

MINUTES

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

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

TUESDAY 11 JUNE 2024

**Minutes of the Audit, Risk and Improvement Committee meeting
held on Tuesday 11 June 2024
in the Flannel Flower, Civic Centre, Dee Why**

ATTENDANCE – In camera – commencing at 1:35 pm:

Voting Members of the Committee

Stephen Horne (Chair)
Mark McCoy
Julie Walton
Robert Lagaida
Cr Bianca Crvelin
Cr Sarah Grattan

Guest

Mayor Sue Heins

Council Officers (non-voting)

Todd Dickinson	Acting Chief Executive Officer
Sally Hall	Executive Manager Internal Audit & Complaints Resolution

Council Auditors (non-voting)

Ms Susan Prichard (*left at 1:44 pm*) Director of Financial Audit Services, Audit Office of NSW

ATTENDANCE – Ordinary meeting – commencing at 2:16 pm

Voting Members of the Committee

Chair Stephen Horne (Chair)
Mark McCoy
Julie Walton
Robert Lagaida
Cr Bianca Crvelin
Cr Sarah Grattan

Guest

Mayor Sue Heins

Council Officers (non-voting)

Todd Dickinson	Acting Chief Executive Officer
Eskil Julliard	Acting Director Corporate & Legal
Mark Jones	Acting Director Workforce & Technology
David Walsh	Chief Financial Officer
Caroline Foley	Executive Manager Financial Planning & Systems
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)

Ms Susan Prichard Director of Financial Audit Services, Audit Office of NSW

External Visitors

Susan Leahy Centium

Visiting Staff

Richard van Laar-Veth	Program Director – ERP Transformation
David Griffiths	Chief Information Security Officer
Michael McDermid	A/Executive Manager Strategy & Performance
Tonya Burrowes	Manager Organisational Performance
Craig Sawyer	Executive Manager Transport & Civil Infrastructure
Louise Kerr	Director Planning & Place
Azmeena Kelly	Executive Manager Environmental Compliance

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1.0 APOLOGIES

No apologies were received.

2.0 DISCLOSURES OF INTEREST

Robert Lagaida advised he is now a member of NSW Crime Commission's Audit, Risk and Improvement Committee (ARIC).

3.0 CONFIRMATION OF MINUTES

3.1 MINUTES OF AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 13 MARCH 2024

OUTCOME

The minutes of the ARIC meeting held on 13 March 2024, copies of which were previously circulated to all members, were confirmed as a true and correct record of the proceedings of that meeting.

4.0 ITEMS RESOLVED BY EXCEPTION

No items were dealt with by exception.

5.0 ACTION ITEMS FROM MINUTES

5.1 ACTION ITEMS UPDATE

PURPOSE

The purpose of this report is to provide the ARIC with a progress update on the actions arising from the minutes of previous meetings of the ARIC and those actions completed since the previous meeting.

DISCUSSION

It was noted some items are ongoing and not due. Regarding the action in relation to Item 6.3 – ERP project update – governance arrangements were discussed during the meeting and it was noted a report on the project will be provided as a standing item for future meetings.

OUTCOME

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

6.0 STANDING ITEMS

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

PURPOSE

The purpose of this report is to provide the ARIC with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

The Acting Chief Executive Officer's (A/CEO) verbal report included the following:

- ICAC is conducting Operation Mantis which concerns contracting and sub-contracting arrangements at Canterbury Bankstown Council
- A report was presented to the May Council meeting to provide demerger costings
- Councillors attending a workshop to discuss financial sustainability
- Council made submissions to the inquiry by the NSW Parliament's Legislative Council Standing Committee on State Development into the ability of local governments to fund infrastructure and services, and an inquiry by the Parliament of Australia's House of Representatives Standing Committee on Regional Development, Infrastructure and Transport into local government sustainability.

OUTCOME

The Audit, Risk and Improvement Committee noted the Chief Executive Officer's update.

6.2 ENTERPRISE RESOURCE PLANNING PROJECT (ERP) UPDATE

PURPOSE

The purpose of this report is to provide the Audit Risk and Improvement Committee (ARIC) an update on Council's Enterprise Resource Planning Project (ERP/COSMO).

DISCUSSION

Richard van Laar-Veth, Program Director – ERP Transformation, attended the meeting to update the committee on the project.

A committee member noted the need for contingencies given the interdependencies in the various programs and timelines; financial reporting against milestones, matching of scope with budget and time; keeping up to date with the market; and ensuring subject matter experts (SMEs) have been identified and engaged before KPMG starts its work on data collection. Richard confirmed actions are in place on these aspects and that SMEs will be complemented with business analysts.

In response to a question from a committee member, Richard undertook to note a risk and related mitigations for running parallel systems and ensuring integrity of the system.

A question was asked about reporting flexibility. Richard advised we have access to TechOne University and a training environment to explore. If the business has particular needs that are different to the standard TechOne setup, these requests can be considered by the steering committee.

Richard confirmed the governance processes and steering committee are working appropriately.

The Chair asked Caroline Foley and David Walsh to join the meeting (at 3:14pm) to seek their views about the 1 July start date. Caroline confirmed Finance asked for a 1 July commencement;

David advised this worked when the 3 councils amalgamated.

The committee thanked Richard for his time.

COMMITTEE RESOLUTION

The Audit Risk and Improvement Committee noted the report and information provided during the discussion.

6.3 FINANCE UPDATE

PURPOSE

The purpose of this report is to provide an update on the financial performance of the Council as at 31 March 2024.

DISCUSSION

Caroline Foley and David Walsh attended for this item.

Committee members asked questions about the emergency service levy, fines, development contributions, workers compensation claims, and waste charge calculations in the long term financial plan. Return on investment was noted and commended.

It was noted Council made submissions to the inquiry by the NSW Parliament's Legislative Council Standing Committee on State Development into the ability of local governments to fund infrastructure and services, and an inquiry by the Parliament of Australia's House of Representatives Standing Committee on Regional Development, Infrastructure and Transport into local government sustainability.

The committee thanked Caroline and David for their work on these submissions, assisting other councils with their submissions, and attending the NSW inquiry.

OUTCOME

The Audit, Risk and Improvement Committee noted the finance update as at 31 March 2024.

7.0 IMPROVEMENT

7.1 BUSINESS EXCELLENCE AND CONTINUOUS IMPROVEMENT UPDATE - CARRIED FORWARD FROM MARCH 2024 MEETING

PURPOSE

The purpose of this report is to provide an update on Council's continuous improvement program for the period July to December 2023 and the launch of the IGNITE Continuous Improvement dashboard.

DISCUSSION

Michael McDermid and Tonya Burrowes attended for this item.

There was discussion about the service review program, the service review framework and the impact of and connection with the COSMO project.

It was noted the improvements register is current to December 2023 and since then adjustments have been made to reflect interaction with COSMO, while ensuring continuous progress outside of this project continues.

The Chair noted the Office of Local Government's focus on service reviews and that not many councils have a program like this one. Continuous improvement is important as service reviews are not continuously underway. Having both a continuous improvement focus and program as well as the service review framework is mutually supportive and effective.

OUTCOME

The ARIC noted the progress of the continuous improvement programs.

7.2 PERFORMANCE REPORTING UPDATE - DECEMBER 2023 - CARRIED FORWARD FROM MARCH 2024 MEETING

PURPOSE

The purpose of this report is to advise the ARIC of Council's performance as of December 2023 against measures in Council's Operational Plan 2023/24.

DISCUSSION

The drop in volunteer participation was noted. COVID had a significant impact; services are continuing to adjust.

In the context of the child care measures, the committee suggested Council draw attention to the 'excellent' rating which Council's child care services routinely receive from the Australian Children's Education & Care Quality Authority (ACECQA) under the National Quality Framework. This is the highest rating possible and should be highlighted to demonstrate the quality of the child care services Council provides.

ACTIONS

Michael McDermid undertook to include ACECQA National Quality Framework rating information on Council's child care services in the future performance result reporting.

OUTCOME

The ARIC noted the report.

7.3 ROAD MAINTENANCE SERVICE REVIEW - ADDITIONAL INFORMATION

PURPOSE

The purpose of this report is to consider the additional information requested by the ARIC on the Road Maintenance Service Review.

DISCUSSION

Craig Sawyer attended for this item.

The committee thanked staff for the report and associated work. Staff took on the feedback provided by the committee.

OUTCOME

The ARIC noted the additional information provided on the Road Maintenance Service Review and that \$4.6 million per annum is needed to address the maintenance and renewal funding gap.

7.4 REVISED SERVICE REVIEW FRAMEWORK

PURPOSE

The purpose of this report is to endorse Northern Beaches Council's revised Service Review Framework.

DISCUSSION

The committee discussed the Service Review Framework change which involves the role of elected members who will now be notified when a review commences, asked to provide input into the review, will be invited to attend the ARIC meeting when a review is being presented and will be notified of the outcomes of each review post ARIC meeting.

It was noted the ARIC's role is to consider the efficiency and effectiveness of the process, not budget decisions of Council.

OUTCOME

The ARIC endorsed the revised Service Review Framework at Attachment 1.

7.5 ENVIRONMENTAL COMPLIANCE SERVICE REVIEW

PURPOSE

The purpose of this report is to present the findings and recommendations of the Service Review of Environmental Compliance.

DISCUSSION

Louise Kerr and Azmeena Kelly attended for this item.

The committee thanked staff for the report and their work.

It was noted this is a complex area in which to work.

The committee asked that the font used for this type of report be larger in future reports.

OUTCOME

The ARIC noted the findings and recommendations of the Service Review for Environmental Compliance.

8.0 FRAUD AND RISK MANAGEMENT

8.1 CYBER SECURITY PREPAREDNESS

PURPOSE

The purpose of this report is to present the ARIC with an overview of Council's preparedness against cyber and information security incidents, and the work underway to continuously improve it.

DISCUSSION

David Griffiths attended for this item and provided an update on Council's security landscape.

The committee discussed the oversight mechanisms for the Information Management Steering Committee and provided feedback for staff consideration.

The committee commented that leveraging identification of sensitive information via the COSMO project will help reduce risk.

The committee also commented that effective external communications are critical to our incident response plan. It was noted that the Incident Management Team has a well-established communications function and David will work with this team.

OUTCOME

The ARIC:

1. Noted the progress made to date on previously reported initiatives.
 2. Noted the findings regarding the current state of Council's cyber protection capability.
 3. Noted the work to align security governance and management processes to global industry standards.
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8.2 GOVERNANCE & RISK MANAGEMENT UPDATE

PURPOSE

The purpose of this report is to provide an update to the ARIC on governance and risk management activities.

DISCUSSION

Sarah Dunstan advised that the ARIC will be compliant from 1 July with the Guidelines for Risk Management and Internal Audit for Local Government in NSW via the ARIC's new charter.

The results of the Chief Executive Team's (CET) workshop on Council's risk appetite statement will be provided to a future ARIC meeting for review and feedback.

A committee member suggested looking at the Department of Health's risk tools, in particular the rating scale, as nuanced risk management is important in the local government context. There was a reminder too that opportunities as well as risks are an important element of a successful risk management framework.

ACTIONS

Staff to add a conclusion to the draft ARIC annual report. Committee members to provide feedback, if required, out of session.

OUTCOME

The ARIC noted the update and approved the draft ARIC Annual Report for tabling at a future Council meeting, subject to the addition of a conclusion to be circulated out of session.

9.0 SPECIAL AGENDA ITEMS

10.0 EXTERNAL AUDIT

10.1 NSW AUDITOR GENERAL'S REPORT ON LOCAL GOVERNMENT 2023

PURPOSE

The purpose of this report is to consider the NSW Auditor-General's Report on Local Government 2023.

DISCUSSION

Sue Prichard advised the Audit Office's interim management letter has been drafted and all is progressing well for final audit.

The Auditor General's report on Local Government identified a number of issues for the sector; most do not apply to the Northern Beaches Council.

OUTCOME

The ARIC noted the Auditor-General's Report on Local Government 2023.

11.0 INTERNAL AUDIT

11.1 INTERNAL AUDIT UPDATE REPORT

PURPOSE

The purpose of this report is to provide an update to the ARIC on all aspects of Internal Audit work since the last ARIC meeting.

DISCUSSION

Sally Hall provided an overview of the audit schedule. Following ARIC's previous feedback, it was decided to reduce the plan from 15 to 10 audits. As an overlap with the service reviews and budget reductions was also noted, the final plan will include 8-10 audits.

The committee asked to be kept informed of any changes to the audit plan.

The committee noted it will be important to ensure the induction program for new councillors explains in detail the conflict of interest process and framework, for example, where to find information about gifts and benefits in the code of conduct.

The committee asked that in future reports more detail is provided on overdue actions, to report on timing to complete, and how the risk is being addressed. In the meantime, if an overdue action is not suitably responded to, the issue needs to be escalated to management and/or accounted for by the relevant executive manager in person during an ARIC meeting.

OUTCOME

The ARIC:

1. Noted the status of internal audit recommendations, opportunities and actions.
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2. Noted the status of the current 2023-24 and previous 2022-23 internal audit plans.
3. Noted the outcomes of ICAC's Paragon review and follow up on the Recruitment review.
4. Endorsed the draft 4-year strategic internal audit plan for 2024-28.
5. Endorsed the yearly review and minor amendments to the adopted 2023 Internal Audit Charter.

11.2 COMPLAINTS RESOLUTION TEAM UPDATE REPORT

PURPOSE

The purpose of this report is to present to the ARIC information relating to complaints received, including alleged breaches of the Code of Conduct and referrals to or from the Independent Commission Against Corruption (ICAC) and the NSW Ombudsman.

OUTCOME

The ARIC noted the report.

12.0 FEATURE TOPIC

13.0 GENERAL BUSINESS

13.1 AGENDA ITEMS FOR NEXT MEETING

PURPOSE

The purpose of this report is to present to the ARIC the proposed agenda items for the ordinary September 2024 meeting.

DISCUSSION

The committee thanked Cr Grattan and Cr Crvelin for their commitment and contribution to the ARIC during their tenure on the committee.

Under the new Guidelines for Risk Management and Internal Audit for Local Government in NSW, only one councillor is permitted on an ARIC from 1 July 2024.

It was noted there needs to be good dialogue between ARIC and Council and effective reporting from ARIC to Council. Cr Grattan will keep the Chair informed as to how this is working.

OUTCOME

The ARIC discussed the proposed September 2024 agenda.

14.0 NEXT MEETING

Tuesday 10 September 2024

The meeting closed at 5:34pm