

MINUTES

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

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

TUESDAY 3 DECEMBER 2024

**Minutes of the Audit, Risk and Improvement Committee meeting
held on Tuesday 3 December 2024
in the Flannel Flower, Civic Centre, Dee Why
Commencing at 2:15 PM**

ATTENDANCE:

Members of the Committee

Chair Stephen Horne (Chair)
Member Mark McCoy
Member Julie Walton
Member Robert Lagaida
Member Sarah Grattan

Council Officers (attendees)

Scott Phillips	Chief Executive Officer
Kelly Loveridge	Chief Operating Officer
Sally Hall	Executive Manager Internal Audit & Complaints Resolution
Sarah Dunstan	Executive Manager Governance & Risk
Lauren Reti	Senior Advisor Governance

Council Auditors (non-voting)

Hugh Wilson	Team Leader - Financial Audit, Audit Office of NSW
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Guest Attendees

Sue Heins	Mayor
Nick Beaugeard	Councillor
Craig Jackson	Chairman, Kimbriki Environmental Enterprises
Peter Davis	Chief Executive Officer, Kimbriki Environmental Enterprises
Annette Ruhotas	Director, Kimbriki Environmental Enterprises
Tom Pascarella	Director, Kimbriki Environmental Enterprises

Visiting Staff

Todd Dickinson	Director Environment & Open Space
Caroline Foley	Chief Financial Officer
Mark Jones	Executive Manager Strategy & Performance
Michael Turner	Chief Information Officer
Craig Sawyer	Executive Manager Transport & Civil Infrastructure
Melissa Messina	Executive Manager Early Learning
Karen McLoughlin	Program Director - ERP Transformation
Catherine MacFarlane	Manager Organisational Performance
Tonya Burrows	Manager Community Transport, Parking & Fleet
David Griffiths	Chief Information Security Officer

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1.0 APOLOGIES

Apologies were received from Aline Brito Fernandes, Internal Auditor.

2.0 DISCLOSURES OF INTEREST

Robert Lagaida disclosed that he has been accepted as a member of the City of Sydney's Audit, Risk and Improvement Committee (ARIC).

Sarah Grattan declared that the Hop Skip Jump bus is in the Manly Ward and she has been a key advocate for retaining the service.

3.0 CONFIRMATION OF MINUTES

3.1 MINUTES OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 10 SEPTEMBER 2024

OUTCOME

That the minutes of the ARIC meeting held on 10 September 2024, 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 THE EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 10 SEPTEMBER 2024

OUTCOME

That the minutes of the extraordinary ARIC meeting held on 10 September 2024, 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

COMMITTEE RESOLUTION

Nil

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.

OUTCOME

That the ARIC note the 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

Scott Phillips, Chief Executive Officer provided an update on the induction of the newly elected Council, the planning weekend held for Councillors to brief them on the case for a Special Rate Variation (SRV) and the Local Government NSW annual conference. Scott advised there would be a further briefing for Councillors on outcomes of community engagement on the SRV and there would be an extraordinary Council meeting on 28 January 2025 to consider whether to proceed with an application to the Independent Pricing and Regulatory Tribunal for a SRV, and if so, which option. Mark Jones, Executive Manager Strategy & Performance was invited to provide a brief status update to the members.

Members asked questions on the methodology of the community engagement, the specific criteria being asked when submissions are made, and how submissions are being reviewed and categorised.

OUTCOME

That the Audit, Risk and Improvement Committee note the Chief Executive Officer's verbal update.

6.2 ERP PROGRAM UPDATE ARIC 3 DECEMBER 2024

PURPOSE

The purpose of this report is to provide the ARIC an update on Council's Enterprise Resource Planning Project – named Program COSMO.

DISCUSSION

Michael Turner, Chief Information Officer and Karen McLoughlin, Program Director – ERP Transformation provided members with a brief update on the current progress of the project. Release 1 is on track, with 3 user acceptance test cycles planned and staff training taking place in parallel. The project is on track for the 1 July 2025 go live.

Members asked questions regarding the cutover strategy, project cadence and scope, data migration and the project budget.

ACTIONS

Program Director- ERP Transformation to provide progressive tracking of milestones against budget in future reports.

OUTCOME

That the ARIC note the report.

6.3 FINANCE UPDATE

PURPOSE

The purpose of this report is to provide an update on the financial performance of the Council as at 30 September 2024.

DISCUSSION

Caroline Foley, Chief Financial Officer provided an update to the committee, covering the topics of disaster recovery funding, exemption from the Waste Levy, operating deficit and a further update on the Special Rate Variation (SRV).

Caroline highlighted the 4 main financial issues facing Council, being inflation, a \$3 million increase in the Emergency Services Levy, recent natural disasters and the long term impact of COVID, requiring Council to place projects on hold.

The committee asked questions on the topics of infrastructure projects and asset renewal and maintenance, the impact of population increase on rates and benchmarking of land property value.

The Chair confirmed that the committee has previously been briefed on the Long Term Financial Plan and note, that each year, asset maintenance has been falling behind schedule. It is also noted that Council's operating performance ratio is starting to lag.

ACTIONS

Caroline Foley to provide the committee with the updated version of the Long Term Financial Plan.

OUTCOME

That the ARIC note the finance update as at 30 September 2024.

7.0 INTERNAL AUDIT

7.1 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 external agencies such as the Independent Commission Against Corruption (ICAC) and the NSW Ombudsman.

DISCUSSION

Sally Hall provided a brief update on this report. The number of complaints is showing a downward trend over the last 2 years. In the last year we have received 17 fraud and corruption complaints, with 6 substantiated and of those 6, 3 related to one incident. The team continue to look for trends and work with Human Resources to identify training which will cover off topics and trends.

Scott Phillips confirmed that the draft Managing Unreasonable Conduct of Complainants policy has been on public exhibition. The outcome is planned to be reported to Council in February 2025 for adoption. This policy is based on the NSW Ombudsman's Managing Unreasonable Conduct by a Complainant model guide.

The committee asked questions on the downward trend of complaints, how the team came to the conclusion that a complaint is not substantiated, and what training is being provided for frontline staff when they receive complaints. Sally confirmed that training and visits to teams with the highest risk of encountering complainants who display inappropriate or unacceptable behaviour is underway and will be ongoing.

ACTIONS

Due to the change in how staff matters are being reported, the 'percentage and number of complaints by category' are to be reviewed to ensure relevant figures are being compared.

Add to the standard reporting a further breakdown where the finding is 'not substantiated', which includes a reason why, for example, 'not enough evidence', or 'verified - did not happen'.

Add further reporting of 'Complaints by Team – Other', where complaints are substantiated, to look for trends.

OUTCOME

That the ARIC note the report.

12.0 FEATURE TOPIC

12.1 BRIEFING FROM KIMBRIKI BOARD ON ANNUAL PERFORMANCE

PURPOSE

The purpose of this report is for the independent board of Kimbriki Environmental Enterprises to provide a briefing to ARIC members on the annual performance of the company (Attachments 1 and 2) and the development of its ESG framework (Attachment 3).

DISCUSSION

Kimbriki Environmental Enterprises (KEE) Board Members provided an update on some of the key highlights they have had this year, including the completion of the Clean Water Diversion System, the positive External Financial Audit result with zero findings and ISO Reaccreditation with no non-

conformances, strong financial results and payment of \$3.8 million dividend to Council.

Discussion included reduction of waste in landfill, longevity of the site, attracting and retaining good staff and a focus on psychosocial risks and asbestos management. An update was provided on the KEE Audit and Risk Committee that highlighted the level of detail in the management of the site allowing strong reporting which is used to analyse and assess how processes and policies can be improved to ensure best practice.

OUTCOME

That the ARIC note the report.

11.0 EXTERNAL AUDIT

11.1 AUDIT OFFICE CLOSING REPORT AND MANAGEMENT LETTER FOR THE 2023/24 FINANCIAL YEAR

PURPOSE

The purpose of this report is 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 2024 for their review.

DISCUSSION

Hugh Wilson, Team Leader - Financial Audit, Audit Office of NSW provided an overview of the Engagement Closing Report.

The Council's Finance team was commended on the quality of work papers and financial statements are of a high quality. Both the general and special purpose financial statements were all unqualified.

The ARIC noted the uncorrected monetary misstatements / judgemental misstatements and the feedback received from Caroline Foley and Hugh Wilson that these items are immaterial. The Chair asked if Hugh could refer these items back to his team to discuss whether there is a possible resolution for these items.

OUTCOME

That the ARIC note the Audit Office of New South Wales Management Letter on the final phase of the audit for the year ended 30 June 2024 and the 2024 Engagement Closing Report.

8.0 IMPROVEMENT

8.2 SERVICE REVIEW - EARLY LEARNING

PURPOSE

The purpose of this report is to present the findings and recommendations of the service review for the Early Learning (Vacation Care) Service to the ARIC.

DISCUSSION

Melissa Messina, Executive Manager Early Learning and Catherine McFarlane, Organisational Performance provided a brief overview of the Early Learning service review and the reason the

recommendation is being made, as well as confirming that the recommendation will be reported to Council at the 10 December 2024 meeting for a resolution.

The members asked about the notification period that would be provided to users of the service, the team confirmed the noticed period would be approximately 5 months.

OUTCOME

That the ARIC note the findings and recommendations of the Service Review for the Early Learning (Vacation Care) Service.

8.1 SERVICE REVIEW - HOP, SKIP AND JUMP BUS SERVICE

PURPOSE

The purpose of this report is to present the findings and recommendations of the service review of the Hop, Skip and Jump Bus Service.

DISCUSSION

Craig Sawyer, Executive Manager Transport & Civil Infrastructure, Tonya Burrows, Manager Community Transport, Parking & Fleet and Catherine MacFarlane, Manager Organisational Performance provided an update to the committee, noting that a variety of options were considered but the staged withdrawal was confirmed to be the best option.

The ARIC discussed alternative transport options that would be available to the current passengers, and whether sponsorship and advertising was considered as alternate funding.

OUTCOME

That ARIC note the findings and recommendations of the service review for the Hop, Skip and Jump Bus Service.

9.0 FRAUD AND RISK MANAGEMENT

9.1 GOVERNANCE & RISK MANAGEMENT UPDATE

PURPOSE

The purpose of this report is to provide an update to the Audit, Risk and Improvement Committee (ARIC) on governance and risk management activities.

DISCUSSION

Sarah Dunstan, Executive Manager Governance & Risk, Mike Wilson, Senior Risk Advisor and Rob Koopman, Manager Insurance & Risk provided an update to the committee. The update included the process undertaken to workshop and update the Risk Appetite Statement, with the proposed change to update some risk tolerance levels, along with updates to Business Continuity Plan (BCP) guidelines and the operational tests of several BCPs to improve and update plans. An update was also provided on claims against Council and insurance renewal.

The committee asked questions and provided feedback on the proposed changes to risk tolerance levels. There was also discussion on the use of the Key Performance Indicators, and alignment of risk appetite with organisational goals.

The Chair noted the Insurance and Business Continuity Planning matters detailed in the report.

OUTCOME

That the ARIC note the update and provide feedback regarding the proposed amendments to the draft Risk Appetite Statement.

7.2 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 briefed the committee on this item.

The committee noted in the audit recommendations that there were zero 'In progress – Revised Completion Date' and zero 'Overdue' recommendations, and complimented Sally and her team on this result.

OUTCOME

That the ARIC note:

1. The status of the 2023-24 and 2024-25 internal audit plans.
 2. The outcomes of the internal audit reports completed.
 3. The status of audit recommendations and opportunities, generated in previous internal audits.
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9.2 INFORMATION & CYBER SECURITY**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. A renewed focus on risk management will form the basis of decision-making into the future.

DISCUSSION

Michael Turner, Chief Information Officer and David Griffiths, Chief Information Security Officer provided an overview of the report. An update was provided on the reduction of an Extreme Risk down to a High Risk when physical hardware was moved into a data centre.

The ARIC discussed the timing of the delivery road map and the monetary impact included in the budget, in addition to regression of the phishing testing results. The committee noted that this is a trend seen elsewhere as the phishing tests become more sophisticated.

The Chair complimented the useful information and detail in the report.

OUTCOME

That the ARIC note:

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1. Progress made to date to improve the culture and preparedness of Council in relation to information and cyber security.
 2. Achievements and planned activities to monitor and maintain agreed risk tolerance.
 3. Discovered and emerging cyber threats and the increasing maturity of Council's planning for, and response, to them.
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10.0 SPECIAL AGENDA ITEMS

10.1 SPECIAL INTEREST BRIEFING - CLIMATE CHANGE RISK ASSESSMENT AND ADAPTATION PLAN

PURPOSE

The purpose of this report is to provide the ARIC with an update on Council's draft Climate Change Risk Assessment and Adaptation Plan.

DISCUSSION

Todd Dickinson, Director Environment & Open Space and Yianni Mentis, Executive Manager Environment & Climate Change attended for this item.

Due to a lack of time to brief the committee fully on this item, the Chair requested the item be deferred to the March 2025 meeting.

OUTCOME

That the report be deferred to the March 2025 Audit Risk and Improvement Committee meeting.

10.2 ANNUAL INVESTMENT POLICY REVIEW

PURPOSE

The purpose of this report is to provide the Investment Policy (Policy) to the ARIC for review.

DISCUSSION

The committee commended staff on a good report. Members had no questions and agreed to note the report.

OUTCOME

That the ARIC note the review of the Investment Policy and that no changes to the Investment Policy are proposed.

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 March 2025 meeting.

OUTCOME

That the ARIC discuss the proposed March 2025 agenda.

14.0 NEXT MEETING

Tuesday 4 March 2025

The Chair thanked Julie Walton for her contribution to the work of the Committee.

The meeting closed at 5:33pm