

**UNCONFIRMED MINUTES
OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING OF PENRITH CITY
COUNCIL HELD IN THE PASSADENA ROOM, PENRITH
ON WEDNESDAY 7 MARCH 2018 AT 8:00AM**

PRESENT

Bruce Turner AM (Chair), His Worship the Mayor Councillor John Thain, Councillor Ross Fowler OAM, Councillor Kath Presdee, Elizabeth Gavey, Darren Greentree and John Barbeler.

Alan Stoneham (General Manager), Craig Butler (Assistant General Manager), Karen Taylor (Director Financial Audit Services, Audit Office of NSW), Stephen Britten (Chief Governance Officer), Andrew Moore (CFO), Matthew Bullivant (Legal Services Manager), Anthony Robinson (Risk and Audit Coordinator) and Stuart Benzie (Internal Audit and Policy Officer).

APOLOGIES

There were no apologies.

CONFIRMATION OF MINUTES - Audit, Risk and Improvement Committee Meeting - 13 December 2017

Bruce Turner AM noted that in the minutes of 13 December 2017, the reference under General Business to "Reconciliation Statement" should be corrected to state "Reconciliation Action Plan".

ARIC1 RESOLVED on the motion of Kath Presdee seconded by Bruce Turner AM that the minutes of the Audit, Risk and Improvement Committee Meeting of 13 December 2017 be confirmed subject to the above amendment.

DECLARATIONS OF INTEREST

Elizabeth Gavey declared that her husband is employed by a company that produces rates notices.

DELIVERY PROGRAM REPORTS

OUTCOME 7 - WE HAVE CONFIDENCE IN OUR COUNCIL

1 Action Items

Stephen Britten advised that Council's Statement of Business Ethics is to be reviewed and will be provided to the ARIC on completion.

Andrew Moore advised that target dates and action officers have been incorporated into Council's response to Audit Office recommendations.

Elizabeth Gavey requested that Council's Complaints Management Policy be provided to ARIC members.

John Barbeler requested that the Risk Management Policy be circulated to ARIC members.

Anthony Robinson advised that a review of the scope for the Cyber Security Audit indicated that even though it would be a higher level audit, the audit would add value and is therefore proceeding. Darren Greentree requested that the ARIC be provided with information detailing the extent and value of Council's cybersecurity insurance. Councillor Ross Fowler OAM suggested that Council's insurer, Civic Risk Mutual, provide the ARIC with a presentation on Council's insurances.

Stephen Britten advised that Governance staff are required to conduct a by-election and that the requested report on Council's governance framework will be provided when possible.

RECOMMENDATION

ARIC2 RESOLVED on the motion of Darren Greentree seconded by Elizabeth Gavey that the information contained in the report on Action Items be received.

2 Audit Office of NSW Client Service Plan

Karen Taylor spoke to the report.

The Auditor General has reported to parliament the results of its performance audit of Council Reporting on Service Delivery. The results of the Fraud and Corruption Survey should be finalised in the next month.

Darren Greentree queried the 20% Audit Office fee increase for the year ending 2018. Karen Taylor advised that the Audit Office absorbed a cost overrun in 2017 and that the fee is intended to put the Audit Office in a cost recovery position.

Bruce Turner AM queried whether Council has a probity policy to help determine when a probity advisor is used for procurement and contract management. Andrew Moore and Stephen Britten advised that generally a threshold of \$1 million is used however Council does not have a probity policy. It was requested that at a future meeting Stephen Britten provide the ARIC with information on Council's probity engagement practices and consider developing a Probity Policy.

Bruce Turner AM asked whether Council is responding to the suggestion within the Audit Office Client Service Plan (page 15) that management should prepare and discuss a comprehensive paper on significant judgments and assumptions used in preparing the financial statements and related disclosures. Andrew Moore advised that responses are being sought and should be received in the next few weeks.

RECOMMENDATION

ARIC3 RESOLVED on the motion of Darren Greentree seconded by Councillor Fowler OAM that the information contained in the report on Audit Office of NSW Client Service Plan be received.

3 Council's Controlled Entities, Internal and External Council Committees, and External Organisations

Matthew Bullivant spoke to the report.

Bruce Turner AM queried the level of visibility the ARIC has over Council's controlled entities to enable it to assess the risks around these. Stephen Britten advised of the roles carried out by staff and Councillors and commented that the Boards are independent. His Worship the Mayor Councillor John Thain advised that the Council receives a report from the entities each year.

Bruce Turner AM requested that Stephen Britten consider options for providing the ARIC with visibility of the entities and report back to the ARIC.

Councillor Kath Presdee suggested that the ARIC receive information on what measures the boards have in place for reporting.

John Barbeler requested that the ARIC be provided with information on Council's internal working committees.

ARIC4 RESOLVED on the motion of Elizabeth Gavey seconded by Darren Greentree that the information contained in the report on Council's Controlled Entities, Internal and External Council Committees, and External Organisations be received.

4 Implementation of ICAC Recommendations Made in Response to the Investigation into the Conduct of a Regional Illegal Dumping Squad Officer and Others

Matthew Bullivant spoke to the report.

RECOMMENDATION

ARIC5 RESOLVED on the motion of Councillor Ross Fowler OAM seconded by Councillor Kath Presdee that the information contained in the report on Implementation of ICAC Recommendations Made in Response to the Investigation into the Conduct of a Regional Illegal Dumping Squad Officer and Others be received.

5 Management of Projects Affecting Council Owned Land

Matt Bullivant spoke to the report.

Bruce Turner AM requested that Council's Unsolicited Proposals Policy be circulated to ARIC members.

John Barbeler indicated that disclosure of conflicts of interest should be mandatory.

Bruce Turner AM indicated that the earlier requested report on Council's probity engagement practices might help the ARIC determine what action it takes relating to these projects.

RECOMMENDATION

ARIC6 RESOLVED on the motion of John Barbeler seconded by Councillor Ross Fowler OAM that the information contained in the report on Management of Projects Affecting Council Owned Land be received.

6 Draft Internal Audit Charter

Some minor amendments were suggested.

Darren Greentree requested that the Audit Office be consulted on the Draft Charter to avoid any duplication.

RECOMMENDATION

ARIC7 RESOLVED on the motion of Darren Greentree seconded by John Barbeler

That:

1. The information contained in the report on Draft Internal Audit Charter be received.
2. The ARIC endorses that Draft Internal Audit Charter for adoption by the Policy Review Committee of Council subject to consultation with the Audit Office of NSW.

7 Innovative Performance Team

Alan Magner, Innovative Performance Manager, spoke to the report and provided a presentation.

Councillor Ross Fowler OAM requested that the KPIs be revisited to take into account the costs of the improvements being implemented, therefore providing a net benefit value.

John Barbeler requested that ARIC members be provided with a copy of the presentation.

John Barbeler suggested the ARIC is expecting to see some standardisation in planning for projects along with an analysis of cash and non-cash benefits. John Barbeler suggested that a dashboard might be an efficient way of providing the required information to the ARIC so that it can gauge whether the expected benefits are being realised.

It was agreed that 6 monthly reporting would be appropriate.

Bruce Turner AM requested that an update including a dashboard be provided to the ARIC in six months' time.

RECOMMENDATION

ARIC8 RESOLVED on the motion of Elizabeth Gavey seconded by John Barbeler that the information contained in the report on Innovative Performance Team be received.

8 Payroll Internal Audit Report

Darren Greentree indicated that the outcomes of the audit need to be treated as a matter of priority and requested that it remain as a regular item on the ARIC agenda until the issues are resolved.

Andrew Moore advised that Sandy Davies, Stephen Britten and himself are sitting on a group to oversee the response.

An update on progress is to be provided at the next meeting.

Elizabeth Gavey requested that overtime costs be reviewed as they appear high.

Councillor Ross Fowler OAM requested that information be provided on the controls in place for time in lieu.

RECOMMENDATION

ARIC9 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Payroll Internal Audit Report be received, noting the risks and control concerns and that the ARIC will monitor the audit response on a regular basis.

9 Data Analytics Strategy

ARIC10 RESOLVED on the motion of Councillor Kath Presdee seconded by Elizabeth Gavey

That:

1. The information contained in the report on Data Analytics Strategy be received
2. The ARIC endorse the use of ACL data analytics wherever possible during the delivery of the Strategic Internal Audit Plan 2017 – 2021.
3. The ARIC endorse the proposed action plan to progress data analytics maturity to Level 2, Applied.
4. An updated strategy paper be brought to the ARIC when the key stakeholders are of the view that Council is ready to progress to Level 3, Managed, or beyond.

10 Internal Audit Status Report

RECOMMENDATION

ARIC11 RESOLVED on the motion of Councillor Kath Presdee seconded by Elizabeth Gavey that the information contained in the report on Internal Audit Status Report be received.

11 RID Squad Fraud & Corruption Prevention Report

RECOMMENDATION

ARIC12 RESOLVED on the motion of Councillor Kath Presdee seconded by Elizabeth Gavey that the information contained in the report on RID Squad Fraud & Corruption Prevention Report be received.

12 Enterprise Risk Management Framework

John Barbeler suggested that a Forward Comment by the General Manager should be included within one of the risk management framework documents.

John Barbeler suggested some amendments to the Risk Management Strategy and Plan document and that he would assist Anthony Robinson to action those amendments. John Barbeler commented that the framework is great and that it would benefit from a summary document to bring all the documents together.

Bruce Turner AM commented that management should consider including strategic risks relating to non-compliance with laws, regulation and internal policies and procedures, as well as ineffective engagement with key external stakeholders.

Bruce Turner AM noted that there were many risks rated outside of risk appetite which did not have a treatment plan.

Bruce Turner AM advised members to provide Anthony Robinson with suggested minor amendments to the framework documents outside of the meeting.

RECOMMENDATION

ARIC13 RESOLVED on the motion of John Barbeler seconded by Elizabeth Gavey

That:

1. The information contained in the report on Enterprise Risk Management Framework be received
2. The ARIC endorse the Risk Management Strategy & Plan subject to any amendments.
3. The ARIC endorse the Risk Appetite Statement subject to any amendments.
4. The ARIC endorse the Strategic Risk Register subject to any amendments.
5. The ARIC endorse the implementation of the ERM Framework across Council, including communication of the documents and targeted training.
6. The ARIC endorse the initiation of a needs assessment and business case for an ERM system.
7. The ARIC endorse further development of the Strategic Risk Register.

13 Progress in Implementing Audit Recommendations

Elizabeth Gavey raised a concern with timeframes for implementing recommendations being pushed back.

Bruce Turner AM requested that the relevant Manager be asked to attend the next ARIC meeting to discuss outstanding recommendations for the Plant and Fleet Audit if they are not implemented prior.

RECOMMENDATION

ARIC14 RESOLVED on the motion of Elizabeth Gavey seconded by Darren Greentree that the information contained in the report on Progress in Implementing Audit Recommendations be received.

GENERAL BUSINESS

The concept of an ARIC workshop was discussed to provide ARIC members with a range of presentations relating to Council's key settings and priorities. It was agreed that a workshop for ARIC members would be held prior to the next meeting.

Darren Greentree requested that options for a hyperlink to attachments in the Business Paper be considered.

There being no further business the Chairperson declared the meeting closed the time being 11:05am.