

MINUTES

Meeting Name	Audit Risk & Improvement Committee	
Date	Thursday, 24 February 2022	Time: 5:00pm
Venue	MS Teams (remote/person)	
Chaired by	Dr Col Gellatly (Independent)	
Members	Mark McCoy (Independent) Donna Rygate (Independent) Deputy Lord Mayor, Councillor Sameer Pandey Councillor Michelle Garrard	
Attendees	<u>Council Officers:</u> Brett Newman, Chief Executive Officer Bryan Hynes, Executive Director, Property & Place Fariha Chowdhury, Acting Chief Financial Officer Bruce Ferguson, Risk & Audit Manager Steven Unkovic, Coordinator Audit & Risk <u>Internal Ombudsman Shared Service:</u> Elizabeth Renneberg, Internal Ombudsman <u>NSW Audit Office:</u> Nirupama Mani, Director <u>BDO (Internal Audit Service Provider)</u> Mark Griffiths, Partner Robert Malcomson, Senior Manager <u>MPAC:</u> Gavin Zimmerle, MPAC Chair	
Guests	David Pendleton (Incoming Independent Member) Jesse Jo (Incoming Independent Member)	
Minutes Clerk	Vandana Saini	
Apologies	Nil	

1. Acknowledgment of Traditional Land Owners

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

2. Meeting Opening and Apologies

The Chairperson welcomed everyone to the meeting. Chairman also introduced and welcomed the incoming ARIC members David Pendleton and Jesse Jo.

3. Declarations of Interest

There were no conflicts of interest declared at this meeting.

Mark McCoy did state that he has been appointed to the Mid Coast Council audit committee.

4. ARIC Annual Report

The ARIC Annual Report 2021 was endorsed by the Committee out of session and will be submitted to Council for notation.

5. Minutes of Meetings held on 25 November 2021

RESOLVED (McCoy/Rygate)

That the minutes of the Audit Risk and Improvement Committee meeting held on 25 November 2021 be received and noted as a true record of the meeting.

6. Matters Arising and Action Items from Minutes

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

7. Update on Parramatta Square (Major Projects)

The Parramatta Square Projects report was taken as read.

Bryan Hynes, Director of Property & Place highlighted the key points:

- 5PS and the Aquatic Centre have been roughly delayed by a quarter due to COVID impacts. Revised the completion date of 5PS to be early May with targeted opening in July and aligning the public domain to be the same. We still anticipate Aquatic Centre opening second quarter of 2023.
- Works at 3PS & 4PS are completed. We are in the process of returning the bond to Walkers on 3PS. Finalisation of 4PS will allow us to recoup the \$3.5M bond that is held in escrow by Sydney Water.
- Town Hall is now divided into two different projects being Southern Annexe and Internal Works. A DA for Internal Works has been lodged and awaiting approval. The Internal works will be completed by end of this year. The Southern Annexe will be reprogrammed after the refinement of the designs. It is expected that the amount of redesign that's required should not impact on the current \$20 million budget for 7PS and 5PS.
- 5PS is in the final run home and while there have some delays, we don't see anything pushing us outside of our contract dated the 5th of May.

In response to a question from Mark McCoy, Bryan Hynes confirmed that the Council has no exposure to the collapsed Probuild group.

The Chairman thanked Bryan Hynes for the update.

8. Update on MPAC Activities

ARIC noted the report on MPAC activities and the minutes of the last quarterly MPAC meeting.

Gavin Zimmerle (MPAC, Chair) provided an update on the MPAC activities.

Key matters:

- Quarterly meeting: The last quarterly meeting was held on 18 Feb 2022. The major focus was on Parramatta Square, particularly around delays to program. MPAC had a site tour of 5PS and was impressed with the quality and development of the building.
- After careful consideration, MPAC has provided an assurance supporting Council's decision to commence proceedings to seek a higher valuation than the offer provided by the Valuer-General in respect of Horwood Place.

The Chairman thanked Gavin Zimmerle for the update.

Note: Bryan Hynes and Gavin Zimmerle retired from the meeting at 5:20pm.

9. Internal Ombudsman Shared Services (IOSS)

The quarterly report (October – December 2021) from the Internal Ombudsman Shared Service (IOSS) was taken as read.

Elizabeth Renneberg highlighted the key points:

- The utilisation of the service by Parramatta is 28% of the total since last reported.
- Of the IOSS activities conducted in Parramatta, Prevention accounted for 23%, Education 18% and Complaints was 59%.
- The ARIC Chair was briefed out of session on 23 February 2022 on investigations conducted and the subsequent recommendations made.
- In the last six months, no Public Interest Disclosures were received from Council.
- The IOSS review of Council's governance processes for the reviewing Penalty Infringement Notices (PINs) has been finalised. The review made recommendations relating to procedural directions, avenues of review, record keeping, decision making, timeliness and notification. Council implemented the recommendations in full.
- Following investigations of recent complaints, the IOSS will be working on several strategies targeting areas of Council to build further awareness of the Code of Conduct and to promote adherence and understanding.
- A Shared Service Forum was conducted with HR and IR divisions of member councils discussing Covid related issues, workforce planning, recruitment, surveillance performance and investigations.
- IOSS was invited to the Councillors' induction weekend, where the ways in which the IOSS can support Council were highlighted.
- In future there will be forums conducted on Complaints & Regulatory Services.

Elizabeth Renneberg responded to questions from ARIC.

The Chairman thanked Elizabeth Renneberg and Daniel Richardson for the update.

10. James Hardie Legacy Sites – Status update

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

11. Monthly Finance Report YTD December 2021

Fariha Chowdhury provided an update on the Monthly Finance Report YTD December 2021.

The key highlights were:

- The Net Operating Results excluding Capital Revenue is \$5.1m better against budget driven by timing of work in Materials & Contracts.
- The income from continuing operations is \$275m actual versus September forecast \$266m, being an improvement of \$8.6m (3%). The major driver was capital contribution of \$9.1m received in October from Walker Corporation. This is a timing issue and will be adjusted in Q2 forecast.
- Expenses from continuing operations were \$140m which was \$4.5m better than the September forecast. Timing of Material & Contracts payments due to COVID impact was a key driver.
- There has been a \$3.3m COVID impact since the September forecast driven by COVID restriction extension. Main drivers are loss of car parking fines and fee collection delays.
- Finance Team is currently working on the Q2 forecast. The budget reflects a \$12m deficit.

Action

1. Circulate latest investment report to ARIC that will assist to understand the current portfolio and risk and opportunities.

12. Update from Audit Office

Nirupama Mani, Director (NSW Audit Office) provided an update on the Audit Office activities.

Activities involved:

- NSW Audit Office has tabled the Management Letter on the Final Phase of the Audit for the Year Ended 30 June 2021. There are five current matters, three of which are moderate risk and two are low risk. There are four unresolved prior year matters of which three are moderate risk and one is low risk.
- In terms of current year matters, one relates to missing conflict of interest forms for procurement tendering and another for failure to meet requirements of ASP 137 with lack of assessment of redundancy provision.

Action

2. Lack of visibility i.e. progress of internal and external action items: ARIC to be provided with a report in the next meeting on the status, outcomes and results of all actions whether Internal, External and IOSS.

The Chairman thanked Nirupama Mani for the update.

13. Report of Internal Audit Activities

Steven Unkovic provided a status update on Internal Audit.

- The Project Management – Capital Projects Audit is the only action of the F2021 that is yet to be finalised. The Management response is sent to BDO for comments and thereafter will be given to Senior Management for resolution.
- The 3 Year Audit Plan was circulated to the Committee on 11 Feb 2022. The proposed Audits for F2022 are:
 - Escarpment Boardwalk
 - 5PS
 - Aquatic Centre
 - Accounts Payable
 - Environment and Sustainability
 - Councillor Facilities and Expenses
 - RMS Drives System Access

Recommendation

1. The 2023 Audit List should include Project Management – IT.

- ARIC noted the status of Internal and External Audit Items.
- An outstanding item that was brought to ARIC's attention related to the failure to maintain and update the GIPA Contract Register. ARIC responded that the GIPA Contract Register is a legislative requirement and should be updated in real time.

The following were raised and responded to by Steven Unkovic.

- The process of closing open audit actions was queried and it was agreed the process will be presented at the upcoming ARIC induction training.
- McCoy stated that it would be helpful if we attach a risk rating to IOSS open actions.

Actions

3. To include a presentation on the process of how to manage Audit Actions during the Induction training of ARIC Members.
4. To add parameters – risk rating to the IOSS actions.

The Chairman thanked Steve Unkovic for an update.

14. Update on ARIC and Internal Audit Charters

Bruce Ferguson provided an update on changes to the ARIC and Internal Audit Charters to comply with the proposed Office of Local Government's Guidelines for 'Risk Management and Internal Audit for Local Councils in NSW'.

ARIC noted the Report. The key highlights of the report were:

- City of Parramatta has decided to adopt the Terms of Reference / Charters as outlined in the Guidelines and is preparing ARIC and Internal Audit Charters for approval by Council that reflects them.

- The Guidelines include model templates to create Terms of Reference / Charters for both the ARIC and the Internal Audit function within Council. Councils can use these templates and can include additional provisions that are not inconsistent with the model templates.
- Councils will then have two years, until 30 June 2024, to comply with the risk management and internal audit requirements under these Guidelines and five years to comply with the audit, risk and improvement committee requirements.

Action

5. Audit Work Plan to be circulated to ARIC members to be discussed at the Induction Training.

15. General Business – Corporate Services Report

The Corporate Services Report was taken as read.

During open discussion several questions were raised:

- Pg 217: A concern raised on increase of FTE and whether it impacts the budget.
- Pg 218: Query on why Long Service Leave being included as part of excess leave. NSW Audit Office responded that their focus was on the management of Annual Leave in excess of 40 days. The report on Excess Leave Management appears to be used as management information tool.
- Pg 226: Mandatory Training Statistics show 20% - 30% of mandatory training is not completed. Queried whether this is training required for new staff or is to be completed by all staff to maintain accreditation for their role.
- Pg 234: The percentage incomplete actions formula is incorrect in the Council Resolutions Register.
- Pg 260 - 261: Some actions show not on track but lack of commentary regarding significance and ramifications.
- Pg 267 – 268: More commentary required on the red items.

Action & Question on Notices

6. Why has FTE gone up? Is it due to filling vacant positions or creating new positions? To be provided to ARIC in the next meeting.
7. New Management Structure copy to be sent to ARIC out of session.
8. An update on Mandatory Training statistics and strategies of how to achieve 100% be provided to ARIC in the next meeting.
9. Governance Team to correct the formulas for the percentage of incomplete actions on the Council Resolutions Register.
10. Actions listed as not on track on Legal Services Report require additional commentary regarding significance and ramifications to be provided to ARIC in the next meeting.

11. Additional commentary of items listed as red on the ICT Report to be provided to ARIC in the next meeting.

The Chairman thanked Donna Rygate and Mark McCoy for their valuable contribution to the ARIC and City of Parramatta over the years. Their contribution has uplifted the standard of reporting to ARIC.

Next Meeting: 26 May 2022

Meeting Closed: 7:00pm