

**UNCONFIRMED MINUTES
OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING OF PENRITH CITY
COUNCIL HELD IN THE PASSADENA ROOM, PENRITH
ON WEDNESDAY 27 MARCH 2019 AT 8:00AM**

PRESENT

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

Karen Taylor (Director Financial Audit Services, Audit Office of NSW), (Stephen Britten (Chief Governance Officer), Neil Farquharson (Financial Services Manager), Daniel Moore (Operational Finance Coordinator), Matthew Bullivant (Legal Services Manager), Anthony Robinson (Risk and Audit Coordinator) and Stuart Benzie (Internal Audit and Policy Officer).

APOLOGIES

Elizabeth Gavey, Warwick Winn (General Manager) and Andrew Moore (Chief Financial Officer).

CONFIRMATION OF MINUTES - Audit, Risk and Improvement Committee Meeting - 12 December 2018

ARIC 51 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the minutes of the Audit, Risk and Improvement Committee Meeting of 12 December 2018 be confirmed.

DECLARATIONS OF INTEREST

Councillor Kath Presdee noted the report on Penrith City Council Corporate Entities and advised she is a current Councillor representative appointed to the Boards of the Penrith Performing and Visual Arts and the Penrith City Council Children's Services Cooperative.

His Worship the Mayor Councillor Ross Fowler OAM advised he is a current Councillor representative appointed to the Boards for each of the entities.

DELIVERY PROGRAM REPORTS

OUTCOME 7 - WE HAVE CONFIDENCE IN OUR COUNCIL

2 Update on Audit Office NSW Recommendations

Neil Farquharson spoke to the report.

Bruce Turner AM noted that Interim Management Letter - Issue 4 (Lack of Evidence of Review of General Journals) is marked as complete, however, the report indicates implementation is still occurring. Neil Farquharson is to review and report back to the ARIC, advising if there is any movement away from the original recommendation.

John Barbeler referred to Final Management Letter - Issue 5 (Change Management) and queried whether the October 2019 implementation target date is urgent enough. Neil Farquharson to consider and report back, including information on whether there are any interim controls.

John Barbeler referred to Final Management Letter - Issue 6 (IT Policies and Procedures) and queried whether all parts of the recommendation will be implemented. Neil Farquharson to report back.

RECOMMENDATION

ARIC 52 RESOLVED on the motion of John Barbeler seconded by Darren Greentree that the information contained in the report on Update on Audit Office NSW Recommendations be received.

Andrew Armitstead arrived at the meeting, the time being 8:11.

CivicRisk Mutual Presentation (no report)

Andrew Armitstead, Executive Officer CivicRisk Mutual, provided an overview of the insurance services provided by CivicRisk Mutual to its member Councils, which includes Penrith City Council.

Bruce Turner AM requested the ARIC be provided with information on whether any policies include clauses relating to the effectiveness of a Council's fraud control practices. Stephen Britten to advise at the next meeting.

Andrew Armitstead left the meeting, the time being 8:52.

Bruce Turner AM requested that information be provided on Council's operational processes for ensuring:

- it has appropriate insurance coverage
- the credit worthiness of insurers is monitored, and
- the right risks are being covered.

1 Audit Office of NSW Annual Engagement Plan

Karen Taylor spoke to the report. The Audit Office will be carrying out performance audits on credit cards and will advise if Penrith City Council is to be included.

The ARIC noted the Audit Office engagement fees.

RECOMMENDATION

ARIC 53 RESOLVED on the motion of John Barbeler seconded by Darren Greentree that the information contained in the report on Audit Office of NSW Annual Engagement Plan be received.

Councillor Ross Fowler OAM left the meeting, the time being 9:13.

3 Update on Procurement Audit Recommendations

Darren Greentree noted the adjustment to implementation target dates (to August 2019) and queried whether this is achievable taking into account end of Financial Years tasks. Neil Farquharson to consider target dates and advise early if changes are needed.

RECOMMENDATION

ARIC 54 RESOLVED on the motion of Councillor Kath Presdee seconded by Darren Greentree that the information contained in the report on Update on Procurement Audit Recommendations be received.

Neil Farquharson and Daniel Moore left the meeting, the time being 9:27.

4 Action Items

Bruce Turner AM noted the low staff turnover rate and queried whether Council uses a large number of contract employees. Stephen Britten to advise.

Bruce Turner AM queried the WHS Lost Time Injury Hours graph and requested that further information be provided on Council's WHS processes and performance.

RECOMMENDATION

ARIC 55 RESOLVED on the motion of John Barbeler seconded by Councillor Kath Presdee that the information contained in the report on Action Items be received.

Tanya Jackson (Acting Innovative Performance Manager) arrived at the meeting, the time being 9:43.

7 Innovative Performance Project Update

Tanya Jackson spoke to the report.

The ARIC requested the next Innovative Performance update include tracking against financial goals by the team.

RECOMMENDATION

ARIC 56 RESOLVED on the motion of Darren Greentree seconded by Councillor Kath Presdee that the information contained in the report on Innovative Performance Project Update be received.

Tanya Jackson left the meeting, the time being 9:49.

5 Penrith City Council Corporate Entities

It was noted that this item was included in the Agenda for preliminary discussions only and that a fuller discussion will occur at the next meeting in June 2019.

Kath Presdee noted the PPVA had organised an assessment of the board community representatives in the previous year, but the Corporate Entities Report did not recognise this.

Matthew Bullivant clarified that the consultant's review focused internally on Council's oversight of the entities, as opposed to a review that involved consultation with the entities and their representatives. The fact that a formal assessment of board representatives was not available in Council's records is an example of a governance failure.

Darren Greentree indicated the ARIC needs to understand the governance processes in place, such as those relating to transparency of information, conflicts of interest, managing reputational and financial risks, and ensuring directors understand their own liabilities.

Bruce Turner AM requested that information be provided on options for further analysis, including input from the entities and:

- details of direct and indirect subsidies provided by Council of the past 5-years
- details of any known frauds, corruption and thefts
- injury costs, including bullying and harassment
- penalties for compliance breaches
- details of any legal guarantees provided by Council
- the potential use of Council's external auditors by all entities, and
- whether there have been any significant changes to governance arrangements.

RECOMMENDATION

ARIC 57 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the matter be deferred for consideration at the next ARIC meeting.

6 Mid-Year Risk Update

Anthony Robinson spoke to the report.

The ARIC suggested the risk appetite statement be reviewed and updated to reflect its practical application. Anthony Robinson advised this will occur before 30 June 2019.

RECOMMENDATION

ARIC 57 RESOLVED on the motion of John Barbeler seconded by Darren Greentree that the information contained in the report on Mid-Year Risk Update be received.

8 Internal Audit Status Report

Anthony Robinson spoke to the report.

Bruce Turner AM requested that a copy of the Internal Audit Quality Assurance and Improvement Program be provided to the next meeting.

Bruce Turner requested that the Fraud Control Policy takes account of the Statement of Business Ethics, the Charter of Rights, the Fraud Risk Survey previously provided to the ARIC and the consistency of sanctions.

Bruce Turner AM requested a copy of Council's Fraud Control Plan be provided at the next meeting.

RECOMMENDATION

ARIC 58 RESOLVED on the motion of Bruce Turner AM seconded by Darren Greentree that the information contained in the report on Internal Audit Status Report be received.

9 Progress in Implementing Internal Audit Recommendations

RECOMMENDATION

ARIC 59 RESOLVED on the motion of Bruce Turner AM seconded by Darren Greentree that the information contained in the report on Progress in Implementing Internal Audit Recommendations be received.

GENERAL BUSINESS

Matthew Bullivant requested that at the next meeting, the ARIC discuss the number of audits included in the Strategic Internal Audit Plan for 2019-20 and 2020-21.

Five Key Take-outs

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

1. Considered the **mid-year risk update** that indicates there is now a more structured approach to identifying and managing risk in Council, and embedding it in the organisation. The update also identified the key focus areas of risk management for the next six months. The ARIC suggested the risk appetite statement be reviewed and updated to reflect its practical application.
2. Considered the results of a periodic review of Council's **fraud control framework**. Current arrangements are strongest across three attributes - detection, notification and third-party management systems. Improvements are currently underway, focusing initially on updating the Fraud Control Policy, developing a comprehensive Fraud Control Plan, and identifying Fraud and Corruption Training needs. The ARIC will monitor progress.
3. Had a preliminary high-level discussion on the purpose, governance, risk, compliance, and financial arrangements for the six controlled and associated **corporate entities** that manage assets or activities on behalf of Council. The matter has been scheduled for a fuller discussion at the next ARIC meeting in June 2019 given the inherent reputational, compliance and financial risks, and potential for governance improvements.
4. Gained assurance on the adequacy and appropriateness of Council's **insurance arrangements** through a presentation by the Executive Officer of Civic Risk Mutual (the discretionary mutual that facilitates insurance coverage). The ARIC has sought further information for consideration at its next meeting on how Civic Risk Mutual functions, in connecting with and supporting Council's organisational processes for managing its insurances (and any proposed changes).
5. Recognised that continued **improvements** are being achieved across Council's operations and activities, notably:
 - a. A good reflection on Council's commitment to the overall program of improvement is that 73% of 183 accepted **internal audit recommendations** raised since 2017 have been completed.

- b. All **external audit recommendations** from last year are expected to be completed by October 2019 with 3 completed to date and 8 underway (4 partially completed; 4 in progress); 5 of 8 open recommendations are tracking to be completed by June 2019.
- c. An independent external quality assessment review of the **internal audit function** (a requirement of auditing standards at least every five years) reported internal audit is 'performing at a high level of effectiveness', with 'quite high' overall compliance with auditing standards.
- d. An update on the **innovative performance** reflects the value provided to Council by the team and their Kaizen Blitz approach.

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