

LORD HOWE ISLAND BOARD

Business Paper

OPEN SESSION

ITEM

Audit and Risk Committee Overview.

RECOMMENDATION

The report is submitted to the Board for information.

BACKGROUND

Treasury Policy Paper 15-03 *Internal Audit and Risk Management Policy for the NSW Public Sector* requires all agencies to establish an independent Audit and Risk Committee (ARC) with appropriate expertise.

The objective of the ARC is to provide independent assistance to agency heads by monitoring, reviewing and providing advice about the agency's governance processes, risk management and control frameworks, and external accountability requirements.

The Core Requirements of the *Internal Audit and Risk Management Policy for the NSW Public Sector* are:

1. Risk Management

Core Requirement 1.1: The agency head is ultimately responsible and accountable for risk management in the agency.

Core Requirement 1.2: A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/ANZ ISO31000:2009.

2. Internal Audit

Core Requirement 2.1: An internal audit function has been established and maintained.

Core Requirement 2.2: The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing.

Core Requirement 2.3: The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.

3. Audit and Risk Committee

Core Requirement 3.1: An independent Audit and Risk Committee with appropriate expertise has been established.

Core Requirement 3.2: The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.

Core Requirement 3.3: The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.

As establishing and maintaining an ARC is expensive, the Board has entered into a shared agreement with the Department of Planning, Industry and Environment (DPIE) ARC. This service is provided by DPIE at no cost to the Board.

Each quarter the DPIE ARC Secretariat prepares agendas for approval by the Chairperson of the ARC. Once approved the agenda is distributed and papers are prepared by Board officers for consideration by the ARC. Meetings are held, and minutes produced by the Secretariat.

The Chief Executive Officer and the Manager Business & Corporate Services attended the first meeting of the newly form ARC by conference phone on Wednesday 4 March 2020. Draft minutes have been provided, subject to confirmation.

Please note that the ARC meetings have been scheduled for the year, but are subject to change:

- 4 March
- 14 May
- 22 July
- 10 September
- 19 November

The new committee has been formed as a result of the 'Machinery of Government' changes last year. Members are:

- Penny Hutchinson (Chair)
- Brian Blood
- Julie Elliott
- Alan Zammit AM

RECOMMENDATION

The report is submitted to the Board for information.

Prepared: John van Gaalen Manager Business and Corporate Services

Endorsed: Peter Adams Chief Executive Officer

Attachment:

Attachment A: Draft ARC Meeting Minutes 4 March 2020



MINUTES		
Name	AUDIT AND RISK COMMITTEE (ARC)	
Location	4PSQL11.20H 12 Darcy Street, Parramatta	
Date / Time	Wednesday 4 March 2020 at 4:00pm to 5:00pm	
Committee	Chair Member Member Member	Penny Hutchinson Brian Blood Julie Elliott Alan Zammit AM
Attendees	Chief Executive LHIB Manager Business and Corporate Services LHIB A/Executive Director, Governance (CAE) Director Audit and Risk Manager Internal Audit Director Governance AO NSW Representative	Peter Adams John Van Gaalen Simonne Daly Allan Murray Michael Doherty Rod Smith Reiky Jiang
Invitees	Director Thomas, Noble & Russel (External Auditor)	Kevin Franey Sally Opie
Minutes	ARC Secretariat	
Apologies	nil	

1. WELCOME AND DECLARATIONS OF INTEREST

1.1 Acknowledgment of Country

The meeting commenced at **3.15pm** and the Chair acknowledged the traditional owners of the land on which the meeting was being held, and paid respect to Aboriginal Elders past and present.

1.2 Welcome and Apologies

The Chair noted that all Committee members were present and that there were no apologies

1.3 Register of Interests

Members reviewed the Register of Interest and the Chair advised that she had no conflicts of interest and would provide details of her Board and Committee commitments after the meeting.

Julie Elliott advised she is a Director of the Board and Chair of the Audit and Risk Committee for Australian Invoice Finance and a Member of the Investment Advisory Committee of the NSW Trustee and Guardian.

Alan Zammit advised that he was no longer a member of the Office of Environment and Heritage Audit and Risk Committee.

2. NEW LHIB ARC GOVERNANCE ARRANGEMENTS

2.1 Draft Shared Audit and Risk Committee Charter

The Committee discussed the Draft Shared Audit and Risk Committee Charter and noted this was a similar arrangement to the shared arrangement that LHIB had entered into with DPE and was based on the model Charter provided by Treasury NSW.

The Committee noted some typographical errors that are to be amended.

The Committee recommended that the amended Shared Audit and Risk Committee Charter be adopted and signed by the relevant parties

2.2 Draft Meeting Dates

The Committee discussed the meeting dates and agreed the dates for November 2020 could be changed to allow attendance by all Members. The Committee noted the Secretariat canvass the Members for suitable dates.

The Committee endorsed the Meeting Dates for 2020 up to and including September.

2.3 Draft Annual Meeting Plan

The Committee noted the Annual Meeting Plan provided. The Committee noted this will be reviewed every meeting and if necessary, changes can be made.

2.4 Appointment of Chief Audit Executive

The Committee discussed the role of the CAE within a cluster of this size. The Committee noted that the Executive Director Governance role would be the CAE for the Cluster and that this appointment would be recommended to the Secretary for approval.

The Committee noted for the purposes of the ARC the Manager Internal Audit would attend the LHIB ARC as the CAE.

The Committee endorsed the recommendation for the CAE arrangements to the Secretary for approval

3. MINUTES FROM PREVIOUS MEETINGS AND ACTIONS ARISING

3.1 Minutes for the Meeting held on 9 September 2019

The Committee noted the Minutes of the LHIB ARC meeting held on 9 September 2019 that have been signed by the Chair of the Committee.

3.2 Actions Register

The Committee noted there were no actions arising for LHIB.

4. CHIEF EXECUTIVE OFFICER'S REPORT

4.1 Introduction to LHIB

The Chief Executive Officer provided a brief introduction to LHIB for the new members of the Committee.

The Committee noted the Lord Howe Island Board was established by the Lord Howe Island Act 1953 and that this Act overrides other NSW legislation.

The Board manages perpetual leases for residences and permissive leases for businesses. The Board also provides a full range of government services to the residents of the Island including national park (Permanent Park Preserve) management, World Heritage, power generation, airport, Births Deaths and Marriages Registry, as well as Council type services. The Board also runs the liquor store on the Island.

The Committee noted the Chair of the Board is usually a senior NSW public servant and is currently Anissa Levy, formerly the Coordinator -General, Environment, Energy and Science with DPIE.

The Committee noted that the Lord Howe Island Group has World Heritage listing and the budget includes grants from the State and Commonwealth for projects such as Rodent Eradication and Renewable Energy.

The Committee noted the main businesses on the Island are tourism and Kentia Palm seed exporting.

4.2 CEO's Report

The Chief Executive Officer (CEO) advised Tropical Cyclone Uesi passed directly over the Island, but no injuries or loss of major infrastructure were reported though many large and mature trees were lost.

The Rodent Eradication Project has successfully completed its major implementation phase but it will be 18 months before the project can be declared a success. The Committee noted there had been a shortfall in funding for the project due to several issues including impacts caused by court challenges and extending the stay of Taronga Zoo staff until safe release in compliance with permits of Wood Hens could be achieved.

The Committee noted further submissions are being made for additional funding.

The Renewable Energy Project is well underway, and a new project management governance system has been developed for this project and due to its success will also be used on future projects. The Committee noted a loan from Treasury for this project will be able to be repaid from savings from diesel.

PFAS is present on the island however levels are low. Due to the World Heritage status (EPBC Act) some further investigations will have to be made.

The CEO advised that continuation of air services by Qantas to LHI was still a high risk and that discussions with other airlines with planes able to land on the existing runway are currently underway. Recently discussions have also been held with Alan Joyce from Qantas.

The Committee noted Lonely Planet had recently reported LHI to be the 5th most attractive destination in the world.

The CEO advised that the Local Emergency Management Plan and its Consequence Management Plans were used to prepare for the Cyclone and will be used in preparedness planning for the Corona virus.

The Committee congratulated the CEO and the staff on the success of the Rodent Eradication Program. The CEO advised that staff well being throughout the project had been of concern and that they had been assisted by Cluster Corporate Services (CCS) Human Resources and the Employee Assistance Program.

The Committee noted the CEOs Report and Risk Report that were provided.

5. RISK MANAGEMENT

Included in Agenda Item 4.2 Chief Executive Officer's Report

6. FINANCE

6.1 Financial Management Report

The Committee noted the report provided including the summary of Grants.

7. INTERNAL AUDIT

7.1 Internal Audit Charter

The Committee discussed the Internal Charter and recommended that it be signed by the relevant parties.

7.2 Internal Audit Report

The Committee noted that there are no audits scheduled in FY19/20 for LHIB and discussions have not yet been held regarding the FY20/21 Internal Audit Plan. The Committee noted Work Health and Safety processes are now on the Risk Register and may be suitable to be audited.

The Committee noted an audit of Approval Processes had been conducted in the FY18/19 and **requested** the Manager Business and Corporate Services work with Internal Audit to review the expected completion dates for the recommendations.

8. EXTERNAL AUDIT

8.1 External Audit Engagement Plan

Reiky Jiang, Director Audit Office of NSW discussed the Engagement Plan with the Committee.

The Committee noted that new Accounting Standards and Re-valuations will be significant this year as well as points specific to IT.

The Committee noted LHIB will not be required to complete Early Close this year but will instead focus on the issues outlined in the Engagement Plan.

8.2 AONSW Management Letter

Kevin Franey, Director Thomas Noble and Russell (TNR) discussed the Management Letter with the Committee

The Committee noted that the Management Letter identified 22 moderate and low risk issues to be addressed and that many related to IT matters. The CEO advised that an IT Committee was to be formed and CCS IT would be providing assistance.

The Committee noted the Management Letter had only recently been issued and progress on addressing the recommendations will be reported on at the next meeting in May.

8.3 External Audit Recommendations

The Committee noted a number of legacy issues that are still to be resolved and urged the LHIB to finalise these as soon as possible.

The Committee discussed if audits are required for Grants and other funding and were advised that grants usually have audit and acquittal processes set out.

The Roads to Recovery program requires audits and they are done each year.

The Committee noted an audit is not always required sometimes it is just returning the correct paperwork. The Committee noted TNR assists LHIB with this process.

9. OTHER BUSINESS

There being no other business the Meeting closed at **4.18pm**

Signed as a complete and correct record: _____ Date: _____

Penny Hutchinson, Chair