7.2. Audit Risk and Improvement Committee Minutes - 19 November 2021

AUTHOR: Peita Rose, Governance Officer

ENDORSED BY: Shane Sullivan, Executive Manager Governance

ATTACHMENTS:
1.   Minutes ARI C 19 Nov 2021 [**7.2.1** - 10 pages]

PURPOSE:

Council is required to consider the Minutes of this Committee under the Code of Meeting Practice.

EXECUTIVE SUMMARY:

This report presents the recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 19 November 2021 for Council adoption. The minutes are attached for information.

It is noted that there is a further report on this Business Paper for Council to determine Councillor representation on the Audit, Risk and Improvement Committee.

FINANCIAL IMPLICATIONS:

Nil.

RECOMMENDATION:
1. THAT the Minutes of the 19 November 2021 Audit, Risk and Improvement Committee meeting be noted.

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 Council's Code of Meeting Practice: *20.24   The minutes of meetings of each Committee of the Council must be confirmed at a subsequent meeting of the committee.* 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 recommendations of the last meeting of the Audit, Risk and Improvement Committee held on 19 November 2021 for Council adoption. The minutes are attached for information.

MINUTES

The Minutes of the Audit, Risk & Improvement Committee held at the Council Chambers, North Sydney at 10:00 AM on Friday 19 November 2021.

Attendance

Chair:

Brian Hrnjak, Independent Chair (remote)

Panel Members:

Councillor Ian Mutton, Member (remote)
Ron Switzer, Independent Member (remote)

Staff:

Ken Gouldthorp, General Manager
Margaret Palmer, Director Corporate Services
Shane Sullivan, Executive Manager Governance

Asif Ali, Manager Financial Services
Michael McFarlane, IT Manager (Item 5.6, 5.7 and 5.8)
Robert Glinski, Team Leader IT Operations and Security (Item 5.6, 5.7 and 5.8)
Josh Jongma, Governance Co-ordinator (minutes)

Visitors:

Susan Leahy, Head of Internal Audit North Shore Councils
Alex Hardy, Prosperity Advisers Group (Item 5.12)

1.   Opening Meeting

The meeting was opened by the chair at 10.01am.

2.   Apologies

Apologies were received from Councillor Kathy Brodie.

3.   Disclosures of Interest

Nil.

4.   Confirmation of Minutes

The Minutes of the previous meeting held on 15 October 2021, copies of which had been previously circulated, be taken as read and confirmed.

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5.   Committee Reports

The Chair brought Item 5.12 forward in the agenda.

5.12. LATE REPORT: North Sydney Management Letter FY 2021
AUTHOR: Josh Jongma, Governance Coordinator
To provide ARIC with the North Sydney Management Letter FY 2021.
The letter attached was provided to Council on 4 November 2021.
Any financial implications associated with this item are contained within the attachment.
Recommending:
1. THAT the report and attached Management Letter FY 2021 be noted.

Resolved to Recommend:
1. THAT the report and attached Management Letter FY 2021 be noted.

Voting was unanimous

Alex Hardy left the meeting at 10:27AM.

5.1.   Relisted from 15 October: Draft Guidelines - Risk Management and Internal Audit for local councils in NSW (Office of Local Government)
This report was provided to ARIC at the 15 October 2021 Meeting but is relisted for further discussion due to time constraints on the previous meeting.
AUTHOR: Shane Sullivan, Executive Manager Governance
Update: A submission has been made to OLG in accordance with the following:
- Concern that the requirement for Independent Members to be 'pre-qualified' will limit the availability of candidates and potentially increase costs.
- Concern that only one councillor may be on the ARIC, and in a non-voting capacity. In order to be inclusive and engage with councillors, there should be up to 2 voting councillors on the ARIC, while maintaining a majority of independents.
- General concern that the guidelines are complex and detailed which may limit or hinder compliance.

The purpose of this report is to provide ARIC with an assessment of Council's compliance against the draft guidelines and propose issues for submission to the Office of Local Government in response for their call.
A discussion paper, A New Risk Management and Internal Audit Framework for Local Councils in NSW, was released in late 2019 on the proposed model. The Office of Local Government (OLG) has since refined the proposed model in response to this feedback.
The new framework will be governed by regulations and Guidelines for risk management and internal audit for local councils in NSW. These will prescribe the minimum standards for each

council's audit, risk and improvement committee, risk management framework and internal audit function.

OLG is now seeking the views and feedback of councils and other stakeholders on the draft Guidelines for risk management and internal audit for local councils in NSW prior to finalising them.

Attached is a table assessing the compliance of North Sydney Council against the draft guideline and identifying what action may be required for compliance. Issues are also identified for submission to the Office of Local Government.

There are no financial implications of this report.

However, there are financial implications associated with the guidelines

Recommending:

1. THAT the Committee notes the report.

Resolved to Recommend:

1. THAT the Council notes the report.

Voting was unanimous

5.2. Relisted from 15 October: Governance Health Check and Work Plan

This report was provided to ARIC at the 15 October 2021 Meeting but is relisted for further discussion due to time constraints on the previous meeting.

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is to advice the Audit Risk and Improvement Committee of a review of North Sydney Council's Governance Health against the Governance Lighthouse (NSW Audit Office and the share the program of work planned to address gaps identified and progress improvement.

Using the NSW Audit Governance Lighthouse checklist, a maturity assessment was completed of North Sydney Council's Governance Health.

As a result, a workplan for the current financial year and next three years has been developed based on a priority order from the assessment. The plan for 2021/22 is an ambitious plan, particularly given the conduct of the election and onboarding/induction of Council.

An indicative workplan for 2022/23 to 2024/25 has also been developed. It is acknowledged that this plan may change as a result of shifting requirements and priorities. It will also need to be responsive to legislative changes.

The workplan has been consulted with the General Manager and MANEX who have provided their endorsement.

An area of specific interest for the Committee will be the review of the Enterprise Risk Management Framework. This has already commenced with workshops to articulate Council's risk appetite. A further report will be provided to the Committee as this review proceeds.

Another impact area will be the review of the Committee, its Charter etc in response to the finalisation of the OLG Guidelines.

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

Recommending:

1. THAT the Committee note the current proposed workplace for Governance developed against the NSW Audit Office Governance Lighthouse.

Resolved to Recommend:
1. THAT the Council note the current proposed workplace for Governance developed against the NSW Audit Office Governance Lighthouse.

Voting was unanimous

5.3.   Review of Annual Audit, Risk & Improvement Committee Agenda

AUTHOR: Shane Sullivan, Executive Manager Governance
The purpose of this report is for the Committee to determine the agenda for 2022.
The Q4 Audit, Risk & Improvement Committee meeting has a standing item "Review Annual Audit Committee Agenda".
Attached is the proposed Agenda for 2022 for consideration by the Committee.
There are no financial implications.

Recommending:
1. THAT the proposed agenda be received and approved by the Committee.

Susan Leahy joined the meeting at 10.39AM.

Resolved to Recommend:
1. THAT the proposed agenda be received and approved by the Committee.

Voting was unanimous

5.4.   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.
This report provides the annual update on Council's insurance program following renewal of cover for FY2021. Total contributions and premiums have risen 1.6% p.a. in real terms over the five fund years to date.
A representative from JLT will attend the Committee meeting to provide a brief overview and answer any questions from the Committee.
The insurance program has been renewed for FY2022 as shown in the tables in this report at a cost increase of 9.2%.
Recommending:
1. THAT the annual insurance update be received.

Resolved to Recommend:
1. THAT the annual insurance update be received.
2. THAT the Council further investigates the impact of varying to excess on premiums.

Voting was unanimous

5.5.   Risk Appetite Statement

AUTHOR: Shane Sullivan, Executive Manager Governance

The purpose of this report is to present Council's Risk Appetite Statement for endorsement by the Committee.

Over the past three months, work and consultation has been undertaken on articulating the organisation's risk appetite levels. As a result, the attached Risk Appetite Statement has been documented. The Risk Appetite statement is the basis of the planned review of Council's Enterprise Risk Management Framework and will be subject to regular review.

Council engaged Marsh through the Statewide Board Funded initiatives to undertake the review of the Risk Appetite Statement. These initiatives are a range of fully funded consultancy services available to members.

Recommending:

1. THAT the Committee note and endorse the attached Risk Appetite Statement (10 November 2021).

Resolved to Recommend:

1. THAT the Council note and endorse the attached Risk Appetite Statement (10 November 2021).

Voting was unanimous

5.6.   Information Technology Services Quarterly Update

AUTHOR: Michael Macfarlane, Manager IT

The implementation of the ICT Portfolio of projects is progressing. Presented below is the Executive Summary of the progress to date for first quarter 1 June to 30 August.

Recommending:

1. THAT ARIC notes the update and project risks.

Resolved to Recommend:

1. THAT Council notes the update and project risks.

Voting was unanimous

5.7.   InfoSec Working Group Quarterly Update

AUTHOR: Robert Glinski, Team Leader IT Operations & Security

The purpose of this paper is to inform ARIC of recent Information Security Working Group (InfoSec) activities. This includes the following elements:

   1. Strategies to Mitigate Cyber Security Incidents
   2. Security
   3. Major Active IT Projects

4. Other Business.

Recommending:

1. THAT ARIC notes the update.

Resolved to Recommend:

1. THAT Council notes the update.

Voting was unanimous

5.8. Infosec Risk Register (Datasets and Owners)

AUTHOR: Robert Glinski, Team Leader IT Ops & Security

The purpose of this paper is to inform ARIC about the new InfoSec Risk Register (Register) that has been develop by Information Technology (IT) with input from the InfoSec Committee members. Its aim is to provide transparency of the datasets held by the Council and assign data owners and controls over each dataset.

Currently the IT risks associated with data and cyber breaches are contained in the Enterprise Risk Register in a summarised form. Whilst this provides a good overview across the Council of the type of risks faced, it does not provide adequate visibility of the risks and issues that exist at a detailed level for the datasets owned by the Council.

With data security conversations taking place in the media, and the topic of questionnaires by our External and Internal Auditors, it is timely that a more detailed Register of the Council's datasets, owners and controls be created.

This is supported by the State Government now providing Councils with its Cyber Security Policy as a guideline for Councils, it outlines 20 foundational requirements of which requirement 3.3 states:

Classify information and systems according to their business value (i.e. the impact of loss of confidentiality, integrity or availability), adhere to the requirements of the NSW Government Information Classification Labelling and Handling Guidelines and

- *assign overall responsibility for information asset protection and ownership*
- *implement controls according to their classification and relevant laws and regulations*
- *identify the council's "crown jewels".*

The allocation of owners to datasets will provide clarity regarding responsibility and give the individual owners of datasets a better understanding of their data and the implications of breaches in releasing data.

In addition, the intention is to ensure that owners of datasets become members of the InfoSec Committee. The Committee's purpose is to provide clear direction and visible management support for security initiatives, initiate plans and programs to maintain information security awareness and ensure that security activities are executed in compliance with policy.

This report will be accompanied by an explanatory presentation of the Infosec Risk Register, its function, a review of the data owners and the NSW State Governments Cyber Security Guidelines for Council.

Recommending:

1. THAT ARIC note the update.

Resolved to Recommend:

1. THAT Council note the update.

Voting was unanimous

Robert Glinski and Michael McFarlane left the meeting at 11.45AM.

5.9.   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.

Recommending:

1.THAT the report be received and noted with respect to the:
1. 2021 internal audit plan and resourcing position.
2. Future annual and strategic internal audit plans be aligned to the financial year.
3. Recommendations presented for the completion of internal audit activities in the first half of 2022.

Resolved to Recommend:

1.THAT the report be received and noted with respect to the:
1. 2021 internal audit plan and resourcing position.
2. Future annual and strategic internal audit plans be aligned to the financial year.
3. Recommendations presented for the completion of internal audit activities in the first half of 2022.

Voting was unanimous

5.10. Internal Audit Outstanding Recommendations Status Report

AUTHOR: Susan Leahy, Head of Internal Audit

Report on the progress of previous recommendations made.

Recommending:

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

Resolved to Recommend:

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

Voting was unanimous

5.11. 2022 Meeting Dates

AUTHOR: Ian Curry, Manager Council & Committee Services

To propose meeting dates for the Audit, Risk and Improvement Committee in 2022.

The Charter of the Audit, Risk and Improvement Committee provides at clause 8.1 for at least four meetings per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings is to be decided by the Chair of the Committee, although other Committee members may make requests to the Chair for additional meetings.

A schedule of meetings is proposed for adoption by the Committee for 2022.

Recommending:

1. THAT the 2022 Audit, Risk & Improvement Committee Meeting schedule, as detailed in this report, be adopted.

Resolved to Recommend:

1. THAT the 2022 Audit, Risk & Improvement Committee Meeting schedule, as detailed in this report, be adopted.

Voting was unanimous

The Chair and General Manager thanked the Committee for their efforts during the year and wished everyone a restful break.

6.   Closure

The Meeting concluded at 12.05pm.