



SNOWY MONARO
REGIONAL COUNCIL

Minutes

Audit Risk And Improvement Committee Meeting

10 December 2021

**AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COMMITTEE ROOM, 81 COMMISSIONER STREET, COOMA NSW 2628 AND VIA
MICROSOFT TEAMS**

ON FRIDAY 10 DECEMBER 2021

MINUTES

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**MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COMMITTEE ROOM, 81 COMMISSIONER STREET, COOMA NSW 2628 AND VIA
MICROSOFT TEAMS**

**ON FRIDAY, 10 DECEMBER 2021
COMMENCING AT 10.05AM**

PRESENT:

Voting Attendees: Miles Pearson, Independent Member and A/g Chair
John Barbeler, Independent Member
Andrew Cox, Independent Member

Non-Voting Attendees: Peter Bascomb, Chief Executive Officer

Guests: David Rawlings, Chief Strategy Officer
John Bingham, Chief Financial Officer
Sharon Gourlay, Systems Accountant
Beth Barratt-Browne, Chief Workforce Officer
Sandra McEwan, Executive Assistant (Strategy) (Secretariat)

1. OPENING OF THE MEETING

Peter Bascomb announced that Melissa Tooke had resigned as Chair of the Audit, Risk and Improvement Committee.

Miles Pearson accepted the nomination of A/g Chair and opened the meeting at 10.05AM 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 11 NOVEMBER 2021

COMMITTEE RECOMMENDATION	ARIC37/21
That the minutes of the Audit Risk And Improvement Committee Meeting held on 11 November 2021 are confirmed as a true and accurate record of proceedings.	
Moved Mr Barbeler	Seconded Mr Pearson
	CARRIED

5. BUSINESS ARISING

Business Arising Items 8.2 and 8.3 have been moved to another part of the document.

6. PRESENTATIONS

6.1 WORKFORCE MANAGEMENT REPORTS

Record No: I21/416

Responsible Officer:	Chief Strategy Officer
Author:	Chief Workforce Officer
Key Theme:	4. Leadership Outcomes
CSP Community Strategy:	10.1 Planning and decision making is holistic and integrated and has due regard to the long term and cumulative effects
Delivery Program Objectives:	10.1.1 Council has a transparent and bold growth objective which provides a framework for decision making
Attachments:	1. Work Health & Safety Report - July-October 2021 2. Action on Employee Feedback/Surveys

EXECUTIVE SUMMARY

The Work Health & Safety Report and Action on Employee Feedback/Surveys are presented to the Audit, Risk and Improvement Committee for information.

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

Action on Employee Feedback/Survey

Beth Barratt-Browne:

- The Employee survey in April 2021 and ABEF Self-Assessment Survey in November 2021 – data was merged.
- Significant Consultation process was undertaken.
- Working with the Organisation Development team with a focus on improvements.

WHS

Beth Barratt-Browne:

- Workplace Inspections - working with the operational team and commencing monthly reporting.
- Incidents – trending down.

Comments from Committee members:

- Concerns:
 - Only 73 out of 166 workplace inspections completed. Need to monitor these.
 - Internal audit actions – five in the red.

COMMITTEE RECOMMENDATION

ARIC38/21

That the Audit, Risk and Improvement Committee:

- A. Receive and note the information in the report on Work Health & Safety and Action on Employee Feedback/Surveys.
- B. Request the following actions:

Employee Feedback/Surveys

- 1) Staff Survey Summary of Results be recirculated.
- 2) ABEF Focus 6 – who is responsible and timelines. Suggest use of KPIs to monitor the measurement of improvements.
- 3) Service Reviews - schedule, executive summary, results and recommendations. A report which is easier to read and understand.

Work Health & Safety

- 4) Workers Compensation – any near misses.
- 5) Information on the dollar value for incident costs impact on insurance premiums. Statistics on lost time.
- 6) Context on the numbers would be useful.
- 7) Provide ARIC, ELT and Council information on the risk level and risk matrix. High due to workplace inspections not being completed.
- 8) Request this report for ARIC meetings in future.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

Beth Barratt-Browne left the meeting at 10.55am.

7. SPECIAL AGENDA ITEMS

7.1 CHIEF FINANCIAL OFFICER REPORT

John Bingham:

- Challenge with lack of resources of finance staff. Thank you to Sharon Gourlay and Dan Cooper for their work on the Financial Statements. Cost of the audit is expensive and going up every year.
- New Finance Support Officer starting on 13 December 2021. The Systems Accountant role taking on more responsibilities.
- Significant audit issues:
 - RFS – we don't control the assets, should not be recorded. Will get a list of the assets and review them as they need to be recognised in our accounts.
 - Financial sustainability – taking steps to address it. Application for a Special Rate Variations has closed.
 - Cashflow forecast – needs to be more robust.
- Final Management Letter will be issued by the Audit Office early next week.
- 21/22 focus:
 - Assets classifications.
 - Communication with staff on their role, what the expectation is and turn-around time.

Comments from Committee Members:

- Acknowledgement of the finance team being proactive and addressing the issues.
- Endorse the need to have an additional dedicated position in accounting.
- Benefit to having a Financial Statements sub-committee . Suggest including one of the ARIC members.

Peter Bascomb:

- Aged Care - commenced a divestment process with additional time for diligence. Working on improvements with ACFI - significant change to our revenue stream.
- Closure of small business operators - attended Delegate MPS meeting last night.
- At the Council meeting on 18 November 2021 a resolution 'to formulate a committee to address ways to reduce the deficit' was adopted. This will be an Agenda item at the February 2022 meeting.
- CFO FACR meetings have been introduced. Monthly meetings with budget officers which include budget review and costings. New level of accountability and monthly financial management reporting.

Andrew Cox left the meeting at 11.17am during discussion on Item 7.1.

9.1 QUARTERLY BUDGET REVIEW STATEMENT (QBR) TO SEPTEMBER 2021

Record No: I21/407

Responsible Officer:	Chief Financial Officer
Author:	Management Accountant
Key Direction:	4. Leadership Outcomes
Delivery Plan Strategy:	11.2 Council utilises sound fiscal management practices, pursues and attracts other sources of income
Operational Plan Action:	11.2.2 Provision of statutory reporting enables our leaders to make decisions on Council's financial sustainability
Attachments:	1. Quarterly Budget Review Statement - Sept 2021
Cost Centre	W17 Financial Services

EXECUTIVE SUMMARY

THIS REPORT IS A CLONE OF THE REPORT PROVIDED TO COUNCIL FOR THE INFORMATION OF ARIC.

The first quarter (Q1) Quarterly Budget Review Statement (QBR) for 2022 is presented to Council.

The QBR is a summary of Council's financial position as at 30 September 2021 and includes a projection to year end. The QBR outlines the major variations and recommended changes to the adopted 2021/22 Operational Plan from June 2021. These include changes resulting from carry forward projects and adjustments.

2021 QBR projects a net operating deficit before capital items of (\$4.42 million) compared with the Original Budget (\$4.27 million). The increase in deficit is due to (\$95k) in re-votes plus (\$61k) in variations for the quarter.

A significant number of new projects valued at \$24.11 million have been added to the capital works program including carry forwards of \$15.53 million. The total capital expenditure is funded by restricted cash reserves and grants and contributions.

John Bingham:

- Increase of Workers Compensation premium is high due to a massive claim in 2017. A misstatement in the original budget - keeping an eye on it in the next budget cycle.
- Delivery of the capital works program - need project managers. Impact on the council is reputational risk.
- Grant funding – merged councils have received significant funding from the merged process. Bushfires and Covid – stimulus funding. States have put back the completion deadline by 12 months, they recognised that competing for contractors is rising every month.
- Issue of budget development and forecasting. No phasing in place - aware of the problems.
- Cash flow forecasting - have touch based with a US based expert. In the process of developing a model plan.

COMMITTEE RECOMMENDATION

ARIC39/21

That the Audit, Risk and Improvement Committee:

- A. Receive and note the information on the Quarterly Budget Review Statement to September 2021.
- B. A reconciliation on the waste revenue and expenditure movement in the budget be presented at the next meeting.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

9.2 MONTHLY FUNDS MANAGEMENT REPORT - OCTOBER 2021

Record No: I21/408

Responsible Officer:	Chief Financial Officer
Author:	Finance Officer
Key Direction:	7. Providing Effective Civic Leadership and Citizen Participation
Delivery Plan Strategy:	DP7.6 Increase and improve Council’s financial sustainability.
Operational Plan Action:	OP7.18 Effective management of Council funds to ensure financial sustainability.
Attachments:	Nil
Cost Centre	Financial Services
Project	Funds Management
Further Operational Plan Actions:	OP7.2 Completion of reporting requirements in accordance with legislation.

EXECUTIVE SUMMARY

THIS REPORT IS A CLONE OF THE REPORT PROVIDED TO COUNCIL AND IS PROVIDED FOR THE INFORMATION OF ARIC.

The following report details the funds management position for the reporting period ending 31 October 2021.

Cash and Investments are \$79,460,096.

Certification

I, John Bingham, Responsible Accounting Officer of Snowy Monaro Regional Council hereby certify, as required by Clause 212 of the Local Government (General) Regulation 2005, that investments as detailed in this report have been invested in accordance with Section 625 of the *Local Government Act 1993*, the Regulations and Council's Investment Policy.

COMMITTEE RECOMMENDATION	ARIC40/21
That the Audit, Risk and Improvement Committee receive and note the information in the Monthly Funds Management Report – October 2021.	
Moved Mr Barbeler	Seconded Mr Pearson
	CARRIED

Sharon Gourlay left the meeting at 12.15pm.

Adjournment of Meeting

The meeting adjourned for lunch at 12.15pm.

Resumption of Meeting

The meeting resumed at 12.35pm.

8. REPORTS

8.1 CHIEF EXECUTIVE OFFICER REPORT

Record No: I21/415

Responsible Officer: Chief Executive Officer

Author: Chief Strategy 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: Nil

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.

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

Peter Bascomb:

- No issues of reported fraud.
- Making serious headway with plans and reporting with the full Executive Leadership Team in place.
- Challenging two year period with drought, bushfires, floods and Covid. BAU as best we can. State and Federal Government imposing unreasonable timeframes.
- Concerns taking on additional grant funding and work.
- Recruitment issues - contracting and retaining staff due to accommodation shortage. Key risk is sustainability of the organisation and delivery of services.
- Cost savings with vacant positions - not all vacant positions were funded in the budget.
- Some Customer Service and other staff flooded in at home due to weather events.
- Residential Aged Care - no divestment will be a risk to the organisation. Federal government response to the RAC Royal Commission is under-whelming. Increasing number of RACs closing and consolidating.
- RFS – previously the assets were taken out of the Financial Statements. Hot issue this year. Council does not control the assets. Will be taken to the new Council for determination.
- Christmas functions – afternoon teas at each Council office to reflect over the last 12 months. Also the End of Term and Annual Report which highlight the projects delivered, improvements and change. Can be proud of what we have achieved.
- Challenge with new councillors – getting them up to speed and across the issues will be a massive task. No Special Rate Variation will be difficult. Future Council meetings proposed as the fourth Thursday of the month to allow the CFO team to complete the monthly reporting.
- Induction for Councillors – two days by LGNSW. An induction by SMRC will include the IP&R and understanding of the current financial situation.

Requested action by Committee Members:

- Enquiry as to the replacement for Melissa Tooke as Chair and if we could use the recent selection process to fast track this action.
 - Peter Bascomb commented that this would preclude the current members of being Chair. Appointment of a Chair is different to independent members. Will start the process now with a report to Council in February 2022.

COMMITTEE RECOMMENDATION

ARIC41/21

That the Audit, Risk and Improvement Committee:

- A. Receive and note the information provided by the Chief Executive Officer.
- B. Request the following actions:
 - 1) The nominated ARIC representative Councillor has finance knowledge.
 - 2) Audit Office reports and Management Letter is included in the Councillor induction.
 - 3) Replacement for Melissa Tooke as Chair - fast track this process.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

Peter Bascomb left the meeting at 1.07pm.

BUSINESS ARISING

8.3 ARIC RESOLUTION UPDATES

Record No: I21/414

Responsible Officer:	Chief Executive Officer
Author:	Chief Strategy 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. Resolution Updates
Cost Centre	
Project	
Further Operational Plan Actions:	

EXECUTIVE SUMMARY

Attached is a report in the outstanding recommendations and notes as to their current status. New update are highlighted in **Red**.

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

Minutes 11 November 2021

- 35/21 – 7.1 Update on Financial 2021 – closed.
- 36/21 – 9.1 Items for the next meeting - closed.

Minutes 27 September 2021

- 5.1 - ARIC resolution updates. ARIC resolution updates be placed on the Agenda under Business Arising in future - open.
- 27/21 – 8.2 Interim Audit Management Letter:
 - Interim Audit Management Letter noted - closed.
 - Request prompt action to rectify unresolved issues – open.
- 28/21 – 8.3 Draft Financial Statements for Period ending 30 June 2021 – closed.
- 29/21 – 8.1 CRJO Proposal for Shared Internal Audit Service:
 - Continue to explore a shared internal audit service and related services with the CRJO – closed.
 - CRJO Comprehensive Business Case to support the recommendation - open.
- 30/21 – 8.4 Interim Internal Audit Services:
 - National Audits Group be engaged to provide interim internal audits as per the EOI list and commence as soon as possible – open.
- 31/21 – 8.5 Audit Actions Progress:
 - Receive and note the progress on the Audit Recommendations – closed.
 - Recommend that ELT regularly discuss the status of Audit Recommendations – open.

- 32/21 – 8.6 ARIC Resolution Updates:
 - Note the information in the ARIC Resolution Updates – closed.
 - Review the Audit Program in March 2022 – open.
- 9.1 Future ARIC meetings – closed.

Action Sheet

8.3 Resolution updates:

- 13/21 – Risk Management update:
 - A - Receive and note information in the report – closed.
 - B - Request copies of RMC findings, Crowe Consulting report, Register of Operational and Strategic Risks, detailed Implementation Plan, Monaro Rail Trail Risk Assessment – open.
 - C RMO give consideration of the process of risk reporting as part of the establishment of the ERM Framework – open.
- 14/21 – Audit Actions Progress – open.
- 24/21 – Internal Audit as a Service:
 - A – Provide feedback to the CEO by the end of July 2021 on the questions and concerns on the models – closed.
 - B - CSO will expedite activity to engage an internal audit provider through Vendor Panel – open.

COMMITTEE RECOMMENDATION

ARIC42/21

That the Audit, Risk and Improvement Committee receive and note the information in the ARIC Resolution Updates report.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

8.2 AUDIT ACTIONS PROGRESS

Record No: I21/404

Responsible Officer: Chief Executive Officer
 Author: Chief Strategy 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 actions status update
 2. Requests for extension of due dates
 ARIC Charter Reference: 5.6.8; 5.6.10;

EXECUTIVE SUMMARY

Resourcing remains an issue with follow up of the internal audit actions.

Monthly reporting to ARIC on the status of the actions has commenced and will be used as a tool to focus management on the need to proactively resolve the outstanding actions. The issue of the need

to determine the path forward on the range of outstanding issues was then taken to the Senior Management Team. Monthly reporting will soon commence and as part of that the audit actions will be circulated to the relevant officers on a monthly basis, so that there is increased visibility of the actions required to be undertaken. The CEO's performance agreement has also included an assessment on whether the findings of audits are given a priority.

The incomplete (or recently completed) audit actions are included in the attachment. Each has been coded as to whether the action is considered likely to be achieved (Green), in doubt (Yellow) or not to be achieved by the target date (Red). This assessment is made by the Chief Strategy Officer based on the information provided by the relevant officers. This will be the basis of discussions on the actions with the Executive Management Team about the direction forward.

As previously discussed, there is a range of outstanding action items that need to be reviewed to consider whether the Council is in a position to fund the projects as well as a need to consider the timeframes other actions need to be completed.

Council has faced difficulty in recruiting to the risk officer position and this has meant that a number of actions that were dependent on that resource have not been able to be achieved.

David Rawlings:

- Actions in progress towards the targets. Will require more pressure from ELT to obtain updates. No key system in place.

Comments from Committee Members:

- Business owners of reports need to review all recommendations – accept them and implement them or push back and provide some explanation as to why the recommendation is not going to be done and acceptance of the reputational risk ongoing.
- Frustration and dissatisfaction for the committee. Meeting after meeting there is not much progress and no updates for the committee. Solution or control not put in place – liability exposure here.
- There are 40-50 outstanding recommendations which go back to 2019.
- Payroll, WHS and Building Security – request that the staff members who are responsible come to the next meeting and talk to the committee about audit actions that are outstanding.
- Potential full ARIC with Chair and Councillor representative at the next meeting.

COMMITTEE RECOMMENDATION

ARIC43/21

That the Audit, Risk and Improvement Committee:

A. Receive and note the information in the Audit Actions Progress report.

B. The following changes to due dates be agreed to:

(a) Audit: IAF2007-00 Risk Management

(i) IA20-5A_R01 (OB01) – Date extended to 30 June 2022,

(ii) IA20-5A_R02 (OB02) – Date extended to 30 June 2022,

(iii) IA20-5A_R03 (OB03) – Date extended to 30 June 2022, and

(iv) IA20-5A_R05 (OB03) – Date extended to 31 January 2022.

C. Accept the proposed extension dates of the audit actions.

D. Request verbal updates for audit actions and progress of recommendations at the March 2022 meeting from the following Executive staff:

- Chief Workforce Officer for Payroll and WHS.
- Chief Operating Officer for Building Security.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

Item - 8.3. ARIC Resolution Updates - has been moved to another part of the document.

9. GENERAL BUSINESS

Item - 9.1. Quarterly budget review statement (QBRS) to September 2021 - has been moved to another part of the document.

Item - 9.2. Monthly funds management report - October 2021 - has been moved to another part of the document.

9.3 CURRENT RISK REGISTER

Record No: I21/409

Responsible Officer: Chief Executive Officer
Author: Chief Strategy 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. Current risk register
Cost Centre
Project
Further Operational Plan Actions:

EXECUTIVE SUMMARY

ARIC has previously requested to see a copy of the Council's strategic and operational risks. Attached is the list of risks currently contained within the Council's risk register. As has been previously advised, the risk register is seen to be substantially incomplete and a significant body of work is required to get the register into a useful state.

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

David Rawlings:

- The current Risk Register is not a comprehensive assessment of what we are facing. Our risk system is immature. No Risk Officer in place and a lack of staff resources has resulted in the register not being updated.
- ELT have adopted a new template for council reporting. It includes a summary of risk assessments.

Comments from Committee Members:

- Risk assessment without a Risk Officer is not as robust as it should be.
- Delivery Plan – each division should do a business plan with objectives, goals and key projects.
- What actions are there to mitigate? Discuss key risks with the managers.
- ERM framework - when can we assure the system reflects the business management system. The Risk Officer does not own the risk. Encourage the CEO to get the ERM underway and implement it.

COMMITTEE RECOMMENDATION

ARIC44/21

That the Audit, Risk and Improvement Committee:

- A. Receive and note the information in the Current Risk Register report.
- B. Expressed concern with the immaturity of risk management in Council and recommends senior management to integrate risk management as part of the business planning process.

Moved Mr Barbeler

Seconded Mr Pearson

CARRIED

Miles Pearson thanked David Rawlings, John Bingham and Sandra McEwan for preparation of the meeting. He wished everyone a Happy Christmas and New Year.

10. NEXT MEETING

Monday, 21 March 2022.

There being no further business the Chair declared the meeting closed at 2.15pm

CHAIRPERSON

The above minutes of the Audit Risk And Improvement Committee Meeting of Snowy Monaro Regional Council held on 10 December 2021 were confirmed by Committee at a duly convened meeting on 21 March 2022 at which meeting the signature hereon was subscribed.