

Minutes of Audit, Risk and Improvement Committee Meeting held on 8 June 2022 via Microsoft Teams

Meeting commenced at 5.30pm

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	Beau-Jane De Costa
Director Planning	Simone Plummer
Acting Director Infrastructure	Manod Wickramasinghe
Chief Financial Officer	Daryl Jackson
Financial Partnering & Analytics Manager	Chris Sleiman
Engagement Partner, EY	Melissa Broadhead
Audit Office	Caroline Karakatsanis
Audit Office	Casey Malone
Audit Office	David Daniels
Morrison Low	Greg Smith
Morrison Low	Janine McKenzie
Councillor	John Stamolis
Councillor	Kobi Shetty
Acting Governance & Risk Support Officer - Minute Taker	Lanieta Tukana

ACKNOWLEDGMENT OF COUNTRY

The chairperson acknowledged the traditional custodians of the land on which the meeting took place and paid his respects to elders past and present.

APOLOGIES:

Apologies was received from Ruth Callaghan, Director Community.

DISCLOSURES OF INTERESTS:

Heather Smith and Emily Hodgson disclosed that in relation to item 2 *Draft De-Amalgamation Business Case for Inner West Council* that they are residents of Inner West, however due to this item only being about the process undertaken this does not impact their ability to remain in the meeting and participate in the discussion and deliberation on this item.

John Gordon disclosed that he has previously sat on an Audit, Risk and Improvement Committee with Greg Smith, however has had no further interaction outside of this Committee and as such is able to remain and participate in the discussion and deliberation of Item 2 *Draft De-Amalgamation Business Case for Inner West Council*.

CONFIRMATION OF MINUTES

That the Minutes of the Audit, Risk and Improvement Committee Meeting held on Wednesday, 23 February 2022 be confirmed.

Moved: Heather Smith
Seconded: Emily Hodgson

Carried

GENERAL MANAGER'S REPORTS**RIS0622(1) Item 1 General Manager Verbal Update****DISCUSSION**

Peter Gainsford, General Manager provided a verbal update to the Committee:

A series of workshops have been held with Councillors to develop and capture priorities for this term of Council. The Council budget is now on exhibition, including its' long term financial plans, strategic planning documents, deliver program and operation plan.

Every OLG financial indicator has been met except collection of outstanding rates. Focus on recruitment with the announcement of incoming Director Corporate. Council's broader focus on governance; with Councillors induction, risk management and priorities of Council, and meetings with Councillors each month.

Morrison Low Demerger Business Case has been completed for the current ARIC meeting, to be taken to Council on 14 June. Items to be resolved from the report to be made available to Council for visibility and awareness to the community.

Corporate Planning Work undertaken by the Finance team has received good feedback, with the new asset management strategy and workforce plan to be taken to Council on 14 June.

For Council recruitment, the General Manager has recruited additional staff, in key positions. Helping to move the organisation in a positive cultural direction. Positions that are vacant will continue to be filled.

The Chief Financial Officer will provide a report on the budget and financial key indicators at the upcoming ARIC meeting in August.

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 to staff in future verbal updates to the ARIC.**

Moved: Cllr Scott
Seconded: Emily Hodgson
Carried

RIS0622(1) Item 2 Draft De-Amalgamation Business Case for Inner West Council

DISCUSSION

The Chair welcomed Greg Smith and Janine McKenzie from Morrison Low.

The General Manager had engaged Morrison Low to provide work on the De-Amalgamation Business Case, as they had previously undertaken work pre-merger, particularly on financial statements for councils.

The current business case is an enhanced version with more options on costing, work undertaken is in accordance with the NSW government guidelines for business cases, with emphasis on preparation so that it meets the needs in regards of the Minister's referral to the Boundaries Commission.

The business case identifies financial factors and disadvantages, including economies and diseconomies of scale for residents and ratepayers, communities of interest, existing historical and traditional values, the attitude of ratepayers, electoral representation, the impact of Councillors in providing equitable services, the impact on employment for staff, and factors in providing an efficient and effective local government. The business case will be reported to Council, exhibited and returned with feedback which will inform the case for change.

Morrison Low reiterated that once Council endorses the report, it will seek community consultation, and feedback and outcomes will also help build the case for change. The business case drew on the NSW government, including revised NSW legislation as framework to address the Boundaries Commission.

The cost benefit assessment identified as a first option the pre-merger service level, with the second option for the current Inner West Council service level. The case for change is a response to community groups making calls to demerge.

The Acting Director Corporate has highlighted that a comprehensive risk assessment outside the business case will be brought to the August ARIC meeting, with the new Risk Manager commencing shortly. This will allow Councillors to identify and map risks and appropriate responses.

The independent member, Emily Hodgson has also sought clarification on the implementation and management of merger risks. Response from ARIC is that these will be observed and discussed at the next ARIC meeting.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee:

- 1. Note the Financial elements of the Draft De-Amalgamation Business Case presented by Morrison Low**

2. Notes that if Council does de-amalgamate that the risks associated with staff retention and engagement, loss of corporate/local knowledge, service disruption and inconsistency during the transition and IT security and controls risk in demerging systems will require significant management throughout the process and an agreed transition approach will also be critical
3. Requests that a comprehensive risk analysis of the de-amalgamation process and it's subsequent impacts is undertaken and reported back to ARIC
4. Recommends that the communication to the community in relation to the de-amalgamation process clearly identifies the known non-financial risk and benefits to the community
5. Endorse the recommendations of the ARIC meeting of 8 June 2022, in relation to the item 'Draft de-amalgamation business case for Inner West Council' being provided to the Council meeting on 14 June 2022, as part of the item considering the de-amalgamation business case in the Ordinary Council agenda.

Moved: Clr Scott
Seconded: Heather Smith
Carried

RIS0622(1) Item 3 EY - Internal Audit Status Report

DISCUSSION

The Engagement Partner from Ernst & Young, Melissa Broadhead took the audit paper as read.

Ernst & Young has clarified that the Procurement Per Capita Projects audit paper, examined the procurement process from end to end. It was audited in accordance with policies and procedures.

The examination of the budgeting forecasting processes will be tabled in August and the fraud and corruption risk assessment is on hold with an incoming revised update to be agreed on.

RECOMMENDATION

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

Moved: Clr Scott
Seconded: Heather Smith
Carried

The Audit, Risk and Improvement Committee brought forward Item 9 to be dealt with at this time.

RIS0622(1) Item 9 Audit Office of NSW - Annual Engagement Plan

DISCUSSION

The Chair welcomed Caroline Karakatsanis, David Daniels and Cassie Malone from the Audit Office.

Caroline explained she has rotated off the engagement and has handed over to the incoming

Director David Daniels, with Cassie Malone as the Audit Manager.

David Daniels outlined the Annual Engagement Plan and its key issues: with the full reevaluation of roads and parks, and the fair value assessment of assets in progress. The Audit office is in discussions with Finance regarding risks to the valuations and carrying value assessments.

A note that the Local Government Report on the 2021 financial status will be circulated shortly.

On behalf of the ARIC, the Chair thanked Caroline and her team for their guidance and support of the Committee and Council during her years as Engagement Leader.

RECOMMENDATION

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

Moved: Heather Smith
Seconded: Emily Hodgson
Carried

RIS0622(1) Item 4 ARIC Annual Report 2021

DISCUSSION

Heather Smith, on behalf of the Committee, provided a briefing on the ARIC Annual Report to Councillors in April.

RECOMMENDATION

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

Moved: Heather Smith
Seconded: Emily Hodgson
Carried

RIS0622(1) Item 5 Major Projects Update

DISCUSSION

Acting Director Infrastructure, Manod Wickramasinghe provided an update on major projects, with three concurrent projects highlighted; the Urban Amenities Improvement program, the Greenway project and the LPAC major project. The projects have been set back due to the pandemic and the changing weather conditions, affecting the supply chain. This has put pressure on project management staff as well as Council and the ongoing risks of obtaining third party approvals.

Training of staff continues into 2023. The team is in the process of engaging staff for project assurance. In reference to costs, industrial grant funding has been sought as well as incorporating funding from other councils. Items not essential to the project will not be included.

The community are notified on works and projects, through capital works updates on websites, on the provision of monthly updates, and continuous engagement with the Communications team to keep the community informed of project updates.

RECOMMENDATION

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

Moved: Heather Smith
 Seconded: Emily Hodgson
 Carried

RIS0622(1) Item 6 Asset Management Audit update

DISCUSSION

The Road Asset Management Survey has been completed, allowing Council to map assets that need to be replaced. Transport assets have been completed, with Bridge assets to follow. Seawalls and sporting grounds will be completed in the next financial year.

Asset evaluation and fair value assessments are underway. The asset management documentation will be included in Councillor documents for the next Councillor meeting.

Work is underway for the annual capitalisation of all projects this financial year. In reference to an update on Special Schedule 7, the methodology has changed and has reduced the backlog of work.

RECOMMENDATION

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

Moved: Clr Atkins
 Seconded: Emily Hodgson
 Carried

RIS0622(1) Item 7 Risk Management and Internal Audit Quarterly Report

DISCUSSION

The new data within the report provides an update to ARIC on all actions and allows the Acting Director Corporate to work with internal stakeholders to progress this work. It also now provides a comprehensive paper trail from an audit perspective of all audits undertaken and recommendations provided.

RECOMMENDATIONS

That the Audit, Risk and Improvement Committee:

- 1. ARIC Resolutions Register at attachment 1; and**
- 2. Audit Resolutions Register (Outstanding Items) at attachment 2.**

Moved: Heather Smith
 Seconded: Emily Hodgson
 Carried

RIS0622(1) Item 8 Quarterly Finance Report (2021/22 Third Quarter Budget Review)

DISCUSSION

Financial Partnering & Analytics Manager, Chris Sleiman presented the Quarterly Finance Report.

No Council restricted assets have been reassigned during the last review period.

RECOMMENDATION

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

Moved: Clr Atkins
Seconded: Clr Scott
Carried

General Business

DISCUSSION

ARIC will be available as required for the demerger process.

Recruitment for new ARIC members is underway, with consideration being given to face to face/hybrid and online meetings. Inductions for new ARIC committee members will be undertaken.

Next meeting – 17 August 2022

Meeting closed at 8.20pm