Minutes of Audit, Risk and Improvement Committee Meeting held on 20 February 2019

Meeting commenced at 5.36pm

PRESENT

Audit Risk & Improvement Committee		Present / Apologies
Independent Member - Chair	John Gordon	P
Independent Member	Emily Hodgson	P
Independent Member	Heather Smith	P
Councillor	Clr Louise Steer [5.48pm]	P
Councillor	Clr Lucille McKenna, OAM	P
General Manager	Rik Hart	P
DGM Chief Financial and Admin Officer	Michael Tzimoulas	P
DGM Community and Engagement	John Warburton	A
DGM Assets and Environment	Elizabeth Richardson	A
Engagement Manager, EY	Louis Wellard	P
Engagement Partner, EY	Melissa Broadhead	P
Internal Ombudsman	Suellen Bullock	P
Policy and Risk Coordinator	Elvira Musolino	P
Policy and Risk Services Manager	Charmian King	P
Business Paper Support Officer	Darcie Huisman	P
Group Manager Information and Communication Technology	Harin Perera	P
Group Manager Strategic Planning	David Birds	P – Item 2
Program and Project Management Office	Daniel Dib	P – Item 3

APOLOGIES: Nil

ACKNOWLEDGEMENT OF COUNTRY
The Chairperson acknowledged the traditional owners of the land on which the meeting took place.

DISCLOSURES OF INTERESTS:

The Chair, John Gordon, noted his appointment as Chair of the Audit and Risk Committee for the New South Wales Education Standards Authority (NESA).

Clr Steer declared a conflict of interest in Item 8 - Internal Ombudsman Shared Service (IOSS): Quarterly Report and abstained from voting on this item.

CONFIRMATION OF MINUTES   **(Emily Hodgson/Heather Smith)**

THAT the Minutes of the Audit, Risk and Improvement Committee Meeting held on Wednesday, 28 November 2018 and Wednesday, 19 December 2018 be confirmed, subject to Caroline Karakatsanis' title being corrected to reflect her position as Director - Audit Office NSW.

Carried unanimously

Clr Steer entered the meeting at 5.48pm.

RIS0219 Item 1   ARIC Resolution Register - Update

The Committee discussed the open Items on the Resolution Register and requested that the Group Manager Information and Communication Technology provide an update at the June ARIC meeting to the Question on Notice from the meeting held 28 November 2018.

RECOMMENDATION   **(Emily Hodgson/Heather Smith)**

THAT:

1. **The Audit Risk and Improvement Committee note the updates to the open items on the ARIC Resolution Register; and**

2. **That Item 22 on the ARIC Resolution Register remain open until a report comes back at the next Audit, Risk and Improvement Committee meeting in June 2019. The report to include a sign off on data security standards and if possible a more detailed or a higher level of assurance on compliance from Technology One's auditors.**

Carried unanimously

RIS0219 Item 3   Project Management Methodology Presentation

Daniel Dib from the Program and Project Management Office, presented an overview of the Project Management Methodology which was developed in-house and ties in with the Corporate Priorities item presented to the ARIC in 2018.

The model was described as an evolution of a previous model that was developed to facilitate the integration & transformation program, and the PPMO team have now produced a model based on industry standards that covers all aspects of project management. The key tool supporting this model is Project Online, a Microsoft-product that incorporates project scheduling, risk management, issue management, scope management and reporting. Also supporting this model are process maps (through the Promapp platform), training programs and templates that are given to staff to ensure a consistent and quality standard.

The Committee was given a demonstration of the process mapping platform (Promapp) and Project Online. There was a concern from the Committee about having project finances being manually managed outside of the financials system (through Project Online). It was advised that this will be addressed via an interface with TechnologyOne (planning currently in progress), which will see TechnologyOne remain as the source of truth for project financials. The interface into Project Online will thus provide project managers with greater visibility of their actual and committed expenditure against their project budget.

The PPMO team have the following rollout adoption plan for Q2:
- o Train Capital Project Managers by 31 March 2019
- o Integrate TechOne (Enterprise Budgeting) by 30 April 2019
- o Rollout framework to the rest of IWC by 30 June 2019.

The Committee noted the model developed by the PPMO team appeared to be useful, scalable and tailored to Council's needs.

RECOMMENDATION   **(Heather Smith/Emily Hodgson)**

THAT:

1. **The presentation on the Project Management Methodology at Inner West Council is noted and the report is accepted by the Audit Risk and Improvement Committee;**

2. **The Committee sees a project dashboard with explanations at the next Audit, Risk and Improvement Committee Meeting in June 2019;**

3. **The dashboard is tabled at each subsequent Audit, Risk and Improvement Committee meeting; and**

4. **The Committee is updated with six monthly progress reports on the rollout of the methodology.**

Carried Unanimously

RIS0219 Item 2 Internal Audit: Section 10.7 Certificates

The report by Grant Thornton Australia on 10.7 Certificates was received at the December 2018 ARIC Meeting. The Committee used the opportunity to ask Group Manager Strategic Planning to note his response to the risks identified in the report and describe Council's interim solutions. The Group Manager Strategic Planning was also asked about the manual workaround that his team was able to put in place until the IT solutions were implemented and if there was a chance of errors in a manual process for issuing a 10.7 certificate. He acknowledged that this was possible, but the process they had was working for now, while they were moving towards the IT solution.

One key risk discussed was the three sets of data from the legacy systems, in which some of the data was not accurate at the time of transfer. There was a question regarding how to fix past errors and cleanse data. It was stated that there was a new data set from the Department of Planning and there is also a new internal process for change management to stop unauthorised changes to data. The process now requires changes to be initiated and approved prior to be actioned. In the longer term, Council needs to have one set of GIS data from the current 3 sets. From now to July/August 2019 they are getting the data into Technology One. Quarter 1, 2020 will focus on improving and cleansing the data. It was explained that it was a more viable option to take the data across to the new system and update it after, in order to keep the business in operation.

Another risk discussed is that the core corporate knowledge of staff may be lost with departures of planners, however it was stated that the implementation of a new LEP will help mitigate that.

RECOMMENDATION   **(Emily Hodgson/Clr Louise Steer)**

THAT

1. **The Audit Risk and Improvement Committee endorse the Section 10.7 Certificates Internal Audit Report provided by Grant Thornton Australia to the December 2018 meeting; and**

2. **Group Managers Information and Communication Technology and Strategic Planning to provide an update on implementation of recommendations from 10.7 Certificate Internal Audit at the 20 November 2019 ARIC Meeting.**

Carried unanimously

RIS0219 Item 4   RIS05189/2 Contract Management Framework Update

The Chief Financial and Administration Officer led a short discussion on the Contract Management Framework. Council has identified that there might be prior issues which have put a hold on the Framework. The organisation is currently reviewing contract management but are on hold for the new CEO to be appointed before making major decisions. Once this happens the Executive team will work closely with the Legal team who will begin work on clauses and some time will be required to establish this before the ARIC is updated again.

RECOMMENDATION   **(Clr Lucille McKenna OAM/Emily Hodgson)**

THAT

1. **The update on the progress of the Contract Management Framework be received and noted; and**

2. **The Committee to be given an update on progress towards the implementation of the Contract Management Framework (originally item 15 on the ARIC Resolution Register) at the August 2019 ARIC meeting.**

Carried unanimously

RIS0219 Item 5   Mgmt Report - Tech One Program Update

The Group Manager Information and Communication Technology updated the Committee on the implementation status of the Technology One programs.

It was stated that the Document Management module has some delays due to the large amount of complex data being migrated. Inner West Council is also the first Council in New South Wales to implement the Property and Rating module in TechOne. Delays on this module are due to the CI platform being brand new and the process of developing of new templates, workflows and compliance reports in the software. The 2019/2020 rates are likely to be generated in the old system due to the related Regulatory system module not yet being fully developed.

GIS has had good progress with the data being consolidated and it was noted that the ICT team are one of the most committed and engaged teams in the project.

RECOMMENDATION   **(Clr Lucille McKenna OAM/Heather Smith)**

THAT

1. **The Audit, Risk and Improvement Committee receive and note the report; and**

2. **The Group Manager Information and Communication Technology update the Committee on the progress of the Property and Rating and Document Management modules at future ARIC meetings.**

Carried unanimously

RIS0219 Item 6 Internal Audit: Quarterly Update

At the November 2018 ARIC meeting, EY introduced their internal audit plan. They are currently finalising findings from the Payroll Internal Audit, which they will present at the next ARIC meeting. There was a short update on the the scope of the Lilyfield Cycleway Review which is being widened to include feedback on lessons that may be learned from this process and what could be done better next time.

The next processes for review are Key Financial Reconciliations.

With regard to the audit itself, EY discussed their plan to address the risk that internal audits can create fatigue with staff. EY to focus on working alongside an organisation to drive a positive culture of identifying and addressing issues through Internal Audit to foster improvements in Council processes. To date, Council has worked with EY to prioritise the Internal Audit of processes seen a potentially high risk and requiring improvement. They will continue to encourage and foster this approach as a partnership. The EY partners will be attending the Leadership Team meeting on 21 March to share their approach focused on driving improvement, rather than fear or negativity. They aim to have an Internal Audit seen as a positive experience. EY are encouraging culture change for staff to raise risks before audits occur, which they noted staff at Inner West Council were doing.

The major challenges noted so far with the internal audit is that currently it has focused solely on the Finance/Payroll area. EY told the Committee that they will unpack their observations on this area in more detail in a future meeting.

RECOMMENDATION   **(Clr Louise Steer/Heather Smith)**

THAT the Audit Risk and Improvement Committee note the Internal Audit Quarterly Update Report provided by EY.

Carried unanimously

RIS0219 Item 7 ARIC Annual Report 2018

The Policy and Risk Coordinator ran through the ARIC Annual Report and it was well-received from the Committee. Aside from fixing minor typographical errors, the below recommendations were made:

RECOMMENDATION   (Heather Smith/Emily Hodgson)

THAT the Audit Risk and Improvement Committee note and endorse the ARIC Annual Report 2018, subject to the below requests:
  a) **That all presentations made to the Audit, Risk and Improvement Committee meetings be included in the Annual Report;**
  b) **That the ARIC Annual Report also include a section from Internal Ombudsman; and**
  c) **That wording be clarified in relation to the external audit.**

Carried unanimously

RIS0219 Item 8 Internal Ombudsman Shared Service (IOSS): Quarterly Report

The IOSS gave their third independent report was given to the General Manager in late 2018. The internal ombudsman was present to discuss the Quarterly report to the ARIC, which identifies the activities and services of the IOSS.

The report showed that the Inner West Council uses the IOSS the most of all three partner councils. Complaints from the community are the greatest use of the IOSS' resources. The IOSS have advised an education and training program, particularly on the probity in procurement and also on complaint handling with regard to customer service and compliance.

The new Code of Conduct was prescribed in late 2018 and training will be rolled out in all councils. There will also be Public Interest Disclosures training to commence as well. In addition to training and education, the IOSS are also conducting a staff survey across the three sponsor councils, to find out staff awareness of the IOSS.

Another aspect of the IOSS' functions is their focus on change management – they are currently implementing a "Speak Up" culture – to encourage and empower staff to talk about things that may be problematic in the workplace and ensuring that they feel supported.

Following a recommendation from Committee at the 28 November 2018 ARIC meeting, there will be an independent review of the performance of the IOSS, to take place in September 2019.

The Committee were overall positive in their feedback with the work of the IOSS.

RECOMMENDATION   (Heather Smith/Emily Hodgson)

THAT the Audit Risk and Improvement Committee:

  1. **Note the quarterly update provided by the Internal Ombudsman Shared Service (IOSS); and**

  2. **Receive a copy of the final report after Council endorsement.**

Carried unanimously

Clr Steer abstained from voting on this matter due to a conflict of interest.

RIS0219 Item 9   ERM Quaterly Update

The Policy and Risk Services Manager presented the ERM quarterly update, covering:

- An update of the current controls' actions related to the Strategic Risk Register
- The scheduled first 12 monthly review of those Strategic Risks to be led by EY
- Implementation progress of the T1 Risk Register module
- Continued training of Council's Project Managers in Project Risks / Project Server

RECOMMENDATION   (Emily Hodgson/Heather Smith)

THAT the Audit Risk and Improvement Committee receive and note the ERM quarterly update and Strategic Risk Register update.

Carried unanimously

RIS0219 Item 10   Internal Audit: Audit Recommendation Register - Update

It was reported to the Committee that there were a few issues with some of the TechOne modules, which had impacted on the Audit Recommendation Register module being fully implemented live in to the system. The Register in its current form is therefore a hybrid of both the TechOne module and spreadsheets with manually added amendments and updates. This decision was made by staff to ensure the most accurate and complete data was provided to the ARIC.

The next steps with the Audit Recommendation Register are to continue working with developers to get the module working effectively (including some possible improvements) and to address the main end user issues. The entering of all previous Internal Audit Recommendations will continue as will the inclusion of any new audit recommendations. At the same time, the module will be released to relevant users, along with some training in the use of the system.

The overall observation was that there are a significant number of open Recommendations in the Register. It is anticipated that a quantity of issues will be addressed and closed off after more users have gained access and are able to update the system. EY will consider a review of aged issues in the future should a significant number of overdue issues continue to remain open.

RECOMMENDATION   (Emily Hodgson/Clr Lucille McKenna OAM)

THAT the Audit Risk and Improvement Committee:

1. **Note the progress on open items on the Internal Audit Recommendation Register;**

2. **Are presented with a summary page or dashboard outlining the number of audits being addressed, the number and risk rating of recommendations implemented, on track or overdue; and**

3. **Acknowledge the update provided and the excellent work done on the Internal Audit Recommendation Register.**

Carried unanimously

General Business

- Caroline Karakatsanis from the Audit Office NSW will be attending the June 2019 ARIC meeting to speak to the report *Management Letter on the Final Phase of the Audit for the Year 30 June 2018* (8 February 2019). Senior management at Council are confident in the upcoming audit although would prefer to have it commence earlier than September in order to make the OLG deadline. There is some concern that the delay will mean the deadline will be missed – Council has expressed to the OLG that the potential missed deadline if the audit timetable is not advanced.
- As it was his final ARIC meeting as General Manager, the Committee acknowledged Rik Hart and congratulated him on his work in successfully bringing the three former councils together over the past two years. The Committee thanked Rik for his support of their work.
- The GMs final message to the ARIC was regarding the budget and advising Council to consider budget decisions seriously with a caution there may be performance review implications by the OLG. The Chair, John Gordon, asked for a presentation on Council Plans and the Adopted Budget to be reported to the ARIC after public exhibition.

Next Meeting

- The Chair, John Gordon suggested that the ARIC meetings should be extended to 2.5 hours in order to accommodate full discussion. The Committee voted to keep it to 2 hours with the option to extend meetings when necessary and dependant on the size of the business paper.
- An in-camera meeting is to take place with the external auditors prior the next ARIC meeting in June 2019.

Meeting closed at 7.42pm

CHAIRPERSON

John Gordon