

## MINUTES

of the **Audit Risk & Improvement Committee**  
held in the Yarra Conference Room  
Level 2, Bayside Council Administration Building  
on **Thursday 22 August 2024 at 6:00 PM**

---

### Present

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

### Also present

Meredith Wallace, General Manager  
Richard Sheridan, Director City Performance  
Fausto Sut, Manager Mayoral & Councillor Support  
Luke Phillips, Manager Finance  
Helen Tola, Manager Governance & Risk  
Christine Cheng, Internal Auditor  
Umayal Sivanandan, Internal Auditor  
Lawrissa Chan, Director, Financial Audit Services - Audit Office New South Wales (AONSW)  
(via audio visual link)  
Quentin Wong, Audit Leader – Audit Office New South Wales (AONSW) (via audio visual link)  
Kylie McRae, Manager, Consulting Services, Institute of Internal Auditors (IIA)  
Deborah Goodyer, Consulting Services, Institute of Internal Auditors (IIA)

---

The Chairperson opened the meeting in the Yarra Conference Room Bayside Administration Building Rockdale at 6:07.

## 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, Leave of Absence, Remote Attendance

### Apologies

An apology was received from Councillor Morrissey

### Attendance Via Audio-Visual Link

There were no Committee members in attendance via audio-visual link.

### 3 Disclosures of Interest

Robert Lagaida declared that he has been appointed to the Audit and Risk Committee of the NSW Crime Commission.

Mark Sercombe declared that he had worked with Kylie McRae previously in a professional capacity.

### 4 Minutes of Previous Meetings

#### [4.1 Minutes of the Audit Risk & Improvement Committee Meeting - 20 June 2024](#)

##### **Committee Recommendation**

That the Minutes of the Audit Risk & Improvement Committee meeting held on 20 June 2024 be confirmed as a true record of proceedings subject to the correction of some typographical errors previously advised by Sheridan Dudley.

#### [4.2 Minutes of the Extraordinary Audit Risk & Improvement Committee Meeting - 25 June 2024](#)

##### **Committee Recommendation**

That the Minutes of the Extraordinary Audit Risk & Improvement Committee meeting held on 25 June 2024 be confirmed as a true record of proceedings subject to clarifying that the Governance Update to ARIC is required on a six-monthly basis.

#### **4.3 Business Arising**

The Chairperson noted that this evening's Committee meeting was the first Audit, Risk and Improvement Committee (ARIC) meeting at Bayside Council to be held under the changed governance arrangements brought about by the introduction of the *Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023*.

**Note:** The Minutes of the Audit Risk & Improvement Committee of 20 June 2024 and 25 June 2024 were received, and the recommendations therein were adopted by the Council at its meeting of 24 July 2024.

## 5 Reports

### 5.1 Report - ARIC Action Items

#### **Committee Resolution**

That the report be received and noted.

---

### 5.2 General Manager's Update

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

- The transitioning of senior staff under fixed term contracts to the award is progressing well with no issues from those affected.
- Election and Councillor Induction Program
- Minor restructure within Business Transformation Business Unit in separating the activities of Business Improvement from Business Innovation. The changes have passed through the Staff Consultation Committee.
- A service review is proposed on the incoming correspondence process as part of identified customer service improvements.

#### **Committee Resolution**

That the Committee notes the General Manager's Update.

### 5.3 ARIC Annual Workplan 2024-25 - Status

#### **Committee Resolution**

That the report on the ARIC Annual Program 2024-25 and its status be received and noted subject to deletion of the duplication concerning the unaudited financial statements, changing the reporting on both Governance Update and WHS to six monthly.

#### **ACTION**

The annual workplan presented to ARIC should including activities for the full calendar year and highlight in green those activities completed.

#### **5.4 External Audit: 2023/24 Interim Management Letter - Audit Office of NSW**

Lawrissa Chan and Quentin Wong, AONSW, spoke to the Interim Management Letter and Mr Philips, Manager Finance spoke to Council's response.

Some observations:

- Of the 10 issues raised, 3 are repeat issues.
- The impact of repeat issues may lead to increased substantive testing and therefore may impact on the audit fees.
- May need to review target completion dates to ensure they align with the risk rating of the issue (e.g. those actions with moderate risk having a target completion date of 30 June 2025) – suggestion that these should be completed by December 2024.
- Some moderate risk issues may not have any material impact on the financial statements.

#### **Committee Recommendation**

That the Bayside Council 2023/24 Interim Audit Management Letters be received and noted.

#### **ACTION**

Review target completion dates particularly of moderate risk items identified in the 2023/24 Interim Management Letter.

#### **5.5 2024/25 Budget and updated Long-Term Financial Plan 2024-2033**

Mr Philips, Manager Finance spoke to the report.

Some observations:

- Process to update Long Term Financial Plan (LTFP) was extensive with clearer assumptions on continued focus on reducing the infrastructure gap.
- Developer Contributions remains high, but Council is reviewing its plans to provide greater flexibility in the use of the contributions received i.e. moving from s7.11 contributions to s7.12.
- The infrastructure gap is reducing.
- An explanation was provided for low percentage increase in the assumption for materials increase.
- Income increase of 12% impacted mainly by interest income and rates assumptions.
- Reserve balances support grant funding.
- Depreciation increase impacted by timing of Barton Park completion and review of useful life of some assets.

### **Committee Resolution**

That the Committee receives and notes the reports on the adopted 2024/25 budget and the updated LTFP 2025-2034.

### **5.6 Financial Management Update**

#### **Committee Resolution**

- 1 The Committee notes the summary of the report presented to Council on Wednesday 24 July 2024 in relation to the Statutory Financial Report - June 2024.
- 2 The Committee receives and notes the Executive report on the Monthly Financial Update – June 24.

### **5.7 Draft Financial Statements 2023/24**

Mr Philips, Manager Finance spoke to the report.

Some observations:

- Chairperson outlined the Committee's new requirements under the Office of Local Government Guidelines to review the draft General Purpose financial statements prior to submission to the AONSW.
- Additional information was provided to members after the issue of the Business Paper and prior to the meeting including:
  - Updated financial statements.
  - The P&L and balance sheet analysis
  - List of information awaiting from third parties e.g. CivicRisk Mutual and Bayside Garden Centre which would be materially insignificant.
  - List of sections incomplete
- The general purpose financial statements do not include the Special Schedules
- A process for the collection of Related Parties returns is in place and returns are expected by end of August. Any exited Key Management Personnel has provided a return on exit.
- There is no end date for the Infrastructure Levy
- Impairment analysis had been undertaken on Debtors.
- There were no significant accounting issues.
- Reporting has changed to significant accounting policies only.
- Council has processes in place to ensure developer contributions are expended for the purposes collected under s7.11 or s7.12
- Employment costs increases largely due to bringing the Council's Aquatic Centre under in house management.
- Number of successful initiatives have contributed to a lower Annual Leave reserve including offering cash payouts.

**Committee Recommendation**

- 1 That the report on the Council's draft general purpose financial statements for the year ended 30 June 2024 be received and noted.
- 2 That Council notes the advice provided by the Committee at the meeting.
- 3 That Council may submit the draft financial statements for the year ended 30 June 2024 to the Audit Office of NSW.

**5.8 Contractor Compliance Services****Committee Resolution**

That the report be received and noted.

**5.9 Claims Management - Quarterly Report****Committee Resolution**

That the report be received and noted Risk & Improvement Committee (ARIC).

**ACTION**

Provide an explanation for the increase in claim numbers as a result of golf ball damage and whipper snipper damage to property.

**5.10 Internal Audit Plan FY23/24 & 24/25 - Progress****Committee Resolution**

That the progress report on the progress of the Internal Audit Plans for FY23/24 and FY24/25 be received and noted.

**ACTION**

Progress reports on the internal audit plan should identify the meetings planned audit reports are intended to be presented.

### **5.11 Compliance Audit - DRIVES24 - User Access for TfNSW 2024**

#### **Committee Resolution**

That the report be received and noted.

### **5.12 High Risk Audit Actions due by 30/09/2024 - Progress to date**

#### **Committee Resolution**

That the progress and status of high-risk audit actions due by the end of 2024 be received and noted.

#### **ACTION**

That future reports note the revised due date of any overdue high-risk action.

### **5.13 ARIC - Independent Assessment Report**

Kylie McRae and Deborah Goodyear of the IIA were present for the discussion on the report.

Some observations:

- Several recommendations were completed post report including those relating to the ARIC terms of reference, the ARIC Workplan, the out of session engagement between the Chair and the organisation of the business papers.
- Induction session would occur with introduction on new members.
- Merits of implementation of some recommendations was debated including performance measures and induction sessions.
- As it was Council's initiated report, Council needs to determine a position with action plan on each based on the report findings and the view of the members.
- The action plan be monitored and regularly reported on.

#### **Committee Resolution**

That the draft report be received and noted.

#### **ACTION**

Council determines its position on each recommendation, provide an action plan and a means of reporting to ARIC on progress.

## **5.14 Internal Audit Annual Report 2023-2024**

### **Committee Recommendation**

That the Annual Report for Internal Audit for the FY 2023/2024 be received and noted.

## **6 General Business**

### **6.1 Recent Relevant Forums**

The Chairperson and members noted the content of the LG Leadership ARIC Forum held on 29 July and hosted by the AONSW included the upcoming focus areas for performance audits by AONSW, an address by the OLG, a cyber security update and financial audit update by AONSW.

The Chairperson also noted that the CPN Forum held on 21 August 2024 focused on common forms of corrupt conduct with an address by the NSW ICAC.

### **6.2 Presentation to outgoing member, Jennifer Whitten**

The General Manager acknowledged the valuable contribution made to ARIC by Jennifer Whitten serving as member of the former Rockdale Audit Committee and then as chairperson of the Bayside ARIC following amalgamation. Jennifer retires from the Committee in light of the limitations on member tenure.

## **7 Next Meeting**

That the next meeting be held in the Yarra Conference Room, Level 2 Bayside Administration Centre, Rockdale at 6:00pm on Thursday 17 October 2024.

The Chairperson closed the meeting at 8:55pm.