



AUDIT AND RISK COMMITTEE MINUTES

Date: Thursday, 9 June 2022

Meeting Number: 57

Location: Microsoft Teams

Information & Privacy Commission NSW

Meeting Rooms McKell L15-Exec01-14 & McKell L15-Exec02-14

Level 15, McKell Building

2-24 Rawson Place

Haymarket NSW 2000

Time: 15:00-17:00

Members: **Mr Paul Crombie (Chairperson) (PC)**

Mr Malcolm Clinch (MC)

Ms Marcia Doheny (MD)

In attendance: Ms Somaiya Ahmed, Audit Office (SA)

Ms Olive Ferino, Audit Office (OF)

Ms Elizabeth Tydd, Information & Privacy Commission (ET)

Ms Samantha Gavel, Privacy Commissioner, Information & Privacy Commission (SG)

Ms Jessica Kavanagh, Information & Privacy Commission (JK)

Ms Sonia Minutillo, Information & Privacy Commission (SM)

Mr Ian Naylor, Information & Privacy Commission (IN)

Ms Pamela Robertson-Gregg, O'Connor Marsden (PR)

Mr Clinton Gould, Department of Customer Service (CG)

Mr Michael Tzimoulas, Department of Customer Service (MT)

Mr Nick Sikka, Department of Customer Service (AM) (for finance discussion)

Minutes: **Lynley Mattes, Information & Privacy Commission (LM)**

Attendance not requested: N/A

Apologies: Ms Judy Malpas, O'Connor Marsden (JM)

Ms Yasmine Salameh, Information & Privacy Commission (YS) (for finance discussion)

ITEM

15:00 - DCS Finance joined the meeting (Agenda changed to accommodate early arrival)

6. Finance

IN advised that carry overs from the MNDB scheme of \$500k have been approved by NSW Treasury which has reduced IPC's surplus. De-recognition of assets of \$400k has been implemented. An adjustment to insurance premiums of \$3k has been applied. Negative appropriation will be removed.

CG added in relation to the budget, the 3% employee wage increases and 3.5% in the following year will be applied by Treasury.

A. Financial Dashboard (April 2022)

Nick Sikka spoke to Paper 6 provided. NS took the paper as read.

Net cost of service is favourable to the budget.

Operating expenses are unfavourable, but the YTD figure overstates the budget. \$500k represents \$335k in ERC and \$165k in capital funding.

Cash position is \$2.3m as at today's date.

The Chair queried the forecast and what assumptions were involved in the adjustments. IN confirmed that the dashboard reflected a reduction in surplus because of a carry forward of \$500k. MC queried what IPC is looking to do with the surplus. ET advised that there are projects (ie. MNDB) and other items that are coming up which will use these funds. ERC has not been at full capacity but will be in the short term. MC asked whether the funds for the GIPA Act review will be carried forward into next year budget. ET confirmed and advised that two items were being carried forward through the Technical Parameter Adjustments (TPAs) and IPC is pleased with the outcome.

The Chair queried the pass-through costs and whether this process can be streamlined for next year. CG advised that they can try to get a more accurate forecast. ET advised that because of new models of charges and in some instances, they are being backdated and not anticipated. The cluster is coming to grips with these charges which are unpredictable.

Action Item: CG will investigate streamlining the process for pass-through costs with Vishal Mulay and advise out of session (MT)

The Committee commented that it appears the preparation of the financial statements is going better this year compared to last year and it was noted that the quality of input from DCS is much improved this year.

The Chair expressed his appreciation to the Finance Team for a job well done, especially Leanne Huynh.

The Chair queried how the IPC ARC is to have visibility about the DCS shared services which pose a significant risk to IPC. . The ARC observed that where the DCS internal audits reports were relevant to the IPC and the shared services arrangements in place with the DCS then these should be made available to the IPC. From a risk management perspective, this is essential if the IPC and the IPC ARC are to understand whether these 'shared services' risks are being managed. MD also suggested that any recommendations from the Audit Office be provided to the IPC and IPC's ARC.

**Action Item: CG will request access for the IPC of internal audit reports into DCS shared services as well as Audit Office recommendations regarding shared services.
(BPO) (MT)**

CG advised that the Business Process Outsourcing (BPO) over the last few years has improved dramatically. The CT shared service was moved away from Unisys to a combination of suppliers. The ongoing issues have been access controls. Every quarter the BPO provides an attestation of a number of controls which are tested every quarter and reported on. Deloitte then audits the BPO attestations.

15:35 – DCS Finance left meeting. Somaiya Ahmed left meeting.

1. Chair Welcome

The Chair welcomed the attendees.

2. Attendance

3. A. Declarations of interest

Nil.

B. Disclosures

Nil.

4. A. Minutes of previous meeting of 25 March 2022

Endorsed by the Committee and confirmed the publishing of 25 March 2022 minutes.

B. Rolling Action Report

SM spoke to the Chief Executive Audit and papers. All other items have been acquitted and will be removed after two meetings.

5. A. Update from the Chair

The Chair provided an update on the Cluster Chairs' meetings.

B. Update from the CEO/Information Commissioner

ET took the paper as read. Regarding the Auditor-General Report on Internal Controls & Governance she has emailed Belinda Lawn that the internal audit controls be raised at the independent agencies within the cluster (MOU) meeting tomorrow.

The Pecuniary Interests audit was discussed. ICAC has announced a significant enquiry into two former councillors' failure to disclose conflicts of interest. IPC has written to ICAC highlighting IPC's audit report and GIPA Act requirements in relation to local government.

The Chair noted ET's letter to Belinda Lawn and queried if a response has been provided. ET advised that no response has been provided, but a representative will be attending the meeting tomorrow to provide an update.

MD asked for an overview of the FOI Philippines meeting. ET provided a summary and noted how interesting and beneficial this meeting was. ET spoke to one item regarding Covid and digital identity for receipt of a grant from government as an example of their work and its nexus to the IPC jurisdiction.

C. Update from the Privacy Commissioner

SG spoke to her paper and spoke to the MNDB Scheme continues to be tweaked and we are still awaiting a date for Parliament. As the IPC has received funding, work is still being implemented around a project plan across the whole of the IPC.

The Chair queried whether there is any suggestion that this may be opposed? SG advised that she didn't think it would be opposed but may be amended.

Data Breaches are keeping the IPC busy, and it received notification regarding the icare breach which has been reported on in the media. Another breach was notified by Department of Communities and Justice (DCJ) of a platform used by NGOs and NDIS which was a cyber breach and reported on in the media. MD asked what the IPC does when a voluntary breach is notified. SG advised that there is a risk assessment for each breach, consideration of the actions taken and continued or further engagement where required. This is a voluntary scheme and there is no legislative or statutory function behind it. Discussion was had as to why this is voluntary and the trajectory of breaches over the years. SM advised that in the last 4-5 years, human error is the main cause of breaches but IPC is starting to see larger numbers of more types of more complicated breaches. SM provided a more detailed overview of the types of breaches and approach to the response to breaches. MD commented that the MNDB Scheme will likely see more notifications coming through and raises the issue of resources for the IPC to be able to assist agencies. The IPC had received additional funding which included for adding staffing as part of its proposal.

SG advised that Privacy Awareness week was very positive, particularly the Forum.

SG advised that sharing of personal information during emergencies has now been the subject of additional regulation.

The Chair queried the DRF and whether it was increasing. ET advised it is a finite fund which is undersubscribed which comes in tranches. Governance and administrative perspectives need to be managed better. DCS and the Minister appear quite happy with the response.

6 B. GovConnect Update

Standing item.

Spoken to in Item 6 above.

7. External Audit

A. 2021/2022 Financial Statements Update

SA took the Draft Report as read and asked for any questions.

IN summarised the findings of the report actions suggested.

Key Issues

1. *The Disclosure Deficiencies relate to rounding of \$1 of prior year depreciation figures, formatting and how our DRF funding is disclosed (point 1)*

2. *The grant reconciliation by DCS was completed one day late due to IPC Finance Team not being included in an internal DCS email. IN will raise this with Nick Sikka (DCS)(point 5)*

3. *There is a comment about DCS not following its own Blackline Policy. Again, IN will raise this issue with Nick Sikka (point 7)*

4. *The Audit Office has suggested IPC removes the note on the statements about the DRF funding but IN has replied that the IPC and its ARC wish to keep this in the financial statements for transparency purposes (note 11)*

SA advised that the AO's comments were mainly around MNDB. ET expressed gratitude that the issue of the timeliness was raised.

IN asked if this Report can be forwarded to the Audit Office today which will enable a final Report to be submitted to the IPC also for submission to Treasury. The Committee endorsed this Report.

The Chair thanked the AO for its work with the preparation of the early close statements.

IN advised that a date of 26 July has been noted tentatively for the ARC to consider the financial statements. DCS will provide the draft on 19 June 2022.

Action Item: LM to ensure that Peter Scarlett is onboarded and a pre-meeting arranged

Action Item: MD cannot make the proposed OOS date of 26 July 2022. LM to contact the Committee separately

8. Agency Planning and Reporting

A. Monthly IPC Case File Dashboard (April 2022)

The report was noted and taken as read.

B. Quarterly Report to the Attorney General & Minister Dominello – Quarter 3, January 2022 to March 2022

Noted as read.

C. Cyber Security

Under the Essential 8 progressing the maturity level from 0-1 is being considered. Three projects to 30 June 2022 (applications control, application hardening & macro controls) are being implemented. Phishing exercise was discussed. Cyber security training continues to be rolled out. A presentation was provided to staff at the staff meeting on Tuesday, 6 June 2022. Working with DCS on Project Trust.

ET commented that the ARC members do not receive the same type of training that the IPC receives and questioned if provision of training would assist the ARC.

Action Item: LM to investigate what Cyber Security training can be provided to the ARC (with access taken into consideration)

MC noted the 100% performance result in the dashboard which is an exceptional result for the team. ET added this was particularly pleasing given that staff turnover and sick leave have been increasing. MD noted the amount of work managed by the I&R team and the ARC congratulated the team on their efforts.

MC noted that IPC executives were attending the office 6 days per month and there was a discussion about whether this was the practice across the cluster. IN provided an update noting that the IPC had followed the DCS guidance on returning to the office, IPC Staff are encouraged to come in at least one day per week.

D. Auditor-General Report on Internal Controls & Governance

Addressed by ET above in Item 4B.

Updates will be provided on actions relating to the Action Plan in future meetings under Item 8.

9. Internal Audit

A. Status Register

A draft Internal Audit report for the Records Management Audit has been provided to the CAE, which following review, was made available to the CEO. The report has observed a number of recommendations that require attention by the IPC. In light of this and the totality of the report, it will be of greater assistance to the Committee to provide the ARC with a more holistic detailed remediation plan to accompany the agreed management actions. When prepared, this will be provided with the Report out of session. ET reviewed the report this morning and noted that OCM's work on the substance of the report was very good. . ET confirmed her view that the nature of this report and its recommendations requires a remediation plan provided with the Report to the ARC. The ARC can then undertake ongoing monitoring of remediation.

The Quality Assessment Internal Audit has been undertaken and a draft report has been received. SM extended her thanks to all who provided their time and assistance. SM is meeting with the IIA to go through the report which with the final report to be circulated out of session. SM noted that on preliminary review no significant issues but some improvement opportunities.

Action Item: Internal Audit Report for Records Management (and Remediation Plan) to be circulated by SM out of session

Action Item: SM to circulate the QAIP External Assessment report out of session

The Internal Audit Plan is attached to the papers and the next Audit is the Business Continuity and Cyber Security Preparedness.

10. Risk Management 2021-2022

A. Review of IPC Risk Register (includes WHS) Q4 2021-2022

SM spoke to minimal updates which have been made to the Risk Register, attributed to the early stages of the work on many of the risk treatments. The transition from the Risk Treatments to Risk Register and the change in the Risk Rating will be a much longer change as the impact to the residual rating relies on the totality of the treatments being completed. Changes to the Register have been made in the Risk Register (ie. S4 and no change in the Risk Rating).

The Chair queried the review of the Enterprise Risk Management Framework. SM advised that this is progressing, and further information has been provided to assist this process. PRG advised that a draft report will be provided next week. The Chair asked if the report addresses the risk appetite for IPC. All items have been considered.

MD asked when the actual risks were last reviewed. SM advised that, in early February 2022, a comprehensive review of risks was undertaken through a workshop facilitated by OCM and the updated risks and treatments were put into the risk register. ET added that the updating of the risks is aligned with the 2 year Strategic Plan.

The Chair queried the status of the Information and Privacy Advisory Committee and whether it has a nexus with the ARC. ET provided a summary of the IPAC's functions. IPAC is proving to be extremely helpful but there doesn't seem to be an interconnectedness with the ARC.

The Chair queried how effective IPC's cyber security risk controls are. SM noted that the controls that we do have in place are effective and, due to training, exercises and the nature of the IPC the IPC is possibly more alert to cyber security issues than other agencies might be. The controls seem effective but external threat actors exist. The next internal audit will be an opportunity to identify further controls.

B. IPC HSC Meeting (24 May 2022)

Minutes of meeting noted. No significant matters.

MD noted that there has been an emphasis on the physical attendance in the office and whether psychological impacts are being considered. IN advised that IPC has only come back into the office recently and the minutes reflect the IPC trying to get back into the physical attendance. Mental health has been discussed at the Executive level but not so much at the HSC.

LM advised of the Benestar training that has been provided and staff were reminded of Benestar offerings on the intranet (private, anonymous, not just mental health but financial and not just staff, family too). ET told the ARC about the Profile Photo exercise provided by the Social Committee. MD queried new starters and what is being done for those who have been onboarded during lockdown (the last 12-18 months). SM spoke to her team and what is being done (ie. reporting lines, socially, to build relationships & inclusion (peer to peer)).

11. Review of ARC Charter Annual Calendar

A. Annual Calendar

The ARC Members noted the paper as read.

Other Business

SM advised that the Audit of her performance as the Chief Audit Executive has been brought forward and the current Chair has agreed to lead that review.

The CAE, ET and MD extended their thanks, appreciation and recognition to the Chair for the considerable value that he has brought to the IPC during his involvement with the IPC ARC.

The meeting closed at approximately 17:05.

ARC Meeting Schedule for 2022

- OOS Tuesday, 22 July 2022 @ 13:00
- Thursday, 22 September 2022 @ 10:00
- Friday, 25 November 2022 @ 14:30

Tenure Dates

Member	Appointment	Commencement Date	End Date	Extension End Date 1	Extension End Date 2
Malcolm Clinch	Member	5 July 2015	5 July 2018	5 July 2021	5 July 2023
Marcia Doheny	Member	28 June 2019	28 June 2022		
Marcia Doheny	Chair	17 June 2022			
Peter Scarlett	Member	17 June 2022			