

MINUTES

of the **Audit Risk & Improvement Committee**
held in the Yarra Conference Room
Level 2, Bayside Council Administration Building
on **Thursday 20 June 2024 at 6:10 PM**

Present

Mark Sercombe, Independent External Member (Chairperson)
Sheridan Dudley, Independent External Member
Robert Lagaida, Independent External Member

Also present

Meredith Wallace, General Manager
Fausto Sut, Manager Mayoral & Councillor Support
Joe Cavagnino, Acting Director City Performance
Peter Barber, Director City Futures
Luke Phillips, Manager Finance
Wendy Klopper, Manager Business Transformation (via audio visual link)
Eric Connerton Coordinator Business Improvement
Helen Tola, Manager Governance & Risk
Christine Cheng, Internal Auditor
Umayal Sivanandan, Internal Auditor
Lawrissa Chan, Director, Financial Audit Services - Audit Office of New South Wales
Quentin Wong, Audit Leader – Audit Office of New South Wales
Dr Trevor Seymour-Jone, Associate Professor, University of Newcastle
Rod Farrar, Director, Paladin Risk Management Services (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

Apologies

Apologies were received from Jennifer Whitten (independent member), and Councillors Morrissey and Werner.

3 Disclosures of Interest

Mark Sercombe disclosed that his recent appointments on the NSW Government Audit & Risk Committees (ARC) below and stated that he did not foresee and conflicts of interest with his role at Bayside Council:

- Cancer Institute, NSW Health
- The shared ARC of the:
 - -NSW Cabinet Office
 - -NSW Premier's Department
 - -NSW Parliamentary Counsel's Office

4 Minutes of Previous Meetings

4.1 Minutes of the Audit Risk & Improvement Committee Meeting - 14 March 2024

Committee Resolution

That the Minutes of the Audit Risk & Improvement Committee meeting held on 14 March 2024 be confirmed as a true record of proceedings subject the addition of a General Business item noting that the Committee held an in-camera meeting with Council's Legal Counsel, Jamie Motum, prior to the Committee Meeting.

4.2 Business Arising

There was no Business Arising.

Note: That Committee notes that the Minutes of the Audit Risk & Improvement Committee of Thursday 14 March 2024 were presented to, and the recommendations therein were adopted by, the Council at its meeting of 24 April 2024.

5 Reports

5.1 NSW Audit Office (AO NSW) Update

Lawrissa Chan and Quentin Wong presented to the Committee on the rationale for the increased audit cost for Council and on the interim audit.

Some observations:

- AONSW noted Council had higher issues (rising from 10 to 22) and unclaimed overruns in the FY22/23 audit.
- Notwithstanding the AONSW explanation, concern remains about the quantum of the cost to Council of the FY23/24 audit.
- From knowledge of other councils, members understood the cost to Council was disproportionate to the work, notwithstanding the explanations.
- Council's cost seemed to be at least \$40K above other similar or larger councils, and about 1/3 more audit hours.

Committee Resolution

That the presentation by Audit Office of NSW is noted.

5.2 Status Update of unresolved prior year Audit Office of NSW management letter issues

- Mr Phillips, Manager Finance, spoke to the report in which management has identified 6 of the 7 prior year matters (both interim and final audits) as being completed, subject to AONSW verification.
- The outstanding audit action relates to aged bonds.
- Mr Phillips' noted that progress was being made on the identification of aged bonds and that the balance was reducing.
- The interim audit management letter for FY223/24 is expected in early July 2024.

Committee Resolution

That the status of repeat issues highlighted by the Audit Office of NSW is received and noted.

5.3 Asset Management Service Review

A presentation was made by Dr Trevor Seymour-Jones, Adjunct Associate Professor, University of Newcastle who led the service review.

Wendy Klopper, Manager Business Transformation, advised that management had accepted the recommendations and was currently preparing a detail implementation plan and resourcing requirements.

Some observations:

- Some detailed work has commenced on elements of the review.
- Members were interested in timeframes for reporting back to the Committee noting that implementation involved strategic elements and input/process work.
- Decisions were required (mainly by incoming Council post September 2024 elections) on service catalogue and service standards and addressing implications for the long term financial plan.
- Members requested an action plan and report to the Committee by November 2024.

Committee Resolution

That the Audit Risk & Improvement Committee notes the outcome of the Asset Management Service Review.

ACTION

That the action plan to implement management's response to the Asset Management

Service Review be completed and reported to the Committee meeting in November 2024,

5.4 General Manager's Update

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

- Council decisions on the demerger issue including a community survey.
- Media release by Georges River Council on a proposal to form a St George Council by the inclusion of its local government area (LGA) with parts of the Bayside LGA
- Working through the implications of the senior staff contract changes including discussions with LGNSW
- Minor organisational restructure whereby Property Business Unit has transferred from City Performance to the City Futures Directorate and reporting to the Director City Futures.
- Council is undertaking a major review of its Development Contributions Plans
- Successful legal action to remove a tenant from Council property following an EOI process.
- Preparations for the elections including management of councillor requests (including representations on behalf of residents) during election period.

Committee Resolution

That the Committee notes the General Manager's Update.

5.5 Organisational Resilience Framework

The Manager Governance & Risk, Helen Tola and Rod Farrar, Director, Paladin Risk Management Services were present during the discussion of this item.

Some observations:

- Management has accepted the report and is preparing a project plan including scenario testing of critical business functions to implement the Framework.
- Report will be presented to the November 2024 Committee meeting on the implementation of the Organisational Resilience Framework project plan.

Committee Resolution

1. The Committee receives and notes the report and management's agreement to implement the Framework.
2. That a further report come back to the November 2024 Committee meeting on the Action Plan for the implementation of the Organisational Resilience Framework project plan.

5.6 Business Continuity Plan Test - Scenario Exercise

The Manager Governance & Risk, Helen Tola and Rod Farrar, Director, Paladin Risk Management Services presented on this item.

Some observations:

- Mr Farrar noted that the contract for the provision of waste services to Bayside Council was of a high quality which included preventative measures and conditions aimed at reducing the likelihood of service disruption and any disruption impact.
- Crisis Communication Plans were to be developed.

Committee Recommendation

- 1 That the report on the Business Continuity Response Plan for waste collection and disposal be received and noted.
- 2 That the testing of this Business Continuity Response Plan for waste collection and disposal be carried out on a regular basis (at least every 12 months) to ensure that all information remains current and that all personnel understand their roles and responsibilities.

5.7 Financial Management Update

Luke Phillips, Manager Finance, presented an overview of the report.

Some observations:

- The confidential Executive Committee report on Monthly YTD Financial Update – April 2024 attachment was not included as part of the report.
- The Committee therefore deferred consideration of the confidential attachment to the next meeting.
- The Committee does have the authority to deem matters confidential under the Local Government Act.
- The return on investment was considered excellent.
- Reserves having internal or external restrictions are adhered to.
- An improved Council operating surplus and healthy savings position.
- Capital Grants and Contributions declined relative to last year.

Committee Resolution

- 1 That the Committee receives and notes the report on the Quarterly Budget Review Statement for the Quarter ended 31 March 2024.
- 2 That the Committee receives and note the report in relation to the Statutory Financial Report – April 2024.

- 3 That the Committee defer consideration, to the extra-ordinary Committee meeting of 25 June 2024, of the confidential Executive Committee report on Monthly YTD Financial Update – April 2024 as it was not attached to the 20 June 2024 Committee business paper.
- 4 That the Committee receive a financial update at each Meeting based on the Statutory Financial Report, the Monthly YTD Financial Update and/or the Quarterly Budget Review Statement, whichever provides the most current update on Council’s financial position.

ACTION

That the attachment titled “confidential Executive Committee report on Monthly YTD Financial Update – April 2024 be discussed at the meeting of 25 June 2024.

5.8 Governance Framework - Revised

The Manager Governance & Risk, Helen Tola, presented to the Committee on the key changes to the Framework.

Some observations:

- In section 7, it is noted that training is not confined to only Governance.
- Section 4.1 in relation to Business Continuity should reflect the change as reported on the Organisational Resilience Framework.
- In section 4.3 amend to ensure name of the committee is consistent
- Changes to legislation from 1 July 2024 in relation to ARIC, internal audit and risk management should be reflected in the Framework.
- Reconsider the placement of the description of the Committee’s appointment, membership, mandate and functions under the Internal Audit (IA) heading. IA is only one of the 9 aspects of Council operations that the Committee is to ‘keep under review’ under section 428A (2).
- Council’s approach to External Audit should be reflected in the Framework in addition to noting that it is subject to annual performance and financial audits through the AONSW.
- In section 4.3, note that the Public Finance and Audit Act 1983 was replaced by the Government Sector Audit Act 1983
- In section 6.9 and elsewhere, reference to the Impounding Act 1993 (now repealed) should refer to the Public Spaces (Unattended Property) Act 2021 and clauses updated for Act and the EP&A Act.
- A summary diagram would be useful.

Committee Recommendation

- 1 That the Committee endorses the revised Governance Framework as reported subject to the changes noted in the minutes.
- 2 That Council adopts the revised Governance Framework as reported subject to the changes noted in the minutes of the meeting of 20 June 2024 of the Audit,

Risk & Improvement Committee.

5.9 6 Month Progress Report - Delivery Program 2022-2026 and Operational Plan 2023-24

Committee Resolution

That the six month progress report on the Bayside Delivery Program 2022-2026 and Operational Plan 2023-24 for the period 1 July 2023 to 31 December 2023 be received and noted.

5.10 Audit Report-Review of Development Application (DA) fee calculation and collection processes

Umayal Sivanandan, Internal Auditor presented an overview of the report and the Director, City Futures, Peter Barber, was present for the discussion on this item.

Some observations:

- Management has considered the report and agreed on its findings and recommendations.
- Council is considering its position regarding DA fees collected following statutory changes and subsequent clarifications related to the planning reform service fee collected by councils and then paid to the Department of Planning.
- The Internal Auditor referenced showed documentation on the issue.
- The estimated impact on general revenue of the change in fee calculation and collections is approximately between \$300K-\$500K per annum and will be subject to the volume of DAs received.
- It is noted that the calculation tool to check the cost of works is only used for DAs with a value under \$500K.
- The tool is for internal purposes as a revenue assurance safeguard.
- Council should consider whether the calculation tool has value for public use and therefore whether it should be publicly available.
- It was noted that some Councils have a DA fee calculation fee on their websites.

ACTION

A further report come back to the Committee once Council has considered its position regarding DA fees collected following statutory changes and subsequent clarifications.

Committee Recommendation

That the report of the review of DA fee calculation and collection processes be received and noted.

5.11 ARIC Annual Workplan 2023-24 - Status

Some observations:

- Discussions with Manager, Mayoral & Councillor Support occurred prior to the meeting.
- An amended Workplan was provided to the Committee prior to the meeting.
- The matter was deferred to the next meeting to consider the amended Workplan.

Committee Resolution

That the report on the status of the ARIC Annual Program 2023-24 be deferred to the meeting of 25 June 2024.

6 General Business

6.1 In Camera Meeting – Internal Audit

The Committee noted that it held an in camera meeting with the Internal Auditors prior to the commencement of this meeting.

7 Next Meeting

That the next meeting be held in the Rockdale Administration Centre at 6:00pm on 25 June 2024 as an extra-ordinary meeting.

The Chairperson closed the meeting at 8:50pm.