



SNOWY MONARO
REGIONAL COUNCIL

Minutes

Audit Risk And Improvement Committee Meeting

20 June 2022

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

ON MONDAY 20 JUNE 2022

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 VIA
MICROSOFT TEAMS**

**ON MONDAY, 20 JUNE 2022
COMMENCING AT 10.05AM**

PRESENT:

Voting Attendees:

Michael Quirk, Independent Member (*Chair*)
Miles Pearson, Independent Member
John Barbeler, Independent Member
Andrew Cox, Independent Member
Councillor Lynda Summers, Council Member

Non-Voting Attendees:

Peter Bascomb, Chief Executive Officer

Guests:

David Rawlings, Chief Strategy Officer
Councillor Tricia Hopkins, Council Member (*Alternate*)
Mayor Narelle Davis
Gary Mottau, A/g Chief Financial Officer
Scott Goudie, Coordinator ICT
Richard Doolan, Chief Workforce Officer
Jeff Morgan, Chief Operating Officer
Phil Swaffield, National Audits Group
Lawrissa Chan, Director - Financial Audit - Audit Office of NSW
Furqan Yousuf, Audit Leader - Financial Audit - Audit Office of NSW
Sandra McEwan, Executive Assistant (Strategy) (*Secretariat*)

1. OPENING OF THE MEETING

The Chair opened the meeting at 10.05AM with Acknowledgement of Country and showing respect to the elders past, present and emerging of the lands upon which the meeting took place.

2. APOLOGIES

NIL.

3. DECLARATIONS OF PECUNIARY INTERESTS/CONFLICT OF INTEREST

Nil.

Reports 8.1, 8.2 and 8.3 were moved to this section of the meeting.

Attendance of Director – Financial Audit and Audit Leader, Audit Office NSW

Lawrissa Chan, Director – Financial Audit and Furqan Yousuf, Audit Leader joined the meeting at 10.05am.

8.2 MANAGEMENT LETTER ON THE PLANNING PHASE OF THE AUDIT

Record No: I22/323

Lawrissa Chan reported that there were ten issues including two high risk issues:

- Council’s Financial Sustainability – robust cash flows analysis completed.
- Deficiencies in Financial Controls – issue to remain open and monitored at the Interim audit visit.

John Barbeler requested a report from management on the status.

Gary Mottau:

- Cash flow - process started at the last committee meeting. We have reported unrestricted cash every month since March to the council.
- Financial controls – We reported to the council in April 2022 that we have rolled the ledger. We have not rolled the stormwater drainage yet, progressively working through all the issues. Soft close was scheduled for 31 May 2022 and was the basis of the May monthly budget review included elsewhere in this agenda.
- Forecasting the actual result is in the monthly funds management report to Council. Council’s expenditure is only accessing the funds for the purpose that is intended.

Michael Quirk noted that progress is being made and he will liaise with staff before the next meeting.

COMMITTEE RECOMMENDATION

ARIC13/22

That the Audit, Risk and Improvement Committee receive and note the information in the management letter on the planning phase of the audit as progress of the external audit of the general and special purpose financial reports for the year ending 30 June 2022.

Moved Mr Pearson

Seconded Mr Barbeler

CARRIED

8.1 ENGAGEMENT LETTERS (2) FOR THE LOCAL ROADS AND COMMUNITY INFRASTRUCTURE PROGRAM (LRCI) FOR THE YEARS ENDED AND ENDING 30 JUNE 2021 AND 2022 RESPECTIVELY

Record No: I22/357

Lawrissa Chan noted that one of the engagements had been successfully completed.

COMMITTEE RECOMMENDATION	ARIC14/22	
That the Audit, Risk and Improvement Committee receive and note the additional audit engagements being conducted and to be conducted for compliance with grant funding agreements for the year ended and ending 30 June 2021 and 2022 respectively.		
Moved Mr Barbeler	Seconded Mr Pearson	CARRIED

Lawrissa Chan and Furqan Yousuf left the meeting at 10.30am.

Attendance of National Audits Group

Phil Swaffield, National Audits Group joined the meeting at 10.30am.

8.3 RATES MANAGEMENT - FINAL INTERNAL AUDIT REPORT WITH MANAGEMENT RESPONSES

Record No: I22/358

<p>Phil Swaffield commented on the Rates Management Internal Audit:</p> <ul style="list-style-type: none">• Minor non-compliance, resourcing issues, reminder notices not sent out on time.• No extreme issues, but areas for improvements. <p>Comments from Committee members:</p> <ul style="list-style-type: none">• Positive commentary was not included in the final report, request that it be incorporated in the future.• Reasonable assurance – request that it be taken out in future as it is not appropriate for internal audits.• Provide assurance over the risks and a sense of categories of risk in the future.• Noted the observation relating to Rates outstanding indicator for 2020/21.• The report and format well received. <p>Gary Mottau:</p> <ul style="list-style-type: none">• Rates and annual charges were previously incorrectly calculated – will be restated this year.• Most significant positive issue missing in the report is the timely processing of supplementary rates.• Reminder notices are now being issued in a more timely manner with missed 4th instalment notices going out this week. Rate arrears should come down as there is evidence of improvements in rates collections.• Two new rates staff have commenced recently.

COMMITTEE RECOMMENDATION	ARIC15/22	
That the Audit, Risk and Improvement Committee receive and note the audit opinion, recommendations and management’s responses in respect of rates management activities.		
Moved Mr Cox	Seconded Mr Barbeler	CARRIED

Phil Swaffield left the meeting at 10.45am.

Reports 6.1, 6.2 and 6.3 were moved to this section of the meeting.

Attendance of ITC

Scott Goudie, Coordinator ITC joined the meeting at 10.45am.

6.1 INFORMATION TECHNOLOGY GENERAL CONTROLS

Scott Goudie:

- Cyber security incidents registered in content manager including:
 - Two fraud attempts. Procedures were not followed. Investigations ongoing from police.
 - Accounts payable received an invoice from a 'spam' vendor.
 - Hackers accessed the exchange server. Picked up in time before any damage occurred.
- Risk assessment (reopen this item – not completed):
 - Patches have put down Civica Authority. Need to identify problems, and how to handle them.
 - Quarterly Cyber report and annual penetration testing and disaster recovery testing.
 - Risk actions to be uploaded in CAMMS and update report to be provided to ARIC.
 - Work to standards and guidelines, no documented process.
- Cyber awareness training for all staff - using ELMO with interactive training processes.
- Spiceworks – currently looking for a better online service provider. In progress, not completed.
- Legacy networks from previous shires - decommission old legacies. High priority and extreme risk for the organisation.
- User access - consolidating networks from previous shires and ensuring staff have the right access. Identified and ongoing.

Committee members:

- Requested a feedback report on risk assessment at the next meeting and once completed engage ARIC for discussion.
- Contractors – ensure when they come into the organisation they undertake cyber security and WHS training.
- Formalise the response plan including what actions and communications to take.
- Noted that SMRC is not a Member of Cyber Security NSW group.
- OB10.01 Disaster Recovery Plan should be reassigned from Risk Management to ITC.

Scott Goudie left the meeting at 11.40am.

Adjournment of Meeting

The meeting adjourned for a break at 11.40am.

Resumption of Meeting

The meeting resumed at 11.50am.

Attendance of Chief Operating Officer and Manager Built & Natural Environment

Jeff Morgan, Chief Operating Officer and John Gargett, Manager Built & Natural Environment joined the meeting at 11.50am.

6.2 DEVELOPMENT ASSESSMENT

John Gargett -

- Procedure for Development Applications:
 - A - B – more work required, not completed.
 - C – completed:
 - Planning portal checklist determines legislative items – addressed, documented and signed off.
 - Onsite inspections for DAs. Recorded in the Authority system.
 - Returns – information from the planning portal.
 - Policies adopted.
 - D – J – completed.

Jeff Morgan pointed out that a cut to services with no rate rise and no DA help assistance will impact on A and B.

John Gargett left the meeting at 12.04pm.

6.3 BUILDING SECURITY

Jeff Morgan –

- Key Register - no further action, lack of resources.
- Photo ID cards – no budget allocated.
- Alarms and surveillance cameras – no budget allocated. Installation of surveillance at waste facilities due to inappropriate behaviour from the community.
- Swimming pools – problematic cost for delivering the service.
- Updates in CAMMS will give clarity on actions taken and recorded in the system.

Committee members:

- High risks – nothing will change until there is an available budget. Need more positive response from management. Not addressing the risk, but accepting the risk. Request some definitive closure on the high risk resolutions at the next meeting in September 2022.
- Audit recommendations hang around for 3-5 years – onus on management to do something and address these risks.

John Barbler left the meeting at 12.20pm and returned at 12.25pm during discussion on Item 6.3.

Jeff Morgan left the meeting at 12.28pm.

4. ADOPTION OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING 21 MARCH 2022

COMMITTEE RECOMMENDATION	ARIC16/22	
THAT the minutes of the Audit Risk And Improvement Committee Meeting held on 21 March 2022 are confirmed as a true and accurate record of proceedings.		
Moved Mr Barbeler	Seconded Mr Pearson	CARRIED

5. BUSINESS ARISING

5.1 ARIC RESOLUTION UPDATES

Record No: I22/383

Michael Quirk: <ul style="list-style-type: none">Intend to hold meetings with senior staff to obtain better understanding of outstanding action items. A more streamlined process with dialogue and raising concerns between ARIC meetings. Needs improvement so that we can come back to the next meeting with better information for the committee.Some action items are two or more years old which need to be eliminated or reworded.Risks need to be formally accepted as a risk by management or address them in one way or another.<ul style="list-style-type: none">Peter Bascomb agreed to participate in a meeting to discuss action items. <p>John Barbeler requested that actions not picked up in the Resolution updates be included in the Business Arising section of the Agenda for the next meeting.</p>

COMMITTEE RECOMMENDATION	ARIC17/22	
A. That the Audit, Risk and Improvement Committee receive and note the information in the ARIC Resolution Updates report.		
B. That ELT review and examine older items for the value of their continued inclusion in the ARIC Resolution Updates Report.		
Moved Councillor Summers	Seconded Mr Pearson	CARRIED

5.2 AUDIT RECOMMENDATION UPDATES

Record No: I22/377

Committee members: <ul style="list-style-type: none">Audit Recommendations Summary table. Note a number of recommendations completed in this quarter. Question on how many completed since March 2022? Request an extra column to show this information.
--

- Extension of target date requests, noted. If ARIC does not approve the extension and if management accepts this, ARIC becomes part of the operations of council.

David Rawlings:

- Explained that the first target date is set. If a change is required, the extension request form is completed and presented to ARIC for approval.
- Risk appetite. Risk assessment is now part of council reports, there is a risk management framework in place. Pushing staff to use the matrix.
- Large body of work for one person – no Risk Officer. Recruitment for this position has been a problem due to salary and accommodation issues.

COMMITTEE RECOMMENDATION

ARIC18/22

That

- A. The Audit, Risk and Improvement Committee receive and note the information in the ARIC resolution updates report.
- B. The following changes to due dates be noted:
 - a. Audit IAF2005-00, Recommendation OB06-01 from 30 June 2022 to 30 October 2022.
 - b. Audit IA20-5A, Recommendation IA20-5A_R01 (OB01) from 30 June 2022 to 30 June 2023.
 - c. Audit IA20-5A, Recommendation IA20-5A_R02 (OB02) from 30 June 2022 to 31 August 2023.
 - d. Audit IA20-5A, Recommendation IA20-5A_R03 (OB03) from 30 June 2022 to 31 August 2023.
- C. That the Audit, Risk and Improvement Committee note the extension of target dates, however express concern about the continuing exposure of Council to weaknesses identified in Internal Audits that remain unresolved for extended periods of time.

Moved Mr Pearson

Seconded Mr Cox

CARRIED

6. PRESENTATIONS

Items 6.1, 6.2 and 6.3 have been moved to another part of the document.

7. SPECIAL AGENDA ITEMS

Nil.

8. REPORTS

Item - 8.1. Engagement Letters (2) for the Local Roads and Community Infrastructure Program (LRCI) for the years ended and ending 30 June 2021 and 2022 respectively - has been moved to another part of the document.

Item - 8.2. Management Letter on the Planning Phase of the Audit - has been moved to another part of the document.

Item - 8.3. Rates Management - Final Internal Audit Report with Management Responses - has been moved to another part of the document.

Adjournment of Meeting

The meeting adjourned for lunch at 1.00pm.

Resumption of Meeting

The meeting resumed at 1.25pm.

Attendance of Chief Workforce Officer

Richard Doolan, Chief Workforce Officer joined the meeting at 1.25pm.

8.4 WORKFORCE MANAGEMENT REPORT

Record No: I22/384

Responsible Officer:	Chief Executive 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 February - May 2022

EXECUTIVE SUMMARY

The Work Health & Safety Report February – May 2022 is presented to the Audit, Risk and Improvement Committee for information.

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

Richard Doolan:

- WH&S has positive signs in place. Our new Team Leader WH&S is bringing enthusiasm and has lots of ideas going forward. An additional staff member commencing soon.
- Workplace Inspections happening now.
- Projects – business excellence framework (ABEF) and service reviews. Positions for Team Leader and Project Officer not recruited, interviewed twice without success. These roles will assist service review outcomes, map and improve the processes.
- Trend on psych – impact to the organisation. Injuries include mental illness, bullying and abuse. Need to support our staff. Working on resilience and tracking situations.
- Tracking the near misses. Vault not being used to its full extent, some training for staff required.
- Alcohol testing conducted on a random approach. No drug testing in place.
- Monthly reporting to ELT regarding workforce on recruitment, retention, unplanned leave, flex balance and trends. This report to be provided to ARIC on a periodic basis.

Committee Members:

- Good WH&S report – well done.
- Injury frequency rate – fantastic results.
- Visibility of State Cover – request a report.

COMMITTEE RECOMMENDATION

ARIC19/22

That the Audit, Risk and Improvement Committee receive and note the information in the report on Work Health & Safety Report February – May 2022.

Moved Mr Barbeler

Seconded Councillor Summers

CARRIED

Richard Doolan left the meeting at 1.50pm.

8.5 INVESTMENT POLICY REVIEW

Record No: I22/342

Gary Mottau advised that the Investment Policy is due for review.

Committee members requested any revised draft of the policy be brought back to ARIC for their review prior to presenting to council as a draft to go on public exhibition prior to adoption.

COMMITTEE RECOMMENDATION

ARIC20/22

That the Audit, Risk and Improvement Committee notes the review of the Investment Policy and requests any revised draft of the policy be brought back to ARIC for adoption.

Moved Mr Quirk

Seconded Councillor Summers

CARRIED

8.6 CONSIDERATION OF AN INDEPENDENT AUDIT

Record No: I22/368

David Rawlings advised that the councillors have made the decision to receive a scope for an independent audit. The staff are not involved in this audit.

Councillor Summers:

- Requested that the Chair of ARIC participate in discussions of the scope to ensure consistency and make sure the wording is right.
- Platform which is attractive to the community and what they want.

Mayor Narelle Davis advised that an Audit Scoping Workshop has been organised for 30 June 2022 for councillors and she encourages ARIC to work with Council in regard to this process.

Michael Quirk commented that it was unclear on what is the audit intending to provide for Council. Important to get the scoping right and ARIC to have some input to add value to the process.

COMMITTEE RECOMMENDATION

ARIC21/22

- A. That the Audit, Risk and Improvement Committee receive and note the information.
- B. That the Chair of ARIC provide advice towards the scope of the independent audit and support input to the final report.
- C. That the final report is presented to ARIC for pre-adoption before it goes to Council.

Moved Mr Quirk

Seconded Mr Barbeler

CARRIED

8.7 YEAR-END CHECK LIST PROJECT PLAN 2022

Record No: I22/332

Gary Mottau:

- Included list by the Audit Office of NSW. Trying to achieve a timely completion and get rid of high risk matters e.g. RFS, financial sustainability, unrestricted cash, control over expenditure and income. Income is grant dependant. Grant reporting and acquittals needs to happen much quicker.
- Audit Office of NSW will next visit on 4 July 2022 for the interim audit. Waiting on the revaluation of water and wastewater assets and swimming pools. Need to meet the 31 October 2022 deadline for the financial statements. The Engagement Closing report is expected to be issued on 19 October 2022.

Committee members:

- Timeliness of the financial statements issue in the past. A project plan was not previously managed or monitored.
- Quality and assurance was not happening. Preparation work not adequate. Concern regarding the completion of the draft financial statements by the Office of Local Government for the 31 October 2022 deadline.

Peter Bascomb announced the new CFO and Manager Finance are commencing on 28 June 2022. Confident in having the resources to move forward.

COMMITTEE RECOMMENDATION

ARIC22/22

That the Engagement Information Request 2022 provided by the Audit Office of NSW be received and the progress in respect of the audit of the financial statements for the year ending 30 June 2022 be noted.

That the Audit, Risk and Improvement Committee request the Chief Financial Officer provide an update on the status of the Financial Statements and an update on the tracking of revaluations.

Moved Mr Cox

Seconded Mr Barbeler

CARRIED

8.8 MONTHLY FUNDS MANAGEMENT REPORT - MAY 2022

Record No: I22/362

Gary Mottau put forward an amendment for the Officer's Recommendation:

- That the Audit, Risk and Improvement Committee receive and note the Monthly Funds Management Report – May 2022.
- Delete Parts B and C (relevant to the June 2022 Council meeting).

Committee Members:

- Concern regarding project management. Confidence and level of assurance that projects can be delivered on time, on budget and on quality. For discussion at a future meeting.
- Internal borrowings from the Water Fund - application for approval for six projects?
 - Peter Bascomb advised the application was submitted to the Office of Local Government in December 2021 and is still being considered.

COMMITTEE RECOMMENDATION

ARIC23/22

That the Audit, Risk and Improvement Committee receive and note the Monthly Funds Management Report – May 2022.

Moved Mr Pearson

Seconded Mr Quirk

CARRIED

8.9 MONTHLY BUDGET REVIEW STATEMENT (MBRS) TO 31 MAY 2022

Record No: I22/363

Gary Mottau:

- Council now receiving monthly reports. This report was considered at the Council meeting in June 2022.
- Long Term Financial Plan for the community – Extraordinary Council meeting 23 June 2022 for adoption. Scenario 1 means no rate rise and service cuts. Scenarios 2, 3 and 4 means an increase in rates and various levels of services provided.

COMMITTEE RECOMMENDATION

ARIC24/22

That the Audit, Risk and Improvement Committee receive and note the subject report was considered by the Council at its June 2022 meeting, including the following recommendation:

That the Budget Review Statement for the month ended 31 May 2022 be received and the variations noted therein be approved.

Moved Mr Quirk

Seconded Mr Pearson

CARRIED

8.10 CHIEF EXECUTIVE OFFICER REPORT

Record No: I22/389

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:

- Fraud – email to payroll to modify a staff member's bank details.
- Plans and strategies being presented to the Extraordinary Council meeting on 23 June 2022 for adoption:
 - Long Term Financial Plan (with 3 scenarios of possible rate rise plus a base case of no SRV requiring service cuts to balance the budget). Further community consultation will continue with a view to a Council decision whether to lodge an EOI to IPART in November 2022. Any final submission to IPART would be due in February 2023 for an SRV to apply in the 2023/2024 financial year.
 - Delivery Program 2022-2026
 - Operational Plan 2022-2023
 - Revenue Policy 2022-2023
 - Fees & Charges 2022-2023
 - Resourcing Strategy:
 - Workforce Management Strategy
 - Asset Management Policy
 - Asset Management Strategy
 - Asset Management Plans (need to fund our Asset Management Program – grants will not cover the ongoing costs)
- Divestment of Aged Care – ongoing. Work continues to ensure income matches levels of service to improve financial position.

- Have not had a stable Executive Leadership Team since late 2018 leading to difficulties in implementing consistent improvements across the organisation. A Chief Workforce Officer has been recruited. A new Chief Financial Officer and Manager Finance commencing on 28 June 2022, both have Local Government experience
- Moving forward very slowly in culture risks, dislike of change and unable to get resources into critical positions.
- Roads – huge maintenance workload for the roads crews due to floods, still have closed roads around the region.

COMMITTEE RECOMMENDATION

ARIC25/22

That the Audit, Risk and Improvement Committee receive and note the information provided by the Chief Executive Officer.

Moved Mr Pearson

Seconded Mr Barbeler

CARRIED

9. GENERAL BUSINESS

9.1 AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

Committee Members:

- ARIC Charter to be reviewed – out of date, due for review in March 2020.
- Ensure the Charter is consistent with Office of Local Government Guidelines.
- Note that the updated OLG Guidelines have not been issued.

COMMITTEE RECOMMENDATION

ARIC26/22

That the Audit, Risk and Improvement Committee Charter be circulated out of session, information to be provided to David Rawlings and brought back to the meeting in September 2022 for discussion and adoption.

Moved Mr Cox

Seconded Mr Pearson

CARRIED

9.2 AUDIT ACTION PLAN

David Rawlings:

- CRJO joint approach for a new audit action plan – not progressed.
- Engaged National Audits Group to develop a SMRC audit action plan.

10. NEXT MEETING

Monday, 12 September 2022

There being no further business the Chair declared the meeting closed at 3.25pm

CHAIRPERSON

The above minutes of the Audit Risk And Improvement Committee Meeting of Snowy Monaro Regional Council held on 20 June 2022 were confirmed by Committee at a duly convened meeting on 12 September 2022 at which meeting the signature hereon was subscribed.