



northern  
beaches  
council

# MINUTES

## **AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING**

held via Remote Audio Visual Link on

**TUESDAY 8 DECEMBER 2020**

The meeting commenced at 2:04pm

## Minutes of the Audit, Risk and Improvement Committee Meeting held on Tuesday 8 December 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)

Mr Ray Brownlee PSM	Chief Executive Officer
Mr Jeff Smith	Director Corporate & Legal
Ms Karen Twitchett	Director Workforce & Technology
Mr Todd Dickinson	Director Environment & Sustainability
Ms Louise Kerr	Director Planning & Place
Ms Deirdre Cooper	Executive Manager Internal Audit and Complaints Resolution
Ms Caroline Foley	Executive Manager Financial Planning & Systems
Mr David Walsh	Chief Financial Officer
Mr Yianni Mentis	Executive Manager Environment and Climate Change
Ms Sarah Dunstan	Executive Manager Governance and Risk
Mr Rob Koopman	Manager Insurance and Risk
Mr Mark Jones	Executive Manager Strategy Performance and Improvement
Mr Michael McDermid	Manager Corporate Strategy
Mr Andrew Pigott	Executive Manager Strategic & Place Planning
Ms Liza Cordoba	Manager Strategic & Place Planning
Ms Aline Fernandes	Internal Auditor
Ms Pamela Tasker	Administration Officer Internal Audit

#### Council Auditors (non-voting)

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

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### 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.

### PRELIMINARY MATTERS ARISING

The Chair advised that the Committee had met In-Camera with Internal Audit staff, outsource providers and the Director of Financial Services, Audit Office of NSW, prior to the meeting. The Chair reported the following outcomes from those meetings:

- The Committee reiterated its aim to continue the evolution of how meetings are conducted. In order to maximise the value of the Committee's expertise. The goal is to spend as much available time as possible on the Committee asking questions. Ideally, staff reports will be sufficiently informative so that presentation is not necessary, except in those cases where further developments have occurred or subsequent information needs to be reported.
- At the ARIC meeting on 8 September 2020, the Committee agreed to the Improvement Report being received every six months rather than quarterly. This was due in part to staff workloads, but given the importance of Improvement to the ARIC mission, it was strongly felt that regular updates were necessary. The following Action Item resulted and is minuted under Item 7.0 Improvement:
  - That a brief update be brought to each meeting providing the Committee with an overview of Improvement initiatives and progress.

### 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 3 SEPTEMBER 2020

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#### COMMITTEE RESOLUTION

The Minutes of the Audit, Risk and Improvement Committee extraordinary meeting held 3 September 2020, copies of which were previously circulated to all Members, were confirmed as a true and correct record of the proceedings of that meeting, except for the following amendment on Page 5 of Item 3.1 – 2019/20 Financial Statements:

*Superannuation: Salary inflation and CPI increases result in inconsistent assumptions driving the estimates. Ms Foley advised LG Super is expected to perform an updated actuarial assessment in November / December. Ms Foley is to contact the LG Super Fund to provide feedback on the assumptions.*

Be replaced with:

*The ARIC discussed the Defined Benefit Super Scheme contingent liability including the appropriateness of the key economic long term assumptions used to undertake the preliminary calculation of the present value of the accrued benefits by the Actuary. The Fund's Actuary is expected to undertake a final end of year review around November/December 2020. Ms Foley will contact LG Super to provide feedback on the high rates utilised to undertake the forecast.*

(Cr Grattan / Cr Heins)

### **3.2 MINUTES OF AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD 8 SEPTEMBER 2020**

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#### **COMMITTEE RESOLUTION**

The Minutes of the Audit, Risk and Improvement Committee meeting held 8 September 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 / Mr McCoy)

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### **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 and 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.

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#### **COMMITTEE RESOLUTION**

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

(Ms Walton / Mr McCoy)

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### **5.2 WASTE COLLECTION CONTRACTOR WHS AUDITS**

##### **PROCEEDINGS IN BRIEF**

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

##### **PURPOSE**

To provide the Committee with the outcome of the independent audit of Council's waste collection contractor's compliance with the WHS requirements of the Waste Collection Contract.

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## PRECIS

Council engaged SafetyWorks Group Pty Ltd, to conduct an external independent WHS audit of Council's waste services contractor, URM Environmental Services Pty Ltd (URM), in accordance with the Northern Beaches Council Waste Collection Services Contract. The aim of the audit was to conduct an external independent review and confirm compliance of multiple aspects of WHS systems, guidelines and management plans. Overall, the audit carried out at the URM Northern Beaches and Pittwater sites outlined a number of areas of excellence, as well as some partial and non-conformances. URM have also completed its own annual WHS audit which was reported to the September ARIC meeting. There was one outstanding non-conformance which URM have since advised has been rectified and verified by their independent auditor.

## DISCUSSION

Questions were asked regarding the number of incidents involving URM drivers. The Committee sought assurance that URM are addressing safety issues. The Director advised that he was not aware of any further incidents involving URM vehicles, but undertook to look into the matter and report. The Director undertook to check that if another serious accident did occur and URM was found to be at fault, Council could take steps to terminate the contract. The Director is to confirm this information back to the Committee.

The Director confirmed that URM had provided a plan to rectify the identified non-compliances and partial compliances by 20 November 2020 and that these issues are being addressed.

The Director advised that Council has flagged areas of improvement required, such as the level of staff engagement on WHS issues, staff training and some practices. Council is also working through various issues previously flagged but not falling within WHS so not subject to this audit.

As an example, consistent data is now being provided by URM and their sub-contractor to enable meaningful reporting on what is happening in the field. Issues have been identified and are being addressed as required, noting that performance monitoring is important to URM if they are to fulfil the terms of their contract. As such, they do want to provide full data sets so performance issues are being monitored closely to ensure compliance.

## ACTION ITEMS

- ***The Director advised that he was not aware of any further incidents involving URM vehicles, but undertook to look into the matter and report.***
- ***The Director undertook to confirm back to the Committee that if another serious accident did occur and URM was found to be at fault, Council could take steps to terminate the contract.***

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## COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted:

1. Council's independent auditor's report and proposed remedial actions.
2. The closure of the outstanding non-conformance from URM's own auditor's report.

(Cr Grattan / Cr Heins)

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### 5.3 CORPORATE CREDIT CARDS AUDIT REVIEW

#### PROCEEDINGS IN BRIEF

Ms Deirdre Cooper, Executive Manager Internal Audit and Complaints Resolution and Mr David Walsh, Chief Financial Officer, addressed the meeting on this item.

#### PURPOSE

After the September ARIC meeting, Cr Walton requested that this report be further discussed at the December ARIC and that it be placed near the top of the agenda.

#### PRECIS

The Corporate Credit Card system review report is re-presented to ARIC as requested.

#### DISCUSSION

- The preference is for all purchasing to go through normal procurement channels to facilitate a more reliable overview but it was accepted that credit card use was operationally more efficient in certain circumstances. All credit card purchases are checked by Executive Managers, the minimum grade authorised to approve purchases.
- Tax receipts are required to support all credit card purchases.
- Documentation on the purpose of the purchase is also required. The narrative flows through automatically to ledger and audit.
- Regular random checks via sampling were recommended if it was not practicable to check every purchase individually.
- Recommendations on gap analysis have been made and are in the process of being implemented by relevant officers.
- Expenses relating to such items as home office equipment had increased during the pandemic. Council has documented these purchases to ensure continuity of ownership.
- Opal, taxi and Uber expenditure compliance during this period was taken on notice and the Executive Manager, Internal Audit and Complaints Resolution will report back to the Committee.
- Council has an agreement to provide accounting and financial services to the RFS. This gives the RFS access to trade within our system but expenditure is their responsibility. The RFS enjoy similar arrangements with all Local Government Authorities.
- Council wants to reduce the number of corporate credit cards in use, but this will require a cultural shift.

#### ACTION ITEMS

- ***That an update be brought to the ARIC meeting on 9 March 2021 detailing the CFO's investigation of each of the methods suggested in Table 2 of the Corporate Credit Cards Audit Report.***
- ***A review of Opal, taxi and Uber expenditure to ensure our legislative compliance during the subject audited period will be conducted by the Executive Manager, Internal Audit and Complaints Resolution and will be brought back to the Committee.***
- ***Regular random checks via sampling were recommended if it was not practicable to check every purchase individually. Internal Audit spot checks on small samples are very useful to give assurance of appropriate use of credit cards.***

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#### COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee:

1. Noted the issues related to the Corporate Credit Card report.
2. Requested that an update be brought to the ARIC meeting on 9 March 2021.

(Cr Walton / Cr Heins)

## **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 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.

#### **DISCUSSION**

##### **Central Coast Council:**

The Chief Executive Officer reported on a review which was conducted by Finance following release of the Central Coast Council Administrator's 30 Day Report into that council's financial situation. The review contrasted key findings of issues at Central Coast Council with our own approach to these areas.

Council constantly monitors that expenditure does not utilise externally restricted cash reserves excepting in those cases where expenditure is utilised for permitted purposes.

Cashflow fluctuations can be attributed to a number of factors such as advance rates payments and other annual revenue streams. COVID has had some effect on revenue. The Whistler Street Carpark settlement has had an effect. Expenditure on scheduled major capital works has also impacted. Revenue associated with developer contributions (externally restricted funds) is only ever utilised for its permitted purposes.

#### **NOTE**

The Committee extended its appreciation to the Chief Financial Officer and his team for the continued excellent financial management of Northern Beaches Council.

##### **Whistler Street Carpark:**

Following mediation before the Hon. Keith Mason, AC, QC, the dispute between Built Athas and Northern Beaches Council relating to the development of Manly Council's Whistler Street Car Park has been resolved by the parties, without admission of liability by any party, on terms that Council pay to Built Athas \$6,750,000 in full and final settlement of all matters in dispute.

##### **LSI Consulting report on Council Productivity:**

The Productivity Index promoted by LSI Consulting relies on flawed methodology which unfavourably distorts the results of all merged councils. The CEO and senior staff met with LSI Consulting to redress this misinformation. LSI were asked to reissue a correct report or Council will consider legal action to counteract the reputational damage inflicted. The NSW Minister for Local Government is aware of Council's position and action taken in this regard.



**ACTION ITEMS**

- *That the CEO give consideration to undertaking a “lessons learned” review regarding the Whistler Street Carpark Project.*

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**COMMITTEE RESOLUTION**

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

(Cr Heins / Cr Grattan)

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**6.2 FINANCE UPDATE****PROCEEDINGS IN BRIEF**

Ms Caroline Foley, Executive Manager Financial Planning & Systems, addressed the meeting on this item.

**PURPOSE**

To provide an update on the financial performance of the Council as at 30 September 2020.

**PRECIS**

The Council's financial results remain impacted by the COVID-19 pandemic, which is forecast to cost the Council \$21m. While several COVID-19 impacted services are recovering sooner than anticipated, the overall forecast impact of the pandemic has not materially changed from the Original 2020/21 budget at this stage. For the three months to 30 September 2020 the operating result was \$15m ahead of budget, primarily due to higher than anticipated fees and charges (\$7 million) which mostly related to COVID-19 impacted services recovering sooner than anticipated and the timing of grants and operating expenditure.

The September Quarterly Budget Review recommended for the full financial year that the forecast operating result before capital grants and contributions be reduced by a further \$7 million, from a deficit of \$7 million to a deficit of \$14 million, primarily due to the \$6.75 million settlement of the Whistler Street Carpark dispute.

With a deficit position forecast, the Council is unlikely to meet the Operating Performance ratio benchmark of 0% at this time. The Council adjusted its capital expenditure to provide capacity to respond to the COVID-19 pandemic and retain our long term strong and sustainable position. The Council holds sufficient working capital to fund the \$6.75 million Whistler Street Carpark settlement.

**DISCUSSION**

Council is hoping to see an upturn by March review in terms of COVID impacts.

Staff are still taking less leave, likely due to COVID (\$600k less - down approximately 20%). As we were tracking well pre-COVID it is hoped to resume this trend post-COVID. All organisations currently have a backlog and this should change in 2021 as travel restrictions ease.

Staff do not appear to be suffering greater stress despite not being able to take a break. There has been no increase in employer assistance program access and regular checks on staff working from home or on restricted duties has not raised any issues. As restrictions ease and staff return to the office we anticipate an increase in leave applications.

Issues raised by a member of the public at a Council Meeting regarding reverse mortgage investments were discussed at some length. The CFO sought assurances from Laminar Capital and was more than satisfied with its response. This issue has been reviewed previously in some depth by ARIC due to its concern and the Committee continues to monitor current arrangements.

## **ACTION ITEMS**

- ***The CFO to respond to the member of the public who raised the issue, explaining Council's position, conveying Laminar Capital's assurances and the assurances of the ARIC which has considered this issue in some depth.***

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## **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee noted the finance update as at 30 September 2020.

(Cr Grattan / Cr Heins)

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## **6.3 EXTERNAL COMBUSTIBLE CLADDING UPDATE**

### **PROCEEDINGS IN BRIEF**

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

### **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 10 March 2020.

### **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 and Council's action plan since the last Committee update on 10 March 2020.

### **DISCUSSION**

The NSW State Government has recently announced a loan scheme to assist with replacement of combustible cladding.

Two orders have now been completed, in that the cladding has been replaced and an Occupation Certificate issued. Several other orders have been issued and work is in progress. Auditing of properties with external cladding is ongoing and it is anticipated further non-compliance will be identified and orders will be issued.

## ACTION ITEMS

- ***External Cladding Action Plan: Item 4 Products Banned Under the Building Products (Safety) Act 2017 – there is a contradiction in Development Consent Conditions and rewording should be considered as follows:***

Point (a) infers a total ban on building materials subject to a ban if used in a particular way. This contradicts Point (b), which infers these products are permitted if it is not used in a particular way contrary to the Building Products (Safety) Act 2017.

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## COMMITTEE RESOLUTION

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

(Cr Heins / Cr Grattan)

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## NOTES

1. The meeting adjourned at 3.41pm.
2. Mr Jones and Mr McDermid joined the meeting at 3.47pm.
3. The meeting recommenced at 3.48pm.

## 7.0 IMPROVEMENT

### 7.1 PERFORMANCE REPORTING UPDATE

#### PROCEEDINGS IN BRIEF

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

#### PURPOSE

To report on performance measures in the Annual Report 2019/20 and provide a quarterly progress report as at September 2020 on measures in the Operational Plan 2020/21.

#### PRECIS

The Annual Report 2019/2020 demonstrates Council's implementation of the Operational Plan. It details 62 performance measures used to monitor the delivery of services. 68% achieved target and 32% ended the year behind target. The shortfall was largely due to COVID-19 impacts which led to the closure of many services and impacted on Council's ability to complete capital and operational projects.

#### DISCUSSION

The Committee advised that it found the time series on performance measures very helpful.

Customer Service call answering statistics were impacted by the coincidence of new staff training and an increase in the number of calls following implementation of the new waste service.

At the ARIC meeting on 8 September 2020, the Committee agreed to the Improvement Report being received every six months rather than quarterly. This was due in part to staff workloads, but given the importance of Improvement to the ARIC mission, it was strongly felt that regular updates were necessary.

**ACTION ITEM**

- *That a brief update be brought to each meeting providing the Committee with an overview of Improvement initiatives and progress.*

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**COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee noted the report.

(Cr Grattan / Cr Heins)

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**7.2 SERVICE REVIEW UPDATE AND PEER REVIEW FINDINGS****PROCEEDINGS IN BRIEF**

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

**PURPOSE**

To provide the Committee with an update on the Northern Beaches Council's Strategic Service Review Program, including the draft findings from the Peer Review undertaken by KPMG.

**PRECIS**

In June 2020, Council adopted the Strategic Service Review Framework to drive a systematic approach to Council's Service Reviews. The Framework included the provision of progress updates to ARIC.

The Framework also called for a Peer Review by a third party to assess the alignment of the Service Review process with the Framework.

**DISCUSSION**

Local Government as an industry will need to eventually cooperate with data swaps across Councils to draw meaningful comparisons.

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**COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee:

1. Noted the progress of Council's Service Review Program.
2. Supported the recommendation that Northern Beaches Council no longer consider benchmarking data provided by Central Coast Council.
3. Noted KPMG's findings with respect to its Peer Review on Council's Service Review process.

(Cr Heins / Cr Grattan)

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**NOTES**

1. Mr Jones and Mr McDermid left the meeting at 4.06pm.
2. Ms Dunstan and Mr Koopman joined the meeting at 4.06pm.

## **8.0 FRAUD AND RISK MANAGEMENT**

### **8.1 GOVERNANCE, RISK AND COMPLIANCE UPDATE**

#### **PROCEEDINGS IN BRIEF**

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

#### **PURPOSE**

To provide the Audit Risk and Improvement Committee (ARIC) with an update on governance, risk management and compliance activities and report the draft minutes of the Fraud and Corruption Control Committee meeting of 2 November 2020 in line with the Committee's charter.

#### **PRECIS**

This report provides an update to the ARIC on governance, risk management and compliance activities over the reporting period from August to November 2020.

#### **DISCUSSION**

The Risk Maturity Self-Assessment Survey indicates significant progress being made.

Any strategic risks which fall outside of acceptable tolerances on the Strategic Risk Matrix are regularly reviewed to determine additional controls that may be implemented.

Council is currently reviewing strategic planning for the next 12 months. Consideration is being given to incorporating the Strategic Risk Register to promote positive risk identification in the planning stages.

Training and red flag identification is currently delivering benefits and building a greater understanding of fraud and corruption risks across the Council.

Operational Risk processes are still resisted by some and further work is being done to have staff automatically consider potential risks.

Processes have improved in vital risk assessment and Council is now moving towards a stronger position.

#### **NOTES**

1. This report covered significant information regarding risk management, legislative compliance and fraud and corruption controls.
2. Ms Dunstan and Mr Koopman left the meeting at 4.19pm.
3. Mr Mentis joined the meeting at 4.19pm.

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#### **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee:

1. Noted the Governance, Risk Management and Compliance update.
2. Noted the draft minutes of the Fraud and Corruption Control Committee meeting of 2 November 2020.

(Cr Heins / Cr Grattan)

## **9.0 SPECIAL AGENDA ITEMS**

### **9.1 SECURITY BONDS**

#### **PROCEEDINGS IN BRIEF**

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

#### **PURPOSE**

To provide the Audit, Risk and Improvement Committee (ARIC) with an update on the value of security bonds currently held by Council and actions Council staff are taking to review bonds greater than 6 years old.

#### **PRECIS**

Council currently holds \$16.8 million in bonds, with most of these being construction and development security bonds. Around 20% of these bonds were collected over 6 years ago (i.e. prior to amalgamation) and Council staff are actively working to review these bonds to assess if they can now be returned to applicants who may have inadvertently failed to claim them.

#### **DISCUSSION**

The Committee recommended that consideration be given to establishing a rolling program or security bonds register to track and administer bonds in future.

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### **COMMITTEE RESOLUTION**

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

(Cr Grattan / Cr Heins)

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#### **NOTES**

1. Mr Mentis left the meeting at 4.22pm.
2. Mr Walsh and Ms Foley re-joined the meeting at 4.22pm.

### **9.2 ANNUAL INVESTMENT POLICY REVIEW**

#### **PROCEEDINGS IN BRIEF**

Mr David Walsh, Chief Financial Officer, addressed the meeting on this item.

#### **PURPOSE**

To provide the Investment Policy to the Audit, Risk and Improvement Committee for review in accordance with that Policy.

#### **PRECIS**

Council's Investment Policy was adopted by Council on 28 September 2016 and is now due for its annual review in accordance with Clause 3.7 of that Policy. Clause 3.7 provides that the Policy must be reviewed annually by the Audit, Risk and Improvement Committee.

The Policy was reviewed by Council's Investment Advisors (Laminar Capital Pty Ltd) in September 2020. Council's Investment Advisors confirmed that the current policy "remains consistent with the Ministerial Investment Order and guidelines issued by the Chief Executive (Local Government), Department of Premier and Cabinet" and that they "do not recommend any changes to the list of approved investments or credit limit frameworks".

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### COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the review of the Investment Policy and did not recommend any changes to the Policy.

(Cr Heins / Cr Grattan)

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## 10.0 EXTERNAL AUDIT

### 10.1 AUDIT OFFICE CLOSING REPORT AND MANAGEMENT LETTER FOR THE 2019/20 FINANCIAL YEAR

#### PROCEEDINGS IN BRIEF

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

#### PURPOSE

To provide the Audit, Risk and Improvement Committee with the Audit Office of NSW Engagement Closing Report and Management Letter for the year ended 30 June 2020 for its review.

#### PRECIS

The Engagement Closing Report informs the Chief Executive Officer, the Mayor and the Audit, Risk and Improvement Committee of audit findings relevant to their responsibilities and oversight of Council's financial statements.

Following the completion of the final phase of the audit of Northern Beaches Council's 2020 financial statements, the Audit Office of NSW has provided its Management Letter. Four issues have been raised in the Management Letter:

1. Record capital project completion dates and ensure assets are capitalised and depreciated in a timely matter throughout the year;
2. Monitor and review system activities of privileged user accounts on Tech One databases and servers;
3. Update process to ensure periodic user's access of the Tech One application is reviewed and documented; and
4. Ensure the timely review of completed general ledger reconciliations is formally documented

Of the four recommendations made in the Final Audit Management Letter, three will be implemented by February 2021 and one will be implemented by June 2021.

#### DISCUSSION

Ms Taylor advised that Council was well prepared for audit and the Audit Office of NSW is very pleased with progress.

Finance will keep the ARIC updated on implementation of the four recommendations.

The Committee congratulated staff on providing a good report summary which is invaluable to ARIC members.

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## COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the Audit Office of NSW Management Letter on the Audit for the year ended 30 June 2020 and the 2020 Engagement Closing Report.

(Cr Grattan / Cr Heins)

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## NOTES

1. Mr Walsh and Ms Foley left the meeting at 4.31pm.
2. Mr Pigott and Ms Cordoba joined the meeting at 4.31pm.

## 10.2 PERFORMANCE AUDIT - GOVERNANCE AND INTERNAL CONTROLS OVER LOCAL INFRASTRUCTURE CONTRIBUTIONS

### PROCEEDINGS IN BRIEF

Mr Andrew Pigott, Executive Manager Strategic and Place Planning, and Ms Liza Cordoba, Manager Strategic and Place Planning, addressed the meeting on this item.

### PURPOSE

To inform the Audit, Risk and Improvement Committee of the performance audit report on Governance and Internal Controls Over Local Infrastructure Contributions conducted by the Audit Office of NSW and implications for Council's management of development contributions.

### PRECIS

The NSW Auditor-General's Report entitled "Performance Audit Report on Governance and Internal Controls Over Local Infrastructure Contributions" (Audit Office of NSW, 17 August 2020) assessed the effectiveness of governance and internal controls over local infrastructure contributions collected by four councils during the FY2017/18 and FY2018/19. These Councils - Blacktown City Council, Central Coast Council, City of Sydney Council and Liverpool City Council held the four highest local infrastructure contributions balances in NSW, each in excess of \$140 million (as at June 2018).

The report's key findings were considered in the context of the development contributions area for Northern Beaches.

### DISCUSSION

The Director of Financial Services, Audit Office of NSW, advised that the Audit Office had clarified aspects of the various Acts relating to development contributions with the Crown Solicitor's Office in order to resolve any apparent conflicts.

The Chair acknowledged that although Northern Beaches Council was not included in the NSW Auditor-General's Audit, Council ran an analysis to check how it would have fared. This analysis is in line with best practice performance and is to be commended.

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## COMMITTEE RESOLUTION

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

(Cr Heins / Cr Grattan)

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**NOTE**

Mr Pigott and Ms Cordoba left the meeting at 4.39pm.

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

Ms Deirdre Cooper, Executive Manager Internal Audit and Complaints Resolution, Ms Sarah Cain, Internal Audit Partner KPMG, and Ms Aisling Kilgannon, Internal Audit Senior Manager KPMG, 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**

This report provides an update on all audit activity since the last ARIC meeting, covering summaries of audit engagements and staff training.

**DISCUSSION**

Implementation of Audit Recommendations Table identifies a number of overdue items. The Executive Manager, Internal Audit and Complaint Resolution advised that the updates on any action taken is provided by relevant Executive Managers and that Internal Audit does follow up outstanding recommendations on a regular basis. COVID and staff workloads relating to the Service Review and other corporate responsibilities may have impacted on the implementation of some recommendations. The outstanding items relating to WHS and Fraud & Corruption may require a higher level of intervention as they are regarded as high risk, but no outstanding matters have been identified as urgent. A cultural problem persists which does contribute to the response lag, but it is hoped the promotion of the Internal Audit function across Council will address this issue in time.

Listed Audit Reports: no extreme or high findings to bring to ARIC attention at this time. All recommendations are considered reasonable and will be implemented in due course.

The Committee advised that it would be helpful to have importance rated and risks graded in the Summary Paper. The number of reports presented created difficulties for the Committee to analyse or discuss in depth. It was suggested reports be circulated to ARIC members when received (out of session) to allow for more considered analysis.

**ACTION ITEMS**

- ***Aquatic Centres Audit Report to be brought back to the next meeting for further discussion.***
- ***Audit reports to be circulated to ARIC members when received (out of session to allow for more considered analysis).***

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**COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee reviewed and approved the report.

(Cr Grattan / Cr Heins)

## 11.2 COMPLAINTS RESOLUTION UPDATE

### PROCEEDINGS IN BRIEF

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

### PURPOSE

To present to the Audit Risk and Improvement Committee information relating to complaints received, including alleged breaches of the Code of Conduct, complaints made under the Public Interest Disclosures Act 1994 (PID), and referrals to or from the Independent Commission Against Corruption (ICAC) and the NSW Ombudsman.

### PRECIS

The report presents information on complaints received, including alleged breaches of the Code of Conduct and enquiries from the ICAC and the NSW Ombudsman for the six-month period from 1 April – 30 September 2020. There was one complaint made under the Public Interest Disclosures Act 1994 for the period. The report also sets out key outcomes of complaints.

### DISCUSSION

It was noted that the ARIC have a role in consideration of the overall processes involved in Complaints Resolution, but have no authority or involvement in the actual investigations.

Any discussion on complaints against Councillors must be restricted to external ARIC members and exclude the three Councillors who sit on the ARIC Committee.

The ARIC requires more detailed information on the complaint management process in order to properly consider these matters. There may be a need for in-camera briefings with the Executive Manager, Internal Audit and Complaints Resolution, as required.

The ARIC requires a deeper understanding of the policies and procedures to get clarity on complaint processes. Accordingly, a request was made to the CEO for a special ARIC briefing to be arranged to take the ARIC through the arrangements for investigations, both of Councillors, and staff. This would cover the PID process and the Councillor Misconduct system. In advance of the briefing, it would be useful to receive a meeting pack with all relevant Policies and Procedures documentation.

### ACTION ITEMS

- ***That a special ARIC briefing session be arranged to take the ARIC through the arrangements for investigation of both Councillors and staff. This would cover the PID and Councillor Misconduct procedures. In advance of the briefing, it would be useful to receive a meeting pack with relevant Policies and Procedures documentation.***

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### COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the report from the Executive Manager Internal Audit & Complaints Resolution.

(Cr Heins / Cr Grattan)

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## **12.0 GENERAL BUSINESS**

### **12.1 PROPOSED ARIC MEETINGS SCHEDULE 2021**

#### **PROCEEDINGS IN BRIEF**

The Chair addressed the meeting on this item.

#### **PURPOSE**

To seek Committee endorsement of the 2021 proposed meetings schedule.

#### **PRECIS**

A draft 2021 ARIC meeting schedule is proposed to the ARIC as follows:

- 9 March 2021
- 8 June 2021
- Extraordinary Meeting early September TBA
- 14 September 2021
- 14 December 2021

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#### **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee endorsed the proposed 2021 Meetings Schedule.

(Cr Grattan / Cr Heins)

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#### **NOTES**

1. The Chair extended his appreciation to staff on behalf of the Committee. It was evident that a lot of work had gone into ARIC meetings over the past year and staff reports have improved with each presentation.
2. The meeting moved into Closed Session with the Chief Executive Officer at 5.12pm.