

### **9.3. Audit Risk and Improvement Committee Minutes - 18 November 2022**

**AUTHOR:** Ian Curry, Manager Council & Committee Services

**ENDORSED BY:** Shane Sullivan, Executive Manager Governance

**ATTACHMENTS:**

1. Minutes ARIC 18 Nov 2022 [9.3.1 - 12 pages]

**PURPOSE:**

The purpose of this report is to provide the Minutes of the Audit, Risk and Improvement Committee meeting held on 18 November 2022.

**EXECUTIVE SUMMARY:**

This report presents the minutes of the last meeting of the Audit, Risk and Improvement Committee held on 18 November 2022. There are no specific matters arising from the meeting referred to Council for adoption.

The minutes are attached for information and adoption by Council in accordance with the Audit, Risk and Improvement Committee Charter.

**FINANCIAL IMPLICATIONS:**

There are no financial implications to this report.

**RECOMMENDATION:**

**1. THAT** the Minutes of the 18 November 2022 Audit, Risk and Improvement Committee meeting be adopted in accordance with the Audit, Risk and Improvement Committee Charter.

## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership

5.2 Council is well governed and customer focused

## **BACKGROUND**

In accordance with the Audit, Risk & Improvement Committee Charter:

*7. The endorsed Minutes of the Committee Meetings will be submitted to the next available Council meeting for adoption subject to any confidentiality requirements of specific items.*

## **CONSULTATION REQUIREMENTS**

Community engagement is not required.

## **DETAIL**

This report presents the minutes of the last meeting of the Audit, Risk and Improvement Committee held on 18 November 2022 for Council adoption. The minutes are attached for information and adoption in accordance with the Audit, Risk and Improvement Committee Charter



## MINUTES

The Minutes of the  
**AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING**  
held in the Supper Room, 200 Miller Street, North Sydney  
at 9.30am Friday 18 November 2022.



**Chair:**

Brian Hrnjak (Independent Member) in the Chair.

**Members:**

Independent Member: Brian Hrnjak

Independent Member: Ron Switzer

Councillor Member: Councillor Santer - Deputy Mayor

Councillor Member: Councillor Beregi (arrived at 9.34am)

**Staff:**

Rob Emerson, Acting General Manager

Margaret Palmer, Director Corporate Services

Shane Sullivan, Executive Manager Governance

**Others present:**

Susan Leahy, Head of Internal Audit

*Present for item 5.1 only:*

Alex Hardy, Prosperity (External Audit)

Unaib Jeffrey, NSW Audit Office (arrived at 9.37am)

**Apologies:** Nil.

## 1. Opening Meeting

### 2. Apologies

Nil

### 3. Disclosures of Interest

Nil

### 4. Confirmation of Minutes

The Minutes of the previous meeting held on 7 October 2022, copies of which had been previously circulated, were taken as read and confirmed.

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

**1. THAT** The Minutes of the previous meeting, copies of which had been previously circulated, were taken as read and confirmed.

#### **Resolved:**

**1. THAT** The Minutes of the previous meeting, copies of which had been previously circulated, were taken as read and confirmed.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## 5. Committee Reports

### 5.1. Financial Statements for the Year Ended 30 June 2022

**AUTHOR:** Christian Menday, Manager Financial Services and  
Darren Goode, Manager Accounting Services.

The purpose of this report is to present the updated draft Financial Statements for the Year Ended 30 June 2022 to the Committee for independent assessment and feedback.

Provision 6.6 of The North Sydney Council Audit, Risk and Improvement Committee Charter sets out the roles and responsibilities of the Committee in relation to external audit and requires an independent assessment and feedback of the Financial Statements.

The External Auditor's report will be incorporated into the Financial Statements when they are presented to Council on 28 November 2022.

On 7 October 2022, the Draft Financial Statements were tabled at the meeting of the Audit Risk and Improvement Committee (ARIC). The covering reported noted that several variations to the cost of the North Sydney Olympic Pool (NSOP) had been received late in the process of finalising and auditing of the year-end statements. Further, ARIC was informed that a process was in place which involved Engineering providing specific information on each of the variations to Finance and the Auditors so that they could resolve the accounting treatment of the variations and ascertain the materiality of the claims. This information was provided by the NSOP Project Manager from Engineering.

Due to this, ARIC did not refer the Financial Statements to Council. Changes made subsequent to the ARIC meeting are listed below and highlighted in the draft Statements.

Finance have been working with the Auditors to resolve these issues. The Auditors have made some recommendations which have been incorporated into the draft Financial Statements. Final feedback from the Audit Office to our Auditors is pending as at distribution of this agenda. In discussion with the Auditors, it has been agreed that the updated Financial Statements be circulated to ARIC.

The draft Financial Statements for the Year Ended 30 June 2022 disclose a net operating surplus for the year of \$23.5 million including capital grants and contributions. Before capital grants and contributions, the result is a surplus of \$2.8 million.

**RECOMMENDATION:**

**1. THAT** the draft Financial Statements for the Year Ended 30 June 2022 be considered by the Committee.

The Motion was moved by Councillor Santer and seconded by Ron Switzer.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the Committee recommends that Council seek a further extension to the submission from the Office of Local Government for the statements for the Year Ended 30 June 2022 to allow legal advice to be obtained.

**2. THAT** the accounts are brought back to this Committee for consideration in time for the 12 December 2022 Council Meeting or such other meeting as shall be determined.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## 5.2. Internal Audit Status Report

**AUTHOR:** Susan Leahy, Head of Internal Audit

This report provides a status on the Internal Audit Function in terms of resources, planned and completed audits.

**RECOMMENDATION:**

1.**THAT** the report be received and noted with respect to the 2022-23 internal audit plan, including future considerations that have been recommended within OLG guidelines.

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

The Motion was put and **Carried**.

**Resolved:**

1.**THAT** the report be received and noted with respect to the 2022-23 internal audit plan, including future considerations that have been recommended within OLG guidelines.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## 5.3. Completed Internal Audit Report – Fraud and Corruption

**AUTHOR:** Susan Leahy, Head of Internal Audit

To report on the completed fraud and corruption internal audit report.

Whilst there have been improvements, some internal audit recommendations made in 2019 which were similar to those raised in a 2013 internal audit remain outstanding that has led to a rating of Needs Improvement being assigned.

The recommendations comprise:

- Enhancing the risk registers to cover fraud specific content including the documentation of controls so that they can be effectively monitored. Upon the finalisation of the organisational review of the enterprise-wide risk registers, fraud related risks and their associated controls should be incorporated to enable extraction.
- Supplementing formal training programs with specific departmental awareness initiatives that can be linked to the policy framework covering the:
  - Understanding of Council’s fraud prevention process including fraud related policies

- Fraud detection process including risk assessment and reporting
- Fraud reporting process including investigation and risk assessment analysis
- Staff awareness could be promoted through less formal mechanisms such as annual email reminders, displaying posters, discussions at team meetings that are tailored towards departmental risks.
- Implement regular refreshment training scheduled for all staff, volunteers and contractors to maintain awareness

**RECOMMENDATION:**

**1. THAT** the fraud and corruption internal audit report be received and noted.

The Motion was moved by Brian Hrnjak and seconded by Councillor Beregi.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the fraud and corruption internal audit report be received and noted.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

#### **5.4. Internal and External Audit Recommendations Status Report**

**AUTHOR:** Susan Leahy, Head of Internal Audit

To report on the progress of previous internal and external audit recommendations made.

**RECOMMENDATION:**

**1. THAT** the status of past internal audit recommendations be received and noted.

The Motion was moved by Councillor Santer and seconded by Ron Switzer.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the status of past internal audit recommendations be received and noted.

For/Against 4 / 0

Voting was as follows:

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil



**Absent:** Nil

## **5.5. Annual Insurance Update**

**AUTHOR:** Shane Sullivan, Executive Manager Governance

The purpose of this report is to provide an annual update on Council's Insurance program for the information of the Committee.

The purpose of this item is provide an annual update on Council's insurance program following renewal of cover for FY2023.

The insurance components of this report have been considered by the Executive Leadership Team on 6 September 2022.

A representative from Statewide Mutual will be available to attend the meeting to answer any questions of the Committee regarding insurance.

The insurance program has been renewed for FY2023 as shown in the tables at the end of this update at a cost increase of 1.64% compared to a cost increase last year of 9.2%. This is due largely to the decision to increase deductibles in the property and public liability portfolios.

Attached is a summary of the insurance costs and increases.

This report also includes information relating to the costs of workers compensation claims and the insurance premium.

### **RECOMMENDATION:**

**1. THAT** the annual insurance and workers compensation update be received.

### **Resolved:**

**1. THAT** the annual insurance and workers compensation update be received.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## **5.6. Customer Feedback and Complaints Report January 2022 - June 2022**

**AUTHOR:** Sarah Malcolm, Corporate Planning Coordinator

The purpose of this report is to provide a summary of the complaints and compliments received during the period 1 January to 30 June 2022 as well as some comparative data for previous periods.

This report is provided to Council every six months and is also being shared with the Audit, Risk and Improvement Committee. It compares the number of complaints to the total number of customer contacts for the period 1 January to 30 June 2022, summarised below:

Total number of customer contacts	32,428
Number of compliments	62
Number of complaints	6 Of these, 2 (33%) were considered justified/partially justified

There are no direct financial implications relating to this report.

**RECOMMENDATION:**

**1. THAT** the Customer Feedback and Complaints Report: 1 January to 30 June 2022 be received.

The Motion was moved by Councillor Santer and seconded by Ron Switzer.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the Customer Feedback and Complaints Report: 1 January to 30 June 2022 be received.

For/Against 4 / 0

Voting was as follows:

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## 5.7. Enterprise Risk Management Framework - Report

**AUTHOR:** Shane Sullivan, Executive Manager Governance

The purpose of this report is to provide the Audit, Risk and Improvement Committee with a report against Council's adopted Enterprise Risk Management Framework. The information in the attached report is drawn from Council's Operational Risk Register.

Attached is a report drawn from Council Operational Risk Register. The risk register is populated by Managers, reviewed by Directors and reported to the Executive Leadership Team.

Council has gone through a period of review to align the Enterprise Risk Management Framework to the current Australian Standard. This has included the review of the

overarching Policy, documentation of the Framework and now monitoring and reporting of risks. Future actions are the review of Council's Risk Appetite Statement in consultation with Councillors and the articulation of Council's identified Strategic Risks.

The report includes the identification of financial risks.

**RECOMMENDATION:**

**1. THAT** the Committee receive the attached Operational Risk report

The Motion was moved by Ron Switzer and seconded by Brian Hrnjak.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the Committee receive the attached Operational Risk report and note that it will be provided quarterly.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## **5.8. Probity Report - North Sydney Olympic Pool Project**

**AUTHOR:** Shane Sullivan, Executive Manager Governance

The purpose of this report is to provide the probity update from O'Connor Marsden and Associates Pty Limited (OCM) who have been engaged by Council to provide advice on the North Sydney Olympic Pool construction project.

On 1 September 2022, OCM were engaged to provide probity advice to Council on the North Sydney Olympic Pool construction project.

As part of their engagement and as required under the governance structure, the probity advisor is to provide a quarterly report to the Audit, Risk and Improvement Committee. The attached report represents the first of these such reports.

Since their engagement OCM have provided advice in respect of the following:

- The Governance structure for the project
- Compliance with grant funding requirements
- Suitability of reporting to Council and confidentiality requirements of this reporting

In addition, a Probity Plan has been developed. This plan will be considered by the Steering Committee at its meeting on 15 November 2022 and subsequently provided to the Committee.

An update is also provided in this report regarding actions taken to progress an Independent Review as resolved by Council on 10 October 2022.

OCM have been engaged with their engagement being funded as a cost of the project.

**RECOMMENDATION:**

**1. THAT** the Committee note the attached report from Council’s Probity Advisors on the North Sydney Olympic Pool construction project.

The Motion was moved by Ron Switzer and seconded by Councillor Santer.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the Committee note the attached report from Council’s Probity Advisors on the North Sydney Olympic Pool construction project and Probity Plan as circulated on 17 November 2022.

For/Against 4 / 0

Voting was as follows:

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## **5.9. ICAC Report - Investigation in the conduct of the local member for Drummoyne**

**AUTHOR:** Shane Sullivan, Executive Manager Governance

The purpose of this report is to keep the Committee informed of findings of any examinations by regulatory agencies.

The NSW Independent Commission Against Corruption (ICAC) found on 20 July 2022 that John Sidoti engaged in corrupt conduct by using his official position, as a member of Parliament and the local member for Drummoyne, to try to improperly influence City of Canada Bay Liberal Councillors to adopt and advance certain positions.

A Public Inquiry was initially conducted from 29 March to 27 April 2021. Mr Sidoti and 15 witnesses gave evidence. The processes was interrupted by the COVID lockdowns. A further three days of evidence were taken from 29 September to 1 October 2021.

Attached is a summary of the recommendations that relate to Local Government and proposed actions for North Sydney Council.

There are no financial implications as a result of this report.

**RECOMMENDATION:**

**1. THAT** the Committee note the proposed attached actions in response to the ICAC report and that they will be incorporated into the Continuous Improvement Register for ongoing management and reporting.

The Motion was moved by Councillor Beregi and seconded by Ron Switzer.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the Committee note the proposed attached actions in response to the ICAC report and that they will be incorporated into the Continuous Improvement Register for ongoing management and reporting.

Voting was as follows:

For/Against 4 / 0

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

## **5.10. Agenda and Meeting Dates for 2023**

**AUTHOR:** Shane Sullivan, Executive Manager Governance

The purpose of this report is for the Committee to determine the Agenda content and meeting dates for 2023.

As part of the ongoing administration of the North Sydney Council Audit, Risk and Improvement Committee this report seeks to confirm the topics for the agenda for 2023 and meeting dates.

The attached agenda plan covers elements historically considered by the Committee. This plan does not in any way preclude the Committee considering other matters as and when they arise. The items proposed and their timing has been developed in consultation with the Director, Corporate Services and the Head of Internal Audit (Shared Service).

There are no financial implications associated with the adoption of the Agenda plan and meeting dates.

The adopted fee structure for the Committee provides for the conduct of five meetings.

**RECOMMENDATION:**

**1. THAT** the Committee endorses the attached Agenda plan for 2023 and that a version of this plan be placed on Council's website.

**2. THAT** the Committee meets on:

3 February 2023,  
28 April 2023,  
28 July 2023 and  
3 November 2023

with an additional special meeting for the consideration of the annual financial statements to be scheduled as required.

The Motion was moved by Councillor Santer and seconded by Councillor Beregi.

The Motion was put and **Carried**.

**Resolved:**

**1. THAT** the Committee endorses the attached Agenda plan for 2023 and that a version of this plan be placed on Council's website.

**2. THAT** the Committee meets on:

3 February 2023,  
28 April 2023,  
28 July 2023 and  
3 November 2023

with an additional special meeting for the consideration of the annual financial statements to be scheduled as required.

For/Against 4 / 0

Voting was as follows:

**For:** Councillor Beregi, Brian Hrnjak, Councillor Santer and Ron Switzer

**Against:** Nil

**Absent:** Nil

**6. Closure**

The Meeting concluded at 12:13 pm.