the Council and Committee meeting cycle.
- C. That the Annual Report be provided to the Committee at the next meeting.

The Committee thanked Matt Payne, Jacqueline Sullivan and Lawrissa Chan for a job well done.

Moved Chair Tooke

Seconded Mr Vine

CARRIED

Eric Nathaniel left the meeting at 12.30pm during discussion on the Financial Statements.

8.3 EXTERNAL PROVIDER RECOMMENDATIONS PROGRESS

Record No:

Responsible Officer:	Chief Executive Officer
Author:	Senior Internal Auditor
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	10.2 Sound governance practices direct Council business and decision making
Delivery Program Objectives:	10.2.1 Independent audit and risk framework drives accountability
Attachments:	1. External Provider Recommendations Progress Report
ARIC Charter Reference:	5.7.3

EXECUTIVE SUMMARY

External Audits are performed at Snowy Monaro Regional Council for various stakeholders. This report serves to inform Council's Audit, Risk and Improvement Committee (ARIC) of the results of audits performed, progress on recommendations of the audits and relevant information provided by the stakeholders.

The following officer's recommendation is submitted for ARIC's consideration.

COMMITTEE RECOMMENDATION

ARIC34/20

- A. That Council's Audit, Risk and Improvement Committee receive and note the information in the attached progress report on external provider recommendations.
- B. That an update be provided to the Committee at the next meeting.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

8.4 INTERNAL AUDIT RECOMMENDATIONS PROGRESS

Record No:

Responsible Officer:	Chief Executive Officer
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	10.2 Sound governance practices direct Council business and decision making
Delivery Program Objectives:	10.2.1 Independent audit and risk framework drives accountability
Attachments:	<ul style="list-style-type: none">1. Internal Audit Recommendation Progress Report - In Progress2. Internal Audit Recommendation Progress Report - Completed3. 18-19_08-07 (FN06) - Government Information (Public Access) Act Compliance - Request for extension of Target Date4. IA20-1A_R14 (FN16) - Development Assessment - Request for extension of Target Date
ARIC Charter Reference:	5.6.8; 5.6.10;

EXECUTIVE SUMMARY

Internal Audit captures audits, findings and recommendations in the audit register available in the CAMMS Risk module. Progress to date on internal audit recommendations is updated by responsible officers in the CAMMS Risk module. Internal Audit uses this system to monitor, follow-up and validate progress on recommendations. Prior to each meeting, Internal Audit extracts and prepares a report for the Audit, Risk and Improvement Committee (ARIC).

There are 16 recommendations that have been completed since the last meeting, 60 recommendations that are not due and nine overdue recommendations.

COMMITTEE RECOMMENDATION

ARIC35/20

That Council's Audit Risk and Improvement Committee:

- A. Receive and note the information in the *Internal Audit Recommendations Progress* report;
- B. Authorise Internal Audit Sign-off on Recommendations IA19-SAA3, IA19-SAA6, IA19-SAA7 and IA19-SAA8 of the Annual Self-Assessment against the Standards 2018-2019; and
- C. Approve extensions to the following recommendations:
 - (a) 18-19_08 - Government Information (Public Access) Act Compliance
 - (b) IA20-1A - Development Assessment
 - (i) Recommendation IA20-1A_R14 - From 31 August 2020 to 31 December 2020

Moved Mr Barbeler

Seconded Chair Tooke

CARRIED

The Chief Executive Officer left the meeting at 12.48pm returning at 12.52pm.

Matt Payne, Jacqueline Sullivan and Lawrissa Chan left the meeting at 1.00pm.

Adjournment of Meeting

At 1.00pm the meeting adjourned for lunch.

Resumption of Meeting

The meeting resumed at 1.23pm

8.5 INTERNAL AUDIT ACTIVITIES - JUNE TO AUGUST 2020

Record No:

Responsible Officer:	Chief Executive Officer
Key Direction:	4. Leadership Outcomes
Delivery Plan Strategy:	10.2 Sound governance practices direct Council business and decision making
Operational Plan Action:	10.2.1 Independent audit and risk framework drives accountability
Attachments:	<ol style="list-style-type: none">1. DRAFT ARIC and IAF Annual Report 2019-20202. Audit 18-19_07 - Building Security - Internal Audit Report3. IA20-4S - Information Technology General Controls - Internal Audit Report4. IA20-5A - Risk Management - Internal Audit Report
Cost Centre	3136 – Internal Audit
ARIC Charter Reference:	5.6.1; 5.6.5; 5.6.6; 5.6.7; and 5.6.9

EXECUTIVE SUMMARY

This report serves to inform the Audit, Risk and Improvement Committee (ARIC) of the Internal Audit activities for the period June to August 2020.

COMMITTEE RECOMMENDATION

ARIC36/20

That Council's Audit, Risk and Improvement Committee

- Receive and note the information in the report Internal Audit Activities - June to August 2020;
- Recommend inclusion of the Chair's Introduction in the attached DRAFT ARIC and IAF Annual Report 2019-2020.
- Approve the DRAFT ARIC and IAF Annual Report 2019-2020 and recommend that the Annual Report be presented to Council at a briefing session.
- Receive and note the attached:
 - Audit 18-19_07 - Building Security - Internal Audit Report
 - IA20-4S - Information Technology General Controls - Internal Audit Report
 - IA20-5A - Risk Management - Internal Audit Report
- That the new Risk Officer is invited to meet with the Committee so that they can share their observations before the next meeting.

Moved Mr Vine

Seconded Mr Barbeler

CARRIED

8.6 INTERNAL AUDIT - QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP) 2019-2020

Record No:

Responsible Officer:	Chief Executive Officer
Author:	Senior Internal Auditor
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	10.2 Sound governance practices direct Council business and decision making
Delivery Program Objectives:	10.2.1 Independent audit and risk framework drives accountability
Attachments:	<ol style="list-style-type: none">1. Quality Assurance and Improvement Program 2019-2020 - Overall Results2. 2.4 Actual versus Budgeted Analysis 2019-2020 - Summary3. 2.4 Actual versus Budgeted Analysis 2019-2020 - Audit-wise4. 2.5 Audit-wise Customer Feedback Survey 2019-2020 Results_Summary5. 2.5 Audit-wise Customer Feedback Survey 2019-2020 Results_Detail6. 3.2 Annual Self-Assessment against the Standards 2019-20207. 3.4 Annual Customer Feedback Survey 2019-2020 Results_Summary8. 3.4 Annual Customer Feedback Survey 2019-2020 Results_Detail9. 3.9 Annual IIA Standards Assertion 2019-2020
ARIC Charter Reference:	5.6.12

EXECUTIVE SUMMARY

A Quality Assurance and Improvement Program (QAIP) is required for an Internal Audit Function to be compliant with the *International Standards for the Professional Practice of Internal Auditing* (the Standards) contained within the *International Professional Practices Framework* (IPPF) issued by the Institute of Internal Auditors (IIA).

This report presents the results of the QAIP for financial year 2019-2020.

COMMITTEE RECOMMENDATION

ARIC37/20

That Audit, Risk and Improvement Committee receive and note the information in the attached Quality Assurance and Improvement Program 2019-2020 and supporting documents.

Moved Mr Pearson

Seconded Mr Barbeler

CARRIED

8.7 RISK MANAGEMENT UPDATE

Record No:

Responsible Officer:	Chief Strategy Officer
Author:	Governance Administration Support

Key Theme: 4. Leadership Outcomes

CSP Community Strategy: 10.2 Sound governance practices direct Council business and decision making

Delivery Program Objectives: 10.2.1 Independent audit and risk framework drives accountability

Attachments: 1. CivicRisk Due Diligence Report
2. Civic Risk Management Response

Cost Centre

Project

Further Operational Plan Actions:

EXECUTIVE SUMMARY

Recruitment of the Organisational Risk Management Officer has nearly finalised, with the position expected to be filled shortly.

Council has been audited by its new insurer and the report and responses are attached for consideration.

Insurance claims have related predominantly to claims relating to the transport network. The Reservoir public liability claim is continuing with the insurer denying liability for the replacement of the reservoir as reservoirs are excluded except in very specific circumstances.

The following officer's recommendation is submitted for consideration.

COMMITTEE RECOMMENDATION

ARIC38/20

That Council's Audit, Risk and Improvement Committee receive and note the Risk Management Update.

Moved Chair Tooke

Seconded Mr Barbeler

CARRIED

8.8 STRATEGIC SCHEDULE OF REVIEW 2020-2023

Record No:

Responsible Officer: Chief Executive Officer

Key Theme: 4. Leadership Outcomes

CSP Community Strategy: 10.2 Sound governance practices direct Council business and decision making

Delivery Program Objectives: 10.2.1 Independent audit and risk framework drives accountability

Attachments: 1. SMRC ARIC Strategic Schedule of Review 2020-2023

ARIC Charter Reference: 7.1.3

EXECUTIVE SUMMARY

Attached is the *Strategic Schedule of Review 2020-2023* for Council's Audit, Risk and Improvement Committee (ARIC) to enable effective monitoring of achievement ARIC's roles and responsibilities as per its Charter.

The ARIC members met out-of-session to discuss items to be included in this Schedule to enable it to achieve its objectives in the ARIC Charter. Council is awaiting an updated Schedule to be reviewed by the Executive Leadership Team.

COMMITTEE RECOMMENDATION

ARIC39/20

That Council's Audit, Risk and Improvement Committee:

- A. Receive and note the information in the attached *Strategic Schedule of Review 2020-2023*.
- B. Endorse the updated *Strategic Schedule of Review 2020-2023*.
- C. The Chair to meet with the Chief Executive Officer to discuss the work that the Committee has done out of session to review these documents.
- D. The proposed amendment be presented at the next meeting.

Moved Mr Vine

Seconded Mr Pearson

CARRIED

9. GENERAL BUSINESS

The Committee requested the following reports:

- Complaints – suggest two reports per year each covering a 6 month period.
- WHS
- Staff Survey

10. NEXT MEETING

Wednesday, 2 December 2020 – date to be confirmed.

There being no further business the Chair declared the meeting closed at 2.57pm.

CHAIRPERSON

The above minutes of the Audit Risk And Improvement Committee Meeting of Snowy Monaro Regional Council held on 2 October 2020 were confirmed by Committee at a duly convened meeting on 2 December 2020 at which meeting the signature hereon was subscribed.