

**UNCONFIRMED MINUTES
OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING OF PENRITH CITY
COUNCIL HELD IN THE PASSADENA ROOM, PENRITH
ON WEDNESDAY 12 DECEMBER 2018 AT 8:00AM**

PRESENT

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

Warwick Winn (General Manager), Andrew Moore (Chief Financial Officer), Stephen Britten (Chief Governance Officer), 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 - 5 September 2018

ARIC 42 RESOLVED on the motion of Elizabeth Gavey seconded by Councillor Kath Presdee that the minutes of the Audit, Risk and Improvement Committee Meeting of 5 September 2018 be confirmed.

DECLARATIONS OF INTEREST

Nil.

ARIC Charter

Prior to considering the reports, the Chair Mr Bruce Turner AM noted the ARIC Charter is subject to annual review, requesting that Internal Audit staff commence the review and report to the next meeting with proposed updates.

DELIVERY PROGRAM REPORTS

OUTCOME 7 - WE HAVE CONFIDENCE IN OUR COUNCIL

1 Action Items

Bruce Turner AM noted the report indicates Action Item 17 will not be actioned and suggested that Council staff consider the results of the current Close The Gap - Ten Year Review (2018) when complete; the discussion paper on the review reflects that improving the lives of Aboriginal and Torres Strait Islander People is a key priority for our nation and is a shared responsibility between all levels of government and the Aboriginal and Torres Strait Islander Peoples.

Warwick Winn (General Manager) reflected this is a political consideration for the Council when developing its next Delivery Program.

Elizabeth Gavey and His Worship the Mayor Councillor Ross Fowler OAM suggested that, as previously discussed, Council's insurer be invited to present to the ARIC.

RECOMMENDATION

ARIC 43 RESOLVED on the motion of Councillor Ross Fowler OAM seconded by John Barbeler that the information contained in the report on Action Items be received.

2 Audit Office of NSW Management Letter on the Final Phase of the Audit for the Year Ending 30 June 2018

Monique Bartley (Audit Leader, Financial Audit) from the Audit Office of NSW joined the meeting by telephone link for items two, three and four, the time being 8:12am.

Monique Bartley spoke to the report. Andrew Moore (CFO) confirmed that all matters have been responded to and that progress will be reported to the ARIC on an ongoing basis as previously requested.

RECOMMENDATION

ARIC 44 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Audit Office of NSW Management Letter on the Final Phase of the Audit for the Year Ending 30 June 2018 be received.

3 Update on Audit Office NSW Recommendations

Andrew Moore spoke to the report.

RECOMMENDATION

ARIC 44 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Update on Audit Office NSW Recommendations be received.

4 Accounting Standard Changes for 30 June 2019 and 30 June 2020

Andrew Moore spoke to the report.

Bruce Turner AM requested that a report be provided at the next meeting on the significant issues, once the impacts have been further assessed and modelled in the Draft Financial Statements.

Andrew Moore advised this will be provided to the ARIC, either for the next meeting or separately if the meeting schedule cannot be met.

RECOMMENDATION

ARIC 44 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Accounting Standard Changes for 30 June 2019 and 30 June 2020 be received.

Monique Bartley left the meeting telephone link, the time being 8:38am.

5 Operational Risk Update

Stephen Britten (Chief Governance Officer) spoke to the report.

John Barbeler requested the ARIC be provided with information at the next meeting on the mobility project and how the roll out to staff has gone, including any major issues and risks.

Bruce Turner AM suggested that the standard header for each risk be amended to include risk appetite and the target rating following implementation of treatments.

RECOMMENDATION

ARIC 45 RESOLVED on the motion of Elizabeth Gavey seconded by Councillor Ross Fowler OAM that the information contained in the report on Operational Risk Update be received.

6 Governance Update

Stephen Britten spoke to the report.

Elizabeth Gavey requested that ARIC members be advised of the categories for the workforce investigation matters.

Elizabeth Gavey requested that future reports include stats regarding the number of Public Interest Disclosures received.

Bruce Turner AM requested that future reports include an opinion on whether the complaints data indicates particular issues and their level of seriousness.

Bruce Turner AM suggested that as the compliance framework develops, some level of compliance reporting would be useful.

RECOMMENDATION

ARIC 46 RESOLVED on the motion of Elizabeth Gavey seconded by Councillor Kath Presdee that the information contained in the report on Governance Update be received.

7 Governance and Compliance Framework

Stephen Britten spoke to the report.

Suggestions for developing the compliance framework were discussed. Council's officers will continue to review options.

RECOMMENDATION

ARIC 47 RESOLVED on the motion of John Barbeler seconded by Elizabeth Gavey that the information contained in the report on Governance and Compliance Framework be received.

8 Update on Procurement Audit and Recommendations

Andrew Moore spoke to the report.

The ARIC indicated it is satisfied with the progress being made in implementing recommendations.

RECOMMENDATION

ARIC 48 RESOLVED on the motion of Darren Greentree seconded by Councillor Ross Fowler OAM that the information contained in the report on Update on Procurement Audit and Recommendations be received.

9 Internal Audit Status Report

Anthony Robinson (Risk and Audit Coordinator) spoke to the report.

Darren Greentree suggested the relevant manager reconsider some of the target dates, noting that many are due at the same time (March 2019) which could make implementation difficult.

Bruce Turner AM and John Barbeler asked that consideration be given to whether the Audit Plan for the current year is achievable and whether it should be revised, taking into account the impacts on next year. The Risk and Audit Coordinator is to report back on this at the next meeting.

RECOMMENDATION

ARIC 49 RESOLVED on the motion of Darren Greentree seconded by Elizabeth Gavey that the information contained in the report on Internal Audit Status Report be received.

10 Progress in Implementing Internal Audit Recommendations

Anthony Robinson spoke to the report.

Elizabeth Gavey requested that future reports indicate which recommendations are overdue.

Bruce Turner AM suggested that some stratification of the overdue recommendations could be included.

Councillor Ross Fowler OAM requested that recommendations cancelled, be separated from those which were not agreed to.

RECOMMENDATION

ARIC 50 RESOLVED on the motion of Kath Presdee seconded by Elizabeth Gavey that the information contained in the report on Progress in Implementing Internal Audit Recommendations be received.

GENERAL BUSINESS

Darren Greentree requested clarification on whether Council's cyber insurance coverage is

limited by aggregated claims of member councils. Anthony Robinson confirmed that Council's coverage is not limited by aggregated claims.

Five Key Take-outs

In keeping with the ARIC's practice, the ARIC identified the following five key take-outs from the meeting:

1. The first steps have been taken to document and assess Council's overarching governance and compliance framework in a consolidated form, and to assess changes to accounting standards (revenue from contracts with customers, leases, and income for not-for-profit entities e.g. volunteer services) that will likely substantially impact the presentation of Council's financial statements.
2. The number of external audit recommendations raised by the Auditor General reduced by 58% from 26 in 2017 to 11 in 2018. None are rated extreme or high risk. Management will focus on closing out 8 'repeat issues'.
3. The ARIC considered updated risk treatment plans for 6 extreme and high rated operational risks that are outside Council's defined risk appetite. Continued monitoring is underway until these risks are well controlled.
4. An internal audit of Regulatory and Compliance Enforcement (Rangers and Animal Services) concluded that major improvement is needed. The 51 recommendations address operational and cultural improvements.
5. A mandatory external quality assessment review of the internal audit activity is underway in line with professional auditing standards. The ARIC will receive the report at its March 2019 meeting.

There being no further business the Chairperson declared the meeting closed the time being 10:32am.