

**Minutes of Audit, Risk and Improvement Committee Meeting held on 23 February 2022
via Microsoft Teams**

Meeting commenced at 5.32pm

Prior to the meeting the Audit Risk & Improvement Committee Members met in-camera.

PRESENT

| Audit Risk & Improvement Committee Members | |
|---|-----------------------|
| Independent Member - Chair | John Gordon |
| Independent Member | Emily Hodgson |
| Independent Member | Heather Smith |
| Councillor | Clr Philippa Scott |
| Councillor | Clr Liz Atkins |
| Other attendees | |
| General Manager | Peter Gainsford |
| Acting Director Corporate | Daryl Jackson |
| Director Planning | Simone Plummer |
| Director Community | Ruth Callaghan |
| Director Infrastructure | Cathy Edwards-Davis |
| Chief Information Officer | Harin Perera |
| Senior Manager Governance and Risk | Beau-Jane De Costa |
| Governance Coordinator - Minute Taker | Katherine Paixao |
| Engagement Partner, EY | Melissa Broadhead |
| Engagement Manager, EY | Laurie Smith |
| Senior Manager, EY | Rahul Balani |
| Audit Office | Caroline Karakatsanis |
| Internal Ombudsman | Elizabeth Renneberg |
| Financial Partnering & Analytics Manager | Chris Sleiman |
| Financial Reporting & Control Manager | Nick Caddy |
| Observing Councillors | |
| Mayor | Clr Darcy Byrne |
| Councillor | Clr John Stamolis |
| Councillor | Clr Mark Drury |

ACKNOWLEDGMENT OF COUNTRY

The Chairperson acknowledged the traditional custodians of the lands administered by Inner West Council and paid his respects to elders past, present and emerging, as well as any elders present at the meeting.

APOLOGIES:

Apologies were received from Peter Livanes, Director Corporate.

The Chair, John Gordon welcomed the two new Councillors to the Committee and requested Beau-Jane De Costa introduce everyone in attendance to the Committee and explain the structure of the meeting.

The Chair, on behalf of the Committee, congratulated both re-elected Councillors and Councillors elected for the first time and congratulated the newly appointed members of the Executive Team.

DISCLOSURES OF INTERESTS:

Heather Smith disclosed that her household currently has a Development Application lodged with Inner West Council however, it is being managed externally by Addbuild Builders, and that this did not impact any items on the agenda.

There were no other disclosures of interest.

GENERAL MANAGER AND OFFICER REPORTS**RIS0222(1) Item 1 General Manager Verbal Update****DISCUSSION**

Peter Gainsford, General Manager gave a verbal update to the Committee as summarised below:

Recruitment of the Executive Team is completed. The newly appointment members are:

- Simone Plummer, Director Planning who commenced in January 2022;
- Ruth Callaghan, Director Community who commenced in December 2021;
- Peter Livanes, Director Corporate who commenced in the role, November 2021; and
- Matthew Pearce, General Counsel who commenced in November 2021.

A Leadership Team has been established which includes the Executive Team, Senior Managers and additional selected Managers who will set the Strategic direction of the organisation. The first Leadership Team meeting was held in December 2021 to set the Corporate priorities.

New organisational values are being relaunched shortly. These new values will be Integrity, Respect, Innovation and Compassion. The last organisational values were released five (5) years ago.

The Councillor induction program is underway. Two sessions have been held face to face in a COVID-19 safe and appropriate venue. One of the sessions being a budget planning day. Staff will be working with Council on prioritising what Councillors want to achieve in the delivery program and their focus for this term of Council.

Council has written to the Local Government Minister to discuss the Demerger Poll and subsequent process and Council has resolved to prepare a business case.

A Service review on Customer Service is taking place. the results and subsequent actions of the review will be shared with the ARIC.

Councillors have been provided with draft Service Statements for all sections of Council. These documents show the services Council provides. The Service Statements are Council's Key Performance Indicators and shows the community what Council does.

Staff are returning to the office five (5) days a fortnight from Monday 28 February 2022.

The fortnightly General Manager update to staff allows staff to ask any questions or raise any concerns.

The Mayor, Cllr Byrne provided a brief update on his Mayoral Minute from 8 February 2022 regarding the demerger.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee:

- 1. Receive and note the verbal update from the General Manager; and**
- 2. Requested the General Manager to include an update regarding the demerger risks in future verbal updates to the ARIC.**

Moved: Emily Hodgson

Seconded: Cllr Scott

Carried unanimously

CONFIRMATION OF MINUTES:

That the Minutes of the Audit, Risk and Improvement Committee Meeting held on Wednesday, 17 November 2021, be confirmed.

Moved: Heather Smith

Seconded: Emily Hodgson

Carried unanimously

RIS0222(1) Item 9 EY - Dawn Fraser Baths Refurbishment project Internal Audit

DISCUSSION

Melissa Broadhead and Laurie Smith from EY provided a summary of the internal audit conducted on the Dawn Fraser Baths Refurbishment project.

Since the ARIC meeting in November 2021, the Dawn Fraser independent review has been completed. The refurbishment commenced in August 2019 and was completed in May 2021. The review assessed key project Governance elements, risk management, financial and commercial management, contract management, assurance activities, how the project was closed, recordkeeping and records management.

A number of key learnings identified during the internal audit are already being addressed.

Overall, the project and control environment has been assessed as basic which has been driven by a number of high, medium and low risk findings.

Recommendations from EY are welcomed by Council and will be incorporated in future project management processes.

The next major project will be the Greenway which is a 6km bicycle and pedestrian path that runs alongside the light rail.

Quarterly briefings by the Director Infrastructure to Councillors have been initiated. This audit report will be made public at the next Council meeting.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee:

- 1. Receive and note the report and update from EY;**
- 2. Receive high level updates at ARIC meetings from the Director Infrastructure on major projects;**
- 3. Request that Major Projects be added as a Standing Item;**
- 4. Receive at the next ARIC meeting a list of Key Projects and their subsequent risk registers and an update for the ARIC on how the project methodology implementation is progressing, including procuring the independent advisor.**

Moved: Clr Scott

Seconded: Heather Smith

Carried unanimously

RIS0222(1) Item 3 Quarterly Finance Report (2021/22 Second Quarter Budget Review)

DISCUSSION

Chris Sleiman, Financial Partnering & Analytics Manager provided a summary of the Year to Date update on operating results as at January 2022 and the quarterly update.

The Committee asked is Inner West employing more discretionary contractor labor than other comparative councils. This question was taken on notice and will be responded to out of session and prior to the next ARIC meeting.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee:

- 1. Receive and note the report;**
- 2. Receive a report at the next ARIC meeting on the long term impact on the financial plan and the impact on the budget if the low rate pegging limit for the current year and restrictions on development contributions are approved;**
- 3. Receive the schedule out of session and this be included in future reports; and**

4. Be provided out of session a response to the question on notice.

Moved: Emily Hodgson
Seconded: Heather Smith

Carried unanimously

RIS0222(1) Item 4 Management Letter on the Final Phase of the Audit for the Year Ended 30 June 2021**DISCUSSION**

Caroline Karakatsanis from the Audit Office of NSW provided a high level summary of the highlights of the Management letter.

Planning will be commencing shortly on the 2021/22 Year end audit. The Audit Office of NSW are working on their Local Government Report to Parliament on the 2020/21 audits.

The Integrity of Program Administration and Local Government Business and Service Continuity Arrangements for Natural Disasters performance audits completed in February 2022 are available on the Audit Office of NSW's website.

The Audit Office of NSW are piloting a new portal on how they engage with clients and transfer information. Inner West Council is one of four councils who volunteered to be a client that will pilot the new portal.

RECOMMENDATION

That the Audit, Risk and Improvement Committee note the Management Letter and update from the Audit Office of NSW.

Moved: Heather Smith
Seconded: Emily Hodgson

Carried unanimously

RIS0222(1) Item 2 Internal Ombudsman Shared Service**DISCUSSION**

Elizabeth Renneberg from the Internal Ombudsman Shared Service (IOSS) provided a high level summary of the Quarterly IOSS report.

RECOMMENDATION

That the Audit, Risk and Improvement Committee receive and note the report.

Moved: Emily Hodgson
Seconded: Heather Smith

Carried unanimously

RIS0222(1) Item 8 Risk Management and Internal Audit Quarterly Report

DISCUSSION

Beau-Jane De Costa, Senior Manager Governance and Risk provided a high level summary on Risk Management and Internal Audit. The report that will be presented at the May 2022 ARIC meeting will be significantly larger due to a current internal audit being taken place which will identify many new actions that will be captured. Past Internal Audit reports are under review to ensure the listing of outstanding management actions is complete.

The Governance and Risk structure is being re-aligned to ensure corporate objectives can be appropriately met.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee :

- 1. Note the ARIC Resolutions Register, at attachment 1;**
- 2. Note the Audit Resolutions Register (Outstanding Items) at attachment 2; and**
- 3. Receive an update at the May 2022 ARIC meeting on the progress of the Internal Audit recommendations and a list of the top risks that are Outstanding.**

Moved: Clr Atkins

Seconded: Clr Scott

Carried unanimously

RIS0222(1) Item 5 Investment Report at 30 November 2021

RIS0222(1) Item 6 Investment Report at 31 December 2021

RIS0222(1) Item 7 Investment Report at 31 January 2022

DISCUSSION

Daryl Jackson, Acting Director Corporate provided highlights of the investment reports for the past 3 months and advised that the investments are consistent with the adopted Investment Policy.

DECISION

That the Audit, Risk and Improvement Committee receive and note the three Investment reports.

Moved: Clr Scott

Seconded: Clr Atkins

RIS0222(1) Item 10 Audit, Risk and Improvement Terms of Reference (Charter)

DISCUSSION

Beau-Jane De Costa, Senior Manager Governance and Risk highlighted the changes to the Terms of Reference (TOR). The TOR will go to Council after ARIC endorsement. The Office

of Local Governments (OLG) new draft Risk Management & Internal Audit Guidelines implementation, which in the last submission period received an additional 70 submissions, has been delayed. The draft guidelines could potentially have a significant impact for Council. New guidelines include ARIC members to take on more responsibility and changes to composition and tenure of the Committee.

The updated TOR has maintained elements of the current charter, which includes Councillors still remaining as voting members. The new TOR provides all Councillors be given a standing invitation to ARIC meetings and access to business papers.

The new TOR also requires the ARIC Chair to present to Councillors Workshops two (2) times a year.

An Expression of Interest will go out shortly for two (2) new members to replace existing Committee members whose terms have expired.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee:

- 1. Endorse the adoption of the amended Audit, Risk and Improvement Committee (ARIC) Terms of Reference, as detailed in Attachment 1; and**
- 2. Note that the Office of Local Government (OLG) new Guidelines ‘Risk Management and Internal Audit for Local Councils in NSW’ are due to be released in 2022 and will likely require further amendments to the ARIC Terms of Reference.**

Moved: Heather Smith

Seconded: Clr Atkins

Carried unanimously

RIS0222(1) Item 11 ICT SOC Compliance Assessments Independent Audit Reports

DISCUSSION

Harin Perera, Chief Information Officer provided feedback on the SOC Compliance audit results and gave an update on the budget position for the TechnologyOne project.

RECOMMENDATIONS

THAT the Audit, Risk and Improvement Committee:

- 1. Receive and note the report;**
- 2. Receive a high level summary of the scope of the ICT SOC Compliance Assessments Independent Audit as a report at the next ARIC meeting;**
- 3. Receive an update on the TechnologyOne project and the post implementation review at the next ARIC meeting;**
- 4. Receive a report at the next ARIC meeting on whether the Customer Request System (CRM) is improving customer experience, how CRM is operating and any risks emerging from using CRM; and**

5. Receive an update at the next ARIC meeting on the Essential 8 and Council's ISMS.

Moved: Heather Smith
Seconded: Emily Hodgson

Carried unanimously

General Business**DISCUSSION**

Feedback was sought from the Committee on the preference of the ARIC agenda compilation being one document that included attachments or having attachments separate.

RECOMMENDATION

That the Audit, Risk and Improvement Committee Agenda be a combined document with attachments included.

Next meeting - 18 May 2022
Format to be advised.

Meeting closed at 8.41pm.