



northern
beaches
council

MINUTES

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

held in the Flannel Flower Room, Civic Centre, Dee Why on

TUESDAY 10 MARCH 2020

Commencing at 2:02pm

Minutes of the Audit, Risk and Improvement Committee Meeting held on Tuesday 10 March 2020 in the Flannel Flower Room, Civic Centre Dee Why

ATTENDANCE:

Voting Members of the Committee

Mr Stephen Horne (Chair)
Mr Mark McCoy
Ms Sarah Richardson (via conference call)
Cr Sarah Grattan
Cr Sue Heins
Cr David Walton

Council Officers (non-voting)

Mr Ray Brownlee PSM	Chief Executive Officer
Mr Jeff Smith	Director Corporate and Legal
Ms Karen Twitchett	Director Workforce and Technology
Ms Louise Kerr	Director Planning and Place
Mr Todd Dickinson	Director Environment and Sustainability
Mr David Walsh	Chief Financial Officer
Mr Terry Burrell	Deputy CFO, Transactional Accounting
Mr Naren Gangavarapu	Chief Information Officer
Ms Sonya Gallery	Executive Manager Governance and Risk
Ms Caroline Foley	Executive Manager Financial Planning and Systems
Mr Mark Jones	Executive Manager Strategy Performance and Improvement
Mr Carel Bothma	Executive Manager Human Resources
Mr Yianni Mentis	Executive Manager Environment and Climate Change
Mr Michael McDermid	Manager Corporate Strategy
Mr Rob Koopman	Manager Insurance and Risk
Ms Aline Fernandes	Internal Auditor
Ms Pamela Tasker	Administration Officer Internal Audit

Council Auditors (non-voting)

Ms Karen Taylor	Director of Financial Audit Services, Audit Office of NSW
Ms Sarah Cain	Internal Audit, Partner, KPMG
Ms Aisling Kilgannon	Internal Audit, Senior Manager, KPMG

Special Presentation (by invitation)

Mr Cameron Rae	Laminar Capital Pty Ltd
----------------	-------------------------

Table Of Contents

1.0	APOLOGIES	4
2.0	DISCLOSURES OF INTEREST	4
3.0	CONFIRMATION OF MINUTES OF PREVIOUS MEETING	4
4.0	AGENDA ITEMS RESOLVED BY EXCEPTION	4
5.0	ACTION ITEMS FROM MINUTES	5
5.1	Action Items from Minutes	5
6.0	STANDING ITEMS	5
6.1	Verbal Update by the Chief Executive Officer	5
6.2	Finance Update	6
7.0	IMPROVEMENT	7
7.1	The Australasian Local Government Performance Excellence Benchmarking Program - 2018/19	7
7.2	December 2019 Quarterly Performance Results	8
7.3	Northern Beaches Council Improvement Report	9
8.0	FRAUD AND RISK MANAGEMENT	10
8.1	Governance, Risk and Compliance Update	10
8.2	Work Health & Safety and Injury Management Update	10
9.0	SPECIAL AGENDA ITEMS	12
9.1	Verbal Update by Council's Investment Advisors	12
9.2	ASD Essential 8 Cybersecurity Activity Update	13
9.3	External Combustible Cladding Update	14
9.4	Electricity Contract Procurement Risk Management	15
9.5	Audit, Risk and Improvement Committee Annual Report	16
10.0	EXTERNAL AUDIT	16
10.1	Audit Office Annual Engagement Plan 2019-20	17
10.2	Implementation of External Audit Recommendations	17
11.0	INTERNAL AUDIT	18
11.1	Internal Audit Activity Update	18
11.2	Implementation of Internal Audit Recommendations	19
12.0	GENERAL BUSINESS	20
13.0	NEXT MEETING	20
CLOSED SESSION		
9.0	SPECIAL AGENDA ITEMS	12
9.6	Audit, Risk and Improvement Committee Assessment of Performance	20

1.0 APOLOGIES

NOTES

1. Apologies were received from Ms Walton.
2. Ms Richardson attended the meeting via conference call.

2.0 DISCLOSURES OF INTEREST

NOTES

1. Mr Horne (Chair) declared a conflict of interest on Item 9.4 – Electricity Contract Procurement Risk Management – and elected to leave the meeting during discussion on this item. The reason given by Mr Horne was that he served as the probity advisor on the procurement process.
2. Mr McCoy was nominated to act as Chair during discussion on Item 9.4.

3.0 CONFIRMATION OF MINUTES

3.1 MINUTES OF AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD 10 DECEMBER 2019

COMMITTEE RESOLUTION

That the Minutes of the Audit, Risk and Improvement Committee meeting held 10 December 2019, copies of which were previously circulated to all Members, are hereby confirmed as a true and correct record of the proceedings of that meeting excepting for the following two minor amendments:

- i. *Page 4 – Item 13.1 – Minutes of Audit, Risk and Improvement Committee Meetings held 13 August 2019 and 3 September 2019 – should be Item 3.1.*
- ii. *Page 8 – Item 6.3 – Review System Issue Exposing Customer Data – Note 1 replace ‘the biggest test’ with ‘an important test’.*

(Cr Grattan / Mr McCoy)

4.0 AGENDA ITEMS RESOLVED BY EXCEPTION

Nil.

5.0 ACTION ITEMS FROM MINUTES

5.1 ACTION ITEMS FROM MINUTES

PURPOSE

To provide the Audit, Risk and Improvement Committee with a progress update on the actions arising from the Minutes of previous meetings of the Committee.

PRECIS

Action items arising from Audit, Risk and Improvement Committee meetings are minuted and responsibility assigned. Progress is tracked and reported to the Committee at subsequent meetings.

PROCEEDINGS IN BRIEF

Mr Jeff Smith, Director Corporate and Legal, addressed the meeting on this item.

DISCUSSION NOTES

Service Improvement Framework, External Combustible Cladding briefing and the presentation by Council's Investments Advisors are now satisfactorily completed.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the progress on actions arising from the Minutes of previous meetings.

(Cr Heins / Cr Grattan)

6.0 STANDING ITEMS

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

PURPOSE

To advise the Committee with a brief update on current issues, particularly those relating to areas of potential risk for Council.

PRECIS

The Chief Executive Officer provided the Committee with an update on current issues under consideration by Council, particularly those issues which may present a potential risk of which the Audit, Risk and Improvement Committee members should be aware.

PROCEEDINGS IN BRIEF

Mr Ray Brownlee PSM, Chief Executive Officer, provided a verbal update to the Committee.

DISCUSSION NOTES

COVID-19

Council has formed a COVID-19 Planning Team. The team has already implemented reporting and monitoring of staff care issues, revised operational procedures for various operations to protect our communities, increased levels of communication to the community including businesses, increased awareness across customer interface locations including the provision of hand sanitisers. The continued provision of essential Council services is also being coordinated across all Sydney metropolitan LGAs.

Waste Provider Contract

Council has now provided the updated database to URM.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the verbal update provided by the Chief Executive Officer on COVID-19 preparedness and the Waste Provider Contract.

(Cr Grattan / Cr Heins)

NOTES

1. Mr Walsh and Ms Foley joined the meeting at 2.35pm.
2. Mr Jones and Mr McDermid joined the meeting at 2.40pm.

6.2 FINANCE UPDATE

PURPOSE

To provide an update on the financial performance of the Council as at 31 December 2019.

PRECIS

As at 31 December 2019 the Council was forecast to exceed its key financial performance ratios with income net operating expenses tracking to budget overall. For the six months ended 31 December 2019 the Surplus before Capital Grants and Contributions was \$0.291m ahead of budget. The December Quarterly Budget Review recommended for the full financial year the forecast Surplus before Capital Grants and Contributions be reduced by \$0.167m to \$3.483m.

PROCEEDINGS IN BRIEF

Mr David Walsh, Chief Financial Officer, and Ms Caroline Foley, Executive Manager, Financial Planning and Systems addressed the meeting on this item.

DISCUSSION NOTES

Cost Trends:

- Ms Foley provided an analysis of the key drivers for movement in both Employee Costs and Materials & Contracts expenditure.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the finance update as at 31 December 2019.

(Cr Heins / Cr Walton)

NOTES

1. The Committee congratulated the report writers on a very helpful report.
2. Mr Walsh and Ms Foley left the meeting at 2.57pm.

7.0 IMPROVEMENT

7.1 THE AUSTRALASIAN LOCAL GOVERNMENT PERFORMANCE EXCELLENCE BENCHMARKING PROGRAM - 2018/19

PURPOSE

To update the Committee on Council's performance in relation to the Australasian Local Government Performance Excellence 2018/19 Benchmarking Program.

PRECIS

In December 2019, the results for the Australasian Local Government Performance Excellence Benchmarking Program for 2018/19 were released with over 115 Council's participating, including some from New Zealand.

The six categories benchmarked within the report are Workforce, Finance, Operations, Service Delivery, Corporate Leadership and Asset Management. Northern Beaches Council is performing well across the six benchmarked categories.

PROCEEDINGS IN BRIEF

Mr Mark Jones, Executive Manager Strategy and Performance, and Mr Michael McDermid, Manager Corporate Strategy, addressed the meeting on this item.

ACTION ITEMS

- ***That further updates be brought to the ARIC as follows:***
 - ***Analysis and modelling of data variances***
 - ***Comparison to key targets - better comparison may be with merged metropolitan councils if this can be teased out***
 - ***Include further insights into waste operating costs against comparable councils***

DISCUSSION NOTES

- Comparisons – differences are not necessarily bad; can be positive.
- Variances may result from inequitable comparisons (apples and oranges in some instances)
- Quality of data may vary across councils.
- The value of this exercise lies in not **what** the numbers are but **why** the numbers are; the data is useful but analysis is required.
- Customer service: understaffed and missing targets.
- Improvements to digital access for customers may improve online experience.
- How will we use this information: key areas to take away but regional council information may not be relevant.
- Community Satisfaction survey provides a more salient comparison.
- Properly audited performance data would provide more meaningful information. This is done in Victoria but NSW councils have self-initiated benchmarking. Appropriate regulation of the industry is required.
- Need to ensure traffic light performance data accurately reflects Council's performance against benchmark.

COMMITTEE RESOLUTION

The ARIC noted the performance results from the 2018/19 Australasian Local Government Performance Excellence Benchmarking Program.

(Cr Grattan / Cr Heins)

7.2 DECEMBER 2019 QUARTERLY PERFORMANCE RESULTS

PURPOSE

To provide an update on the progress against the performance measures in the Delivery Program 2019-2023.

PRECIS

As at December 2019, performance data was collected on 34 measures in the Operational Plan. Overall 70% of performance measures achieved the target. Factors affecting performance and achievement of the targets are discussed in the report. Data is currently not available to report on a performance measure - customer satisfaction with online requests. A system change is required to make this more visible to customers so they may rate their experience after completing the online request.

PROCEEDINGS IN BRIEF

Mr Mark Jones, Executive Manager Strategy and Performance, and Mr Michael McDermid, Manager Corporate Strategy, addressed the meeting on this item.

ACTION ITEMS

- ***Customer Service statistics to be provided to ARIC re complaints: numbers received, average timelines until processed to satisfactory resolution.***

DISCUSSION NOTES

- The high risk public health inspections are being done. 83% are now completed. The target deadline may have been unrealistic.
- Call centre targets may not have been met due to staff shortages in Customer Service, although a higher proportion of waste enquiries may also have factored in.
- Domestic dry waste shortfalls improving but there are issues with Kimbriki scrap metal collection. Scavenging by private scrap metal dealers should have been addressed by the changes in general collections. This issue is currently under investigation.

COMMITTEE RESOLUTION

That the Audit, Risk and Improvement Committee note the report.

(Cr Walton / Cr Grattan)

7.3 NORTHERN BEACHES COUNCIL IMPROVEMENT REPORT

PURPOSE

To provide the Committee with an update on the Northern Beaches Councils IGNITE (Inspiring Great New Ideas Towards Excellence) its continuous improvement program.

PRECIS

In late 2019, the Organisational Performance Team completed the Business Excellence Strategy and associated implementation plans for the IGNITE Program. The Strategy and Plans were presented to the ARIC on 10 December 2019.

Implementation of these Programs has now progressed and an update is provided for the information of the Committee.

PROCEEDINGS IN BRIEF

Mr Mark Jones, Executive Manager Strategy and Performance, and Mr Michael McDermid, Manager Corporate Strategy, addressed the meeting on this item.

DISCUSSION NOTES

IGNITE:

- IGNITE is an extension on the former Warringah Council's continuous improvement program.
- IGNITE is being administered entirely in house.
- Identification of improvements is required.
- IGNITE is providing staff with the tools to do their jobs and to do it better – it is aiming for cultural change.
- Through workshopping it is the staff who determine what is 'better' – can be greater efficiencies or task satisfaction.
- The Formation Stage was bringing the three merged councils together. This stage empowers the newly integrated Council to function as effectively as possible.
- It was noted that very few councils are investing as much effort in the Improvement element of ARIC as Northern Beaches Council.

Fire Mapping:

- Council has looked at incorporating fire mapping onto our website, such as the Ku-ring-gai Council Initiative.
- On hold over Christmas period as Council was dealing with the reality of the fire season. Council is now turning its attention to future preparedness.
- Now is an excellent time to move on fire preparedness as the public is engaged following the events over the last few months.
- The State Government Inquiry currently underway will almost certainly generate updated legislation and compliance directives.

COMMITTEE RESOLUTION

The ARIC noted the progress of Council's continuous improvements program IGNITE (Inspiring Great New Ideas Towards Excellence).

(Cr Grattan / Cr Heins)

NOTE

Mr Jones and Mr McDermid left the meeting at 3.33pm.

8.0 FRAUD AND RISK MANAGEMENT

8.1 GOVERNANCE, RISK AND COMPLIANCE UPDATE

PURPOSE

To provide the Audit, Risk and Improvement Committee (ARIC) with an update on governance, risk management and compliance activities.

PRECIS

The report provides an update to the ARIC on governance, risk management and compliance activities over the period December 2019 to February 2020.

PROCEEDINGS IN BRIEF

Ms Sonya Gallery, Executive Manager Governance and Risk, and Mr Rob Koopman, Manager Insurance and Risk, addressed the meeting on this item.

DISCUSSION NOTES

Legislative Compliance Register (Reliance/Sys):

- Council is in complete compliance with legislation.
- Council has taken up full suite of RelianSys legislation compliance obligations. Council has requested WHS be added as that is the only shortfall.

Reporting:

- The Committee advised they were now happy with the information presented (In tables format).
- The Chair advised he looks forward to what will be ongoing reporting.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the governance, risk management and compliance update.

(Cr Grattan / Cr Heins)

NOTE

Mr Bothma joined the meeting at 3.50pm.

8.2 WORK HEALTH & SAFETY AND INJURY MANAGEMENT UPDATE

PURPOSE

To provide the Audit, Risk and Improvement Committee with a biannual update on Work Health & Safety (WHS) at Northern Beaches Council.

PRECIS

Council is committed to fostering the development of attitudes and beliefs that support a safety first culture and enable our people to work safe. This report provides information in three categories and covers the July - December 2019 period, and longer periods as required, to demonstrate trends:

1. WHS Position
2. WHS Performance
3. WHS Assurance and Compliance.

PROCEEDINGS IN BRIEF

Ms Karen Twitchett, Director Workforce and Technology, and Mr Carel Bothma, Executive Manager Human Resources, addressed the meeting on this item.

DISCUSSION NOTES

- High risk tasks – additional resources being appointed to progress procedures.
- Risk Assessment training has been commenced – not delayed to Oct 2020 (as per report).
- Data improvements now in place - now being reported to ARIC.
- Hazards reported – system now in place to alert line managers.
- The Committee commented that they were very pleased with the much improved report format.

COMMITTEE RESOLUTION

1. The Audit, Risk and Improvement Committee noted the update as at February 2020.
2. The Committee expressed their appreciation of a very informative report.

(Cr Heins / Cr Grattan)

NOTES

1. Mr Walsh, Mr Burrell and Mr Rae (Laminar Capital Pty Ltd) joined the meeting at 4.02pm.
2. Mr Bothma left the meeting at 4.03pm.

9.0 SPECIAL AGENDA ITEMS

9.1 VERBAL UPDATE BY COUNCIL'S INVESTMENT ADVISORS

PURPOSE

To advise the Committee on the valuation methodology and opportunities for the potential sale of the Emerald II Reverse Mortgage Series 2006-1 Trust.

PRECIS

As per the action item raised at the 10 December 2019 ARIC meeting, a representative from Council's Investment Advisors is invited to attend the ARIC meeting to discuss the valuation methodology and opportunities for the potential sale of the Emerald II Reverse Mortgage Series 2006-1 Trust.

PROCEEDINGS IN BRIEF

Mr Cameron Rae, Laminar Capital Pty Ltd, Mr David Walsh, Chief Financial Officer and Mr Terry Burrell, Deputy CFO Transactional Accounting, addressed the meeting on this item.

DISCUSSION NOTES

- Council's investments portfolio is conservative overall with the exception of the Emerald II Reverse Mortgage Trust.
- Reverse mortgages are now considered a viable investment – currently could be sold for 80c in \$1.
- Mr Rae addressed the Committee's questions re costs and timeframes to liquidate the Trust.
- Reputational risk is now minimised through regulation of lending rules.
- Financial risks are now minimised due to property market increases and the bond holder demographic.
- Repayments to Council are situated in the top tranche (priority payees).
- Biggest risk to portfolio is property price deflation but would have to be significant downturn.
- Bonds not called in now capitalised so capital investment plus interest repaid.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the verbal update provided by Council's Investment Advisors.

(Cr Heins / Cr Grattan)

NOTES

1. Mr Gangavarapu joined the meeting at 4.23pm.
2. Mr Walsh, Mr Burrell and Mr Rae left the meeting at 4.26pm.

9.2 ASD ESSENTIAL 8 CYBERSECURITY ACTIVITY UPDATE

PURPOSE

To present to the Audit Risk and Improvement Committee an update on Council's cybersecurity maturity journey.

PRECIS

Council engaged KPMG to conduct a security assessment of Northern Beaches Council's (NBC) security controls against Australian Signals Directorate's (ASD) Essentials 8 (E8) control domains. The outcome of the assessment highlighted several gaps, which the Council needed to improve, as several critical controls are not implemented in the environment.

This report:

- a) Presents mitigating actions and/or controls currently put in place by the Information & Digital Technology (IDT) team to respond to the identified risks, and
- b) Identifies a high-level approach to progress activities from April 2020 in line with the roadmap.

PROCEEDINGS IN BRIEF

Ms Karen Twitchett, Director Workforce and Technology, introduced Mr Naren Gangavarapu, Chief Information Officer, to the meeting. Mr Gangavarapu provided a brief background biography.

ACTION ITEM

- ***Further assessment of the detailed plan including timelines and resources required to be brought to a future ARIC meeting. This information may be required for budget planning.***

DISCUSSION NOTES

- Implementing Essential 8 Security Controls: Prevent, Limit and Recover.
- Council is prioritising security controls on remote access given the likelihood of the Coronavirus epidemic requiring some staff to work from home.
- Council is progressing other essential security controls concurrently.
- Challenge re cybersecurity roadmap: need to establish priorities as to how this will be implemented and what resources will be required.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee:

1. Noted the progress made to date in line with the cybersecurity roadmap.
2. Noted the planned activities to achieve, monitor and maintain agreed risk tolerance

(Cr Grattan / Cr Heins)

NOTE

Ms Kerr joined the meeting at 4.33pm.

9.3 EXTERNAL COMBUSTIBLE CLADDING UPDATE

PURPOSE

To provide the Audit, Risk and Improvement Committee with an update on the actions taken by Northern Beaches Council since the Committee meeting of 13 August 2019.

PRECIS

Following the tragic fire at Grenfell Tower in London in 2017, new laws have been made for buildings with combustible cladding. The laws are part of the NSW government's response to fire safety risks posed by external combustible cladding. This report provides an update on the actions taken by Council following the establishment of the NSW Cladding register, Council's action plan and legal advice that has been obtained to enforce orders (as recommended by the Committee).

PROCEEDINGS IN BRIEF

Ms Louise Kerr, Director Planning and Place, addressed the meeting on this item.

ACTION ITEMS

- *A further update is to be brought to a future ARIC meeting.*

DISCUSSION NOTES

Notices have been issued on two Council facilities. In the first instance an assessment is being conducted to ascertain if the panels do present a risk and whether further action is required. In the second instance representations have been received and are currently under review.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the information provided in the report.

(Cr Heins / Cr Walton)

NOTES

1. Mr Horne left the meeting at 4.45pm, having previously declared a cautionary conflict of interest on Item 9.4 – Electricity Contract Procurement Risk Management. Mr Horne elected to leave the meeting during discussion on this item. The reason given by Mr Horne was that he served as the probity advisor on the procurement process.
2. Mr McCoy assumed the Chair for the duration of Item 9.4.
3. Ms Kerr left the meeting at 4.46pm.
4. Mr Dickinson and Mr Mentis joined the meeting at 4.46pm.

9.4 ELECTRICITY CONTRACT PROCUREMENT RISK MANAGEMENT

PURPOSE

In response to Council resolution, to demonstrate to the Committee how key risks of entering into a long-term contract were managed throughout the procurement process.

PRECIS

Council recently entered into new small and large sites contracts for electricity that commenced on 1 January 2020. The new contract arrangements harmonised five existing contracts into two with a combined projected value in 2020 of approximately \$3.75M.

Council requested in its resolution of 23 July 2019 (239/19) that staff report to the Audit, Risk and Improvement Committee how the risks of entering into a long-term contract identified during the procurement process were managed.

PROCEEDINGS IN BRIEF

Mr Todd Dickinson, Director Environment and Sustainability, and Mr Yianni Mentis, Executive Manager Environment and Climate Change, addressed the meeting on this item.

DISCUSSION NOTES

- Likelihood ratings in tables are misleading and should be further considered. It was accepted that markets are constantly in flux so it is difficult to set ratings long term. Difficult to forecast but may be appropriate to change where necessary.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the information in the report.

(Cr Heins / Cr Grattan)

NOTES

1. Mr Dickinson and Mr Mentis left the meeting at 4.54pm.
2. Mr Horne re-joined the meeting at 4.54pm.
3. Mr Horne resumed the Chair for the remainder of the meeting.

9.5 AUDIT, RISK AND IMPROVEMENT COMMITTEE ANNUAL REPORT

PURPOSE

To present the Audit, Risk and Improvement Committee (ARIC) Annual Report for 2019.

PRECIS

The ARIC plays a pivotal role in the governance framework to provide Council with independent assurance and advice in the areas of internal audit, risk management, compliance and control, governance, organisational performance and improvement, along with external accountability responsibilities.

As per the conditions of the ARIC Charter, the Chair of the Committee will provide an Annual Report to Council on the Committee's operations following endorsement by the Committee.

PROCEEDINGS IN BRIEF

The Chair addressed the meeting on this item.

DISCUSSION NOTES

- The Committee agreed the Report style was very good and a great improvement on previous Annual Reports.
- Agenda p.71 (Annual Report p.3) mention should be made of the linkage of ARIC to Strategic Outcomes.
- Future Annual Reports should provide Outcomes and dashboard style.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee endorsed the ARIC Annual Report for 2019 for presentation to Council.

(Cr Grattan / Cr Heins)

FURTHER COMMITTEE RESOLUTION

1. That Item 9.6 – Audit, Risk and Improvement Committee Assessment of Performance – be considered in Closed Session following the meeting.
2. That the Committee now move to discuss Item 10.1 – Audit Office Annual Engagement Plan.

(Mr McCoy / Cr Walton)

NOTE

Mr Walsh and Ms Foley re-joined the meeting at 4.55pm.

10.0 EXTERNAL AUDIT

10.1 AUDIT OFFICE ANNUAL ENGAGEMENT PLAN 2019-20

PURPOSE

To present the Audit Office of NSW's Annual Engagement Plan for the audit of Northern Beaches Council's financial statements for the period 1 July 2019 to 30 June 2020 to the Audit, Risk and Improvement Committee.

PRECIS

The Annual Engagement Plan for the audit of Northern Beaches Council financial statements sets out the audit approach that will be undertaken by the Audit Office of NSW. This includes key issues, engagement communications, audit timetable and the audit fee.

PROCEEDINGS IN BRIEF

Ms Karen Taylor, Director of Financial Audit Services Audit Office of NSW, Mr David Walsh, Chief Financial Officer and Ms Caroline Foley, Executive Manager Financial Planning and Systems, addressed the meeting on this item.

DISCUSSION NOTES

- All recommendations were of a generic nature.
- The Audit Office of NSW was satisfied that there were no problems with implementation.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the Audit Office of NSW's Annual Engagement Plan for the audit of the financial statements for the period 1 July 2019 to 30 June 2020.

(Cr Grattan / Cr Heins)

10.2 IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

PURPOSE

To provide an update on the implementation of recommendations raised in Interim and Final Audit Management Letters from the Audit Office of NSW.

PRECIS

An update on Management's progress with the implementation of audit recommendations provided in Interim and Final Audit Management Letters from the Audit Office of NSW is reported at each Audit, Risk and Improvement Committee meeting to evaluate the adequacy, effectiveness and timeliness of actions taken by management on reported findings and recommendations.

There were 10 recommendations in the Interim 2019 Audit Management Letter, all of which have been addressed. There were three recommendations in the Final 2019 Audit Management Letter dealing with password management, privileged user access and documentation of the payroll compliance process. These recommendations have been implemented.

PROCEEDINGS IN BRIEF

Ms Karen Taylor, Director of Financial Audit Services Audit Office of NSW, Mr David Walsh, Chief Financial Officer and Ms Caroline Foley, Executive Manager Financial Planning and Systems, addressed the meeting on this item.

DISCUSSION NOTES

- Implementation of external audit recommendation have all been satisfactorily completed.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the status of the implementation of the Audit Office of NSW's 2019 Interim and Final Audit Management Letter recommendations.

(Cr Heins / Cr Grattan)

NOTE

Mr Walsh and Ms Foley left the meeting at 5.05pm.

11.0 INTERNAL AUDIT

11.1 INTERNAL AUDIT ACTIVITY UPDATE

PURPOSE

To provide the Audit, Risk and Improvement Committee with an update on internal audit activities since the most recent meeting.

PRECIS

Internal audit projects have been undertaken in accordance with the approved Strategic Internal Audit Plan and 2019-20 Internal Audit Annual Plan. Internal audit activity which has taken place since the most recent meeting of the Audit, Risk and Improvement Committee on 10 December 2019 is outlined below.

Audits and Reviews Completed:

The following audit and review has been completed, with reports presented to the ARIC at the meeting of 10 March 2020:

- Data Analytics: Core Transactions

Audits in Progress:

The following audits are in various stages of fieldwork and scheduled to be presented to the ARIC at the subsequent meeting of 9 June 2020:

- Privacy Management
- Revenue
- Finance & Controls

PROCEEDINGS IN BRIEF

Mr Jeff Smith, Director Corporate and Legal, Ms Sarah Cain, Internal Audit Partner KPMG and Ms Aisling Kilgannon, Internal Audit Senior Partner KPMG, addressed the meeting on this item.

DISCUSSION NOTES

- The Committee expressed their appreciation and acknowledged the size of the task performed in data collation.
- This was the first Data Analytics – Core Transactions run through for NBC and may have been compromised by older data across the three previous councils. Processes are underway to run regular data analytics on a weekly or monthly basis.
- In comparison to other council audits, the data cleansing required for the transactions across the three previous councils complicated the audit process.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted:

1. The update provided on internal audit activities since the most recent meeting on 10 December 2019.
2. The completed internal audit report, including findings, recommendations and actions to be taken by management.

(Cr Heins / Cr Walton)

11.2 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**PURPOSE**

To provide the Audit, Risk and Improvement Committee with a status update on the implementation of audit recommendations arising from completed internal audits.

PRECIS

Audit recommendations arising from completed internal audits are input into the Internal Audit Recommendations Status Tracker, with assigned management responsibility and due date for implementation. Management's progress with the implementation of internal audit recommendations is reported at each ARIC meeting to evaluate the adequacy, effectiveness and timeliness of actions taken by management on reported findings and recommendations. There were no audit recommendations reported as overdue with no action taken as at February 2020.

PROCEEDINGS IN BRIEF

Mr Jeff Smith, Director Corporate and Legal, addressed the meeting on this item.

DISCUSSION NOTES

Easy for implementation to slip with so many other competing demands, but it is important to be diligent on following up Internal Audit Recommendations.

Fraud and Corruption Controls delayed but will be finalised in April.

WHS training delayed due to the use of agency staff as rangers. The compliance team is working with HR and training will be finalised in April.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the status of implementation of internal audit recommendations by management.

(Cr Grattan / Cr Heins)

12.0 GENERAL BUSINESS

12.1 OTHER MATTERS

Nil.

13.0 NEXT MEETING

The next meeting of the Audit, Risk and Improvement Committee is scheduled to be held on 9 June 2020 in the Flannel Flower Room, Civic Centre, Dee Why commencing at 2.00pm.

NOTES

1. The Meeting moved into closed session at 5.17pm to consider Item 9.6 – Audit, Risk and Improvement Committee Assessment of Performance.
2. Committee members, the Chief Executive Officer and the Director Corporate and Legal remained in the meeting.
3. Council Auditors and staff left the meeting at 5.17pm.

REPORT OF CLOSED SESSION

9.6 AUDIT, RISK AND IMPROVEMENT COMMITTEE ASSESSMENT OF PERFORMANCE

PURPOSE

To present the results of the review undertaken of the Audit, Risk and Improvement Committee's performance.

PRECIS

The ARIC plays a pivotal role in the governance framework to provide Council with independent assurance and advice in the areas of internal audit, risk management, compliance and control, governance, organisational performance and improvement, along with external accountability responsibilities.

As per the conditions of the ARIC Charter, a review of the Committee's performance shall be undertaken at least once every two years on a self-assessment basis by Members, with appropriate input from key stakeholders.

PROCEEDINGS IN BRIEF

Mr Ray Brownlee PSM, Chief Executive Officer, addressed the meeting on this item.

NOTE

The Chair reported the following resolution passed in closed session:

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the results of the review undertaken of the Committee's performance and agreed to schedule a further discussion of the assessment results at the June 2020 ARIC meeting.

(Cr Heins / Cr Grattan)