



MINUTES

Audit, Risk and Improvement Committee Meeting Monday 26 August 2024

Date: Monday 26 August 2024

Time: 10:00am

**Location: Council Chambers
Cnr Camp & Weddin Streets
GRENFELL NSW 2810**

Order Of Business

1 OPENING 3

2 ACKNOWLEDGEMENT OF COUNTRY 3

3 ATTENDANCE 3

4 DECLARATION OF INTERESTS 3

5 MINUTES..... 4

5.1 CONFIRMATION OF MINUTES 4

5.2 MATTERS ARISING 4

6 GENERAL BUSINESS 5

6.1 EXTERNAL AUDIT | FY24 AUDIT PROGRESS 5

6.2 EXTERNAL AUDIT | AUDIT MANAGEMENT LETTER ACTION LIST
PROGRESS 7

6.3 FINANCIAL PERFORMANCE 8

6.4 STATECOVER 2022/23 WHS ACTION PLAN UPDATE 10

6.5 BUILDING ASSET CONDITION UPDATE 11

6.6 RISK CARD | RISK PROFILE AFFECTING EVENTS..... 12

6.7 SELF-INITIATED IMPROVEMENT MANAGEMENT PLAN UPDATE 14

6.8 RISK REGISTER AND BUSINESS CONTINUITY PLAN 15

6.9 DEVELOPMENT OF INTERNAL AUDIT FUNCTION 16

6.10 UPDATE ON ARIC WORKPLAN 18

7 OTHER BUSINESS 19

8 NEXT MEETING..... 19

9 CLOSURE 19

**MINUTES OF WEDDIN SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, CNR CAMP & WEDDIN STREETS, GRENFELL
NSW 2810
ON MONDAY 26 AUGUST 2024 AT 10:00AM**

1 OPENING

Those in attendance are asked to comply with all relevant WSC codes, policies and procedures at all times.

2 ACKNOWLEDGEMENT OF COUNTRY

Weddin Shire Council would like to acknowledge the Wiradjuri people who are the Traditional Custodians of the Land.

Weddin Shire Council would also like to pay respect to the Elders both past and present of the Wiradjuri Nation and extend that respect to other Aboriginal Australians who are present.

3 ATTENDANCE

PRESENT:

Chair Ron Gillard, Member Les Hullick, Member John Oldfield, Member Clr Glenda Howell (Non - Voting)

IN ATTENDANCE:

Noreen Vu (General Manager), John Thompson (Director – Corporate Services), Min Cui (Audit Office of NSW – External Auditor [via MS Teams]), Brad Bohun (Crowe - External Audit Contractor [via MS Teams]), Renae Meldrum (Secretariat)

4 DECLARATION OF INTERESTS

Ron Gillard declared a standing conflict of interest for the reason that he is a member of the Audit Risk & Improvement Committees of Central Tablelands Water. Mr Gillard further stated that if it is a pecuniary conflict of interest and that he would leave the meeting and not participate in the debate should a conflict arise.

Proceedings in brief:

The Committee agreed that all recommendations will be resolved by consensus and that, rather than recording movers and seconders, the minutes will only record any instances of voting member dissent.

5 MINUTES**5.1 CONFIRMATION OF MINUTES****COMMITTEE RESOLUTION 023/24**

Moved: Member Oldfield

Seconded: Member Hullick

That Minutes of the Audit, Risk and Improvement Committee Meeting held 27 May 2024 be taken as read and CONFIRMED.

CARRIED

5.2 MATTERS ARISING

Cybersecurity training for staff was raised, and whether there is to be ongoing training scheduled. Council has a limited Training & Development budget.

At the 27 May 2024 meeting further information was requested on Council's sewer fund in respect of Council's concern around long term financial performance of the fund given the higher than expected operational and maintenance costs. A preliminary high-level report will be provided by the Director Corporate Services to the November meeting.

John Oldfield questioned whether it was a requirement to display data security breaches on the Weddin Shire Council website. It was confirmed as a requirement.

6 GENERAL BUSINESS**6.1 EXTERNAL AUDIT | FY24 AUDIT PROGRESS****File Number:****Author:** Arts and Tourism Officer**Authoriser:** Director Corporate Services**Attachments:** Nil**CSP Objective:** Collaborative wealth building (strong, diverse and resilient local economy)**Precis:** To provide the Audit Risk & Improvement Committee with an update on the progress of the 2024 Financial Year audit.**Budget:****RECOMMENDATION****That the Audit, Risk and Improvement Committee:**

1. Note the updates as provided by the Director of Corporate Services.

COMMITTEE RESOLUTION 024/24**That the Audit, Risk and Improvement Committee:**

1. Note the updates as provided by the Director of Corporate Services and External Audit Contractor
2. Commend Weddin Shire Council staff and Luka Group for their efforts to date, including the improvements made and meeting the agreed audit timetable.

CARRIED

John Thompson confirmed there are no foreseeable issues that would require applying for an extension for the completion and filing of the audit.

The draft financial statements are unable to be endorsed until Council moves out of Caretaker mode. Election results are expected to be declared on the 3 October 2024. An extraordinary Council meeting will be scheduled for Tuesday 8 October 2024 to vote on Mayor/Deputy Mayor. October Ordinary meeting is scheduled for 17 October 2024. Crowe have been made aware that Council will provide retrospective endorsement of the financial statements referred to audit.

ARIC to review draft financial statements. A tentative meeting date has been scheduled for 23 September 2024. Council are expecting to provide Crowe the draft financial statements soon after that date, and acceptance of this was acknowledged by the auditors.

Assuming advance distribution of the draft statements to the ARIC is possible, any questions from the members are to be provided to John Thompson in advance, allowing him to review and prepare responses for the meeting on 23rd.

Remediation provisions, general asset revaluations/indexation is in progress with no foreseeable issues.

Brad Bohun & Min Cui stated they have no foreseeable issues with meeting the agreed timetable and OLG deadlines.

6.2 EXTERNAL AUDIT | AUDIT MANAGEMENT LETTER ACTION LIST PROGRESS

File Number:

Author: Arts and Tourism Officer

Authoriser: Director Corporate Services

Attachments: 1. Draft Interim Management Letter

CSP Objective: Shire assets and services delivered effectively and efficiently

Precis: To provide the Audit, Risk & Improvement Committee an update on outstanding items on 2023 Audit Management letter

Budget:

RECOMMENDATION

That the Audit, Risk and Improvement Committee:

1. Note Council's proposed responses to the 2024 draft Audit Management letter.

COMMITTEE RESOLUTION 025/24

That the Audit, Risk and Improvement Committee:

1. Note Council's proposed responses to the FY24 draft Interim Management Letter and the progress against prior year matters.

CARRIED

John Thompson to provide update/confirmation on bank signatories at November meeting. Brad Bohun to liaise with John Thompson regarding accuracy of bank data.

John Thompson to forward Brad Bohun a copy of the adopted Cybersecurity policy.

Ron Gillard noted that the interim audit occurred 20 June 2024, draft interim audit letter received 31 July 2024, and management's responses not finalised by 26 August 2024. Why has this taken longer than the normal process? Brad Bohun advised that the first draft was completed by Crowe on 16 July, with John Thompson adding that resources are an issue. The Chair asked for the time taken to provide input to all audit reports be prioritised and tightened by all parties in the future.

John Thompson to provide update to ARIC on how things are tracking at 23 September 2024 special meeting.

6.3 FINANCIAL PERFORMANCE**File Number:****Author:** Arts and Tourism Officer**Authoriser:** Director Corporate Services**Attachments:**

1. JUNE 2024 Quarterly Business Review Statement
2. 2024 Draft Preliminary Financial Statements
3. HLF Bank Account Report

CSP Objective: Shire assets and services delivered effectively and efficiently**Precis:** The Financial Performance information since the last meeting is provided to ARIC.**Budget:** Nil**RECOMMENDATION**

That the Audit, Risk & Improvement Committee

1. Receive and note the draft preliminary 2024 financial statements (unseen by council) to the ARIC
2. Receive and note the June QBRS as reported to council.
3. Note Council's resolution to approve a permanent overdraft facility

COMMITTEE RESOLUTION 026/24

That the Audit, Risk & Improvement Committee:

1. Receive and note the June QBRS as reported to council.
2. Note Council's resolution to approve a permanent overdraft facility
3. Receive and note information presented regarding the Henry Lawson Festival bank account and request an update at the November 2024 ARIC meeting

CARRIED

The OLG were not resistant to Council's requests and were supportive of the internal loan from Council's Sewer fund. Due to the early response of the financial assistance grant this internal loan request was cancelled.

Noreen Vu to start pre-approval process in case of future need.

The acquittal of grants and maintenance of the grants register is now being managed by Management Accountant. Council's debtors are majority RMCC.

It was stated that the preliminary draft financial statements are not to be distributed to ARIC until they are in final draft stage and predominantly ready for referral to audit.

Need to discuss with new Council that a service review of wastewater treatment plant is a priority. Smoke testing to investigate illegal sewer connections was conducted by Council in 2022 at a cost of \$220,000 and only tested 1/3 of Weddin Shire sewer connections.

Weddin Shire Council will encounter an equity issue if it provides smoke testing to all of the Shire. There is currently no grant funding available to rectify illegal sewer connections. Council to look at ways to decrease costs through suppliers & efficient use of chemicals in their long term financial planning. Also looking at preventative maintenance as opposed to reactive maintenance. As noted in Matters Arising, the Director will provide a preliminary report to the November ARIC meeting.

The operation of the Henry Lawson Festival (“HLF”) bank account is in breach of the LG Act. A meeting has been scheduled with the Festival committee today. The HLF Committee are providing push back on the need to consolidate the HLF bank account in to Councils accounts. The funds that are held in the bank account have been raised through fundraising and Council previously did not have access. John Thompson was provided access 3 weeks ago. The operation of a separate bank account of a section 355 committee poses a risk to Council as Council has no oversight and cannot manage the risk of wrongdoing. The HLF Committee will be advised at the 26 August meeting that the bank account will need to be closed down. If the HLF Committee does not agree, John Thompson will need to close the bank account as Council is in breach. Noreen Vu has agreed she does not need to be a signatory on the bank account. The HLF Committee will be advised that the funds held in the HLF bank account will be held by Council as restricted funds.

6.4 STATECOVER 2022/23 WHS ACTION PLAN UPDATE**File Number:****Author:** Arts and Tourism Officer**Authoriser:** Director Corporate Services**Attachments:** Nil**CSP Objective:** Democratic and engaged community supported by efficient internal systems**Precis:** To present to ARIC with updates on any actions taken since the last ARIC meeting on the 27 May 2024.**Budget:****RECOMMENDATION**

That the ARIC:

1. Receive and note updates on actions taken since the last ARIC meeting on the 27 May 2024.
2. Note that the 2022/2023 can be removed from the agenda until it is replaced with the next WHS Action Plan.

COMMITTEE RESOLUTION 027/24

That the Audit, Risk and Improvement Committee:

1. Receive and note updates on actions taken since the last ARIC meeting on the 27 May 2024.
2. Note the completion of all actions against the 2022/2023 WHS Action Plan.

CARRIED

Council have completed actions as required for the 2022/2023 action plan.
2023/2024 action plan to be presented to ARIC when finalised.

6.5 BUILDING ASSET CONDITION UPDATE**File Number:****Author:** Arts and Tourism Officer**Authoriser:** Director Corporate Services**Attachments:** Nil**CSP Objective:** Shire assets and services delivered effectively and efficiently**Precis:** To provide an update to ARIC on the progress of rectification work to building assets that were damaged in the 2023 Christmas Day hailstorm**Budget:****RECOMMENDATION**

That ARIC receive and note the updates on storm damaged building assets.

COMMITTEE RESOLUTION 028/24

That the Audit, Risk and Improvement Committee:

1. Receive and note updates on storm damaged building assets.
2. Request the transfer of the Shepherd assessment to the Report Card agenda item for ongoing monitoring.

CARRIED

Stage 1 approvals have been received from insurer. A Request for Tender has been advertised and closed on 8 August 2024. Applicants of tender will be presented to Council at the October 2024 Ordinary Council meeting.

Stage 2 approvals have been delayed due to pre-existing damage not relating to the December 2023 hail storm. Council are disputing the claim as insurer wants to only payout on damage sustained in/from hail storm.

Due to the ongoing dispute of stage 2 claims, the Shepherd report will be revisited next year. As such, the Shepherd asset condition assessment report and update will be dropped from the ARIC agenda going forward, with the General Manager to include it in the 'report card' for monitoring.

6.6 RISK CARD | RISK PROFILE AFFECTING EVENTS**File Number:****Author:** Arts and Tourism Officer**Authoriser:** General Manager**Attachments:** 1. August 2024 Report Card**CSP Objective:** Culturally rich, vibrant and inclusive community**Precis:** To provide ARIC key risks issues in a report card format**Budget:****RECOMMENDATION**

That the ARIC Committee:

1. Note the information contained in this report.
2. Note the Report Card: Risk Profile Affecting Events

COMMITTEE RESOLUTION 029/24

That the Audit, Risk and Improvement Committee:

1. Note the information contained in this report.
2. Note the Report Card: Risk Profile Affecting Events
3. Commend the Director of Environmental Services for their management and progress on the tip asbestos matter
4. Request Director to attend the November ARIC meeting to provide an update of status and plan going forward

CARRIED

Code of Conduct complaint against Clr Cook has been reviewed by the Office of Local Government. The process has now been completed.

\$4.69 million received from Tripartite agreement, \$1.1million has been spent on approved works. Remaining funds will be utilised once approvals from TfNSW are given.

Further works have been submitted to TfNSW and are awaiting approval. It is expected that packages will be varied down due to disputes over wear & tear.

It is requested that the Director of Environmental services attend the November ARIC meeting and provide an update on the Quandialla & Caragabal Tips, including a high-level plan going forward. It is understood that no prevention notice will be issued to Weddin Shire Council as EPA are happy with the attention and progress of Council.

Agreed upon actions:

- Ring Fence installed
 - Restrict access

- Monitor illegal dumping
- Ranger attending sites weekly
- DrumMuster
 - DrumMuster has collected Drums
- Removal of steel

To date, Council have not been advised if they are to contain the asbestos onsite or offsite. It would be preferred by Council to safely contain the asbestos onsite. Soil testing is required.

6.7 SELF-INITIATED IMPROVEMENT MANAGEMENT PLAN UPDATE

File Number:

Author: Arts and Tourism Officer

Authoriser: Director Corporate Services

Attachments: 1. SELF-INITIATED IMPROVEMENT MANAGEMENT PLAN

CSP Objective: Shire assets and services delivered effectively and efficiently

Precis: Council is to report to the Audit, Risk and Improvement Committee a summary of actions, due dates and progress from the endorsed Self- Initiated Improvement Plan.

Budget: NIL

RECOMMENDATION

That the Audit, Risk and Improvement Committee:

1. Note and receive the report including the update of actions as of 16 August 2024.

COMMITTEE RESOLUTION 030/24

That the Audit, Risk and Improvement Committee:

1. Note and receive the report including the update of actions.

CARRIED

Natural Disaster Claims – Lack of accountability in approval process.

Long term financial plan to be presented to new Council for adoption. Present to Council in March 2025 with aim for finalisation in June 2025. The dollar value of the workforce management plan will inform the long term financial plan as they will work alongside each other. Currently Council is missing key personnel with no funds to resource these positions.

Looking at adjusting procurement process. Rental and or lease arrangements to manage assets.

6.8 RISK REGISTER AND BUSINESS CONTINUITY PLAN**File Number:****Author:** General Manager**Authoriser:** General Manager**Attachments:**

1. Marsh Consulting Fee Proposal
2. Marsh Consulting Fee Proposal - Redacted

CSP Objective: Shire assets and services delivered effectively and efficiently**Precis:** To provide an update to the Audit, Risk Improvement Committee on progress of the development of the Risk Register and Business Continuity Plan**Budget:****RECOMMENDATION**

That the Audit Risk and Improvement Committee:

1. Receive and note this report including the information update on the risk register and business continuity plan.

COMMITTEE RESOLUTION 031/24

That the Audit Risk and Improvement Committee:

1. Receive and note this report including the information update on the risk register and business continuity plan.

CARRIED

75-80% of risk register is complete. Not ready to be circulated yet. Completed register to be presented to ARIC at November 2024 meeting.

It was recommended by Ron Gillard to have target dates applied to actions instead of ongoing. It was also advised to include a risk rating column in the register. A risk may be identified that cannot be mitigated. Council will need to accept it is an ongoing risk. It is understood the development of the risk register will be an evolutionary process.

An email from the Office of Local Government on the 25 July 2024 with the subject title Self Assessment Pulse Check with 50 questions addressing risk was circulated to all GM's. Ron Gillard to provide Noreen Vu with a copy of the email just in case.

A copy of the Business Continuity Plan proposal has been attached. The final draft of the BCP is expected to be completed for October 2024.

6.9 DEVELOPMENT OF INTERNAL AUDIT FUNCTION**File Number:****Author:** Arts and Tourism Officer**Authoriser:** General Manager**Attachments:** Nil**CSP Objective:** Shire assets and services delivered effectively and efficiently**Precis:** To discuss options & preferences for establishing the Internal Audit function in line with OLG Guidelines**Budget:****RECOMMENDATION**

That the Audit, Risk & Improvement Committee:

1. Receive & note this report.

COMMITTEE RESOLUTION 032/24

That the Audit, Risk and Improvement Committee:

1. Receive and note this report.
2. Request the Chair to draft an Internal Audit Charter to suit the proposed Internal Audit Function of Council in line with the OLG's Guidelines, and to present it to the November meeting for review and endorsement.

CARRIED

It was advised by Ron Gillard that Council needed to appoint an internal audit coordinator and develop/finalise its Internal Audit Function in compliance with the OLG Guidelines. The Internal Audit Coordinator is likely to be the Director of Corporate Services. In the event of a conflict of interest the General Manager or Director of Environmental services will manage. Council does not need to approve the appointment as the General Manager is required to appoint an employee under the Guidelines, and also has the authority to appoint an appropriate person in the event of a conflict.

Risk register is needed to inform the strategic Internal Audit Plan, and needs to ensure function and scope is practical and affordable to Council.

A 4 year strategic plan allows adjustments for emerging/new risks, and allows flexibility to cycle issues in or defer.

A budget of \$25,000 has been allocated from Weddin Shire Council's operational budget which will allow for 1-2 independently provided internal audits per year.

Internal audits do not need to be performed on every function. Expectations of 4 – 8 independent internal audits performed per year is unrealistic for a council of Weddin Shire's size and resources.

It was recommended to develop the Internal Audit Function and 4 year plan of audits based on prioritised risk. Costs are to be understood once audit scopes are defined/revised.

A finalised Risk Register will inform the scope of works for the Internal Audit Function, which will then inform a realistic cost to be agreed and budgeted by Council.

Ron Gillard to draft Internal Audit Charter to suit an appropriate Internal Audit model for Council and present it at November meeting.

6.10 UPDATE ON ARIC WORKPLAN**File Number:****Author:** Arts and Tourism Officer**Authoriser:** General Manager**Attachments:** Nil**CSP Objective:** Democratic and engaged community supported by efficient internal systems**Precis:** To provide ARIC with a verbal update on progress**Budget:****RECOMMENDATION****That the Audit, Risk & Improvement Committee:**

1. Receive & Note this report.

COMMITTEE RESOLUTION 033/24**That the Audit, Risk and Improvement Committee:**

1. Receive and note this report.
2. Request the Chair, with the Director Corporate Services and General Manager to review the draft ARIC Workplan out of session to the agree timing of tasks, then present the final draft ARIC Workplan to the November meeting for endorsement and subsequent presentation to the new Council for adoption.

CARRIED

Ron Gillard noted that the Committee had already reviewed the draft template developed earlier in the year, though the timing of tasks still needs to be reviewed and agreed by Council. This will required the Chair, Director of Corporate Services, and General Manager to review offline to enable the draft Workplan to be finalised and tabled at November meeting.

7 OTHER BUSINESS

1. The Chair has deferred the preparation and presentation of the ARIC Annual Report until first Committee meeting in 2025.
2. The Chair and Members thanked Weddin Shire Council staff for the pre-meeting tour of wastewater treatment facility.
3. The General Manager advised the Independent Members that temporary extensions of appointment to the end of year (31 December 2024) will be provided shortly given the expiration of their initial terms is 1 September 2024. Council has decided to undertake an EOI process in the coming months for an Independent Chair and two Independent Members, and that existing members are encouraged to apply.
4. A Special Meeting of ARIC Independent Members, General Manager, Director Corporate Services, and Luka Group is scheduled for 10:00am on 23 September 2024 to review the draft financial statements prior to referral to audit. Ron to attend onsite, John Oldfield and Les Hullick to attend meeting online.

8 NEXT MEETING

25 November 2024

9 CLOSURE

The Meeting closed at 12:25pm.

The minutes of this meeting were confirmed at the Audit, Risk and Improvement Committee held on 25 November 2024.

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CHAIRPERSON