



northern  
beaches  
council

# MINUTES

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

held via audio-visual link

**TUESDAY 14 DECEMBER 2021**

**Minutes of the Audit, Risk and Improvement Committee Meeting****held on Tuesday 14 December 2021****via audio-visual link****Commencing at 2:06pm****ATTENDANCE:****Voting Members of the Committee**

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

**Council Officers (non-voting)**

Mr Ray Brownlee PSM	Chief Executive Officer
Mr Jeff Smith	Director Corporate and Legal
Mr David Walsh	Chief Financial Officer
Ms Caroline Foley	Executive Manager Financial Planning and Systems
Ms Deirdre Cooper	Executive Manager Internal Audit and Complaints Resolution
Ms Sarah Dunstan	Executive Manager Governance and Risk
Mr Mark Jones	Executive Manager Strategy Performance and Improvement
Mr Rob Koopman	Manager Insurance and Risk
Mr Michael McDermid	Manager Corporate Strategy
Mr Campbell Pfeiffer	Executive Manager, Property
Ms Aline Fernandes	Internal Auditor
Ms Lesley Milbourne	Manager Governance
Ms Katie Kirwan	Senior Advisor Governance

**Council Auditors (non-voting)**

Ms Sarah Cain	Internal Audit, Partner, KPMG
Ms Adriana Marques	Internal Audit, Manager, KPMG
Ms Karen Taylor	Director of Financial Audit Services, Audit Office of NSW

**Visitors**

Ms Charlotte Rimmer	President, Manly Chamber of Commerce
Ms Tracey Mietzke	Athas
Mr Bob Smith	Halix
Mr Con Nicola	Henroth
Mr Blair Courtney-O'Connor	Aspiring Properties

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Note: The Chair gave an Acknowledgement of Country.

## **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 14 SEPTEMBER 2021**

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#### **COMMITTEE RESOLUTION**

That the Minutes of the Audit, Risk and Improvement Committee meeting held 14 September 2021, copies of which were previously circulated to all Members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

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### **3.2 MINUTES OF EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE HELD 14 SEPTEMBER 2021**

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#### **COMMITTEE RESOLUTION**

That the Minutes of the Extraordinary Audit, Risk and Improvement Committee held 14 September 2021, copies of which were previously circulated to all Members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

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## **4.0 ITEMS RESOLVED BY EXCEPTION**

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Nil.

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## 5.0 ACTION ITEMS FROM MINUTES

### 5.1 ACTION ITEMS UPDATE

#### 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.

#### DISCUSSION

The Chair addressed the meeting.

The Committee noted that the review of risks above tolerance to inform the internal audit program was in progress and expected to conclude in March 2022.

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#### COMMITTEE RESOLUTION

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

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*Note: The order of business was changed to allow external members of the Manly Chamber of Commerce to attend for part of the discussion of 11.1 – Internal Audit Update Report (Manly CBD Special Levy Audit)*

### 11.1 INTERNAL AUDIT UPDATE

*Note: Charlotte Rimmer, Tracey Mietzke, Bob Smith, Con Nicola and Blair Courtney-Wood joined the meeting.*

#### PURPOSE

To provide an update to the Audit, Risk and Improvement Committee on all aspects of Internal Audit work since the September meeting.

#### DISCUSSION

The Chief Executive Officer (CEO) addressed the meeting providing background to the Manly Special Levy. The Chair noted the purpose of the discussion was to provide clarity to the Committee and the Chamber members on the purpose of the Special Levy, and assurance regarding the transparency of the process for which the audit findings are determined.

Members of the Chamber addressed the Committee and acknowledged the independence and integrity of the audit process. Some Chamber members expressed disappointment that what they had been told in 2005 as to how the money would be spent and how long the levy would remain in place was different to what the former Manly Council ultimately resolved and received approval for.

Members suggested that going forward, expenditure is separated to ensure transparency. The CEO advised that a cost analysis and comparison of other town centre locations throughout the LGA will be provided at a Councillor Briefing before going to Council. The CEO invited the Chamber Members to provide any further feedback to him on the report.

## 6.0 STANDING ITEMS

### 6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

#### PURPOSE

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

#### DISCUSSION

The Chief Executive Officer raised the following matters for discussion:

- Council has engaged an advisor to develop a negotiation protocol with its waste contractor and sought advice from the Office of Local Government and Independent Commission Against Corruption to ensure all probity issues are addressed.
- As the majority shareholder of Kimbriki, Council has engaged a firm to support a board recruitment and appointment process with a view to refresh the board membership. The current board has been in place since 2011.
- A status update on the vaccination policy, employee vaccination status and Council's work health and safety measures in place to protect employees and the community at its sites.
- The impact of the NSW Government's reduction of the rate peg.

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### COMMITTEE RESOLUTION

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

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### 6.2 FINANCE UPDATE

Note: Sarah Grattan left the meeting at 3:04pm

#### PURPOSE

To provide an update on the financial performance of the Council as at 30 September 2021.

#### DISCUSSION

Caroline Foley, Executive Manager Financial Planning addressed the meeting.

The Committee discussed the reduction of unrestricted funds forecast at June 2022 and the movements driving that reduction.

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### COMMITTEE RESOLUTION

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The Audit, Risk and Improvement Committee noted the finance update as at 30 September 2021.

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## **7.0 IMPROVEMENT**

### **7.1 PERFORMANCE REPORTING UPDATE – SEPTEMBER 2021**

#### **PURPOSE**

To report on performance as at September 2021 against measures in Council's Operational Plan 2021/22.

#### **DISCUSSION**

Mark Jones, Executive Manager Strategy and Performance addressed the meeting.

The Committee discussed projections post-COVID. M Jones noted that the expectation is that trends we currently see with carparks and pools will pick up once restrictions ease on 15 December 2021.

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#### **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee noted the report.

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### **7.2 CONTINUOUS IMPROVEMENT**

#### **PURPOSE**

To provide the Committee with an update on the Northern Beaches Council's continuous improvement program and the roll out of the new governance structure to oversee and improve project, strategy and program initiation and management across Council.

#### **DISCUSSION**

Mark Jones, Executive Manager Strategy and Performance addressed the meeting.

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#### **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee noted the progress of Council's continuous improvement programs and roll out of the new Governance Structure for projects.

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### **7.3 REVIEW OF COUNCIL'S INTEGRATED PLANNING AND REPORTING FRAMEWORK**

#### **PURPOSE**

To advise the committee of the Office of Local Government's new requirements for Integrated Planning and Reporting (IPR), and the process being undertaken by Council to review its suite of IPR documents for the incoming Council term.

#### **DISCUSSION**

Michael McDermid, Manager Corporate Strategy addressed the meeting.

The Committee discussed the challenges of implementing the new framework and what this would mean for the incoming Council. M McDermid noted that although there were more reporting headings, there was no change in the volume of documentation that Council has to deliver.

M McDermid noted that this piece of work had been factored into the councillor induction program, a new engagement framework is already on public exhibition, and the existing framework is in place making Council well positioned to meet the May 2022 deadline.

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#### **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee noted the report.

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## **8.0 FRAUD AND RISK MANAGEMENT**

### **8.1 GOVERNANCE AND RISK MANAGEMENT UPDATE**

#### **PURPOSE**

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

#### **DISCUSSION**

Sarah Dunstan, Executive Manager Governance and Risk, and Rob Koopman, Manager Insurance and Risk addressed the meeting.

The Committee discussed the compliance system and subscription service and whether it covered the broad obligations placed on Council. S Dunstan provided details of the subscription service and risk based approach Council took for inclusion in the centralised system. R Koopman confirmed the unit also produced a monthly compliance update sourced from public information and government websites.

The Committee provided feedback on the draft Legislative Compliance Policy for consideration in particular to reduce the review cycle from 4 years to provide for an earlier review if circumstances changed. S Dunstan noted that could be accommodated under Council's Policy Framework which provides a Council policy must be reviewed at least every 4 years or earlier if required.



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## COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee:

1. Noted the governance, risk management and compliance update.
  2. Approved the extension to 30 June 2022 to conclude the management actions relating to the Compliance Framework audit, being, a review of the Legislative Compliance Policy.
  3. Approved the extension to 30 June 2022 to conclude the management actions relating to the Councillor Expenses audit, being, a review of the Councillor Expenses and Facilities Policy.
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Note: The meeting adjourned at 3:32pm until 3:40pm

## 9.0 SPECIAL AGENDA ITEMS

### 9.1 ANNUAL INVESTMENT POLICY REVIEW

#### PURPOSE

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

#### DISCUSSION

David Walsh, Chief Financial Officer addressed the meeting on the item. D Walsh discussed proposed minor amendments to the Policy that were raised by the public regarding unrelated investments and the Ministerial Investment Order. He noted that the changes proposed are permitted under the Ministerial Order.

The Committee discussed the Investment Policy with regard to the investment information provided in the report, in particular:

- levels / amounts invested with single institutions – M McCoy and R Amon expressed strong concern the portfolio was not conservative enough
- phasing of investments
- the reduction in unrated funds in the portfolio
- performance of term deposits
- returns on capital

D Walsh provided detailed advice in relation to the matters raised and the CEO noted Council would discuss the comments raised by the Committee with Council's investment advisors.

Cr Amon & Mr McCoy noted while they were not in support of the Investment Policy in its current form it would be a matter for the Council to determine.

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## COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee:

1. Noted the review of the Investment Policy.
  2. Approved the proposed minor amendments to the Policy.
  3. Requested that the ARIC's concerns be relayed to the Council to assist its deliberations.
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4. Endorsed a report to Council detailing the proposed changes to the revised policy and placing it on public exhibition to ensure appropriate community consultation.
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## **9.2 WORK HEALTH & SAFETY AND INJURY MANAGEMENT UPDATE JULY 2020 TO JUNE 2021**

### **PURPOSE**

To provide the Audit, Risk and Improvement Committee with an update on Work Health & Safety and Workers Compensation at Northern Beaches Council.

### **DISCUSSION**

Amy Noakes, Executive Manager Human Resources addressed the meeting.

A Noakes provided advice regarding the drivers behind Workers Compensation Performance being over budget in 2020-21 including an increase in complex claims, psychological injury claims, resourcing challenges (which have been addressed) and COVID related delays to treatment which impacted return to work dates.

A Noakes noted that work is underway for an improvement plan for claims management and an audit is scheduled.

The Committee queried whether the psychological injury claims were an indication of a systemic issue. The CEO noted that the Chief Executive Team routinely review all claims and no pattern has been identified.

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### **COMMITTEE RESOLUTION**

That the Audit, Risk and Improvement Committee noted the update as at June 2021.

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## **10.0 EXTERNAL AUDIT**

### **10.1 AUDIT OFFICE CLOSING REPORT AND MANAGEMENT LETTER FOR THE 2020/21 FINANCIAL YEAR**

#### **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 2021 for their review.

#### **DISCUSSION**

Karen Taylor, Director of NSW Financial Audit Services addressed the meeting.

K Taylor advised that there were no new matters relating to the closing report and all financial management points have been addressed. K Taylor commended Council for doing an excellent job.

K Taylor provided the Committee with an overview of the Audit Office's next Performance Audit Program including a focus on business continuity and service, grants administration, development application processes in local councils, the E-Planning portal and building regulation relating to

cladding.

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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 2021 and the 2021 Engagement Closing Report.

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## 11.0 INTERNAL AUDIT

### 11.1 INTERNAL AUDIT UPDATE REPORT

#### PURPOSE

To provide an update to the Audit, Risk and Improvement Committee on all aspects of Internal Audit work since the September meeting.

#### DISCUSSION

Deirdre Cooper, Executive Manager Internal Audit and Complaints Resolution, and Campbell Pfeiffer, Executive Manager Property addressed the meeting.

#### Temporary Staff Contingent

The Committee discussed the number of temporary staff noting contingency hires are an expensive way to source staff for a significant period of time. The CEO advised that some of those roles can be challenging to recruit permanently and the incoming Council will be given the opportunity to review this as part of the service review and will have input into which of the roles can be made permanent in accordance with the service levels they wish to adopt.

#### Outdoor Dining Compliance

The Committee sought clarification of the management response in relation to the report, in particular the degree of residual risk. C Pfeiffer provided background to the response including resourcing and the systems in place respond to the non-compliance complaints via rangers and other means. C Pfeiffer advised the vast majority of licensees are compliant. He noted issues can arise with new applicants where they may misunderstand requirements but respond positively when approached by Council.

#### Golf Course

S Cain-Frost provided an update on the audit regarding contracts for golf courses and Lakeside Holiday Park.

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## COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the report.

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## **11.2 UPDATE ON ACTIONS FROM INTERNAL AUDIT REPORT ON COUNCIL'S DEVELOPMENT CONTRIBUTIONS (AUG 2020)**

### **PURPOSE**

To update the Audit, Risk and Improvement Committee on the status of the thirteen recommendations from the Audit Report on Council's Development Contributions Area (August 2020) and to seek an extension to complete one recommendation as a consequence of new reforms by the Department of Planning, Industry & Environment.

### **DISCUSSION**

Deirdre Cooper, Executive Manager Internal Audit and Complaints Resolution addressed the meeting.

The Committee noted the report.

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### **COMMITTEE RESOLUTION**

The Audit, Risk and Improvement Committee noted the completion of twelve recommendations of the Audit Report on Council's Development Contributions Area (August 2020) and supported the request for an extension in time for Recommendation 3 to be completed by 30 June 2022.

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## **11.3 COMPLAINTS RESOLUTION TEAM UPDATE REPORT**

### **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.

### **DISCUSSION**

Jeff Smith, Director Corporate and Legal, and Deirdre Cooper, Executive Manager Internal Audit and Complaints Resolution addressed the meeting.

D Cooper noted a slight rise in staff related complaints, and potential drivers of the increase.

J Smith presented an analysis of complaint numbers and categories for complaints reported directly to the Office of Local Government (OLG). The analysis included a comparison of Northern Beaches Council and other local Councils. 1.7% of complaints to OLG related to Northern Beaches Council.

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### **COMMITTEE RESOLUTION**

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

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## 12.0 GENERAL BUSINESS

### 12.1 PROPOSED MEETING SCHEDULE - 2022

#### PURPOSE

To seek adoption of the proposed meeting schedule for 2022 for the Audit, Risk and Improvement Committee.

#### DISCUSSION

Alternative dates for the 1 March and 6 December are to be circulated out of session.

#### ACTION ITEMS

***That the Executive Manager Governance & Risk settle times out of session for the March and December 2022 meetings.***

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#### COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee confirmed the 2022 meeting schedule for the June and September meetings with dates to be settled out of session for March and December.

Meeting Date	Business Papers Available	Time
7 June	31 May	2pm
An extraordinary meeting in early September is to be determined		
13 September	6 September	2pm

### 12.2 AGENDA ITEMS FOR NEXT MEETING

#### PURPOSE

To discuss with the Committee the proposed agenda items for the next meeting.

#### DISCUSSION

Noted.

## 13.0 NEXT MEETING

To be confirmed.

Note: The meeting closed at 4:57pm