



SNOWY MONARO
REGIONAL COUNCIL

Minutes

Audit Risk And Improvement Committee Meeting

5 June 2023

**AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COMMITTEE ROOM, 81 COMMISSIONER STREET, COOMA NSW 2628**

ON MONDAY 5 JUNE 2023

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**MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
HELD IN COMMITTEE ROOM, 81 COMMISSIONER STREET, COOMA NSW 2628**

**ON MONDAY, 5 JUNE 2023
COMMENCING AT 10AM**

PRESENT:

Voting Attendees: Michael Quirk, Independent Member (*Chair*)
Andrew Cox, Independent Member
Shannon Buckley, Independent Member
Kylie McRae, Independent Member
Councillor Lynda Summers, Council Member

Non-Voting Attendees: Councillor Tricia Hopkins, Alternate Council Member
Peter Bascomb, Chief Executive Officer

Guests: David Rawlings, Chief Strategy Officer
Tracy Sligar, Chief Financial Officer
Paul Fitzsimmons, Internal Audit Manager - CRJO
Sandy Robinson, Risk Officer
Luke O'Sullivan, Coordinator Governance
Paul Edwards, Manager Workforce Operations
Jessica Buttriss, EA to CEO, Mayor and Councillors (*Secretariat*)

1. OPENING OF THE MEETING

The Chair opened the meeting at 10.05am.

2. APOLOGIES

Nil.

3. DECLARATIONS OF PECUNIARY INTERESTS/CONFLICT OF INTEREST

Committee Chair Michael Quirk declared that since the last ARIC meeting, he has become a member of the Bathurst Regional Council’s ARMC, and Camden Council’s ARIC.

Committee member Kylie McRae declared that she is a member of the Lithgow City Council’s ARIC, and Oberon Council’s ARIC.

4. ADOPTION OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING 13 MARCH 2023

COMMITTEE RECOMMENDATION	ARIC22/23
That the minutes of the Audit Risk And Improvement Committee meeting held on 13 March 2023 are confirmed as a true and accurate record of proceedings.	
Moved Mr Barbeler	Seconded Councillor Summers
	CARRIED

5. BUSINESS ARISING

5.1 ARIC RESOLUTION UPDATES

COMMITTEE RECOMMENDATION	ARIC23/23
That the Audit, Risk and Improvement Committee note the information in the ARIC Resolution Updates report.	
Moved Mr Buckley	Seconded Ms McRae
	CARRIED

CEO left the meeting.

5.2 AUDIT RECOMMENDATION UPDATES

Committee Comments

- Action Item ARIC14/23 is missing from the Action item register.
- Suggests that Council review older items and either implement or accept risk as have been doing anyway. Possibility to roll into other projects for finalisation.
- Resourcing addressing major items may be an issues. Towards Excellence may take a toll on resources.
- Suggested a list under the Risk Management Officer for items on hold, to come back to ARIC once completed.
- Risk Management Framework to be reviewed from a risk basis, needs to be completed once risk management process is available.

- Questioned completeness of evacuation drills.
- Page 38, change item to 'not completed'.
- Page 39 – WHS – also not closed at the moment.
- Page 60 – Asset management service review – no updates.

Chief Strategy Officer Comments

- Have received that feedback previously, have trimmed it back – these particular items were held in the system to ensure captured as staff & internal auditor come onboard. Can probably move on from some of them. A number of these items are on ELT radar, and also being considered in the next budget.
- WHS to be included in audit plan, as review of priorities will happen under new internal auditor. For inclusion on agenda on annual basis.
- Asset Management audit was completed but not in the system, resources have not been adequate to give update prior to agenda creation.

COMMITTEE RECOMMENDATION

ARIC24/23

That the Audit, Risk and Improvement Committee

- A Note the information in the ARIC resolution updates report.
- B Note the extension of time for disaster recovery process to allow for the new systems to be incorporated.

Moved Mr Quirk

Seconded Councillor Summers

5.3 TRAINING ON FRAUD PREVENTION

Committee Comments

- Concerned that fraud and corruption procedures states that training will be completed, and is yet to be completed. A number of sources for training suggested.
- Procedure follows the standards and needs further action to impact the shift in culture in the organisation.

Governance Coordinator Comments

- Will be prioritised now that Risk Officer is on-board. Public interest disclosures legislation change guidance to be published shortly which will influence this training.

Chief Strategy Officer Comments

- Training statistics cover a 2 year period.
- Consider progressing this item with limited governance resources, risk tolerances are higher than we can achieve with current funds. Feedback will be provided on funding of this.

COMMITTEE RECOMMENDATION

ARIC25/23

That the Audit Risk and Improvement Committee note the information on fraud related training.

Moved Ms McRae

Seconded Mr Cox

CARRIED

5.4 LISTING OF POLICY STATUS

Committee Comments

- Raised questions regarding source of policies, and process for review and future management.
- Look at it from risk base perspective, a process regarding need for review and revision dates.

Chief Strategy Officer Comments

- Confirmed that listed policies are Council level, as opposed to protocols, and are mostly attributable to the former Councils. Some previous council policies were not reflected in policy documents, however these are not expected to be a significant number.
- While resourcing will be a challenge, will use mechanisms available to find all policies we can.
- No significant issues with the outstanding policies that he has looked at, need to be reviewed and signed off on. Will do a report to list current policies and rescinded anything not found.

Governance Coordinator Comments

- Represents what known after having a good look at the electronic document system.
- Operational Plan looks at completion date of June 2024. Legislation is the first issue to be resolved, then risk impacts priorities. Operational policies to be reviewed by ELT wherever appropriate.

COMMITTEE RECOMMENDATION	ARIC26/23
That the Audit Risk and Improvement Committee note the Listing of Policy Status.	
Moved Mr Quirk	Seconded Councillor Summers
	CARRIED

5.5 ANNUAL ARIC ASSESSMENT

COMMITTEE RECOMMENDATION	ARIC27/23
That the Audit Risk and Improvement Committee continue to work on the annual evaluation, with a view to it being circulated out of session and proceeding to the next available Council meeting for adoption.	
Moved Mr Quirk	Seconded Ms McRae
	CARRIED

5.6 ANNUAL PLAN AND AUDIT PLAN

Committee Comments

- Chief Strategy Officer has done work to plan out the coming year.

- Needs to be clearer about who is doing what – ‘how’ column. Who is undertaking review, who is providing the reports and who is responsible for approving them?
- How’ column states internal audit, need to discuss/review these with Internal Auditor.
- CFO completing QBRs – request these are to be loaded to the Bigtincan for review between ARIC meetings.
- Project management activity needs to be hands on, not only a result of internal audit. Possible high level dashboard type report for ARIC’s information. Periodic briefing, every quarter, on projects would be beneficial.
- Asset management and replacements, and Special purpose financial items and sustainability should be considered for coverage?
- Aged care risk is high priority going into next financial year. Need an update on this.

Chief Strategy Officer Comments

- Timeframes should be lined up with budget development work – December meetings possibly. Additional item to be added to ARIC agendas– ‘Budget management and sustainability’.
- Asset strategy and framework still rather immature.
- Business enterprises – water, sewer and waste, possibly captured in budget management.

COMMITTEE RECOMMENDATION

ARIC28/23

The draft annual plan 23/24, be updated as discussed and circulated out of session to members, to be formally adopted at the next meeting.

Moved Mr Quirk

Seconded Mr Cox

CARRIED

6. PRESENTATIONS

7. STANDARD AGENDA ITEMS

7.1 STANDARD REPORTS

7.1.1 RISK UPDATE

Committee Comments

- The Committee welcomed the Risk Officer to her new role.
- Requested an update on OLG watching brief on Council.
- Asset maintenance underspend is known.

Chief Strategy Officer Comments

- A further detailed risk update will be provided to the next ARIC meeting once the new Risk Officer is settled in the role.
- LTFP – turning around Council finances over time. Finance move into surplus long term and is reliant on SRV. Road pavements being depreciated over 25 year life cycle, if this returns to 15 year this will have a significant impact on bottom line. Clarification will come after review of roads by assets engineer.
- Financial sustainability review – based around financial statements, amount spent on maintaining assets is less than we need to, this creates a potential black hole.

- Large deficit, overheads change has shifted problem areas and needs for funds, water, sewer and waste.
- Residential aged care – Working with Sapphire Coast Community Aged Care. Sir William Hudson Memorial Centre went through a divestment process as well, resulting in Respect Aged Care taking on the facility. Respect plans to undertake renovations and master planning to expand. Sapphire Coast Community Aged Care have since formally withdrawn from the divestment due to a combination of reasons including viability and likely expansion by Respect Aged Care. Sapphire’s view is the best regional solution for the elderly is for SMRC to approach Respect to enable one large provider in the region. Forward plan has 6 months to work on this issue, however there is risk here due to the financial loss. LTFP already reflects increase in depreciation – although Aged care is not currently reflected past next year.
- \$11M deficit concerned councillors – Extraordinary Council meeting occurred. Deficit was reduced to \$7.2M.
- OLG are working closely with Council and are due in region this week. They have been watching the Towards Excellence project. OLG are happy with the adopted approach, but need to be sure that Council will continue to make decisions as required.
- Fraud investigation and demerger meant that we are still ‘on watch’.
- The Risk Officer has personally reached out to neighbouring Councils and is mentored by Chief Strategy Officer. Formal training programs and development plan to be put into place. Risk Officer background includes working in Corporate Projects, insurance and RFS. There is a good relationship established with MutualRisk. Working closely with ARIC is also a priority.

COMMITTEE RECOMMENDATION		ARIC29/23
That the Audit Risk and Improvement Committee note the Risk Update.		
Moved Mr Quirk	Seconded Ms McRae	CARRIED

TS joined the meeting

7.1.2 CHIEF EXECUTIVE OFFICER REPORT

Chief Strategy Officer Report

- Previously touched on Aged Care, and CEO contract not being renewed.
- Meeting this week to select consultants to undertake recruitment.
- Assuming report will go to July Council meeting.
- Towards Excellence on hold awaiting budget, however SMT have taken on CRM aspect and are progressing on this. Project management resource to be engaged, possibly internal resource.

COMMITTEE RECOMMENDATION		ARIC30/23
That the Audit Risk and Improvement Committee receive and note the information in the CEO’s report.		
Moved Mr Quirk	Seconded Mr Cox	CARRIED

INTERNAL AUDIT UPDATE: NEW REPORT

- Internal Auditor provided verbal update.
- Standard audit plan, 2 year audit plan, – put on backburner spending a lot of time at SMRC investigating accusations of payroll fraud. Lots of rumour from outside, hard data is not supporting the rumours. Agreed to provide a written report to ARIC by end of June.
- Project management audit has been delayed due to the above.
- Presentation to councillors on what audit is was given last week at the June councillor briefing session.
Audit on payroll fraud not on plan. The Internal Auditor found out about accusations and requested to investigate it. Normally such investigation would be formally be approved by ARIC.
- The internal audit is now at a point where it can not be stopped. Nothing has started as yet on the council resolved audit/review/investigation, and tender is at very early stage. Internal Audit is only looking at process improvements in payroll. Tender covers the whole organisation.
- Investigations commenced prior to tender being approved by councillors and Councillors may be unaware of internal investigation.
- There are no findings at this stage that ARIC should be aware of.

Manager Workforce Operations joined the meeting

7.1.3 WHS REPORT MARCH - MAY 2023

- Manager Workforce Operations provided detailed verbal report.
- StateCover self-audit actions on track to be completed by due date. Will enable wellbeing incentive payment.
- StateCover implementing new ways for psychological injuries to return to work sooner – briefing sessions in the coming weeks.
- The Vault system has actions that are assigned to a specific person, which can be monitored and closed once completed.
- WorkCover recommendations and improvements notices to be come to ARIC for information.
- No monitoring requirements of Covid unless aged care. Flu vaccination uptake was good – an estimation that half of the staffing body participated.
- SafeWork gave a notice to provide information on the reservoir collapse. SafeWork found there were no issues with information provided.

COMMITTEE RECOMMENDATION	ARIC31/23
That the Audit Risk and Improvement Committee receive and note the information in the Work Health & Safety Report March – May 2023.	
Moved Mr Quirk	Seconded Mr Cox
CARRIED	

Manager Workforce Operations left the meeting

7.2 FINANCE REPORTS

7.2.1 MONTHLY FUNDS MANAGEMENT REPORT - APRIL 2023

Chief Financial Officer's Comments

- Funds management perspective, review of investment policy, chasing higher interest rates has paid off and seeing increase in interest revenue.
- Funds management report – Reserve balances and cash flow projections –encouraged to see this in monthly reporting to Council.

COMMITTEE RECOMMENDATION

ARIC32/23

That the Audit, Risk and Improvement Committee note the Monthly Funds Management Report indicating Council's cash and investments position as at 30 April 2023.

Moved Mr Cox

Seconded Mr Quirk

CARRIED

7.2.2 QUARTERLY BUDGET REVIEW STATEMENT (QBR) TO 31 MARCH 2023

Chief Financial Officer's Comments

- QBR sent to Council on 18 May 2023. This report was not adopted by Council, they requested identification of further savings.
- Budget managers reviewed service areas and identified whether budget would be expended and options for income. Identified a number of cost savings and additional income. Next year's budget is now considered more realistic.
- \$1M increase identified in interest rate income.
- Salaries and wages and employee benefits reviewed. Vacant positions were able to achieve reduction in employee benefits of approximately \$1M across Council as a whole.
- Second report that went to Council identified savings and income. User charges and fees were also looked into. Billing cycles and aged care fees are expecting to be on track. RMCC program of works not progressing as initially planned – reduction in income in \$2.7M, however also not incurring costs to that amount.

Committee Comments

- Questioned timing of reporting to ARIC. Requested copy of future financial reports be made available "out of session" using Bigtincan or similar.

COMMITTEE RECOMMENDATION

ARIC33/23

That the Audit, Risk and Improvement Committee note the Quarterly Budget Review Statement for the quarter ended 31 March 2023.

Moved Mr Quirk

Seconded Mr Cox

CARRIED

CHIEF FINANCIAL OFFICER LEFT THE MEETING

8. SPECIAL AGENDA ITEMS

8.1 AUDIT REPORTS

8.2 OTHER REPORTS

8.2.1 AUDIT RESOLUTION BY COUNCIL

Committee Comments

- The scope of the review is considered far too broad. The scope of the review should have been considered by the ARIC prior to tender. Should this go ahead, it would be treated as any other report that goes through this committee. ARIC cannot manage this audit, this is up to Council.
- Budget for this audit/review investigation is inadequate. \$2M to \$2.5M would be a more realistic figure for this, in addition to the Payroll review happening at the moment.
- If this review/investigation is to replicate the last 6 years of reporting, has the Auditor General provided feedback?
- If fraud or corruption is uncovered, ARIC is second in-line, with principle responsibility for action being with the CEO.
- Raised issues regarding tender procurement responsibilities and procurement legislation within local government regulations.
- Questioned the initial driver for such a review.
- ARIC can put a report to Council outlining concerns?

Chief Strategy Officer Comments

- ARIC charter lists involvement in audits, therefore the report below has been provided to this meeting to meet that requirement.
- The Auditor General is aware of this proposal and have not provided direct feedback as yet.
- It would be beneficial for ARIC to explain the grounds around why this is not seen as the best way forward. Understand that budget for this tender is also challenging – anticipating the dollar issue will stop movement until a future Council meeting.

COMMITTEE RECOMMENDATION

ARIC34/23

That the Audit Risk and Improvement Committee

- A. Do not support the scope statements of the review investigation as financial impact on Council would be too significant.
- B. Resolve to provide a brief issues/options paper as ARIC sees this issue.
- C. ARIC review any report arising from the review investigation in-line with any other report within ARIC Charter.

Moved Mr Quirk

Seconded Ms McRae

CARRIED

8.2.2 ANNUAL REPORT

COMMITTEE RECOMMENDATION	ARIC35/23
That Audit, Risk and Improvement Committee determine the contents of the annual report.	
Moved Mr Quirk	Seconded Mr Cox
	CARRIED

8.2.3 SERVICE REVIEWS - PLANNED ACTIVITIES 23/24

Committee Comments

- This is the focus of service reviews, and we are already behind the original project dates that FF4 came up with, and are now prioritising CRM – how viable is Towards Excellence in our current economic environment.
- How does SMRC maximise low hanging fruit in this?

Chief Strategy Officer Comments

- Service reviews planned are to be reported on to ARIC. Towards Excellence is an expansive program, there will be service reviews within this program. Technology will be a separate review. Towards Excellence will take a large portion of resources.
- Towards Excellence is already built into budget with a 30% contingency. Three ways of looking at savings, from \$700K to \$3.5M efficiency. Better use of resources, not traditional payback in cash terms. Payback period of roughly a 2 year period. On a financial basis it is viable. Implementation and resourcing are the risk. Large change in operation coming, organisation resistant to change, creates real risk. Executive and management levels will have to be very supportive. This will involve disruptions to service. Big risk is also political during this change through community complaints. 18 month timeframe dictated by change needing to be a quick one that doesn't drag on. High risk type situation, but the risk of doing nothing is worse.
- The CRM system is a current system and seen by the senior management team as a quick win they can undertake. Driven by councillors stating that things have to change and feedback from the community.
- Council have had correspondence from OLG, aware that this needs to be supported.

COMMITTEE RECOMMENDATION	ARIC36/23
That the Audit, Risk and Improvement Committee note the planned improvement activities.	
Moved Mr Quirk	Seconded Ms McRae
	CARRIED

8.2.4 COMPLAINT MANAGEMENT

Chief Strategy Officer Comments

- There is a system that does complaints and requests for service in the one system. Missing delivery interface. Couple of attempts at integration have been made, but no resources or backing have stalled approach. Once CRM is set up and operating properly, separating

complaints out, it will be beneficial. Engaged additional resource in Roads team (soon in open spaces) – to return customer interactions to get responses back to the community as interim measure.

- Once CRM is able to separate requests from complaints, the data it provides will feed into reports and policies etc.

Committee Comments

- Discussed public interests disclosures and the CRM and the current records management system.

COMMITTEE RECOMMENDATION

ARIC37/23

That the Audit, Risk and Improvement Committee note the information on complaint management and customer interaction.

Moved Mr Quirk

Seconded Mr Cox

CARRIED

8.2.5 GOVERNANCE

Chief Strategy Officer Comments

- Purpose of assessment is to cover an area that ARIC needs assurance on – to bring information to the Committee as a starting point for their gaining assurance.
- Primarily focus has been on ‘compliance Governance’, rather than ‘good governance’ as highlighted in service reviews. A lot of work to do in regards to Governance culture.

Committee Comments

- Acknowledged assessment is a very good summary against an industry standard.
- Principal 10 – recognise that in addition to elections, valuation of “board performance” is also in IP&R reporting.

COMMITTEE RECOMMENDATION

ARIC38/23

That Audit, Risk and Improvement Committee note the information on governance and the assessment of Council on the IRCD, and request Management come back to ARIC on way forward on a number of assessments.

Moved Mr Quirk

Seconded Mr Buckley

CARRIED

8.2.6 TERMS OF REFERENCE – ARIC

Chief Strategy Officer Comments

- Opportunity to have this ready until regulations are passed and this can then go to Council for approval. Confirmed Councillor member moves from voting member to non-voting member.

COMMITTEE RECOMMENDATION

ARIC39/23

That once the required legislative measures are in place that the attached terms of reference be recommended to Council for adoption.

Moved Mr Quirk

Seconded Ms McRae

CARRIED

9. GENERAL BUSINESS

CHAIR COMMENT

MR JOHN BARBELER ASSISTED IN TRANSITION OF ARIC FROM PREVIOUS MEMBERS TO NEW MEMBERS. WRITTEN APPRECIATION FOR JOHN'S INPUT AND SUPPORT OF THE ARIC ACTIVITIES, PARTICULARLY IN THE PERIOD PRIOR TO THE NEW CHAIR, INCLUDING LEADERSHIP RESPONSIBILITIES THAT HE AND MR MILES PEARSON PICKED UP, TO BE RECORDED. COUNCIL TO MAKE ACKNOWLEDGEMENT KNOWN TO JOHN. CERTIFICATE TO BE PROVIDED.

10. NEXT MEETING

Monday, 11 September 2023

There being no further business the Chair declared the meeting closed at 1:17pm.

CHAIRPERSON

The above minutes of the Audit Risk And Improvement Committee Meeting of Snowy Monaro Regional Council held on 5 June 2023 were confirmed by Committee at a duly convened meeting on 11 September 2023 at which meeting the signature hereon was subscribed.