

MINUTES

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

held via remote audio visual link on

TUESDAY 8 SEPTEMBER 2020

Commencing at 2.02pm

Minutes of the Audit, Risk and Improvement Committee Meeting held on Tuesday 8 September 2020 via remote audio visual link.

ATTENDANCE:

Voting Members of the Committee

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

Council Officers (non-voting)

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|--------------------------|--|
| Mr Ray Brownlee PSM | Chief Executive Officer |
| Mr Jeff Smith | Director Corporate and Legal |
| Ms Karen Twitchett | Director Workforce and Technology |
| Mr Todd Dickinson | Director Environment and Sustainability |
| Mr David Walsh | Chief Financial Officer |
| Mr Naren Gangavarapu | Chief Information Officer |
| Mr Mark Jones | Executive Manager Strategy Performance and Improvement |
| Ms Sonya Gallery | Executive Manager Governance and Risk |
| Mr Carel Bothma | Executive Manager Human Resources |
| Ms Natasha Shultz | Executive Manager Waste Management and Cleansing |
| Ms Deirdre Cooper | Executive Manager Internal Audit and Complaints Resolution |
| Mr Michael McDermid | Manager Corporate Strategy |
| Mr Rob Koopman | Manager Insurance and Risk |
| Ms Aline Brito Fernandes | Internal Auditor |
| Ms Pamela Tasker | Administration Officer Internal Audit |

Council Auditors (non-voting)

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

Quorum

A majority of voting committee members.

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NOTE

Acknowledgement of Country: The Chair acknowledged the traditional custodians of the lands on which meeting participants gathered and paid respect to Elders past and present.

1.0 APOLOGIES

Nil.

2.0 DISCLOSURES OF INTEREST

Nil.

3.0 CONFIRMATION OF MINUTES**3.1 MINUTES OF AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD
9 JUNE 2020**

COMMITTEE RESOLUTION

The Minutes of the Audit, Risk and Improvement Committee meeting held 9 June 2020, copies of which were previously circulated to all Members, were confirmed as a true and correct record of the proceedings of that meeting.

(Ms Walton / Cr Grattan)

NOTES

1. A request was made that future ARIC business papers be comprehensive and brief.
2. The Chair advised that consideration would be given to the presentation of future business papers: essential reading into the Agenda document and optional reading (for those wishing for more detailed information) into the Attachments Booklet.
3. The Chair advised that he considered the new format on Item 11.1, Internal Audit Activity Update, to be a great improvement.

4.0 ITEMS RESOLVED BY EXCEPTION

Nil.

5.0 ACTION ITEMS FROM MINUTES

5.1 ACTION ITEMS UPDATE

PROCEEDINGS IN BRIEF

Ms Deirdre Cooper, Executive Manager Internal Audit & Complaints Resolution, addressed the meeting on this item.

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.

COMMITTEE RESOLUTION

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

(Cr Grattan / Cr Heins)

ACTION ITEMS

- *Clarify those items which are Action Items and those items which are general recommendations as appropriate.*
- *That an update on the Strategic Risk Plan be provided to the next ARIC meeting on 8 December 2020.*

6.0 STANDING ITEMS

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

PROCEEDINGS IN BRIEF

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

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 provides the Committee with an update on current issues under consideration by Council, particularly any issues which may present a potential risk of which the Audit, Risk and Improvement Committee members should be aware.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the verbal update by the Chief Executive Officer.

(Cr Heins / Cr Grattan)

DISCUSSION ITEMS

- Council is conducting an in-depth review on how to keep the beaches, associated rockpools and reserves open and COVID safe. A report would soon be presented to Councillors.
- If staff can reasonably work from home during the pandemic this is preferred. Management continue to work hard at supporting staff and maintaining connection. Productivity has actually improved during this period and it would appear staff are working longer hours.
- All Council, Community and Strategic Groups continue to meet regularly via TEAMS and this arrangement is working well. The Community Contact Officers have maintained a high level of communication and support and report that contact with our communities has increased over the past few months.

NOTES

1. The Committee congratulated the CEO on the procedures put in place to support staff and the community and the resultant increase in productivity and community contact.
 2. Mr Mark Jones and Mr Michael McDermid joined the meeting at 2.20pm.
-

7.0 IMPROVEMENT

7.1 NORTHERN BEACHES COUNCIL IMPROVEMENT REPORT AND SERVICE REVIEW PROGRAM UPDATE

PROCEEDINGS IN BRIEF

Mr Mark Jones, Executive Manager Strategy Performance & Improvement, addressed the meeting on this item.

PURPOSE

To provide the Committee with an update on the Northern Beaches Council's continuous improvement program referred to as the IGNITE Program, and the status of Council's Strategic Service Review Program.

PRECIS

Council has many improvement initiatives in progress. The Business Excellence Strategy, associated IGNITE implementation plans, and the systematic review of all of Council's 61 services are generating significant discovery, assessment, implementation and reporting of organisational and service improvements. Benchmarking with the two other councils for the service reviews has been challenging as it is hard to match services.

COMMITTEE RESOLUTION

1. The Audit, Risk and Improvement Committee noted the progress of:
 - a. Council's continuous improvement program, and
 - b. Service Review Program.
2. The Audit, Risk and Improvement Committee endorsed the improvement progress reports to be provided to the Committee on a six monthly cycle.
3. The Audit, Risk and Improvement Committee considered the Draft Sample Service Review Assessment Summary.

(Cr Grattan / Cr Walton)

NOTES

1. The Committee agreed that the improvement progress reports be provided to the ARIC on a six monthly cycle in future.
2. The Audit, Risk and Improvement Committee endorsed the use of the Draft Sample Service Review Assessment Summary.
3. The Committee recommended the consideration of using KPI's where possible, such as \$ per capita in the service review summaries.

7.2 NORTHERN BEACHES COUNCIL MERGER PERFORMANCE**PROCEEDINGS IN BRIEF**

Mr Ray Brownlee PSM, CEO, and Mr Mark Jones, Executive Manager Strategy Performance & Improvement, addressed the meeting on this item.

PURPOSE

The Chief Executive Officer provided a report to the July Council meeting on the performance of the Northern Beaches Council since merger. A full copy of this report was provided for the information of Committee members.

PRECIS

The Northern Beaches Council was established in May 2016 as an outcome of the NSW Government's amalgamation policy. The inaugural Northern Beaches Council is now approaching the end of its first term, and it is appropriate to consider the performance of the Northern Beaches Council in the context of the state government's merger platform.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the report.

(Cr Heins / Cr Grattan)

DISCUSSION ITEMS

- Important that our reporting is balanced and includes failures and lessons learned as well as successes.
- Eventually successes, failures and accountability associated with the merger need to be assessed. Correlation with benchmarking to gauge achievements and shortfalls would be informative.
- Important that all amalgamated councils provide feedback to a central collation point at some time for analysis on the failures and successes associated with mergers.

NOTE

Cr Walton left the meeting at 3.03pm

7.3 NORTHERN BEACHES COUNCIL BENCHMARKING UPDATE**PROCEEDINGS IN BRIEF**

Mr Mark Jones, Executive Manager Strategy Performance & Improvement, addressed the meeting on this item.

PURPOSE

To provide the Committee with an update on the Australasian Local Government Performance Excellence Benchmarking data for FY2019

PRECIS

The Australasian Local Government Performance Excellence Benchmarking Program for FY2019 was considered by ARIC on 10 March 2020 resulting in the request for further information:

- *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.*

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the benchmarking update as outlined in this report.

(Cr Grattan / Cr Heins)

NOTES

1. Mr Mark Jones and Mr Michael McDermid left the meeting at 3.10pm.
2. Mr Rob Koopman joined the meeting at 3.11pm.

8.0 FRAUD AND RISK MANAGEMENT**8.1 INSURANCE UPDATE****PROCEEDINGS IN BRIEF**

Mr Rob Koopman, Manager Insurance & Risk, addressed the meeting on this subject.

PURPOSE

To provide the Audit Risk and Improvement Committee with an update on Council's insurance program.

PRECIS

Council undertakes a comprehensive insurance program which is updated annually. This report provides information on Council's insurance environment and the 2020/21 insurance renewal.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the update on Council's insurance program.

(Cr Grattan / Cr Heins)

ACTION ITEMS

- ***Report back to the ARIC on gaps in insurance cover following the independent review and risk analysis.***

DISCUSSION ITEMS

- Link the results of the insurance review back to the risk appetite statement and risk tolerance to check if it's right.
- Have we covered our exposure to cyber risk?

NOTES

1. Mr Carel Bothma joined the meeting at 3.15pm.
 2. Mr Naren Gangavarapu joined the meeting at 3.25pm.
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8.2 ANNUAL REVIEW OF RISK APPETITE STATEMENT

PROCEEDINGS IN BRIEF

Ms Sonya Gallery, Executive Manager Governance & Risk, addressed the meeting on this subject.

PURPOSE

To seek the Audit Risk and Improvement Committee's review and feedback in regard to the annual review of Council's risk appetite statement.

PRECIS

Council's risk appetite statement was adopted by the Council on 24 September 2019. The statement is subject to an annual Council review and this process is now commenced with the consideration of the ARIC.

COMMITTEE RESOLUTION

The Audit Risk and Improvement Committee reviewed and assessed the risk appetite statement and provided feedback to inform its annual review.

(Cr Heins / Cr Grattan)

DISCUSSION ITEMS

- Appetite Ratings will eventually require further breakdown.
- Implications surrounding the shift of Cyber risk tolerance to Moderate will need to be further considered.
- Cyber security needs to be further broken down and individual risk tolerances assessed.

NOTE

Cr Walton rejoined the meeting at 3.41pm.

8.3 FRAUD AND CORRUPTION CONTROL COMMITTEE MEETING MINUTES

PROCEEDINGS IN BRIEF

Ms Sonya Gallery, Executive Manager Governance & Risk, and Ms Deirdre Cooper, Executive Manager Internal Audit and Complaints Resolution, addressed the meeting on this item.

PURPOSE

To report the minutes of the Fraud and Corruption Control Committee meetings held on:

- 21 April 2020 (postponed from 12 March 2020)
- 12 May 2020
- 30 July 2020

PRECIS

The minutes for the Fraud and Corruption Control Committee are reported to the Audit Risk and Improvement Committee for noting in accordance with its Terms of Reference.

COMMITTEE RESOLUTION

The Audit Risk and Improvement Committee noted the minutes of the Fraud and Corruption Control Committee meetings dated 21 April 2020, 12 May 2020 and 30 July 2020.

(Cr Grattan / Cr Heins)

ACTION ITEMS

- *Future reporting to provide greater detail on initiatives, including quantification.*

8.4 WORK HEALTH & SAFETY AND INJURY MANAGEMENT UPDATE

PROCEEDINGS IN BRIEF

Mr Carel Bothma, Executive Manager Human Resources, addressed the meeting on this item.

PURPOSE

To provide the Audit, Risk and Improvement Committee with a bi-annual 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. During the COVID-19 pandemic the safety of the community, customers, and staff has and continues to be our main priority.

This report provides information in four (4) categories and covers the end of financial year period for the 2019/20 period, and shorter periods as required, to demonstrate trends:

1. COVID-19 Update
2. WHS Position
3. WHS Performance
4. WHS Assurance and Compliance

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted this update as at August 2020.

(Cr Heins / Cr Grattan)

ACTION ITEMS

- *Identify the work that has been done in relation to the top five risks (p.31) – include a percentage completed indicator.*

NOTES

1. The meeting adjourned at 4.01pm.
2. Mr Carel Bothma left the meeting at 4.01pm.
3. The meeting resumed 4.10pm.
4. Mr David Walsh joined the meeting at 4.10pm.
5. Mr Todd Dickinson joined the meeting at 4.10pm.

9.0 SPECIAL AGENDA ITEMS

9.1 NORTHERN BEACHES COUNCIL CYBERSECURITY UPDATE

PROCEEDINGS IN BRIEF

Mr Naren Gangavarapu, Chief Information Officer, addressed the meeting on this item.

PURPOSE

To present to the Audit Risk and Improvement Committee an update on the actions and controls in place to achieve, monitor and maintain Council's cyber risk tolerance.

PRECIS

Since the KPMG security report in April 2019 Council has implemented a number of actions and controls to achieve, monitor and maintain agreed cybersecurity risk tolerance. The presentation attached gives an overview of:

- Security controls and/or mitigating actions currently in place to respond to identified risks
- Approach to achieve, monitor and maintain agreed risk tolerance by driving cyber transformation at the council by implementing:
 - Business capability map to implement security monitoring, assessment & reporting
 - Cybersecurity architecture roadmap
 - Target cybersecurity operating model.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted:

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

(Cr Heins / Cr Grattan)

ACTION ITEMS

- *Information about risks and controls needs to be included in the Risk Register.*

NOTE

The Director of Financial Audit Services, Audit Office of NSW, advised that Northern Beaches Council was well ahead of other Audit Office clients in its approach to cyber security and this was commendable.

9.2 UPDATE ON RISK MANAGEMENT ACTIVITIES ASSOCIATED WITH COUNCIL'S WASTE COLLECTION CONTRACT**PROCEEDINGS IN BRIEF**

Mr Todd Dickinson, Director Environment & Sustainability, addressed the meeting on this item.

PURPOSE

To provide an update on emerging risks and/or potential disruptors associated with the waste collection contract including relevant financial and/or other risks and considerations included within the contract, as well as issues within the contractor organisation itself.

PRECIS

Council's Waste Collection Contract is its largest contract both in terms of value and the number of ratepayers who access its services. The new contract commenced on 1 July 2019 and the Audit, Risk and Improvement Committee requested a future update on risks be presented back to the Committee.

While many of the initial contract risks have been effectively managed, this report provides an update on these and emerging risks that have arisen during contract implementation and/or as a result of the COVID-19 outbreak.

COMMITTEE RESOLUTION

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

(Cr Grattan / Cr Heins)

DISCUSSION ITEMS

- Staff provided an overview of the mechanisms in place to manage risks relating to its waste collection contract and advised that this is being done in accordance with Council's Risk Management Framework.

NOTE

Ms Natasha Schultz joined the meeting at 4.47pm.

9.3 ANNUAL EXTERNAL AUDIT OF COUNCIL'S WASTE COLLECTION CONTRACTOR'S WHS SYSTEMS AND OPERATIONS

PROCEEDINGS IN BRIEF

Mr Todd Dickinson, Director Environment & Sustainability, and Ms Natasha Schultz, Executive Manager Waste Management & Cleansing, addressed the meeting on this item.

PURPOSE

The purpose of this report is to present United Resource Management's (URM) annual external audit of its own and its key subcontractor's WHS performance and conformance to their WHS Management Plan.

PRECIS

The report presents URM's annual external audit of its own and its key subcontractor's WHS performance and conformance to the WHS Management Plan. Council has commissioned its own audit to assess URM's compliance with the WHS requirements of the Waste Collection Contract which will be reported to the December meeting of ARIC.

COMMITTEE RESOLUTION

1. The report was received and noted by the Audit, Risk and Improvement Committee.
2. The outcomes of URM's subsequent audit are to be reported to the Audit, Risk and Improvement Committee meeting scheduled to be held on 8 December 2020.
3. That the outcomes of Council's independent audit are to be reported to the Audit, Risk and Improvement Committee meeting scheduled to be held on 8 December 2020.

ACTION ITEMS

- *The outcomes of URM's subsequent audit are to be reported to the Audit, Risk and Improvement Committee meeting scheduled to be held on 8 December 2020.*
- *The outcomes of Council's independent audit are to be reported to the Audit, Risk and Improvement Committee meeting scheduled to be held on 8 December 2020.*

9.4 REVIEW OF COUNCIL'S WASTE SERVICE IN RESPONSE TO THE NSW AUDIT REPORT

PROCEEDINGS IN BRIEF

Mr Todd Dickinson, Director Environment & Sustainability, and Ms Natasha Schultz, Executive Manager Waste Management & Cleansing, addressed the meeting on this item.

PURPOSE

The purpose of this report is to present a review of Council's Waste Service in response to the NSW Audit Report.

PRECIS

The Audit Office of NSW undertook an audit of domestic waste management in Campbelltown City Council and Fairfield City Council and issued a report in June 2019 (the Audit Office report). The Audit Office report provided a list of key findings in four areas, including: progress against targets, minimising and sorting waste, collecting and transporting waste, and processing and disposing of waste. A high-level review has been completed on the performance of Council's waste management services in comparison to the findings of the Audit Office report.

Some of the more favourable observations included a significant uplift in waste diversion from landfill associated with Council's new consolidated disposal contracts, a domestic waste charge that is lower than many in the Greater Sydney region, broad community satisfaction with the service, minimal contamination in its waste streams, and broad community engagement on waste collection (associated with the new contract and bin replacement).

There were also some observations of issues that will require further investigation including: waste generation per capita remains relatively static (noting that it is below the NSW average), more regular bin audits to improve contamination monitoring and target waste education activity, and the impact of the NSW Government's decision to prohibit organic material recovered from the mixed waste bin from being applied to land.

The review also made 12 recommendations that will be considered as Council develops its forward waste strategy.

COMMITTEE RESOLUTION

The report *Northern Beaches Council Review of Services in Response to the Audit Office of NSW Report* was received and noted.

(Cr Heins / Cr Grattan)

10.0 EXTERNAL AUDIT**10.1 AUDIT OFFICE OF NSW ANNUAL WORK PROGRAM 2020-21****PROCEEDINGS IN BRIEF**

Ms Karen Taylor, Director of Financial Audit Services, Audit Office of NSW, addressed the meeting on this item.

PURPOSE

To seek feedback from the Audit, Risk and Improvement Committee on the 2020-2021 Annual Work Program released by the Audit Office of New South Wales.

PRECIS

The 2020-21 Annual Work Program contains the Audit Office's financial and performance audit plan for the year ahead as well as a three-year performance audit plan for both the state and local government sectors. The Auditor-General is keen to receive feedback on those areas which stakeholders feel require further focus. Accordingly, the Audit Office has asked that the ARIC consider any topics that may be relevant for Council.

COMMITTEE RESOLUTION

The ARIC noted this request and will provide any feedback to Council and to the Audit Office of NSW.

(Cr Grattan / Cr Heins)

11.0 INTERNAL AUDIT**11.1 INTERNAL AUDIT UPDATE REPORT****PROCEEDINGS IN BRIEF**

Ms Deirdre Cooper, Executive Manager Internal Audit & Complaints Resolution, addressed the meeting on this item.

PURPOSE

To provide an update to the Committee on all aspects of Internal Audit work since the June meeting.

PRECIS

The report provides an update on all audit activity since the last ARIC meeting, covering summaries of audit engagements, updates to the ARIC and Internal Audit Charters, the Annual Internal Audit Report, the new Annual Audit Plan for audits by Northern Beaches Council staff auditors and staff training.

The report is presented in a new format that combines all the previously separate audit-related reports into one report.

COMMITTEE RESOLUTION

The Committee reviewed and approved the report.

(Cr Heins / Cr Grattan)

DISCUSSION ITEMS

- The Committee requested that the report be comprehensive without need to refer to the attachments document.
- The Chair commented that the new report format was better consolidated than previous reports.

12.0 GENERAL BUSINESS

Nil.

13.0 NEXT MEETING

The next meeting of the Audit, Risk and Improvement Committee is scheduled to take place at 2.00pm on Tuesday 8 December 2020.

The meeting concluded at 5.09pm.