

**UNCONFIRMED MINUTES
OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING OF PENRITH CITY
COUNCIL HELD IN THE PASSADENA ROOM, PENRITH
ON WEDNESDAY 12 JUNE 2019 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), Stephen Britten (Chief Governance Officer), Andrew Moore (Director Corporate Services), Neil Farquharson (Financial Services Manager), Matthew Bullivant (Legal Services Manager), Anthony Robinson (Risk and Audit Coordinator) and Stuart Benzie (Internal Audit and Policy Officer).

APOLOGIES

Karen Taylor (Director Financial Audit Services, Audit Office of NSW).

CONFIRMATION OF MINUTES - Audit, Risk and Improvement Committee Meeting - 27 March 2019

ARIC11 RESOLVED on the motion of John Barbeler seconded by Darren Greentree that the minutes of the Audit, Risk and Improvement Committee Meeting of 27 March 2019 be confirmed..

DECLARATIONS OF INTEREST

His Worship the Mayor Councillor Ross Fowler OAM and Councillor Kath Presdee requested a repeat of their declarations made at the previous meeting of 27 March 2019 regarding the report on Penrith City Council Corporate Entities. The declarations were as follows.

Councillor Kath Presdee 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

1 Action Items

Bruce Turner AM noted that Action 48 in the completed Action Items table should refer to the Field Services Mobility Project. The field was left blank in error.

RECOMMENDATION

ARIC12 RESOLVED on the motion of Councillor Ross Fowler OAM seconded by Elizabeth Gavey that the information contained in the report on Action Items be received.

2 Update on the preparation of the Annual Financial Statements for the year ended 30 June 2019

Neil Farquharson spoke to the report.

Bruce Turner AM requested a note on the revaluation changes be added.

John Barbeler queried how the services provided by Council to the entities i.e. donated goods, are captured. Neil Farquharson to provide further information.

Bruce Turner AM requested that Neil Farquharson confirm with the Audit Office whether there are any repeat issues.

RECOMMENDATION

ARIC13 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Update on the preparation of the Annual Financial Statements for the year ended 30 June 2019 be received.

3 Financial Policies Review

Neil Farquharson spoke to the report.

Elizabeth Gavey recommended the strategy documents should also be reviewed during the next review of the policy.

Darren Greentree suggested that at the next review, reference should also be made to the Moody's financial ratings which uses a different rating scale to Standard and Poor's ratings.

Bruce Turner AM noted that there is no link to Council's risk appetite and suggested that consideration should be given to explicitly making this link.

RECOMMENDATION

ARIC14 RESOLVED on the motion of Darren Greentree seconded by Councillor Ross Fowler OAM that:

1. The information contained in the report on Financial Policies Review be received
2. The ARIC, subject to the feedback provided at today's meeting, endorse the Draft Investment Policy and Draft Borrowings Policy be presented to Council for consideration.

4 Progress in Implementation of External Audit Recommendations

Andrew Moore spoke to the report.

RECOMMENDATION

ARIC15 RESOLVED on the motion of Elizabeth Gavey seconded by Councillor Kath Presdee that the information contained in the report on Progress in Implementation of External Audit Recommendations be received.

5 Update on Procurement Audit Recommendations

Bruce Turner AM requested that a specific section on the procurement actions be included when Internal Audit carries out its follow-up audit.

The ARIC confirmed the Procurement audit should again be reported on separately at the next meeting.

Elizabeth Gavey requested that a separate report be brought back to the ARIC in 12-months' time on how the changes to procurement have worked and how they have been imbedded in the organisation.

John Barbeler requested consideration be given to how the ARIC can receive information on non-compliance with the new Procurement Standards i.e. order splitting etc.

RECOMMENDATION

ARIC16 RESOLVED on the motion of Kath Presdee seconded by Councillor Ross Fowler OAM that the information contained in the report on Update on Procurement Audit Recommendations be received.

6 Review of External Entities

The ARIC discussed what the next steps may be in terms of strengthening risk management and governance activities. The General Manager indicated an action plan for discussion with Councillors will be developed over the next 6-months. A progress report on what steps Council has taken will be brought back to the ARIC in 12-months time.

RECOMMENDATION

ARIC17 RESOLVED on the motion of Darren Greentree seconded by Elizabeth Gavey that the information contained in the report on Review of External Entities be received.

7 Governance Update

Stephen Britten spoke to the report.

The ARIC discussed whether Council's Code of Meeting Practice applies to ARIC meetings. Stephen Britten to advise.

Bruce Turner AM queried whether ARIC could be given access to Council's online Code of Conduct Training when available. Stephen Britten to advise.

John Barbeler noted the Governance Report should include information that relates to fraud and corruption incidences.

RECOMMENDATION

ARIC18 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Governance Update be received

8 Internal Audit Status Report

Anthony Robinson spoke to the report.

Bruce Turner AM requested the minutes note that the ARIC is pleased with the insights Internal Audit is providing.

Bruce Turner AM requested that Anthony Robinson consult with him out of session on the survey that will be used to measure Executive's expectations.

Bruce Turner AM requested that prior to commencing an internal audit of entities, the ARIC be consulted on which entity is selected and why, and on the scope for the audit.

The ARIC indicated support for a reserve list of audits. Audits on the reserve list would be carried out if capacity allows. Bruce Turner AM indicated a preference for the reserve audits to be prioritised in the following order; 1) Customer Service Management and 2) Budgeting and Financial Reporting.

Elizabeth Gavey requested that a snapshot of the audit universe be provided and queried whether the Internal Audit Plan incorporates surprise audits, for example on cash accounts.

John Barbeler queried whether data analytics are used on an ongoing basis.

Anthony Robinson to provide information on the audit universe and assurance mapping at the ARIC's December 2019 meeting.

RECOMMENDATION

ARIC19 RESOLVED on the motion of Elizabeth Gavey seconded by John Barbeler that:

1. The information contained in the report on Internal Audit Status Report be received.
2. The 2019/20 Internal Audit Annual Plan be endorsed by the ARIC, subject to any agreed changes.
3. The Quality Assurance & Improvement Program be endorsed by the ARIC, subject to any changes.

9 Progress In Implementing Internal Audit Recommendations

John Barbeler requested the Risk and Auditor Coordinator's report on the audit universe and assurance mapping, due December 2019, include ideas on the use of data analytics.

RECOMMENDATION

ARIC20 RESOLVED on the motion of Elizabeth Gavey seconded by Darren Greentree that the information contained in the report on Progress In Implementing Internal Audit Recommendations be received.

10 Review of ARIC Charter

The ARIC requested that at least one external representative be included on the Committee Appointment Panel.

John Barbeler noted the ARIC's responsibilities under Sections 6c and 6d are reliant on management to promptly disclose to the Committee, fraud and corruption allegations and major control breakdowns. Councillor Ross Fowler OAM suggested the words "significant and material" be used. Stephen Britten to come back to the committee regarding this.

Elizabeth Gavey requested an amendment to section 6g "External Audit" to remove the Committee's responsibility to make recommendations on the appointment and removal of external auditors.

RECOMMENDATION

ARIC21 RESOLVED on the motion of Elizabeth Gavey seconded by Councillor Ross Fowler OAM that:

1. The information contained in the report on Review of ARIC Charter be received.

2. The revised Internal Audit Charter be referred to Council's Policy Review Committee for adoption, subject to the ARIC's suggested amendments.

11 Insurance Framework

John Barbeler queried whether Committee members are covered Council's insurance policies on Corporate Travel, Group Personal Accident and Councillors/Directors & Officers Liability. Anthony Robinson to advise.

RECOMMENDATION

ARIC22 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Insurance Framework be received.

12 Field Services Mobility Project - Progress Update - June 2019

RECOMMENDATION

ARIC23 RESOLVED on the motion of Darren Greentree seconded by John Barbeler that the information contained in the report on Field Services Mobility Project - Progress Update - June 2019 be received

GENERAL BUSINESS

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

1. Considered a report on Council's **work health and safety** processes and performance, and noted the staff awareness, consultation, information channels, incident management, training, and reporting arrangements. Received an update on action taken to address and closeout 7 of the 8 recommendations arising from an internal audit of the area reported in June 2018; the one outstanding recommendation is rated as a moderate risk and is on track for implementation by August 2019. The ARIC reflected upon Council's commitment to promoting a safe and healthy work environment.
2. Considered a more detailed analysis of Council's **insurance** operational processes following a briefing by the Executive Officer of CivicRisk Mutual at the previous ARIC meeting. A broad range of governance, operational, oversight and coverage controls are in place within Council.
3. Confirmed that Council's finance team has been well-briefed on changes to **accounting standards** that will become effective for this year and next. Preparations are well-advanced for preparation and delivery of the financial statements to the Audit Office of NSW by the scheduled date; planning for the external audit has been agreed.
4. Considered minor revisions to the ARIC Charter as part of a scheduled periodic review, and considered updated finance **policies** for the higher-risk areas of investments and borrowing. These documents will make their way to a future Policy Review Committee meeting.
5. Discussed a paper on the **Corporate Entities** produced by Morrison Low, together with supplementary information sought by the ARIC. The ARIC recognised the importance of strengthening the governance and associated operating models for the

corporate entities, noting the strategic, legal, compliance, sustainability, reputational, competitive neutrality and financial risks. The ARIC also noted the approved direct subsidies (including a loan forgiveness) of \$18.6 million over the last five years and indirect subsidies of \$7.8 million over the same period. The ARIC asked the General Manager to consider the best options for strengthening the risk mitigation and governance arrangements on a collaborative basis with a view to developing an action plan, with progress to be reported back to the ARIC in twelve months.

Bruce Turner AM confirmed the next meeting is scheduled for 4 September 2019.

There being no further business the Chairperson declared the meeting closed the time being 10:57.