

ALICE SPRINGS TOWN COUNCIL
RISK MANAGEMENT AND AUDIT COMMITTEE MEETING
MINUTES OF MEETING

HELD MONDAY, 12 MARCH 2018 AT 12:00 NOON
ARUNTA ROOM, CIVIC CENTRE

1. ATTENDANCE:

PRESENT:

Iain Summers (**Chair**)
Mayor Damien Ryan
Deputy Mayor Jamie de Brenni
Councillor Jimmy Cocking

IN ATTENDANCE:

Councillor Glen Auricht (*Observer*)

OFFICERS IN ATTENDANCE:

Rex Mooney, Chief Executive Officer
Dinesh Pillay, Director Finance
Natasha Taylor, Risk and Compliance Officer
Stephanie Dominguez, Acting Executive Assistant (*Minutes*)

APOLOGIES:

Scott Allen, Director Technical Services
Councillor Marli Banks
Councillor Jacinta Price

The meeting opened at 12:03 pm

2. CONFLICT OF INTEREST DECLARATION

Nil.

3. MINUTES OF THE PREVIOUS MEETING

RECOMMENDATION:

That it be a recommendation to Council:

That the minutes of meeting held 9 October 2017 be confirmed as a true and correct record of the proceedings of that meeting.

Moved: Mayor Damien Ryan
Seconded: Councillor Jimmy Cocking

Deputy Mayor Jamie de Brenni left the room at 12:06 pm
Deputy Mayor Jamie de Brenni entered the room at 12:08 pm

3. BUSINESS ARISING FROM THE PREVIOUS MINUTES

3.1 Review of the role of the Risk Management and Audit Committee.

The Chair presented a diagram of the Risk Management and Audit Committee Structure to the committee, noting that “risk” for an Enterprise Wide Risk Management Framework is defined as the “effect of uncertainty on achievement of objectives”, and that the role of the Committee is to see how well management are implementing and improving policies and procedures that are intended to reduce this risk.

The elected member's governance process was shown to be differentiated from operational management processes. The role of the Risk Committee is to assist in elected members' overseeing how these processes contribute to mitigating organisational risk.

Discussion ensued.

3.2 Operational Risk Register – Risk Treatment/Management Plan Status

3.2.1 Risk Treatment/Management Plan Status – Attachment B from the Risk and Compliance Officer's Report

This item is considered “confidential business” pursuant to Section 65(2) of the Local Government Act and regulation 8 & 9 of the Local Government (Administration) Regulations.

The Committee noted the Risk Treatment/Management Plan Status has been received. This document gave a summary of the progress that had been made regarding risk management and remaining actions.

Discussion ensued regarding whether tasks were completed by the due date, if not/why not, did it make a difference to the rating, and how risk was being managed on an ongoing basis. The Committee requested that in future, the summary also show any movements in risk ratings, as a consequence of completion of the risk mitigations.

The Committee noted issues that could also be recorded in the Operational Risk Register. The Chair identified that Council actively manages certain risks through standard operational procedures that are identified as controls in the risk registers.

RECOMMENDATION

That it be a recommendation to Council:

That it notes that management of risk mitigation projects in the Operational Risk Register is being reported to the Committee, and that reporting will be extended to show movements in residual risk ratings as a consequence of completion of the risk mitigations.

Moved: Councillor Jimmy Cocking

Seconded: Deputy Mayor Jamie de Brenni

4. GENERAL BUSINESS

4.1 Risk and Compliance Officer report

A report was presented to the Committee with an update on the current activities of the Risk and Compliance Officer, including an improved Policy Framework and website Governance link.

The Committee noted the presentation.

Councillor Cocking enquired as to whether Council forms would be able to be completed online to reduce the need for printing. This was confirmed by the Risk and Compliance Officer, as being adopted wherever possible.

Mayor Ryan left the room at 13:25pm

Mayor Ryan entered the room at 13:26 pm

4.2 Corporate Risk Register – Strategic Risk Assessment

4.2.1 Corporate Risk Register – Attachment A from the Risk and Compliance Officer's Report

This item is considered "confidential business" pursuant to Section 65(2) of the Local Government Act and regulation 8 & 9 of the Local Government (Administration) Regulations.

The Committee noted the report as being received, and that it appropriately addressed the Council's Strategic Plan goals, and other whole of Council corporate risks. Discussion ensued regarding the level of risks, how these are assessed, access to this report by management teams, and systems implemented for recording failures in progress.

The Committee discussed the process by management when determining risk ratings, and identified that it would expect that any items on the register rated at a medium and high residual risk level would have priority for resourcing of the actions to mitigate the risks.

The format for reporting to the Committee being established for the Operational Risk Register would be expected to be used also for the Strategic Risk Register

Discussion ensued regarding proactive maintenance of infrastructure facilities in downtime to minimise risk in peak periods, and revision of the rating of certain items after steps were explained that would mitigate these risks throughout the year.

The Committee noted that this Corporate Risk Register will be a fluid document, and will need to respond to the Council's new 2018-2021 Strategic Plan, as well as emerging strategic and whole of Council risk issues.

RECOMMENDATION

That it be a recommendation to Council:

That it notes that the Committee is satisfied with the format of the Corporate Risk Register; that this will need to be aligned with the new Strategic Plan; and that subsequent reporting to the Committee should be in a similar format as is being established for the Operational Risk Register.

Moved: Councillor Jimmy Cocking

Seconded: Deputy Mayor Jamie de Brenni

4.3 External audit – final version of the Auditor's Closing Report for 30 June 2017

The Committee noted the Closing Report to the Council for the Year ended 30th June 2017, and Independent Audit Report to the Council from Merit Partners Chartered Accountants, dated 23rd October 2017.

The Chair discussed key points in the report including the improvements and opportunities identified by the auditors. The Committee concluded that management have appropriately responded to the matters raised.

Mayor Ryan raised concerns regarding one of the points of focus in the report relating to street light maintenance and ownership. The Committee noted that street light maintenance costs are recovered from Council by Power and Water Corporation each month, and for clarification, street light ownership has not been taken on by Council. This should be drawn to the auditors' attention at their next visit.

Discussion ensued regarding the land under roads. The Risk Management and Audit Committee supports Managements' view that land under roads does not need to be valued and included in Council's balance sheet, as there is no likelihood of the land being sold.

4.4 Internal Audit

The Chair discussed that internal audit activities need to be resourced by competent, specialist internal auditors with industry knowledge applicable to the audit topic. The Committee agreed that this would be a valuable process that needs to occur.

The Chair highlighted that internal audit topics should be selected to test whether controls identified in the Corporate and Operational Risk Registers are effective (the "assurance" role) or could be improved (the "process improvement" role.) With limited resources for internal audit, it is preferable to set a three year plan so that it is clear to the Committee which controls have been selected by management to be subject to audit. The Committee can then provide oversight of that process and provide feedback about the areas proposed for audit, and the associated budget allocations.

The Chief Executive Officer confirmed that he would support commencing internal audit activities, and that it would be for Council to determine how much to allocate into next year's budget for this process. The Committee accepts that the development of an internal audit plan will therefore be occurring in the 18/19 year, once the process is funded.

Director Finance confirmed that internal audits would be included in the Director of Finance budget.

RECOMMENDATION

That it be a recommendation to Council:

That Council allocates funding in the 2018/19 budget to engage an independent internal audit professional firm to work with the senior management team, to develop a three year internal audit program linked to the corporate and operational risk registers, as updated for the new strategic plan.

Moved: Councillor Jimmy Cocking

Seconded: Mayor Damien Ryan

ACTIONS:

Scope of initial engagement for the internal auditor to be developed between Risk and Compliance Officer and the Chair for the May meeting.

Develop an internal audit charter to define expectations for the professional standards to be achieved by internal audit work.

ACTION:

Director Finance, to consider internal audit funding in the 2018/19 budget discussions.

5. OTHER BUSINESS**5.1 Risk management discussion of Council's Financial Investments**

Mayor Ryan enquired about risk involved in investment.

The Director of Finance confirmed details of Council's investments and discussed Council's Investment Policy, which is being followed. The Director of Finance also advised this policy is currently being reviewed, but that its primary focus was mitigating the risk of loss of value of Council financial reserves.

ACTION:

The Director of Finance confirmed he would provide a copy of the Council's Investment Policy for the Risk Management and Audit Committees review.

6. NEXT MEETING:

Monday 14th May 2018, 12 Noon
Arunta Room, Civic Centre

7. CLOSURE OF MEETING

The meeting concluded at 14:06 pm

**ALICE SPRINGS TOWN COUNCIL
RISK MANAGEMENT AND AUDIT COMMITTEE
12 MARCH 2018**

KEY ISSUES FROM THE MEETING FOR COUNCIL'S ATTENTION:

1. The Committee discussed:
 - the progress with reporting on risk mitigation activities identified in the Operational Risk Register,
 - the need to align the Corporate Risk Register with the 2018-2021 Strategic Plan; and
 - the need to establish an internal audit process to test whether controls identified in the Corporate and Operational Risk Registers are effective (the "assurance" role) or could be improved (the "process improvement" role.) The commencement of an internal audit program can occur in the 18/19 year, once the process is funded.
2. The Committee also discussed how Council's Investment Policy guides decisions about how Council's funds are to be invested.
3. The following recommendations have been made to Council:
 - 3.1 That it notes that management of risk mitigation projects in the Operational Risk Register is being reported to the Committee and that reporting will be extended to show movements in residual risk ratings as a consequence of completion of the risk mitigations.
 - 3.2 That it notes that the Committee is satisfied with the format of the Corporate Risk Register; that this will need to be aligned with the new Strategic Plan; and that subsequent reporting to the Committee should be in a similar format as is being established for the Operational Risk Register.
 - 3.3 That Council allocates funding in the 2018/19 budget to engage an independent internal audit professional firm to work with the senior management team, to develop a three year internal audit program linked to the corporate and operational risk registers, as updated for the new strategic plan.

Iain Summers
Chair
12 March 2018