

NOTICE OF MEETING



AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

An Audit, Risk and Improvement Committee Meeting of Byron Shire Council will be held as follows:

Venue	Conference Room, Station Street, Mullumbimby
Date	Thursday, 17 May 2018
Time	11.30am

Mark Arnold
Acting General Manager

CONFLICT OF INTERESTS

What is a “Conflict of Interests” - A conflict of interests can be of two types:

Pecuniary - an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated.

Non-pecuniary – a private or personal interest that a Council official has that does not amount to a pecuniary interest as defined in the Local Government Act (eg. A friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature).

Remoteness – a person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to a matter or if the interest is of a kind specified in Section 448 of the Local Government Act.

Who has a Pecuniary Interest? - a person has a pecuniary interest in a matter if the pecuniary interest is the interest of the person, or another person with whom the person is associated (see below).

Relatives, Partners - a person is taken to have a pecuniary interest in a matter if:

- The person’s spouse or de facto partner or a relative of the person has a pecuniary interest in the matter, or
- The person, or a nominee, partners or employer of the person, is a member of a company or other body that has a pecuniary interest in the matter.

N.B. “Relative”, in relation to a person means any of the following:

(a) the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descends or adopted child of the person or of the person’s spouse;

(b) the spouse or de facto partners of the person or of a person referred to in paragraph (a)

No Interest in the Matter - however, a person is not taken to have a pecuniary interest in a matter:

- If the person is unaware of the relevant pecuniary interest of the spouse, de facto partner, relative or company or other body, or
- Just because the person is a member of, or is employed by, the Council.
- Just because the person is a member of, or a delegate of the Council to, a company or other body that has a pecuniary interest in the matter provided that the person has no beneficial interest in any shares of the company or body.

Disclosure and participation in meetings

- A Councillor or a member of a Council Committee who has a pecuniary interest in any matter with which the Council is concerned and who is present at a meeting of the Council or Committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.
- The Councillor or member must not be present at, or in sight of, the meeting of the Council or Committee:
 - (a) at any time during which the matter is being considered or discussed by the Council or Committee, or
 - (b) at any time during which the Council or Committee is voting on any question in relation to the matter.

No Knowledge - a person does not breach this Clause if the person did not know and could not reasonably be expected to have known that the matter under consideration at the meeting was a matter in which he or she had a pecuniary interest.

Participation in Meetings Despite Pecuniary Interest (S 452 Act)

A Councillor is not prevented from taking part in the consideration or discussion of, or from voting on, any of the matters/questions detailed in Section 452 of the Local Government Act.

Non-pecuniary Interests - Must be disclosed in meetings.

There are a broad range of options available for managing conflicts & the option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with. Non-pecuniary conflicts of interests must be dealt with in at least one of the following ways:

- It may be appropriate that no action be taken where the potential for conflict is minimal. However, Councillors should consider providing an explanation of why they consider a conflict does not exist.
- Limit involvement if practical (eg. Participate in discussion but not in decision making or vice-versa). Care needs to be taken when exercising this option.
- Remove the source of the conflict (eg. Relinquishing or divesting the personal interest that creates the conflict)
- Have no involvement by absenting yourself from and not taking part in any debate or voting on the issue as if the provisions in S451 of the Local Government Act apply (particularly if you have a significant non-pecuniary interest)

RECORDING OF VOTING ON PLANNING MATTERS

Clause 375A of the Local Government Act 1993 – Recording of voting on planning matters

- (1) In this section, **planning decision** means a decision made in the exercise of a function of a council under the Environmental Planning and Assessment Act 1979:
 - (a) including a decision relating to a development application, an environmental planning instrument, a development control plan or a development contribution plan under that Act, but
 - (b) not including the making of an order under Division 2A of Part 6 of that Act.
- (2) The general manager is required to keep a register containing, for each planning decision made at a meeting of the council or a council committee, the names of the councillors who supported the decision and the names of any councillors who opposed (or are taken to have opposed) the decision.
- (3) For the purpose of maintaining the register, a division is required to be called whenever a motion for a planning decision is put at a meeting of the council or a council committee.
- (4) Each decision recorded in the register is to be described in the register or identified in a manner that enables the description to be obtained from another publicly available document, and is to include the information required by the regulations.
- (5) This section extends to a meeting that is closed to the public.

BYRON SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

BUSINESS OF MEETING

1. APOLOGIES

2. DECLARATIONS OF INTEREST – PECUNIARY AND NON-PECUNIARY

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STAFF REPORTS - GENERAL MANAGER

Report No. 4.1 Local Government Performance Excellence Program - Byron Shire Council 2017 Performance Results

5 **Directorate:** General Manager
Report Author: Shannon McKelvey, Manager Organisation Development
File No: I2018/655
10 **Theme:** Corporate Management
 Organisation Development

Summary:

15 Since adoption of the Financial Sustainability Plan, Council has been using a number of tools to monitor and measure performance. One of them is the LG Performance Excellence Program. The data from this program is used by the administration for a range of purposes including identification of improvement opportunities.

20 With the broadening of the Committee’s functions to include ‘improvement’, there is an opportunity for the Committee, should it want to, to receive and consider this performance and trend data.

RECOMMENDATION:

That the Internal Audit, Risk and Improvement Committee note the Byron Shire Council LG Performance Excellence Program FY17 Report.

25 **Attachments:**

1 Local Government Performance Excellence Program FY2017 Report, E2018/2095

30

Report

This is the first time the LG Performance Excellence Program (PEP) has been presented to this Committee.

- 5 The report is in three sections:
- 10 i. Background information on the program and our participation.
 - 10 ii. Information on our approach to the program, how it should and, importantly, should not be used.
 - 15 iii. FY2017 report discussion.

Background

15 Council has been pursuing opportunities to reduce expenditure and increase productivity since adoption of the Financial Sustainability Plan.

20 In 2013 Council became a foundation participant in the development of the Local Government Performance Excellence Program (PEP). It is a collaboration between LG Professionals NSW, PricewaterCooper Analytics and councils, designed to provide business insights that allow councils to critically analyse their performance over time.

25 As a NSW initiative, the PEP was developed based on the structure of NSW reporting. This means that councils from other jurisdictions have each needed time develop systems for data extraction, so the expansion has been staged with a new jurisdiction coming into the program each year.

30 The PEP itself has been a 'work in progress'. It has been improved each year and its scope has been broadened. The first two years provided analysis of performance across the areas of:

- 30 1. Workforce
- 30 2. Finance
- 30 3. Operations
- 35 4. Corporate Leadership.

35 The program now also reviews the areas of:

- 40 5. Asset Management
- 40 6. Risk Management
- 40 7. Service Delivery

45 The service delivery area initially started as a close review ("deep dive") of only three areas. In 2017 this was expanded to four and for 2018 expansion to include a fifth focus area related to town planning is being considered.

50 The PEP provides Council with a more timely analysis of data. Each year the data collation has occurred more easily and the report able to be produced more quickly, even though it has gotten more detailed. In future the intention is that the report will be available before the end of each calendar year, subject only to any NSW Audit Office changes in timing of the auditing of the financial statements, as that can have flow on effects to the data collation for the program.

The Office of Local Government does publish a comparative report each year - <https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website> However:

- 5
- Much of it is simply a collation of otherwise available information and some is not relevant to performance or the required context to make it relevant is missing.
 - There is no supporting analysis of the data and no comparison with best practice, private industry or other jurisdictions.
- 10
- The OLG reports take nearly two years to be published, meaning the data in it is always out of date.

In addition to the annual individualised PEP report, the Program also provides Council with:

- 15
- online tools to analyse the data using filters such as location, size, population or OLG group classification; and
 - a regional planning tool where we can share and discuss results between participating NOROC councils to identify opportunities to learn from each other (nb Council is unable to publish this data but it helps us share and learn from each other).
- 20

Council has committed to participating in the program for the next four years.

How to use the PEP information – comparison of Council's own results over time

25

Critically, the main purpose of the Program is to allow Council to compare its performance against its own results over time.

Council can use the five years' worth of trend data it now has to:

- 30
- monitor the overall performance of council using a range of metrics;
 - monitor the performance of particular systems;
 - measure the outcomes of improvement programs initiated by Council;
 - identify potential opportunities for further improvement.
- 35

The PEP contains comparative benchmarking, both within local government as well as with private business, drawing on PwC's extensive data analytics experience.

40

Where there are no local circumstances that influence services it is appropriate to use that benchmarking to compare Byron Shire Council's performance against industry averages. An example is the workforce diversity or leave balance results.

45

Where local decisions and local circumstances influence services, it is not appropriate to use the benchmarking because that would be like trying to compare 'apples with oranges'.

This is because each council is unique in the services they provide, the way they deliver services and what levels of service communities expect. Examples of local factors that directly influence performance results include:

- 50
- geographic or climate influences eg Byron Shire's high exposure to severe weather events;
 - community values and expectations on levels of service eg Byron Shire's commitments delivering high environmental and social outcomes, over and above usual services outcomes, can be a driver of higher costs or the need for more resources; or
 - Shire-specific drivers eg the 2M+ tourists to the Byron Shire.
- 55

Even where local factors influence services making it impossible to compare results between councils, the difference in results can be still be used to help better understand the impact of local factors on performance area and that can be used to inform future decision making.

5 Previously, actions arising from the PEP were included in an annual Business Effectiveness Action Plan. From last year, actions arising from the PEP have been included in the Continuous Improvement Chapter of the Financial Sustainability Plan.

10 Staff use the PEP results to monitor and improve systems. Previously the reports were also workshopped with Councillors. This has not occurred this year, due to other matters taking priority and being listed for the Councillor Strategic Planning workshops. With the expansion of the Committee's functions to include 'improvement', there is an opportunity for the Committee to receive and consider this performance and trend data in future.

15 FY2017 Report

As always, the FY2017 report contains a mix of positive results and potential opportunities for further review or improvement. Staff can provide more information and answer questions on any particular area at the meeting or in future reports to the Committee as there are too many metrics to provide context and commentary on each.

In the meantime, some examples of how the data is used include:

25 1. Workforce:

- Total workforce costs as a percentage of operating expenses has been identified by the Executive Team as an area for further investigation and monitoring. This is because remuneration costs as a percentage of operating costs analysis looks favourable but overtime and agency costs do not. The Executive Team has identified the need to review remuneration, overtime and agency costs as a whole. Council's systems need to be reviewed to be able to more easily extract and monitor this data in future.
- Council's workforce gender and age diversity continues to improve, with Council performing above industry standards for gender diversity at Manager level but with room for improvement across the board, particularly in the outdoor workforce. This information has been used to promote, internally and externally, progress being made and to diversity improvement programs.
- Following the initial report in 2014, Council revised its policies and started a proactive program of leave management. Each year the results demonstrate this continues to deliver improved results with the percentage of the workforce with excessive long services leave balances continuing to fall in FY2017. Even with Byron's performance continuing to be better than industry benchmarks (and this metric is one that can be used to draw comparisons), this is still a focus area as a healthy work/life balance that includes taking leave, is critical to both staff wellbeing and productivity and excessive leave balances can have a financial impost on Council.
- Council's proactive work health safety and injury management program continues to return results better than the NSW average. However, Council's FY17 results showed deterioration in performance. Analysis showed this was mostly due to a single matter and that demonstrates the significant impacts, on workers and Council, that just one workplace incident can have. This information is used to promote the need for work place safety to remain an important focus area for management and to monitor performance over time.

2. Finance Function

- 5 • The change in the finance function workforce and costs in FY17 was due to the transfer of the payroll function from the Finance Team to People and Culture Team. This is an example of services cost/FTE not being comparable because each council structures its functions and workforce different.
- 10 • The FY17 results show an increase the amount of time the Finance Team invested in compliance and control activities. This was in part due to the increased requirements for the Annual Financial Statements resulting from the NSW Audit Office taking oversight of the annual audit process for the first time in 2016/2017. Going forward, unless the compliance and control burden placed on councils by State Government decreases, there will be insufficient time available for investment in business insight activities that help deliver improved productivity. This is important to Council's continuous improvement program.
- 15 • Optimising working capital is an area where staff investigated the significant differences in results compared to WA councils. Collecting rates sooner can reduce cost/increase productivity (fewer quarterly instalment notices) and optimise working capital. Staff investigated and identified that the driver of the better results in WA is a significant incentive and discount program (running into the hundreds of thousands for some). The scale of their incentive programs is simple beyond this council. However, from the PEP and the further enquiries we have made with NSW Councils as a result, potential remains to investigate the cost/benefit of a small incentive program.
- 20

25 3. Operations

- 30 • Data on levels of corporate service staffing (customer service, finance, people and culture, and IT staff) is an example where the benchmarking should not be used to compare performance across councils, even though our FY17 results seem positive. This is in part due to different services and structures but also due to influences from economies of scale. For example, councils have to resource payroll functions regardless of whether they have 100 or 1000 employees so size is a factor that directly influences these results.
- 35 • The IT spend results are an example of the need for context and understanding of programs when considering the performance results. It is also an example of why considering Council's own performance over time is important. On its face, the IT spend appears comparatively high, but is due to a need for additional investment to significantly upgrade systems after a long period of underinvestment resulted in the functionality of IT systems becoming inadequate. For example, Council has recently upgraded its telephony to Skype after more than a decade without review of the previous analogue switch system.
- 40 Another example in this financial year is investment to replace Council's web-platform that had become so out of date that it was no longer supported by anyone in the market. The upgrade to the website means it is now fully supported by a local government industry leader, with significantly increased functionality and a supplier obligated to keep the platform up to date with best practice and emerging demands. This context is critical to
- 45 understand the drivers of the IT spend results.

50 4. Service Delivery

- 55 • This section demonstrates that each council structures its operations and services differently meaning comparisons between councils about staff numbers and operations costs by service areas should not be made. For example, Byron appears to have more staff for sewerage services than the average, but in our structure Utilities Team staff work across both sewerage, water and now urban drainage services. Similarly the water and sewer services operating costs appears appear to be comparatively higher for Byron

5 however, Byron's water and sewer operations fund significant environmental programs, eg wetlands management, recycled water programs and renewable energy and social outcomes projects that other councils do not provide. This is an example of local values and decisions influencing performance results. Staff do use these results to monitor Council's performance over time, to identify any variability in the results and understand the drivers for that variation.

- 10 • The new analysis included in the FY17 report on the degree of insourcing and outsourcing by service delivery area has identified an opportunity to improve accuracy of our data. For example, we know in FY17 we did have some outsourcing in town planning but that expenditure was not able to be separately identified. It will take some time to increase accuracy as it involves changes to staff processing but future improvements will allow managers to identify and use this data to monitor and plan for resourcing of services.

- 15 • The FY17 results have identified depreciation costs as an area for future review. Council has followed a rigorous program and external expert advice and local factors such as condition of assets, historical underinvestment and geography/climate are known drivers. However, given the consistency of the difference across the 'deep dive' service areas, this has been identified as an area warranting further review.

- 20 • Much of the 'solid waste management' performance data is genuinely comparable, eg volumes of recycling by population and operating costs per tonne, and Council's performance results in this area continue to be outstanding. This is an example of the PEP providing evidence of the success of projects and initiatives in this service area and the results can be used as an education and communication tool with community to encourage even better outcomes.

25 **Financial Implications**

30 As a foundation member, Council receives a discounted price. Council has subscribed to the LG PEP, including the regional comparative tool, for the next four years, at a cost of around \$7,700 pa. Staff time required to extract and submit the data is resourced through existing positions. Each year, as Council's data management systems and automation improve, the staff time required reduces.

35 **Statutory and Policy Compliance Implications**

Nil.

STAFF REPORTS - CORPORATE AND COMMUNITY SERVICES

Report No. 4.2 NSW Audit Office - Local Government 2017 Financial Audit Report

Directorate: Corporate and Community Services

5 **Report Author:** Jessica Orr, Strategic Risk and Improvement Coordinator

File No: I2018/866

Theme: Corporate Management
Governance Services

10

Summary:

The Auditor-General has presented its first report on the statutory financial audits of councils to NSW Parliament. The purpose of this report is to table the report of the Audit Office of NSW.

15

The report presents a consistent view of financial performance across the New South Wales local government landscape while providing guidance and includes recommendations to councils and the Office of Local Government aimed at strengthening financial reporting, asset management, governance and internal controls.

20

RECOMMENDATION:

That the Audit, Risk and Improvement Committee note the contents and recommendations made in the Local Government 2017 Financial Audit from the NSW Audit Office at Attachment 1 (#E2018/35811).

Attachments:

25 1 NSW Audit Office - LG2017_Report on Local Government - April 2018, E2018/35811

Report

5 The Executive Summary of the findings from the report on Local Government 2017 Financial Audit are divided into key themes of financial reporting, financial performance and sustainability, asset management, governance and internal controls, information technology and present as follows:

Financial reporting

Quality of financial reporting

The overall quality of financial reporting needs to improve:

- we issued modified (qualified) audit opinions on the financial statements of three councils in 2016–17 and one council and one water authority in 2015–16
- we reported 39 significant matters to 29 councils. They related to material accounting issues and significant deficiencies in internal controls
- twenty-two councils required material adjustments to correct errors in previous audited financial statements
- moderate risk issues were identified in financial statement preparation processes for 43 councils.

OLG guidance for council year-end financial reporting needs to align with Australian Accounting Standards and be issued earlier.

Timeliness of financial reporting

Timeliness of financial reporting needs to improve. Forty councils required lodgement extensions past the 31 October 2017 statutory reporting deadline.

10 **Financial performance and sustainability**

Operating revenue

Eighteen councils operating expenses exceed current operating revenue. Fifty-nine councils do not meet OLG's target of 60 per cent for own source operating revenue.

Liquidity and working capital

Most councils have sufficient liquidity and working capital. However, there are indicators that:

- three councils may not have the ability to meet short-term obligations as measured by the unrestricted current ratio
- two councils may not have sufficient operating cash available to service debt as measured by the debt service cover ratio
- eighteen councils do not meet the OLG benchmark for the collection of rates and annual charges
- five councils may not have sufficient cash to continue paying expenses without additional cash inflows as measured by the cash expense cover ratio.

Asset management measures

Reporting against OLG's asset management performance measures highlights that councils need to consider whether spending on existing infrastructure assets is sufficient to ensure they continue to meet service delivery standards:

- seventy councils are not renewing assets in line with the rate of their depreciation
- eighty-four councils did not meet OLG's benchmark for managing the infrastructure maintenance backlog
- seventy-one councils are not maintaining their assets in accordance with their asset management plans.

Asset management

High risk issues

We reported ten high risk issues relating to councils' asset management and accounting practices.

Asset reporting

The accuracy of asset registers requires improvement and all assets need to be reported in the financial statements.

At 30 June 2017, 62 councils did not record all rural fire-fighting equipment in their financial statements. A large proportion of rural fire-fighting equipment is not reported in either State government or local government financial statements.

Asset valuation

We reported seven high risk matters related to asset valuations, including two that resulted in qualified audit opinions.

Asset useful life estimates

We identified that accounting for the useful lives of similar assets varied across councils, resulting in variable depreciation expense for these assets. In addition, the useful lives of assets need to be reviewed annually. This review should be supported by current condition assessments.

Asset policy and planning

Thirteen councils do not have an asset management strategy, policy and plan, as required by the Office of Local Government's Integrated Planning and Reporting Framework.

Governance and internal controls

5

High risk issues

We reported 17 high risk issues relating to governance, financial accounting, purchasing and payables and payroll matters.

Governance

There is currently no requirement for councils to have an audit, risk and improvement committee and internal audit function. Consequently, 53 councils do not have an audit committee and 52 councils do not have an internal audit function.

The Office of Local Government has incomplete information on the number of entities established by councils. There is no financial reporting framework for the variety of entities established by councils.

Councils can strengthen policies and procedures to support critical business processes, practices for risk management and compliance with key laws and regulations.

Internal controls

Councils can improve internal controls over manual journals, reconciliations, purchasing and payables and payroll.

Information technology

High risk issues

We reported nine high risk issues relating to information technology.

Access to IT systems

Controls over user access to IT systems need to be strengthened.

Information Technology governance

IT governance benefits from appropriate policies, standards and guidelines across all critical IT processes. We identified that:

- around one in four councils do not have an IT strategy or operational plan
- half of NSW councils have an IT security policy
- seventeen councils do not have a documented plan to recover from a disaster.

Financial Implications

There are no financial implications associated with this report.

- 5 It is expected the adoption of the recommendations and their implementation by the NSW Office of Local Government and Council would be met from existing budget allocations within Council.

Statutory and Policy Compliance Implications

- 10 The NSW Audit Office is responsible for conducting performance audits across local governments pursuant to section 421D of the *Local Government Act 1993* NSW.

Report No. 4.3 **Internal Activity & Progress Report - May 2018**
Directorate: Corporate and Community Services
Report Author: Jessica Orr, Strategic Risk and Improvement Coordinator
File No: I2018/862
5 **Theme:** Corporate Management
 Governance Services

Summary:

10 This report presents the Internal Audit Activity Report - May 2018 prepared by the Internal Auditor, O'Connor Marsden and Associates (OCM).

RECOMMENDATION:

1. **That the Audit, Risk and Improvement Advisory Committee note the Internal Audit Activity Report – May 2018 (#E2018/39734).**
2. **That the Audit, Risk and Improvement Advisory Committee endorse the recommendation to vary the audit program and replace the planned IT User Access Review in Quarter 4 of 2017/2018 year with an audit review of Council’s current systems and processes to ensure/test compliance with Council’s six Environment Protection Licences in the Sewerage, Landfill and Quarry operations.**

Attachments:

- 1 Confidential - Internal Audit Activity and Progress report, E2018/39734

Report

The Internal Audit Activity Report has been prepared by OCM and includes status of planned audit reviews in the recently adopted internal audit plan.

5

OCM has completed three of the audit reviews of the 2017/2018 Internal Audit Plan:

- Corporate Compliance and Policy Management Internal Audit.
- Buildings and Property Management Internal Audit.
- Fraud and Corruption Framework.

10

Overall, there is *one* high risk finding and *thirteen* medium risk findings identified as per below.

High risk finding

15

- Investigation Management (*Fraud and Corruption Framework review*)

Medium risk findings

Corporate Compliance and Policy Management review

20

- Corporate compliance framework;
- Prioritising corporate compliance obligations; and
- Improvements to integrity controls.

Buildings and Property Management review

25

- Governance Framework – Asset Management Working Group;
- Governance Framework – Allocation of Asset Management Responsibilities;
- Corporate Knowledge; and
- Lease, Licence and Management Contracts.

Fraud and Corruption Framework review

30

- Leadership and Fraud Awareness;
- Fraud and Corruption Policy/Framework;
- Conflicts of Interest;
- Assessing Fraud Risks and Developing a Fraud Control Plan;
- Potential Fraud Indicators; and
- Pre-employment screening.

35

Status update

40

OCM has completed the agreed activities in line with the schedule outlined in the Approved 2017 - 2021 Strategic Internal Audit Plan.

The following table reflects the status of internal audit activities against the audit plan.

#	Activity	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Comments
1.	Strategic Internal Audit Plan (2017 to 2021)	✓				Approved by Council
2.	IA1 – Corporate Compliance and Policy Management		✓			Internal Audit completed, 3 medium risk findings identified
3.	IA3 – Building and Property Management			✓		Internal Audit completed, 4 medium and 1 low risk findings identified
4.	IA4 – Fraud and Corruption			✓		Internal Audit completed, 1 high and

#	Activity	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Comments
						6 medium risk findings identified
5.	IA5 – IT User Access				-	Request delay to FY 2019
6.	Follow Up of Audit Recommendations	✓	✓	✓	To be performed	Detailed review to be performed in June.
7.	Annual Audit Plan Update				-	Not scheduled to commence

Requested change to 2017 / 2018 Internal Audit Plan

5 Management are recommending that the performance of an internal audit of Council's current systems and processes to ensure/test compliance with Council's six Environment Protection Licences in the Sewerage, Landfill and Quarry operations. IT User Access has been recently audited via the external audit function in conjunction with Council's 2016/17 financial statements as it has been a focus area by the NSW Audit Office.

10 **Financial Implications**

The audit program is being carried out within allocated budgets.

Statutory and Policy Compliance Implications

15 This Activity Update was undertaken in accordance with the adopted Internal Audit Strategy and Audit Plan.

CONFIDENTIAL REPORTS - CORPORATE AND COMMUNITY SERVICES

Report No. 5.1 **CONFIDENTIAL - 2017/2018 External Audit Client Service Plan**

Directorate: Corporate and Community Services

5 **Report Author:** James Brickley, Manager Finance

File No: I2018/810

Theme: Corporate Management
 Financial Services

10

Summary:

15 With amendments to the Local Government Act 1993 in late 2016, the NSW Government has appointed the Auditor General through the Audit Office of New South Wales as the Auditor for the Local Government sector in New South Wales commencing from the 2016/2017 financial year.

20 This report is prepared to present the 2017/2018 External Audit Client Service Plan for Council to the Audit, Risk and Improvement Committee.

RECOMMENDATION:

- 25
1. **That pursuant to Section 10A(2)(d)i of the Local Government Act, 1993, Council resolve into Confidential Session to discuss the report 2017/2018 External Audit Client Service Plan.**

 2. **That the reasons for closing the meeting to the public to consider this item be that the report contains:**
 - 30 a) **commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it**

 3. **That on balance it is considered that receipt and discussion of the matter in open Council would be contrary to the public interest, as:**
- 35 **Potential to prejudice the commercial position of the contracted Auditor Thomas Noble and Russell undertaking the audit on behalf of the Audit Office of New South Wales and disclosure request by the Audit Office of New South Wales.**

40 **Attachments:**

- 1 Confidential - 2018 External Audit Client Service Plan, E2018/36320

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Report No. 5.2 **CONFIDENTIAL - Risk Management Framework & Business Continuity Update**

Directorate: Corporate and Community Services

Report Author: Jessica Orr, Strategic Risk and Improvement Coordinator

5 **File No:** I2018/683

Theme: Corporate Management
 Governance Services

10 **Summary:**

At the October 2017 Audit, Risk and Improvement Committee extraordinary meeting, a request was made for regular updates on Council's business continuity and disaster recovery planning and risk management progress.

15 This report provides an update on Council's approach to business continuity, disaster recovery and risk management initiatives across the organisation.

20 **RECOMMENDATION:**

1. **That pursuant to Section 10A(2)(f) of the Local Government Act, 1993, Council resolve into Confidential Session to discuss the report Risk Management Framework & Business Continuity Update .**

25 2. **That the reasons for closing the meeting to the public to consider this item be that the report contains:**
a) **details of systems and/or arrangements that have been implemented to protect council, councillors, staff and Council property**

30 3. **That on balance it is considered that receipt and discussion of the matter in open Council would be contrary to the public interest, as:**

35 **(a) disclosure could prejudice the Council's position in litigation; and (b) disclosure could adversely impact Council's position in the upcoming negotiations.**

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Report No. 5.3 **CONFIDENTIAL - Fraud and Corruption Control Audit Review Report**
Directorate: Corporate and Community Services
Report Author: Jessica Orr, Strategic Risk and Improvement Coordinator
File No: I2018/654
5 **Theme:** Corporate Management
 Governance Services

Summary:

10 Council's Internal Auditors, O'Connor Marsden and Associates (OCM), conducted an internal audit review of Fraud and Corruption Controls during March 2018.

15 This report has been prepared to table the Internal Audit Fraud and Corruption Controls Review Report (#E2018/39530) prepared by OCM included at Confidential Attachment 1.

This Report includes the findings made by OCM and responses from Council's Management to the findings.

20 **RECOMMENDATION:**

1. **That pursuant to Section 10A(2)(f) of the Local Government Act, 1993, Council resolve into Confidential Session to discuss the report Fraud and Corruption Control Audit Review Report.**
2. **That the reasons for closing the meeting to the public to consider this item be that the report contains:**
 - a) **details of systems and/or arrangements that have been implemented to protect council, councillors, staff and Council property**
3. **That on balance it is considered that receipt and discussion of the matter in open Council would be contrary to the public interest, as:**

The report details Councils systems or processes surrounding prevention of Fraud and Corruption.

Attachments:

- 40 1 Confidential - Audit Review Report Fraud and Corruption - May 2018 (final), E2018/39530