

MINUTES

Meeting Name	Audit Risk & Improvement Committee	
Date	Thursday, 23 February 2023	Time: 5:00pm
Venue	Level 3, 126 Church Street Parramatta / MS TEAMS (remote)	
Attendees	<p><u>Committee Members:</u> Chairperson - Dr Col Gellatly Independents - David Pendleton & Jesse Jo</p> <p><u>Council Staff:</u> Bryan Hynes (Acting CEO) (remote) Bernadette Cavanagh (ED People Culture and Workplace) (remote) Bruce Mills (Acting ED Property and Place) (remote) John Crawford (Chief Technology Officer) Amit Sharma - Financial Planning and Analysis Manager Nancy Violi – Change Manager Risk & Audit (remote) Steven Unkovic (Coordinator Internal Audit)</p> <p><u>Internal Ombudsman Shared Service:</u> Elizabeth Renneberg (Internal Ombudsman) (remote)</p> <p><u>NSW Audit Office:</u> Nirupama Mani, Director (remote)</p> <p><u>BDO (Internal Audit Service Provider):</u> Mark Griffiths (BDO Partner) (remote) Robert Malcomson (Senior Manager) (remote)</p>	
Minutes Clerk	Vandana Saini	
Apologies	DLM Councillor Sameer Pandey Councillor Michelle Garrard	

1. Acknowledgment of Traditional Land Owners

The Chairperson acknowledged the traditional owners of the land of Parramatta.

2. Meeting Opening and Apologies

The Chairperson welcomed everyone to the meeting and noted the meeting is being recorded for the purpose of Minute taking.

The Committee received and noted the apologies for Deputy Lord Mayor Sameer Pandey and Councillor Michelle Garrard.

3. Declarations of Interest

There were no conflicts of interest declared at this meeting.

4. Minutes of Meeting held on 17 November 2022

RESOLVED (Jo/Pendleton)

That the minutes of the Audit Risk and Improvement Committee meeting held on the 17 November 2022 be received and noted as a true record of the meeting.

5. Matters Arising and Action Items from Minutes

The Committee accepted the updates provided and agreed to close off the actions that are deemed completed.

6. ARIC Annual Report

The Committee received and noted the tabled ARIC Annual Report.

The ARIC Annual Report will be submitted to Council at its meeting on 13 March 2023 for notation.

7. Update on Major Projects

The Committee received and noted the tabled Major Projects report.

Bruce Mills, Acting ED Property & Place highlighted key points:

PHIVE and Town Hall (5&7PS)

- PHIVE opened on 23 September 2022
- Town Hall budget is currently \$32m.
- Detailed costing based on developed design was finalised and revised budget was approved by Council at its 8 Aug 2022 meeting after consultation with Councillors and Finance Committee.
- Anticipate Town Hall completion late 2023.
- There are currently 3 significant residual risks.

Public Domain

- Majority of the public work is nearing completion
- The access to Centenary Square is opened and available to the Community
- The Public Domain will open in its entirety in February 2023
- The Occupancy Certificate is not issued as it required third party concurrence and has been escalated to the Council's Planning team
- There are currently 2 significant residual risks.

Commercial Towers (6&8PS)

- External tower works are largely complete
- The internal fit out of upper level is set to continue until mid-2023.
- Fit out work for the ABC Studio is progressing and there is a variance to the budget and is approved and funded
- There is currently 1 significant residual risk.

Parramatta Aquatic Centre

- Development Consent was issued 14 Dec 2022 by the Regional Planning Panel
- Council endorsed a budget of \$88.6m
- The Head Contract was executed 26 March 2022 and Sod Turning Ceremony was held on 30 March 2022
- There is an anticipated delay in the opening
- Extreme Risk is the current Sydney Trains industrial action which relates to 'non-essential works or working with contractors' which relates to the repositioning of the HV power poles could cause a project delay.
- There are currently no extreme or significant residual risks

The status of the Parramatta Square Financials was presented.

The Committee commended the team of their progress on the Major Projects and thanked Bruce Mills for the update.

Actions:

1. To advise whether the Approved budget as \$54m versus the Actual budget of \$45m is a generated saving.
2. ARIC to be provided with an update regarding the issuance of Occupancy Certificate of Public Domain.

8. Internal Ombudsman Shared Services (IOSS)

The Quarterly report from the Internal Ombudsman Shared Service (IOSS) was taken as read.

Elizabeth Renneberg, IOSS noted her meeting with the Chairperson prior to ARIC meeting.

The key highlights were:

- In the 12 months ending December 2022, CoP utilisation of the service has increased to 37% (from 28% previously). This is attributed to an overall increase in the volume of complaints received during the last half of 2022.
- In terms of spread of activities for the 12 months:
 - 48% - Responding to complaints
 - 35% - Advice and Projects
 - 12% - Education
 - 5% - Policy Review
- There 28 complaints received in the current quarter (1 Oct -31 Dec) of which 5 remain open.

Key trends identified for the current quarter are:

- Internal processes with providing service request response timeframes to customers.
- Concerns related to the planning decisions and management of potentially contaminated land.
- Decisions made by Council in public liability claims continues. To date, there have been no issues identified with Council's management of claims.
- Administrative conduct and decision making with planning processes related to planning continues.

The IOSS is tracking the roll out of the new Public Interest Disclosure Act and will assist Council with this process and ensure that people are adequately trained ahead of the roll out.

Elizabeth Renneberg was asked by the Committee about the challenges and opportunities that IOSS see within the scope of what they do. The response was the challenge in managing increased complaints across the 3 Council which may require additional resource.

The Chairman thanked Elizabeth Renneberg for the update.

Action:

3. ARIC has requested a high-level classification of the confidential matters reported by the IOSS without compromising the confidentiality of the matters. These should include areas such as fraud/corruption and maladministration.

9. Improvement Notice by SafeWork NSW

Bryan Hynes, Acting CEO provided an update to ARIC.

- The notice relates to inappropriate behaviour that is alleged bullying and harassment by some Councillors towards each other and Council staff.
- Investigation is underway and actions undertaken by Council so far, in response to the notice are:
 - consulted with and briefed key areas of Council that interact with Councillors,
 - created the respect mailbox where you can provide feedback at any time,
 - established weekly briefings with Councillors and Executive Team as Council develop improvement initiatives
 - reviewed existing training, policies and procedures that support Council interactions with Councillors,
 - compiled best practice WHS controls that are being considered across the Local Government industry, and
 - started receiving feedback from both Councillors and people on new ideas we can implement.
- Council has also engaged an independent consultant to support our people in making any disclosures related to the notice. As a result, we will establish a 'Respect at Parramatta' hotline to provide a direct pathway for you to make disclosures relating to potential inappropriate behaviours observed or experienced that relate to the SafeWork NSW Improvement Notice.
- The notice is for improvements to be made by the 3rd of April 2023.

Action:

4. To provide ARIC with a copy of the Improvement notice.

10. ICT Cyber Security and Disaster Recovery Update

ARIC received and noted the tabled report.

John Crawford, Chief Technology Officer outlined the key points of the report.

- The purpose of the report was to update ARIC of the actions taken over the past three months in relation to Council's Cyber Security and disaster Recovery outstanding audit items
- An independent audit was completed by Tesserent Cyber Services with the findings delivered to the Council on 16 December 2022
- The report indicated 7 high risks areas, both internally and externally that needed to be addressed urgently by Council
- As a result of these findings, Council made several changes to minimise potential threats as stated in the tabled report. 6 out of the 7 actions have already been addressed
- The remaining recommendation around Council's use of service accounts is currently underway, with the review to be completed by April 2023
- Council undertook a review of its current disaster recovery footprint. The report provides an insight of the status and immediate solutions in case there is cyber-attack.

11. Corporate Application Review – Technology One Unsolicited Offer

The purpose of presenting the report to ARIC was to seek endorsement to present the report to the Council at its 27 February 2023 meeting. The report is seeking an exemption under the Local Government Act to enter direct negotiations with Technology One to look at One Council as an option and replace the Corporate Application.

John Crawford, Chief Technology Officer outlined the key points on the report.

- Council received an unsolicited offer in January 2023 and further offer in February 2023 from Technology One. The offer included all features and add-ons for a price of \$19m for 10 years.
- Technology One has a market share of 70 to 80 percent within other Councils.
- The timing for negotiations will be of benefit for two reasons:
 - Most of the Council systems are currently out of contract or coming to an end of the contract. Technology One operates on an April to March financial year.
 - The system is fully Cloud based and hosted that would reduce significant risk and storage costs from Council
- The implementation of this system will take 3-5years as it's a large undertaking and requires commitment across the Council

The Chair opened the floor for discussion.

The Committee felt that this is a high-risk project for the Council and consequently could not endorse the project.

The key concern raised was the potential of going into a very significant reengineering of the entire business over a three-to-five-year period, both in terms of IT systems and of operational procedures. It will require reengineering of all workflows. This would impact just about everyone in the Council with new workflows and new ways of doing things.

Without having a detailed statement of requirements, the Council is signing onto a system basically without knowing exactly what is needed. There needs to be a clear

understanding of what Council expects to get out of the system and what success looks like.

The lack of a detailed scope of requirements brings a significant risk both for the delivery of the project and financials. There is no need to rush in and commit to a very complex undertaking that could be a \$30 million project.

The Committee was also concerned that TechOne may have financial year targets to get their contracts in place and may push to get the contract finalised.

The Committee believes that a go forward position would be to have an exact understanding of the requirements and outcomes and then go to market and negotiate a pricing cost.

Action:

5. Coordinator Internal Audit to prepare a paper which outlines ARIC's reasons not endorsing the project. The paper is to be endorsed by ARIC out of session and forwarded to Governance for inclusion in the Council papers for the meeting on 27 February.

12. Finance Report YTD December 2022

The Committee received and noted the tabled Finance Report YTD December 2022.

Amit Sharma, Financial Planning and Analysis Manager highlighted key points:

The Q2 reforecast has been completed and will be tabled to the Council at its meeting on 27 February 2023.

The underlying Net Operating Result (excluding Capital & Assets Disposals) of \$0.9m is \$35k better than the Q1 Forecast and \$2.5M worse than the original budget. The highlights are:

- An uplift in the income of \$4m primarily from an increase in interest income of \$3.3m resulting from the current global investment outlook, higher return on Term Deposits, and Council approved revised Investment Policy. There were also increased rates and annual charges mainly from higher CBD rates.
- Expenses have increased by \$3.9m in Expenses mainly driven by increase in legal fees for Horwood case and asset revaluations. Increases were offset by \$1.1M in savings from vacancies across directorates.

Council continues to be in surplus with unrestricted cash expected to be \$5.3M and general reserve balance to be \$98.6M by end of the year

The Chair thanked Amit Sharma for the update.

Actions:

6. To advise whether the increase in CBD rates from subdivisions are commercial or residential.

7. Council has a position on dual occupancy prohibition in some parts of the Parramatta LGA which prohibits duplexes. Has there been an assessment on the impact of the rates or on the forecast Council.

13. Update from Audit Office

The Committee received and noted the tabled report from the NSW Audit Office.

Nirupama Mani, Director Audit Office highlighted the key points.

- The Audit Office met with the management to plan the 2023 audit on 20 February 2023 and will be issuing an Engagement Plan which will be tabled at the next ARIC meeting.
- The draft Final Management Letter for the 2022 Audit has been issued to CoP for comment and will be finalised once the management responses have been received.
- Overall, 12 issues were raised. In terms of risk rating, one is a high-risk issue, 7 are moderate risk and 4 are low risk. and 4 are low risk issues. Of the 12 issues 4 are issues which have been raised in the current year.
- The one high issue relates to the lack of regular review of privileged user activity and has escalated from a moderate risk to a high risk in the current year. It has been brought to ARIC attention that any action that has been outstanding for more than 3 years will be classified as high. The Audit Office has provided a recommendation on how to address and resolve the issue.

The ARIC papers for each meeting include the status of recommendations made by the Audit Office.

The Chair thanked Nirupama Mani for the update.

14. Report of Internal Audit Activities

The Committee receive and noted the tabled report on the audit related activities for the period 18 November 2022 to 15 February 2023.

The Coordinator Internal Audit provided a brief overview of the report and advised of two audits requested by management which are not included in the original F2023 audit plan. An audit of credit card usage was instigated as a result of an investigation conducted by the IOSS. An audit of overtime is due to management concerns of high levels of overtime in certain council areas.

A comparison summary of the Audit Office “Audit Insights 2018-2022 Report” against CoP practices will be tabled at the next ARIC meeting in May 2023 and is included in the ARIC action register.

The Chair thanked Steven Unkovic for the update.

15. ARIC and Internal Audit Charter Updates

The Committee received and noted the tabled report on the progress of the updates to the ARIC and Internal Audit Charters required by the revised OLG Guidelines.

16. People Culture & Workplace Report

The Committee received and noted the tabled report that was presented to the Executive Team in November 2022.

The Committee raised concern about the increased number of vacant roles. The Executive Director People Culture and Workforce assured that the process of recruitment is underway to fill most of the vacant roles. The positions had been vacant for a period due to the organisational redesign and restructuring of the Directorate.

17. Finance & Information Report

The Committee received and noted the report presented to the Executive Team in November 2022.

18. General Business

Action:

8. To include Improvement Notice by SafeWork NSW as a standing item in the ARIC agenda.

The Chairperson thanked all Committee Members and staff for their attendance and feedback and wished everyone a Merry Christmas.

Next Meeting: 25 May 2023 at 5:00pm

Meeting Closed: 6:50pm