

# MINUTES

Meeting Name	Audit Risk & Improvement Committee	
Date	Thursday, 17 November 2022	Time: 5:00pm
Venue	Level 3, 126 Church Street Parramatta / MS TEAMS (remote)	
Attendees	<u>Committee Members:</u> Chairperson - Dr Col Gellatly Independents - David Pendleton Jesse Jo Councillor - DLM Councillor Sameer Pandey (remote)  <u>Council Staff:</u> Bryan Hynes (Acting CEO) (remote) Bernadette Cavanagh (ED People Culture and Workplace) (remote) John Angilley (ED Finance and Information) (remote) Justin Day (ED Property and Place) (remote) Jerome Pagitz (ICT Strategy & Partnering Manager) John Crawford (Chief Technology Officer) Erin Lottey (Project Manager Legacy Asbestos) (remote) Bruce Ferguson (Manager Risk & Audit) Steven Unkovic (Coordinator Internal Audit)  <u>Internal Ombudsman Shared Service:</u> Elizabeth Renneberg (Internal Ombudsman) (remote)  <u>NSW Audit Office:</u> Nirupama Mani, Director (remote) Ali Amjad (Audit Manager) (remote)  <u>BDO (Internal Audit Service Provider):</u> Robert Malcomson (Senior Manager) (remote)	
Minutes Clerk	Imma Smith	
Apologies	Councillor Michelle Garrard Mark Griffiths (BDO Partner)	

## 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.

### **3. Declarations of Interest**

There were no conflicts of interest declared at this meeting.

### **4. Minutes of Meeting held on 12 August 2022 and 6 October 2022**

RESOLVED (Jo/Pendleton)

**That** the minutes of the Audit Risk and Improvement Committee meetings held on the 12 August 2022 and the 6 October 2022 be received and noted as a true record of the meetings.

### **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. Update on Major Projects**

The Committee received and noted the tabled Parramatta Square Projects report.

Justin Day, ED Property & Place highlighted key points:

- PHIVE is now entering the defects liability period.
- 7PS 02 – HAZMAT material uncovered at the early stage of works includes lead, termite damaged sub-floor, asbestos sub-floor and mould. There is a budgeted provisional sum for HAZMAT, however, the total cost to address HAZMAT is unclear at this early stage.
- 7PS 05 - Accessing the site was the main condition of development consent that could impact delivery of the building. The most appropriate access to the site was resolved with Transport NSW being along Darcy Street and across Church Street to the site.
- 7PS 11 - There are several options under review to determine the safest and most cost-effective manner to minimise disturbance to the cabling.
- Public Domain 01 - A prototype has been developed and will be installed in the new year to assist in determining the final budget for the digital carpet works.
- Works outside of PHIVE are continuing and due for completion on 19 December.
- 6&8PS 11 – There is a risk of legal proceedings by Walkers if the valuation for Annexure Y provides a significant monetary value to Council. We have issued a proposal which Walkers have confirmed is under their review. Resolution anticipated Q1 2023.
- Aquatic Centre 65: It is critical that the Deed of Agreement is signed by the Parramatta Park Trust tomorrow due to our agreement with Sydney Trains to be able to terminate the power to carry out our works over two days next week.

#### **Question on Notice:**

1. Is the asbestos found in Town Hall listed on the Asbestos Register?

The Chairman thanked Justin Day for the update.

### **7. Update on MPAC Activities**

ARIC noted the tabled MPAC BI-Annual Report.

**Note: Justin Day retired from the meeting at 5:10pm.**

## **8. James Hardie Legacy Sites – Status update**

The James Hardie Legacy Site status update was taken as read.

Erin Lottey highlighted the key points:

- A progress payment since the report was tabled has taken total expended this financial year to \$931,000.
- The non-destructive digging trial, in partnership with SafeWork NSW, commences next Wednesday 23 November. It is hoped that this trial will result in a safer method of asbestos removal in the future.
- Contractors have an agreement to use the on-site truck for the removal of some of the most significantly contaminated areas which are in close proximity to a childcare centre.
- Experiment Farm is 70% complete and expecting to hand back to Council in December.
- There are challenges with a contaminated embankment in North Rocks over the design. The intention is to begin work by this time next year.
- A bid for \$15m of West Invest funding has been put to enable remediation works for an affected dog park in North Parramatta.
- The cost to remediate all the sites we currently know about is around \$30m with no target dates set for the completion of works.
- An update of EPA and Government funding was provided.

Erin Lottey answered questions from ARIC and shared photos of asbestos sites.

The Chairman thanked Erin Lottey for the update.

## **9. Internal Ombudsman Shared Services (IOSS)**

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

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

The key highlights were:

- City of Parramatta has increased its utilisation of the service from the last reporting period to 32%.
- The spread of complaints and investigations has taken up 54% prevention activities has taken up 30% and education 16%.
- Complaints have an increased from 20 to 34, with 3 out of those 34 complaints remaining open to-date.
- In relation to the 34 complaints received, 7 were outside of the advertised service standard of 6 weeks due to them being anonymous complaints alleging serious concerns. The complaints weren't specific and were difficult to understand. Given the serious nature of the allegations, a longer review of data and evidence was undertaken to seek to obtain relevant information. There was no evidence of wrong-doing that was alleged at the end of those investigations.

- A Shared Services Forum for Regulatory Services across the three Councils was held. Discussion included the use of discretion, building culture and motivating teams, managing unreasonable complaint conduct and training opportunities.
- In response to the ICAC guide on workplace investigation, training has been prepared for People and Culture staff and any across November and December. This training may be rolled out to other positions with investigative responsibilities.
- The NSW Ombudsman has not completed training and guidelines for the new Public Interest Disclosure Act coming into effect in October 2023. There is significant training and engagement and awareness raising required with Council, and discussions will occur once the information is received to ensure there is a strategy in place for appropriate staff training.
- The annual report is attached for endorsement, which will be presented to Councillors at a Briefing on 30 November.

Elizabeth Renneberg thanked the staff in relation to the significant work put into the annual report.

The Chairperson opened the floor for discussion and IOSS responded to the queries:

- IOSS's role at Council aims to evolve more into preventative measures
- Work done in terms of child protection is due to changes in Child and Young Persons acts and standards.
- IOSS has no auditing functions and receives no probity requests.
- In relation to data breaches, IOSS information is held on the Cumberland City Council server, hived off in a secured section of the record keeping system with access only available to IOSS. An audit is carried out by Cumberland City Council every month to ensure that no other officers are able to access the information available. The information is to keep in accordance with the State Records Act, and it is IOSS's goal to keep on information relevant to investigations. The IOSS aims in 2023 to have each member Council store its own records.

### **Action:**

1. IOSS to provide an update to ARIC for the transition of information to CoP from the Cumberland City Council server.

The Chairman thanked Elizabeth Renneberg for the update.

## **10. Cyber Security Update**

ARIC noted the tabled Cyber Security and Patching report.

Jerome Pagitz introduced Council's newly appointed Chief Technology Officer, John Crawford, who will provide ARIC with the updates starting from next meeting.

The key highlights were:

- There has been an increase in inbound intrusions at 57,800 through emails to steal user credentials for benefits, mostly blocked through the e-mail system at the edge.

- The roll out of multi-factor authentication for Office 365 was initiated 3 weeks ago starting with ET and moving onto Directorates, with goal to complete by the end of the year.

John Crawford and Jerome Pagitz responded to questions from ARIC.

- Cyber security is a priority for the team with a review undertaken and key steps to include:
  - Commissioning an independent 360 penetration report. Penetration will be external and internal and will also target Wi-Fi open ports. This will be done from 2 sites to quantify the data.
  - Putting in place a suite of procedures and control documents and how the IT team will operate in a controlled environment.
  - Reviewing of procedures and controls for password protection.
  - Reviewing current security suites including mail filtering, virus protection and providing targeted training programs to staff in the future.
  - Prioritising patch management procedures and controls.

**Action:**

1. To include in the ARIC Terms of Reference (Charter) that ARIC play a role in overseeing cyber security maturity.

The Chairman thanked Jerome Pagitz and John Crawford for the update.

## **11. Finance Report YTD September 2022**

ARIC noted the tabled Finance Report YTD September 2022.

John Angilley highlighted key points:

- Underlying Net Operating Result (excluding Capital & Asset Disposal) of \$159.9M as \$4.5M better than budget and \$8.4M better than last year. The key drivers were:
  - Income up \$2.1M due to improved interest income and rates/charges but partly offset by subdued parking fine revenues.
  - Expense savings of \$2.9M due to timing of utility, tipping and valuation charges and savings from staff vacancies. Partially offset by under capitalisation of employee costs to projects
  - Decline in operating grants and contributions.
- September Quarter forecast will be reported to Council on 28 November Meeting.
- The Draft Investment Policy is on public exhibition and due back in December.
- In July Council endorsed the charging interest in on overdue outstanding rates.

John Angilley responded to questions from ARIC.

**Action:**

1. To provide a copy of the Draft Investment Policy to ARIC following the exhibition period.

The Committee thanked John Angilley for the update.

## 12. Update from Audit Office

Nirupama Mani, Director (NSW Audit Office) highlighted the key Audit Office activities:

- The FY2021/2022 financial audit is completed, the audit opinions issued with the report on conduct presented to CoP at the last Council Meeting.
- There are a few acquittal audits in progress. The Roads to Recovery is completed and the Local Roads and Community Infrastructure Program is in progress.
- Audit Office to issue the Draft Final Management Letter by the end November.
- 2 reports of interest:
  - Local Government Report 2021 which focused on the results of the Audit Office Financial Audits covering both the review of accounts and controls over the preparation of the accounts.
  - Audit Insights 2018-2022 Report which focused on the key findings, trends and lessons learned from the last four years of audit. It covered financial, performance and compliance audits.

Bruce Ferguson and Elizabeth Renneberg responded to a question from ARIC on the status of the OLG Guideline for Audit and Risk Committees. The OLG confirmed on 9 September it was working through the approvals process.

The Chairman thanked Nirupama Mani for the update.

### **Action:**

1. Steve Unkovic to provide to ARIC a comparison summary of the Audit Insights 2018-2022 Report against CoP.

## 13. Report of Internal Audit Activities

ARIC noted the tabled report of the audit related activities for the period 13 August 2022 to 10 November 2022

Steven Unkovic and Robert Malcomson provided key updates:

- Environmental and Sustainability draft audit report is currently waiting on management responses. There were a number of issues raised in the draft.
- Childcare Centres review is close to completion with a draft report to be prepared next week. There were no issues of concern found.
- Disaster Recovery Planning scope of work has been approved, A kick-off meeting will be arranged with John Crawford and Jerome Pagitz.
- A Terms of Reference has been provided for the Privacy Review commencing in January 2023.
- The status of all open audit actions (internal, external and IOSS) were included.

Bruce Ferguson and Steve Unkovic responded to a question from ARIC.

## 14. Enterprise Risk Management Update

ARIC noted the tabled report on the progress of Council's Risk Appetite statement.

Bruce Ferguson provided an update and requested feedback from ARIC on the Draft Risk Management Policy draft tolerances. ARIC members undertook to forward written comments and other appetite examples to feed into the process.

**Actions:**

1. Bruce Ferguson to include the draft Enterprise Risk Management Policy draft tolerances in the Workshop for Strategic Risk Registers Workshop in February for ET to discuss, prior to a Workshop with Council.
2. Redefine or rename the Governance category.
3. Include components for:
  - Service Delivery in terms of disruption risk;
  - Major Projects;
  - People category;
4. Include EPA fines for Environment category.

**Note: Jerome Pagitz and John Crawford retired from the meeting at 6:21pm.**

## **15. People Culture & Workplace Report**

ARIC noted the People Culture & Workplace Report presented to the Executive Team on 18 October 2022.

Staff responded to questions from ARIC:

- Increase in public liability claims is reflective of the recent rains and pothole claims. While this had led to increased workload there has been a minimal financial impact on the organisation.
- Permanent vacancies are currently being filled by casual and agency staff. Consequently there has been no overall reduction in labour costs.
- The increase in time to hire was largely due to the loss of our recruitment team to other organisations. Also, the peak recruitment activities for PHIVE and the implementation of the new HRIS system, which put a strain on the existing HR resources.
- To combat employee burnout CoP has a range of Health and Wellbeing initiatives available to staff.
- There are a number of initiatives for reducing red-tape to allow staff more time to focus on tasks such as the effective use of delegations and re-engineering of 80 processes through the new HR systems project to streamline and make things easier for both managers and employees.

**Actions:**

1. Provide ARIC with more insights into improvement initiatives on reducing red-tape around CoP processes.
2. Remove Mandatory Training statistics from report until methodology for reporting presents correct statistics.

## **16. Finance & Information Report**

ARIC noted the September 2022 Finance & Information Report presented to the Executive Team on 18 October 2022.



## 17. Review Committee Operations

Bruce Ferguson invited feedback from ARIC on the operations of the Committee for the purposes of continuous improvements.

### **Action:**

1. Steven Unkovic to organise a meeting with ARIC to discuss the operations of the Committee and provide feedback on continuous improvements.

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

Next Meeting: 23 February 2023 at 5:00pm

Meeting Closed: 6:50pm