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**AUDIT, RISK AND IMPROVEMENT COMMITTEE  
HELD IN THE MURRAY ROOM, GRIFFITH ON  
WEDNESDAY, 21 AUGUST 2024 COMMENCING AT 5:00 PM**

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**PRESENT**

Stuart Heffer (Chair) (Community Representative), George Youssef (Community Representative via Zoom), Helen Brill (Community Representative), Dorian Radue (Community Representative), Stephen Prowse (National Audits Group) and Nicky Rajani (NSW Audit Office via Zoom)

Quorum = 3

**STAFF**

General Manager, Brett Stonestreet, Acting Director Business, Cultural & Financial Services, Max Turner, Director Economic & Organisational Development, Shireen Donaldson, Governance Manager. Internal Audit Coordinator & Minute Taker, Leanne Austin

**1 APOLOGIES**

No apologies were received.

**2 CONFIRMATION OF MINUTES**

**RECOMMENDED** on the motion of George Youssef and Dorian Radue that the minutes of the previous meeting held on 1 May 2024, having first been circulated amongst all members, be confirmed.

**3 BUSINESS ARISING**

Nil.

**4 DECLARATIONS OF INTEREST**

**Pecuniary Interests**

There were no pecuniary interests declared.

**Significant Non-Pecuniary Interests**

There were no significant non-pecuniary interests declared.

**Less Than Significant Non-Pecuniary Interests**

There were no significant non-pecuniary interests declared.

## **5 ITEMS OF BUSINESS**

### **CL01 STRATEGIC INTERNAL AUDIT PLAN, ANNUAL PLAN AND CORE REQUIREMENTS CHECKLIST**

The Committee discussed the Strategic Internal Audit Plan, Annual Plan and core requirements of the Risk Management and Internal Audit Guidelines.

Mrs Austin advised draft KPIs for the Annual Plan will be presented to the Committee for consideration at the next Committee meeting.

Mr Prowse outlined the robust process undertaken for the development of the four year plan and annual plan including consultation with senior management and consideration of risk factors to determine those areas that were high priority. Some of the requirements of the Local Government Act, Regulation and Guidelines have been covered off as part of this process, in particular, requirements under Section 428 of the Local Government Act 1993.

Mr Prowse stated that many of the Section 428 requirements will also be addressed in the preparation of the scope and engagement letter for each audit, ensuring compliance requirements of the Guidelines are addressed through that process. The process for compliance and reporting requirements will continue to evolve however a good framework is currently in place.

Mr Stonestreet advised the Committee that the new Council will review Council's current Committee structure. As the Audit, Risk and Improvement Committee is a statutory Committee, it will continue to operate however Council will review Committee appointments in line with the Council term.

Mr Stonestreet flagged that Council has limited resources and he will seek to work with Senior Management and staff to implement the Guidelines and internal audit recommendations.

**RECOMMENDED** on the motion of Stuart Heffer and George Youssef that the information be noted.

### **CL02 DRAFT AGENDA FORWARD PLAN**

The Committee reviewed the draft Agenda Forward Plan. Mr Prowse advised that Property Management (Leases & Licences) could be undertaken in May 2025 along with the Accounts Payable review as this is not a complex review.

Mr Prowse advised the first two audits were quite significant and a number of recommendations have come out of these. In future if required, the auditors may discuss some of the identified low risk areas with Senior Management prior to finalisation of the internal audit reports to address minor issues.

Mr Heffer suggested the Draft Agenda Forward Plan be included as a standing agenda item rolling forward and reviewed as a whole annually.

### **CL03 INTERNAL AUDIT REPORT - RISK MANAGEMENT AUDIT 2024**

Mr Prowse provided an overview of the Risk Management Audit.

The overall risk rating was moderate and likely with the controls surrounding Council's Enterprise Risk Management activities being deemed partially effective based on the control effectiveness criteria outlined in the report. Much of the discussion on site was around work,

health and safety with a lot of work being done in this area and more broadly risk management. Mr Prowse advised that there are some good elements in place however the overall framework needs to be improved.

Mrs Donaldson responded that Council's Senior WHS & Risk Coordinator has prioritised work, health and safety improvements and will utilise the recommendations in the report to implement improvements to Council's risk management functions.

Ms Radue congratulated the auditors on the presentation of the report advising it was clear and well presented. Ms Radue enquired as to the reason for the 30 June 2025 Action Date regarding the Business Continuity Plan (BCP) recommendation. Mrs Donaldson responded that this was the completion date due to scheduling of the BCP testing exercise and requirement for a number of critical function owners to complete their review.

Ms Radue asked who would be responsible for developing Council's risk appetite statement and processes. Mr Prowse responded that it's important that Council's identified risks are compared against the risk appetite statement and that Council's Risk Management Framework requires more work to comply with the Guidelines.

**RECOMMENDED** on the motion of Dorian Radue and George Youssef that the Committee endorse the Risk Management Framework report, recommendations and action plan as attached to the report.

#### **CL04 INTERNAL AUDIT REPORT - CYBER SECURITY / INFORMATION TECHNOLOGY CONTROLS AUDIT 2024**

Mr Prowse provided an overview of the Cyber Security and Information Technology Controls audit. The overall risk rating was moderate and likely with the controls surrounding Council's Cyber Security and Information Technology Control activities being partially effective based on the control effectiveness criteria outlined in the report.

Mr Prowse advised Council has quite a lot of sound controls in place. There are a number of recommendations in the report due to the complexity and overall risks associated with this audit area. Mr Prowse advised there is some flexibility in terms of Council taking a pragmatic approach to how it addresses the recommendations commensurate to the size, scale and risk of the organisation. Mr Heffer agreed that Council should identify and implement those recommendations that are achievable.

**RECOMMENDED** on the motion of George Youssef and Dorian Radue that the Committee endorse the Cyber Security and IT Controls audit report, recommendations and action plan as attached to the report.

#### **CL05 DRAFT ENGAGEMENT LETTER - ASSET MANAGEMENT AUDIT**

Mr Prowse presented the draft engagement letter for the Asset Management Audit. Mr Stonestreet questioned if the estimated cost is within Council's allocated budget for internal audit.

Mr Turner advised he would work with the Governance Manager/Internal Audit Coordinator to review the budget and look at potentially rolling over unused internal audit funds from the 2023/24 budget. Mr Prowse clarified that the Asset Management audit is a complex audit requiring more hours than the following planned audits.

**RECOMMENDED** on the motion of Stuart Heffer and George Youssef that subject to unexpended funds being brought forward from the 2023/24 budget, the engagement letter

be approved to enable the Asset Management audit to proceed.

Mrs Radue stated that it is important that the Asset Management audit be undertaken.

Mr Turner and Mrs Austin are to review the budget prior to the next meeting once estimated fees have been provided. An update on costs of upcoming audits will be provided at the next meeting to ensure sufficient funds are available in the allocated budget to complete the audits outlined in the Annual Plan.

#### **CL06 UPDATE FROM NSW AUDIT OFFICE & INTERIM MANAGEMENT LETTER**

Nicky Rajani from the NSW Audit Office presented the Interim Management Letter. There were five findings raised, one of which was high risk, the other four were medium risk.

Mr Rajani advised the findings in relation to information technology general controls were consistent with the findings of the internal audit.

Mr Rajani highlighted issues identified in relation to the Griffin Green Housing Project regarding recording of transactions. Mr Turner explained that Council has prepared an accounting position paper on how it proposes to account for the project. This was a complex project spanning over four years involving grant funding and a number of third party partnerships. Council also contributed over \$4M in civil infrastructure as part of the project. The accounting paper will detail the prior year impact on that year's financial result and materiality of this. Council is awaiting the outcome of the external audit review.

Mr Rajani explained that once the Audit Office is satisfied with management's accounting assessment including the materiality aspect, this item should be completed and closed off.

Mr Stonestreet stated that this project was unique in terms of the funding, transfers and ownership of assets from State Government to Council as well as remediation of a contaminated mound on the site requiring additional funding. There was an extensive timeline for construction of the project before the assets could be moved off Council's books.

Mr Turner drew attention to Item 2 of the Interim Management Letter and advised Council is investigating an additional resource to assist in meeting the requirements. Mr Turner advised Council has worked with Council's accounting software provider Civica to run a CSV file to provide a full transaction listing to the Audit Office. Mr Stonestreet asked Mr Rajani what format have other Councils provided this information? Mr Rajani took this on notice.

Mr Rajani stated he is working with Council regarding timelines for completion of the external audit. Mr Rajani raised the issue of Council not recognising Rural Fire Service (RFS) assets in its Annual Financial Statements and receiving a qualified audit as a result. Mr Rajani advised the Audit Office are working with the RFS to obtain information regarding the quantum of assets. The Audit Office may take a materiality view of those numbers resulting in no qualification audit being issued.

Mr Turner advised Council does not record RFS assets other than RFS buildings. Mr Stonestreet stated that the RFS assets are not controlled by local government and that this issue would be considered by Parliament in the near future. Council will comply with the result of the parliamentary decision.

Mr Youssef enquired what impact a qualified audit would have on Council and possible funding opportunities. Mr Rajani advised that this was discussed in one of the previous ARIC meetings where Mr Stonestreet had asserted that there were no implications on funding resulting from a qualified audit. Mr Stonestreet confirmed this.

Mr Stonestreet informed the Committee that he and Mr Turner had met with representatives of the NSW Audit Office in July to discuss the pre-audit requirements and the quantum of the increase of the audit fees. Mr Stonestreet stated the Council has been impacted by a 40% increase in external audit fees now that the work is being undertaken by the NSW Audit Office and expressed his concern about Council's ability to maintain financial sustainability in light of rising costs. Mr Stonestreet advised these concerns have been raised by peak industry bodies and brought to the Auditor General's attention on his recent visit the Griffith.

Mr Rajani advised that the quality of the financial statements have an impact on the preparation of the external audit. The Audit Office does have a different methodology and requirements and are subject to reviews. Mr Turner advised the audit information required has increased dramatically from previous years and the ability to provide what has been requested is limited by Council's resources.

**RECOMMENDED** on the motion of George Youssef and Dorian Radue that the information be noted.

#### **CL07 ADOPTION OF DELIVERY PROGRAM, OPERATIONAL PLAN AND LONG TERM FINANCIAL PLAN 2024/25 AND REVIEW OF THE COMMUNITY STRATEGIC PLAN**

**RECOMMENDED** on the motion of George Youssef and Stuart Heffer that the information be noted.

#### **CL08 THIRD QUARTER PERFORMANCE REPORT AND 30 JUNE 2024 PROGRESS REPORT**

**RECOMMENDED** on the motion of Stuart Heffer and Dorian Radue that the information be noted.

#### **CL09 INVESTMENTS REPORT AS AT 30 JUNE 2024**

Mr Turner provided an overview of Council's investments as outlined in the report.

**RECOMMENDED** on the motion of George Youssef and Stuart Heffer that the information be noted.

### **6 GENERAL BUSINESS**

Mr Youssef highlighted the importance of maintaining confidentiality in relation to the information provided in the Agenda, particularly the Interim Management Letter.

Mrs Austin is to update some of the dates on the Core Requirements Checklist and Agenda Forward Plan.

### **7 NEXT MEETING**

The next meeting of the Audit, Risk and Improvement Committee is to be advised as this is dependent on the readiness of the draft Annual Financial Statements.

There being no further business the meeting terminated at 6:35 pm.