

# AUDIT RISK AND IMPROVEMENT COMMITTEE

## 1. Present and Apologies

Name & Position	Status
Chairperson, Mr Terry Bunn	P
Mr Geoff Steel	P
Mr Roger FitzGerald	P
Cr Mitchell Nadin	P
General Manager, Leanne Barnes	A
Director Business and Governance, Mr Graham Stubbs	IA
Executive Manager Organisational Development and Governance, Ms Nina Churchward	IA
Director Community, Environment and Planning, Dr Alice Howe	P
Risk & Internal Audit Coordinator, Mr James Dangers	IA
Ms Lynne Ting, Principal Consultant Forensic, Jardine Lloyd Thompson	IA
Mr Martin Townsend, Operations Manager Public Sector NSW, Jardine Lloyd Thompson	IA
Mr Ben Crowther, Head of Risk Management Solutions, Jardine Lloyd Thompson	IA
Mrs Rebecca Jones – Minute Secretary	IA

### Present (P) In Attendance (IA), Apology (A)

- 12.30pm meeting commencement – ARIC meeting format suspended to enable StateWide Mutual Guests to present to the committee (full synopsis of presentation at item 5.2.1)

## 2. Apologies

Mr Bunn noted an apology from General Manager Leanne Barnes.

## 3. Confirmation of Minutes

### RESOLVED on the motion of Mr FitzGerald and Mr Steel

That the Minutes of the Audit Risk and Improvement Committee Meeting held on 5 November 2018 as circulated, be taken as read and confirmed.

Mr Geoff Steele noted an amendment to the minutes documented on Page 10, Item 4.1.1 Draft Financial Statements, first bullet point:

- “It would be good to show a financial result before capital grants, *so that an operating loss/profit is shown in 2018*”

## 4.1 Business arising from last meeting

### 4.1.1 Outstanding Actions

The table below lists the outstanding action items from previous ARIC meetings:

**Key: Green completed item - Orange outstanding item - Blue awaiting action item**

Action	Responsible Person	Notes	Timeframe
• Include a full-size copy of the RAMA document in the business papers for the September committee meeting.	James Dangers	Task complete – remove from action plan.	ARIC meeting 19/3/19
• Commence drafting planning documents for the Organisational Culture Audit.	James Dangers	Task complete – remove from action plan.	ARIC meeting 19/3/19
• Council to assess and endorse the recommendations proposed in the ERM Audit undertaken by Prosperity Advisers Group.	LEG	Task complete – remove from action plan.	ARIC meeting 19/3/19
• Send out survey response on fraud and corruption to the ARIC.	James Dangers	Task complete, copies sent to ARIC members – remove from action plan.	ARIC meeting 19/3/19
• Send through the endorsed Community Strategic Plan (CSP).	Sophie Thomson	Task complete – remove from action plan.	ARIC meeting 19/3/19
• Distribute copy of PWC report for ARIC members	Sophie Thompson	Task complete – remove from action plan.	ARIC meeting 19/3/19

### 4.1.2 Notes from the Outstanding Actions Table

- James Dangers advised that all outstanding actions from previous meetings have been completed (see table above).
- It was noted that there are seven action items in Attachment 4.1.1 (ERM Review Past Audits Action Plan) that have passed their due date. James Dangers advised that they are in progress.
- Mr FitzGerald identified that there was no specific training for Fraud and Corruption. Mr Dangers advised that Council’s Fraud and Corruption procedure has been adopted and Code of Conduct training and induction does include a fraud component. StateWide Mutual also offers a “deep dive” into fraud and corruption.
- The committee noted that the Community Strategic Plan has been presented to Council. Mr Roger FitzGerald commented that the CSP contains performance information, but may not cover risk assessment or situational analysis details. Nina Churchward indicated that the CSP is the aspirational document, underpinned by the Resource Strategy, Workforce Strategy and the Financial Strategy.

## 5.1 Audit

### 5.1.1 Current ARIC Budget

- Mr Dangers advised that all audits for 2018/2019 have been accounted for.
- Mr Steel requested that ARIC be permitted to commence work on the next operational audit plan ready for new reporting period.
- The General Manager provided delegation and approval to ARIC to initiate the planning for audits in 2020.

### 5.1.2 Audit Office AO NSW Report

- Members of the Audit Office were an apology for the March 2019 ARIC meeting, however a copy of the finalised management letter was tabled for discussion.
- Additionally the responses to the AO Fraud & Corruption Self-Assessment were provided.

#### 5.1.2.1 Financial Audit

- Graham Stubbs provided an update to ARIC on the status of the recommendations in the Audit Management Letter, indicating that actions requiring tenders have been progressed and tenders are active in the marketplace.
- Mr Steele noted that approximately 75% of the issues in Appendix 1 of the report are issues which have been raised in the prior year, and appear to be recurring. Some of those issues have increased a level.
- A meeting with the Audit Office and Deloittes has been held. It is expected that the audit plans will be provided to Council within the next month.
- The Interim Audit is expected to be conducted in the first half of May, with the Final Audit expected in late September.
- The committee noted the absence of the Auditors at ARIC meetings.
- Mr Stubbs advised that Deloittes have indicated that any questions from the committee can be sent to them via email, and they will respond accordingly. He also advised that if we would like them to attend ARIC meetings, that would be at our expense.
- ARIC noted the increased workload in the Finance Department, due to recent events and reduced staff.
- Mr Stubbs advised that there is a lot of catch up work required, but that a new Finance Manager has been appointed and is due to commence in the next month.
- A contracted accountant is also being sought to assist with workload in the finance area.

### 5.1.3 Operational Audit Plan 2018/19

- On 15 February 2019 members of ARIC had a sponsors meeting with Crowe Horwath (via phone hook-up) as part of the planning process for the 2018/19 Operational Audits.
- This discussion primarily focused on the Organisational Culture Review

### 5.1.4 Strategic Audit Plan

- A template for the Strategic Audit Plan was drafted by Mr Dangers.
- The template includes a 3 year plan.
- It was noted that the ideal plan would be 4 audits scheduled for each year, however this may be a burden on budget, and 3 reviews per year may be more realistic.
- Quotes will be sought in June/July, with delivery scheduled November 2019.
- The committee commented that audit follow up is important, ensuring that items are completed by staff. It was noted that a mechanism to provide such data to ARIC would be useful. An internal report was suggested.
- Mr Dangers mentioned the utilisation of a current system called Pulse which could possibly be utilised to allocate actions to individual staff members.
- A report could then be extracted for management review, on action status.

### 5.1.5 Audit Actions:

The following list of actions were promulgated as a result of the audit discussion:

Action	Responsible Person	Timeframe
a) Section 5.1.1: Planning to commence for 2020 audits	James Dangers	Next Meeting
b) Section 5.1.4: Report to be created on audit plan actions	James Dangers	Next Meeting

## 5.2 Risk

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### 5.2.1 *Statewide Mutual Presentation*

- Prior to the ARIC meeting today, Council received a presentation from JLT and Statewide Mutual on the Risk Audit and Maturity Assessment (RAMA) as well as an overview of the undertakings and background of the mutual.
- Statewide Mutual is Council's principle risk management insurer and BVSC has been a member of Statewide since 1993, in fact it was once of the inaugural members.
- Statewide Mutual is underwritten by JLT who provide administration support to Statewide Mutual as well as funding options for council to e.g RAMA.
- Other options for improvement and services offered by JLT includes a rebate program and continuous improvement pathway (CIP) e.t.c
- The CIP for 2019/2020 has identified four areas for improvement: Risk culture, Contractor Risk, Cyber Risk and Sporting Facilities. Council can select which areas to focus on for example; business continuity, enterprise risk management, fraud, COR.
- Ms Lynne Ting presented to the ARIC about her findings within the RAMA process and commenced by explaining that the OLG reviewed the LGA with proposed changes making the internal audit function within Councils mandatory. The RAMA is designed to help council address the requirement and the methodology used aligns with audit office of NSW requirements.
- RAMA Improvements noted (Top 7 of 28 Recommendations) included the following
  - Risk Appetite
  - KRIs
  - Risk management of change
  - Escalation process
  - Risk Acceptance policy
  - Risk management as part of KPIs
  - Internal Audit Charter
- The committee determined the need to identify the role that ARIC will play in implementing actions which will assist in meeting the requirements of such reports.
- A motion was moved by Mr Roger FitzGerald that another RAMA be conducted in 2-3 years, aiming for an average rating of 4.

### 5.2.2 *StateWide Mutual Continuous Improvement Pathway*

- Every 12 months, StateWide Mutual requires BVSC to undertake a Continuous Improvement Pathway (CIP).
- The format includes a "Self-Assessment" best practice workbook.
- In 2018/2019, the CIP's included: bitumen, asphalt, swimming pools and playgrounds.
- One of the 3 System Improvement Projects which were included in the CIP was the RPA Operating Manual. Mr Dangers provided an updated on this project to ARIC. Council have drones in 3 areas - Engineering, Water and Sewer & Waste. There is an emerging liability for Council, as we must comply with CASA. Council employees must undertake specific training to operate drones, and 2 personnel are required to operate, including a spotter.
- It was noted that the inclusion of an executive summary within the RPA operating manual would be beneficial for readers of the document.
- In June, StateWide Mutual will review the self-assessment process with each stakeholder.

### 5.2.3 *Strategic Leadership Group (SLG) Meeting*

- James Dangers tabled a copy of the latest ERM report sent to the SLG – a copy of this report was included in the business papers.
  - No further action.
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#### 5.2.4 Risk Appetite Statement

- The Risk Appetite Statement draft was provided to ARIC for review.
- James Dangers advised that the format commences with an overview on Page 3, and further details can be reviewed in later pages.
- The categories were discussed, noting that 12 categories available were reduced to 8 on the template. Dr Alice Howe suggested a comparison check to JLT's template, which indicates 10 categories.
- Mr Stubbs indicated that Financial Risk and Technology categories are rated correctly.
- The committee asked Cr Nadin if the current draft template would be suitable for tabling to Councillors. Cr Nadin indicated he would not speak on behalf of the other Councillors, but did not see any issues with the current template.
- The committee noted the need to ensure common language is utilised in all report relating to risk.
- Nina Churchward suggested that the Risk Table could be included in future Business Papers, to indicate the risk appetite for Council Matters.
- The committee agreed that this would be a great idea.
- James Dangers advised that the process for this to be implemented would be to circulate the draft template to LEG, then provide to Councillors at a Councillor Briefing.
- The committee decided that a member of ARIC should attend the Councillor Briefing.

#### 5.2.5 Risk Register & Risk Radar

- James Dangers tabled the latest drafts of the corporate Risk Register & Risk Radar.
- Roger FitzGerald noted that there was still some work to be done in improving this register and offered to catch up with James offline. It was also noted that the Risk radar template was still referring to Very High risks as 'extreme' this will need to be addressed.

#### 5.2.6 Risk Actions:

Action	Responsible Person	Timeframe
a) Section 5.2.1: Create a draft Risk Roadmap	James Dangers	Next Meeting
b) Section 5.2.1: RAMA be conducted in 2-3 years	TBC	TBC
c) Top 10 Risks for BVSC identified and provided to ARIC	James Dangers	Next Meeting
d) New items to be added to ARIC agenda will be New Emerging Risks	ARIC	Next Meeting
e) Executive Summary on RPA Operating Manual to be provided to ARIC	James Dangers	Next Meeting
f) Circulate Risk Appetite Statement to LEG & SLG	James Dangers	Next Meeting
g) Schedule Risk Appetite Statement to Councillor Briefing with a member of the ARIC in attendance if requested	James Dangers	Next Meeting

## 5.3 Improvement

#### 5.3.1 Internal Audit Actions Register

- James Dangers briefly updated the ARIC on the status of the outstanding audit actions from the Emergency preparedness Audit undertaken by RSM in 2017.

## 6.0 Closure & Next Meeting

Meeting closed 3:35pm. Next meeting to be held Tuesday 18 June 2019.