



northern
beaches
council

MINUTES

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

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

TUESDAY 12 DECEMBER 2023

Minutes of the Audit, Risk and Improvement Committee Meeting**held on Tuesday 12 December 2023****in the Flannel Flower, Civic Centre, Dee Why****Commencing at 2pm****ATTENDANCE:****Voting Members of the Committee**

Chair Stephen Horne (Chair)
Member Mark McCoy
Member Julie Walton
Member Robert Lagaida
Member Bianca Crvelin (*joined at 2:14pm*)
Member Sarah Grattan

Guest

Mayor Sue Heins (*joined at 3:11pm*)

Council Officers (non-voting)

| | |
|------------------|--|
| Scott Phillips | Chief Executive Officer |
| Eskil Julliard | Acting Director Corporate & Legal |
| Mark Jones | Acting Director Workforce & Technology |
| Sally Hall | Executive Manager Internal Audit & Complaints Resolution |
| Sarah Dunstan | Executive Manager Governance & Risk |
| Aline Fernandes | Internal Auditor |
| Lesley Milbourne | Manager Governance |

Council Auditors (non-voting)

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|----------------------|--|
| Ms Aisling Kilgannon | Internal Audit, Senior Manager, KPMG |
| Ms Susan Prichard | Director Financial Audit Services, Audit Office of NSW (<i>joined at 2:29pm</i>) |

External Visitors

| | |
|-----------------|--|
| Craig Jackson | Chairman, Kimbriki Environmental Enterprises (<i>Item 12.1</i>) |
| Peter Davis | Chief Executive Officer, Kimbriki Environmental Enterprises (<i>Item 12.1</i>) |
| Annette Ruhotas | Director, Kimbriki Environmental Enterprises (<i>Item 12.1</i>) |
| Tom Pascarella | Director, Kimbriki Environmental Enterprises (<i>Item 12.1</i>) |

Visiting Staff

| | |
|-------------------|--|
| Todd Dickinson | Director Environment & Sustainability (<i>Item 12.1</i>) |
| Rob Koopman | Manager Insurance & Risk (<i>Item 8.1</i>) |
| Mike Wilson | Senior Advisor Risk (<i>Item 8.1</i>) |
| Naren Gangavarapu | Chief Information Officer (<i>Item 8.2 and 11.1</i>) |
| David Griffiths | Chief Information Security Officer (<i>Item 8.2 and 11.1</i>) |
| David Walsh | Chief Financial Officer (<i>Item 6.2, 9.2 and 10.1</i>) |
| Caroline Foley | Executive Manager Financial Planning & Systems (<i>Item 6.2, 9.2 and 10.1</i>) |

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1.0 APOLOGIES

Nil

2.0 DISCLOSURES OF INTEREST

Mark McCoy declared a not significant non-pecuniary interest noting that he had worked with Craig Jackson, Chair of Kimbriki Environmental Enterprises at KPMG many years ago.

Cr Grattan declared a not significant non-pecuniary interest noting that she has a new role as the Chief Executive Officer of Lifeline Northern Beaches.

3.0 CONFIRMATION OF MINUTES

3.1 MINUTES OF AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD 12 SEPTEMBER 2023

OUTCOME

That the minutes of the Audit, Risk and Improvement Committee meeting held on 12 September 2023, copies of which were previously circulated to all members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

3.2 MINUTES OF EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE HELD 11 OCTOBER 2023

OUTCOME

That the minutes of the Extraordinary Audit, Risk and Improvement Committee held on 11 October 2023, copies of which were previously circulated to all members, are hereby confirmed as a true and correct record of the proceedings of that meeting.

4.0 ITEMS RESOLVED BY EXCEPTION

Nil

5.0 ACTION ITEMS FROM MINUTES

5.1 ACTION ITEMS UPDATE

PURPOSE

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

OUTCOME

The ARIC noted progress on actions arising from the minutes of previous meetings.

6.0 STANDING ITEMS

6.1 VERBAL UPDATE FROM CHIEF EXECUTIVE OFFICER

PURPOSE

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

DISCUSSION

Scott Phillips, Chief Executive Officer gave an update on a number of topics including:

- Actions in response to data breaches involving third party contractors
- A financial update
- An update on the Enterprise Resource Planning (ERP) project
- A proposed change to the senior executive organisational structure.

OUTCOME

The ARIC noted the Chief Executive Officer's verbal update.

NOTE: The Chair made a change to the order of business

12.0 FEATURE TOPIC

12.1 BRIEFING FROM KIMBRIKI BOARD ON ANNUAL PERFORMANCE

PURPOSE

For the independent board of Kimbriki Environmental Enterprises (KEE) to provide a briefing to ARIC members on the annual performance of the company, an overview of its strategic goals and its strategic risk and improvement framework.

DISCUSSION

The KEE Board provided an overview of its governance framework and key initiatives.

Discussion included the management of environmental risks, cyber security, work health and safety risks, independent assurance practices, shareholder alignment and financial sustainability.

The ARIC noted the strategic alignment of KEE Board's activities with the Council's, in particular, the strong financial risk management and the long term strategic goals and approach taken by KEE in its management of this intergenerational asset. The ARIC also noted the investment and focus on the corporate and governance practices by the KEE.

ACTIONS

Todd Dickinson to bring forward a paper to a future ARIC meeting considering the management of conflicts of interests that may emerge arising from Council's dual role as shareholder and regulator.

OUTCOME

The ARIC noted the briefing from the KEE Board.

NOTE: The Chair returned to the order of business

6.2 FINANCE UPDATE

PURPOSE

To provide the ARIC with an update on the financial performance of the Council as at 30 September 2023.

DISCUSSION

Caroline Foley, Executive Manager Financial Planning & Systems addressed the meeting.

Discussion covered the impact of external factors on the projected future financial position including COVID-19, inflation and the rate peg. The ARIC noted the latest forecast operating result for the financial year and that Council's budget remains balanced and financial ratios on track for the 2023/24 financial year.

ACTIONS

Caroline Foley to circulate the budget briefing pack presented to the Councillor briefing to the ARIC.

OUTCOME

The ARIC noted the finance update as at 30 September 2023.

7.0 IMPROVEMENT

Nil

8.0 FRAUD AND RISK MANAGEMENT**8.1 GOVERNANCE & RISK UPDATE****PURPOSE**

To provide an update to the ARIC on governance and risk management activities.

DISCUSSION

Mike Wilson, Senior Advisor Risk and Rob Koopman, Manager Risk and Insurance addressed the meeting. The ARIC noted the status of risks report and discussed the context of Council's current risk appetite, the suitable timing for this to be reviewed and reconsidered by the Councillors given the time remaining this Council term, and the steps towards risk maturity.

The ARIC also noted Council's recently adopted Council Policy Framework and actions underway to progress this. The ARIC noted business continuity plans were being updated by all business areas and recommended a date for the testing of plans be set.

The ARIC discussed Council's insurance coverage noting the independent review undertaken in 2021.

OUTCOME

The ARIC noted the governance and risk management update.

8.2 CYBER SECURITY MANAGEMENT**PURPOSE**

To provide the ARIC an update on the actions and controls in place to achieve, monitor and maintain Council's cyber risk tolerance.

DISCUSSION

Naren Gangavarapu, Chief Information Officer presented the report and introduced Council's new Chief Information Security Officer, David Griffiths.

The ARIC discussed emerging risks and controls, results of testing and cyber awareness training and incident response planning and privacy management.

OUTCOME

The ARIC noted:

1. The progress made to date in line with the cybersecurity roadmap.
 2. The planned activities to achieve, monitor and maintain agreed risk tolerance.
 3. The emerging next gen cyber threats (gen AI cyber threats, zero-day exploits, remote access compromise, insider attacks etc.)
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NOTE: The Chair made a change to the order of business

11.1 AUDIT RECOMMENDATIONS - UNFUNDED 2023/24 (CYBER SECURITY AND SOFTWARE LICENCE MANAGEMENT)**PURPOSE**

To provide the ARIC with a management response on outstanding actions.

DISCUSSION

Mark Jones, A/Director Workforce and Technology and Naren Gangavarapu, Chief Information Officer addressed the meeting to discuss audit recommendations (cyber security) that are not financially supported in 2023/24 and risks involved with extending some target implementation activity completion dates.

ARIC noted while both actions have been constrained by budget limitations, considerable work has been undertaken to date to mitigate Council's risk in both areas.

OUTCOME

That the:

1. ARIC noted the report and continued work to strengthen Council's cyber security position and that remaining actions are to be initiated subject to a cyber roadmap analysis to be undertaken by Council's new Chief Information Security Officer and available budget.
 2. Action from the ARIC meeting of 12 September 2023 relating to the implementation of software licence management processes be closed and the item be included on Council's risk register and remain as a project on Council's Capital Project Funding Request Pipeline for inclusion in future budgets.
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NOTE: The Chair returned to the order of business

9.0 SPECIAL AGENDA ITEMS

9.1 ANNUAL REVIEW OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

PURPOSE

To facilitate the annual review of the ARIC Charter.

DISCUSSION

The ARIC discussed the transition of its Charter to the model terms of reference provided by the Office of Local Government within its Guidelines for Risk Management and Internal Audit for Local Government in NSW (Guidelines).

ARIC discussed the requirements for Council to comply with the Guidelines from 1 July 2024 and options for Council to consider a report in the new year to establish the terms of reference and councillor representation on the ARIC.

OUTCOME

The ARIC noted staff will provide a report to Council seeking a resolution to adopt terms of reference consistent with the Office of Local Government's Model Terms of Reference in the new year.

9.2 ANNUAL INVESTMENT POLICY REVIEW

PURPOSE

To provide the Investment Policy (Policy) to the ARIC for review.

DISCUSSION

The ARIC noted the review by Council's Investment Advisors, Laminar Capital Pty Ltd and confirmation 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'.

OUTCOME

The ARIC noted the review of the Investment Policy and that no changes to the Investment Policy were proposed.

10.0 EXTERNAL AUDIT

10.1 AUDIT OFFICE CLOSING REPORT AND MANAGEMENT LETTER FOR THE 2022/23 FINANCIAL YEAR

PURPOSE

To provide the ARIC with the Audit Office of NSW Engagement Closing Report and Management Letter on the final phase of the audit for the year ended 30 June 2023 for its review.

DISCUSSION

Susan Prichard, Director Financial Audit Services, Audit Office of NSW provided an overview of the Engagement Closing Report.

The ARIC noted the Council's position in relation to rural fire-fighting equipment remaining not recognised in its financial statements and the progress in the reviews of its policies.

The ARIC commended Council on receiving a clean audit and noted this was an unusually positive outcome in comparison with other Councils.

OUTCOME

The ARIC noted the Audit Office of NSW Management Letter on the final phase of the audit for the year ended 30 June 2023 and the 2023 Engagement Closing Report.

11.0 INTERNAL AUDIT

11.2 INTERNAL AUDIT UPDATE REPORT

PURPOSE

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

DISCUSSION

Sally Hall, Executive Manager Internal Audit and Complaints Resolution gave an update on the audit program.

The ARIC discussed the status of the 2023/24 audit plan, status of audit actions and audits completed.

ACTIONS

Sally Hall, Executive Manager Internal Audit and Complaints Resolution to update the audit plan to show the previous three years as well as the forward three years.

Sally Hall, Executive Manager Internal Audit and Complaints Resolution to provide an update on the two high risk and one medium risk audit actions from the 2019 Key Recommendation Follow-Up audit.

OUTCOME

The ARIC noted:

1. The audit reports on:
 - a. Lifeguard training management
 - b. Corruption control maturity assessment
 - c. Data governance
 - d. Fraud and corruption risk assessment
 - e. Procurement.
 2. The report on the actions from previous audits, and management comments, in respect of Building Access Management, Software Licence Management and Fleet Management.
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NOTE: Robert Lagaida left the meeting at 4.52pm

11.3 COMPLAINTS RESOLUTION TEAM UPDATE REPORT**PURPOSE**

To present to the ARIC information relating to complaints received between 1 April 2023 and 30 September 2023, including alleged breaches of the Code of Conduct and referrals to or from the Independent Commission Against Corruption (ICAC) and the NSW Ombudsman.

DISCUSSION

Sally Hall, Executive Manager Internal Audit and Complaints Resolution presented the item. The ARIC discussed drivers of complaints and noted the training roll out for the Public Interest Disclosure Policy had been well attended. The ARIC noted there were no complaints made under the Public Interest Disclosures Act 1994 for the period.

ACTIONS

Sally Hall, Executive Manager Internal Audit and Complaints Resolution to routinely update the ARIC on the implementation of the Public Interest Disclosure Policy.

OUTCOME

The ARIC noted the report.

13.0 GENERAL BUSINESS

13.1 AGENDA ITEMS FOR NEXT MEETING

PURPOSE

To present to the ARIC the proposed agenda items for the March 2024 meeting.

OUTCOME

The ARIC noted the forward agenda for the March 2024 meeting.

14.0 NEXT MEETING

Wednesday 13 March 2024