

MINUTES

of the **Audit Risk & Improvement Committee**
held in the Yarra Conference Room
Level 2, Bayside Council Administration Building
on **Thursday 14 March 2024 at 6:00 PM**

Present

Jennifer Whitten, Independent External Member (Chairperson)
Mark Sercombe, Independent External Member
Sheridan Dudley, Independent External Member
Robert Lagaida, Independent External Member
Scott Morrissey, Councillor
Greta Werner, Councillor (via audio visual link)

Also present

Meredith Wallace, General Manager (via audio visual link)
Richard Sheridan, Director City Performance
Fausto Sut, Manager Mayoral & Councillor Support
Danijel Andric, Chief Information Officer
Luke Phillips, Manager Finance
Christine Cheng, Internal Auditor
Wendy Klopper, Manager Business Transformation (via audio visual link)
Umayal Sivanandan, Internal Auditor
Lawrissa Chan, Director, Financial Audit Services - Audit Office of New South Wales (via audio visual link)
Quentin Wong, Audit Leader – Audit Office of New South Wales (via audio visual link)
Eric Connerton Coordinator Business Improvement
Bobbi Mayne, Manager Libraries and Lifestyle
Nicole Bardsley, Co-ordinator Risk Management (via audio visual link)

The Chairperson opened the meeting in the Yarra Conference Room at 6:10 pm.

1 Acknowledgement of Country

The Chairperson affirmed that Bayside Council acknowledges the traditional custodians: the Gadigal and Bidjigal people of the Eora nation, and pays respects to Elders past, present and emerging. The people of the Eora nation, their spirits and ancestors will always remain with our waterways and the land, our Mother Earth.

2 Apologies and Attendance via Audio Visual link

Apologies

There were no apologies received.

3 Disclosures of Interest

There were no disclosures of interest.

4 Minutes of Previous Meetings

4.1 Minutes of the Audit Risk & Improvement Committee Meeting - 21 November 2023

Committee Resolution

That the Minutes of the Audit Risk & Improvement Committee meeting held on 21 November 2023 be confirmed as a true record of proceedings.

.4.2 Business Arising

There was no Business Arising.

5 Reports

ARIC24.001 Report - ARIC Action Items

Committee Resolution

That the report be received and noted.

ARIC24.002 General Manager's Update

The General Manager provided the Committee with an update on the following matters:

- IPART Review of Local Government.
- Transfer of Council employees involved in waste collection to private industry – no impact on Bayside Council.
- Ramadan Events across Bayside.
- Proposed re-alignment of General Manager Unit with Business Transformation to ensure business improvement stronger alignment with internal audit and service reviews and business innovation with Information Technology.
- Submission to Minister for Local Government on the usage of developer contributions.
- Proposed response to Minister for Finance on consideration of providing timely notices for any parking fines issued by LPR camera technology.
- Recent controversy over asbestos in mulch used across parks in Sydney – no

cases in Bayside LGA.

- Role of Council in RMS dealing with sink holes on M6 within Bayside LGA.

Committee Resolution

That the Committee notes the General Manager's Update.

ARIC24.003 Audit Office of NSW - Engagement Closing Report - 30 June 2023

Some observations were:

- No material changes to previous advice.
- Table 3 highlights monetary and disclosure adjustments.
- Degree of adjustments is similar on average compared to other councils.

Committee Resolution

That the Audit Risk & Improvement Committee receive and note the key findings and outcome of the 30 June 2023 year end audit of the General Purpose Financial Statements and Special Schedule 'Permissible income for general rates'.

ARIC24.004 2022/23 Final Audit Management Letter - Audit Office of NSW

Some observations were:

- Interim audit actions are not reflected in final audit management letter and dealt with separately during interim audit stage.
- Issue 2 aligns with timing of comprehensive revaluations and therefore listed as 30/6/2025.
- Issue 6 has no impact on accounting for depreciation in the LTFP.
- Concern about the delay between issue of audit report and the issue of the final letter from the Committee's perspective notwithstanding a draft may be issued during the process.
- Bayside Council privilege user access was mentioned in the Audit Office of NSW report presented to the NSW Parliament.

ACTION

- That the Committee receives a one page report on the status (e.g. on track/off track) of repeat issues highlighted by Audit Office of NSW.

Committee Recommendation

- 1 That the attachment to this report be withheld from the press and public as they are confidential for the following reason:

With reference to Section 10(A) (2) General of the Local Government Act 1993, the attachment relates to the matters in this report are confidential, as it is considered that it is in the public interest that they are not disclosed to the public. In accordance with the Code of Conduct, the matters and the information contained within this report must not be discussed with or disclosed to any person who is not a member of the meeting or otherwise authorised.

- 2 That the Bayside Council 2022/23 Final Audit Management letter be received and noted.

ARIC24.005 NSW Audit Office Annual Engagement Plan - Audit of Bayside Council for Year Ending 30 June 2024

Some observations were:

- A further extra-ordinary meeting may need to be scheduled (i.e. 26/7/24 - 12/8/24) to consider the accuracy of the financial statements prior to audit commencing.
- An extra-ordinary meeting has been scheduled for 17/10/24 to consider the unaudited financial statements prior to referral to Council for management sign-off for audit.
- Cost of audit seems excessive compared to other larger councils particularly taking into account the improvements made by Council in recent years.

Committee Resolution

That the Audit Risk & Improvement Committee receives and notes the Annual Engagement Plan for the year ending 30 June 2024.

ACTION

- Audit Office of NSW provide an explanation paper to Council on the proposed cost of the audit particularly in comparison to councils of a larger size and complexity.

ARIC24.006 Quarterly Budget Review Statement - December 2023

Some observations were:

- The statement shows an improvement in the projected financial result.
- Attachment difficult to read and therefore difficult to integrate the changes.
- Council has ample funds to meet its internal and external reserves.
- Quarter three budget review expected to show no major changes and projected tracking is satisfactory.

- Long Term Financial Plan is expected to be presented to Council in May 2024.

Committee Resolution

- 1 That Council's decision in relation to the Quarterly Budget Review Statement for the Quarter ended 30 September 2023 be noted.
- 2 That the Council's decision in relation to the Quarterly Budget Review Statement for the Quarter ended 31 December 2023 be noted.
- 3 That the advice on the Proposed Budget Revised Statement for 2023/24 as detailed in the report be received and noted.

ARIC24.007 Internal Audit Report - Community Facility

Some observations were:

- Future reports should ensure that function is placed in perspective to understand size, scale and impact (i.e. materiality and risk impact).
- Even though the facility utilisation report is customer-focused, scope of audit should ensure that audit has community outcomes.
- Customer experience could provide information about community outcomes.
- To assist the ARIC in meeting its responsibilities under s428A of the Local Government Act, reports may reference those areas if fall within the audit.
- Future reporting to the Committee should condensed to significant issues in summary or cover report.

Committee Recommendation

That the internal audit report of the Review of Community Facility be received and noted.

ARIC24.008 Report-Compliance Review-Implementation phase of the Bayside PM Framework

Some observations were:

- Future reporting to the Committee should condensed to significant issues in summary or cover report.
- The audit activity was to determine compliance with managements direction to implement the Framework. The effectiveness of the Framework would be examined as part of a separate audit activity
- Audit activity does not fit the standards/requirements of a compliance audit and titling of audits should more accurately reflect activity undertaken

Committee Recommendation

That the report of the compliance review of the implementation of the Bayside Council Project Management Framework is received and noted.

ARIC24.009 Internal Audit Progress Report**Committee Resolution**

That the progress report on the status of the current internal audit plans be received and noted.

ARIC24.010 High Risk Audit Actions due by 31/03/2024 (Progress as at 29/02/2024)

Some observations were:

- Escalation process in place for high risk audit actions whereby changes are reported to management and finally the General Manager for determination
- While some audit actions are listed as high risk, residual risk may be lowering. They may become high risk at some point in time should actions be delayed or other factors.
- Review the reporting to the Committee to ensure that it is based on high risk audit actions.

Committee Resolution

That the report on the progress and status of high-risk audit actions due for verification in April 2024 be received and noted.

ACTION

Future reports reference residual risk actions rated high and above and include the justification for any overdue.

ARIC24.011 Cybersecurity maturity assessment against OLG guidelines and the Essential Eight

Some observations were:

- Internal Audit and IT work together to determine the scope of the audit based on the assessment presented in the report
- It would be useful to have a Gant chart or similar to some action timelines

Committee Resolution

That the report on Council's current maturity levels assessed against OLG guidelines

be noted.

ACTION

Circulate to members a copy of IT Road Map

ARIC24.012 Cyber Security Policy

Committee Resolution

- 1 That the report on the recently updated Cyber Security Policy be received and noted.

ARIC24.013 Risk Management - Strategic Risk Reviews

Committee Resolution

That the report be deferred to the next meeting.

ARIC24.014 Claims Management - Quarterly Report

Committee Recommendation

That this report be received and noted.

ARIC24.015 Business Improvement Delivery Program - Progress Update

Some observations were:

- Significant impact should the requirement to notify motorists of LPR camera parking fines be introduced

Committee Resolution

That the report on the status of projects currently in progress as well as the projected Business Improvement Delivery Program 2025 be noted.

ACTION

- Distribute a copy of the letter received from the Minister for Finance

ARIC24.016 Business Intelligence Reporting - Pathway Dashboards**Committee Resolution**

That the report and demonstration be received and noted.

ARIC24.017 ARIC Terms of Reference - Review

Some observations noted:

- Further improvements required prior to submission to Council

Committee Resolution

That the Committee determine the final draft by email following consideration of further changes.

ACTION

- 1 A copy of the word document of the draft terms of reference to be circulated to all members for input of any further changes
- 2 A final draft copy of the terms of reference be circulated to all members and an email confirmation of approval be obtained
- 3 A report be presented to the Council recommending approval of the final draft.

ARIC24.018 OLG Guidelines - Implementation Action Plan**Committee Resolution**

That the report on Council's current compliance with the OLG Guidelines for risk management and internal audit frameworks and implementation plan be received and noted.

ARIC24.019 ARIC Annual Workplan 2023-24

Some observations were:

- Workplan should be a standing agenda item for each meeting
- Actions should be cross referenced made to the authority under s428A of the Local Government Act and Guidelines

Committee Resolution

That the Strategic Workplan 2022-2024 be noted and the Annual Program for 2023-24 be adopted.

ACTION

That the Annual Program be a standard agenda item at each ordinary meeting of the Committee with updates as to status and actions crossed referenced to the authority under s428A of the Local Government Act and Guidelines.

ARIC24.020 Audit, Risk & Improvement Committee Annual Report 2022-23**Committee Recommendation**

That the Committee endorses the ARIC Annual Report 2022-23 attached to the report and forwards it to Council.

ARIC24.021 Member appointment/reappointment options

Some observations were:

- Option 2 favoured as compliance to rotational requirements commences from 2024.
- Jennifer Whitten's contribution as Chair was acknowledged.
- Given Jennifer Whitten's decision to step down as Chair, the Council will need to appoint the new Chair in time for the next meeting of the Committee in June 2024.
- Council should consider reducing the number of independent members to 3 (including the Chair).

Committee Resolution

- 1 That the report be received and noted.
- 2 That Jennifer Whitten's contribution to the Committee as Chair be acknowledged.

6 General Business

There was no General Business.

7 Next Meeting

The next meeting will be held in the Yarra Conference Room at 6:00 pm on Thursday, 20 June 2024

The Chairperson closed the meeting at 9:15pm.