



MIDCOAST
council

ANNUAL REPORT

Audit, Risk & Improvement Committee

2021





ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the traditional custodians of the land on which we work and live, the Gathang-speaking people and pay our respects to all Aboriginal and Torres Strait Islander people who now reside in the MidCoast Council area.

We extend our respect to elders past and present, and to all future cultural-knowledge holders.

MIDCOAST AUDIT RISK & IMPROVEMENT COMMITTEE

From the Chair

The Audit Risk & Improvement Committee focuses on issues relating to financial reporting, and oversights external audit, internal audit, governance, risk management, internal control, and compliance matters within Council.

The Committee includes a balance of professional skills, knowledge and technical experience through the appointment of two Councillors and three independent members (one of whom is Chair). 2021 pandemic outbreaks and restrictions, continued to play a big part in the committee's monitoring of risk, unexpected expenditures, and Council response. We received COVID-19 recovery updates at intervals throughout the year.

Our approach has been to focus on matters of improvement along with emerging risks and has included routine presentations on matters such as the delivery program, cyber security improvements, capital works program, and risk registers. In addition, our monitoring of implementation of improvement recommendations, and one-off presentations that allow for better understanding of key aspects of Council's operations (ICT, Health & Safety, Procurement).

We see great benefit in enhancing the value provided by the Committee through particularly focusing on our improvement mandate. Coupled with that we continue to widen our focus to include more routine areas of responsibility where we believe the Committee can add value. Things like, major projects and business initiatives, wider regulator/oversight activities and local government focus areas including open and transparent governance, improving legislative compliance, and fraud and corruption frameworks and awareness.

Committee members bring significant experience from across local government and I value their insights and contributions during and between meetings. Member's ability to ask questions, evaluate answers, and probe issues has enhanced our ability as a whole to think objectively and independently. Our annual review of performance allowed us to take stock, refresh our approach, and better engage. We work within a culture of openness and transparency, ready to accept and foster change.

The Committee provides timely strategic reporting on significant governance, risk and control issues to Council soon after each meeting. I commend this Annual Audit, Risk & Improvement Committee report to Council.

Stephen Coates
Chair - MidCoast ARIC



OVERVIEW

The 2021 MidCoast ARIC Annual Report to Council provides a summary of key activities undertaken during 2021.

INTRODUCTION

The Local Government Act 1993 ('Local Government Act') and the Local Government (General) Regulation 2021 ('Local Government Regulation') require each council in NSW to have:

- an audit, risk and improvement committee (ARIC) that continuously reviews and provides independent advice to the council on how it is functioning and managing risk
- a robust risk management framework that accurately identifies and mitigates the risks facing the council and its operations, and
- an effective internal audit function that provides independent advice as to whether the council is functioning effectively and the council's internal controls to manage risk are working.

MidCoast Council's ARIC was established 28 February 2018 in accordance with the above. In establishing ARIC consideration was also given to the obligations that will be imposed by section 428A of the Local Government Act 1993, when that section commences. Council considered section 23A guidelines (OLG Internal Audit Guidelines) when adopting the MidCoast ARIC Charter.

ARIC has a key role in the organisation's governance framework by bringing a systematic and disciplined approach to the examination of the effectiveness of risk management, control, governance, and continuous improvement processes in Council.

The objective of the committee is to provide independent assurance, oversight and assistance to Council on risk management, control, governance, internal audits, organisational performance and external responsibilities in an advisory capacity.

The responsibilities of the committee will include, but not be limited to, keeping under review the following aspects of Council's operations:

- Compliance
- Risk management
- Fraud control
- Financial management
- Governance
- Implementation of the strategic plan, delivery program and strategies
- Service reviews
- Collection of performance measurement data by the Council, and
- Any other matter prescribed by the regulations

As part of this objective, the Committee ensures that there are adequate and effective systems of internal control in place throughout Council and assists in the implementation of the internal and external audit plans. The committee also provides information to the Council for the purpose of improving the performance of its functions.

CHARTER

The Committee operates in accordance with the Audit, Risk and Improvement Committee Charter. The Charter is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to section 23A of the Local Government Act 1993 and drafted in consideration of the amendments proposed in Part 4A of the Local Government Amendment (Governance and Planning) Act 2016.

The Charter is available on the MidCoast Council website - [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

The Charter was last reviewed and adopted by Council in February 2022.



YEAR IN REVIEW

Number of meetings

In 2021 ARIC met four times to review reports, audit program and audited financial statements. The four meetings were scheduled ARIC meetings,

The 2021 Audit, Risk and Improvement Committee meetings were held:

- 19 February 2021
- 14 May 2021
- 6 August 2021
- 26 November 2021

Action items arising from Audit, Risk and Improvement Committee meetings are noted and responsibility assigned. Progress is tracked and reported to the Committee at subsequent meetings.

Members

The MidCoast ARIC membership includes:

Member	Position	Role	Eligible	Attended
Stephen Coates	Independent	Chair	4	4
Peter McLean	Independent	Member	4	4
Donna Rygate	Independent	Member	4	4
Cr Claire Pontin	Councillor	Member	4	4
Cr David Keegan	Councillor	Member	1	1
Cr Troy Fowler	Councillor	Member	3	2

Appointments to ARIC are staggered to allow for continuity of the Committee with:

- One external member elected as Chair and appointed for a period of two years.
- Two external members are appointed for a three-year period.

The term of the Chairperson expired in February 2021. A recruitment process was undertaken, and Stephen Coates was reappointed as the Chairperson of the MidCoast Audit, Risk and Improvement Committee by resolution of Council on 24 March 2021 for a two year term.

Cr Keegan resigned his position from Council on 9th April 2021. Cr Fowler was appointed as the replacement representative to work alongside Cr Pontin at ARIC.

Disclosures of Interests

Disclosures of interest are declared and recorded at meeting.

Reporting to Council

As there is sensitive information presented and discussed at ARIC the meetings are considered confidential. However, regular reporting is provided to Council to ensure there are strong linkages between ARIC and the elected representatives.

Reporting to Council includes:

- A copy of the brief agenda distributed to Councillors ahead of each meeting
- Confidential memo to Councillors following each meeting
- ARIC Chair presents to Councillors twice per year
- ARIC Annual Report prepared and presented to Council

Agenda

A typical agenda includes:

- Acknowledgement of Country
- Outstanding matters from previous minutes
- Declaration of Pecuniary or Conflicts of Interests
- Borrowings, Investments & Treasury Report
- Financial & Budget Review
- Contracts Management
- Monthly Project Status / Capital Works Reports
- Matters Before the Court
- Incidents & Claims Report
- RMS Drives
- Workplace Health & Safety

Senior staff are invited to attend the ARIC meetings to discuss strategic focus and corporate direction.

Report calendar

Reports are scheduled and prepared in accordance with the ARIC Report Calendar and are in line with the key areas recommended by OLG.

- External Audit & Financial Reporting
- Internal Audit
- Compliance
- Risk Management
- Fraud Control
- Financial Management
- Governance
- Implementation of strategic plan, delivery program & strategies

Audit of Financial Statements

The External Audit of the Financial Statements for the year ending 30 June 2020 was undertaken by the Audit Office of NSW.

The completed statements were adopted at the 24 November 2021 Ordinary Council Meeting and submitted to the Office of Local Government (OLG) at the end of November 2021 in accordance with statutory requirements.

The NSW Audit Office is an invited attendee for each ARIC meeting. Discussions with the NSW Audit Office include:

- The Financial Audit Annual Schedule
- Presentation of the Interim Management Letter and associated Agreed Management Actions (AMA)
- Presentation of the Final Management Letter and Associated AMA's.
- Findings from the External Audit
- The Audited Financial Statements
- An in-camera session

Internal Audit

The Internal Audit function at MidCoast Council is outsourced and is currently performed by O'Connor Marsden (OCM), who have completed the first year of the contract. Representatives from OCM attend each ARIC meeting and provide details of their audit findings.

In line with the Charter, the annual performance review of the internal audit function was undertaken and presented to the 19 February 2021 ARIC meeting.

OCM presented to ARIC the updated Audit Framework with the three-year audit plan. Once the one-year Internal Audit program is agreed to by ARIC with input from senior management and the external auditor, the specific audits are coordinated by the Governance section of MidCoast Council.

An effort has been made to maintain the audit program for 2021 even though the major flooding in March 2021 and Health Orders associated with COVID-19 have impacted on the delivery method and resources available.

There were six audits undertaken in 2021. The specific Internal Audits conducted during 2021 include:

- Financial Health Check
- Project Management
- WHS
- DRIVES
- Records Management
- Fuel Card Audit

Management of actions

During 2021 a management tool was designed and implemented to enable MidCoast Council to better manage action items from ARIC meetings, external audit and internal audit. The tool tracks the action, responsible officer, due date, overdue actions, status, progress notes and completion dates. These management actions are reported to each ARIC meeting.

Enterprise Risk

A key consideration of ARIC is to review and assess how effectively Council is managing its risks across its broad range of functions and services. The Committee receives regular updates relating to matters before the court, claims and incidents data, emerging risks as well as an update on the implementation of Councils Risk Management Road Map. During the 2021 year the Committee has reviewed:

- Council's Strategic Risk Register and the three Divisional Risk Registers.
- Council's following Operational Risk Profiles – Procurement, Engineering Operations, MidCoast Assist, Governance
- The 2020-2021 CIP Workbook results (Fleet Management, Event Management, Building Asset Management, Footpaths)
- Outstanding CIP actions from 2019-2020 CIP Workbooks (Sporting Fields, Contractor Management, Risk Culture, Information Security)
- Council's adopted Business Continuity Policy and Plan

A copy of Council's Risk Management Road Map, which the committee receives regular updates on, is provided on the following page.



OUR RISK MANAGEMENT ROADMAP - A SNAPSHOT

Objectives

To embed risk management across the organisation so that we realise the benefits and opportunities that effective risk management offers

To achieve the Organisational Vision
“...to be a high performing organisation where we are always striving to be better. One where we work collaboratively and are trusted. Better every day.”

Our framework

- ✓ Risk Management Policy
- ✓ Risk Management Framework
- ✓ Risk Management Process (Handbook)
- ✓ Risk Management Roadmap (detailed Plan)
- ✓ Risk Registers
 - Strategic
 - Divisional
 - Operational

Key actions to achieve objectives

- ✓ **Education & Awareness Sessions** – promote benefits, increase understanding and build capacity
- ✓ **Risk Management Hub** – provide easily accessible risk management processes, tools & guidance
- ✓ **Risk Registers** – build risk registers to inform focussed analysis & control implementation
- ✓ **Risk Review & Reporting Structure** – ensure oversight and accountability for risk management through review and reporting
- ✓ **Risk Management System** – implement a system to track and report on risk & action plans
- ✓ **Statewide CIP Program** – participate in programs that identify gaps and promote enhanced risk management approach to operations
- ✓ **MCC Risk Management Grant Funding Program** – promote risk management and capacity building through internal initiatives
- ✓ **Process Improvement Opportunities Program** - use claims data to identify risks and inform process improvements

Benefits & gains

- ✓ Achieve desired outcomes and realise opportunities
Make reliable, informed and evidence based decisions
- ✓ Reduce incidents, liability exposure and claims – reduced financial losses, safeguard people, property, environment & reputation
- ✓ Improve internal and external communication, confidence and trust
- ✓ Ensure compliance with relevant legislation, regulations and standards
- ✓ Enhance operational efficiency and continuity, and allocate resources effectively
- ✓ Allocate responsibility and ensure accountability for actions and decisions

How are we going to ensure we deliver on our roadmap?

- ✓ Commitment to delivery program & schedule
- ✓ Quarterly roadmap reporting to MANEX
- ✓ Risk reporting to MANEX, Ext MANEX & ARIC
- ✓ Continuous improvement Program reporting to Statewide Mutual

How are we going to measure success & identify improvements?

- ✓ Organisational risk culture surveys (minimum every 2 years)
- ✓ Daily operations and networking with staff
- ✓ Analysis of risk reviews and reports
- ✓ Analysis of incidents and claims data
- ✓ Monitoring of number of applications / participants in internal risk management grants program
- ✓ Seeking feedback from staff during internal risk management communications and initiatives
- ✓ Monitoring participation and responses to Statewide Mutual Risk Management Programs

MIDCOAST ARIC REPORT CARD

Committee Charter	Compliance
Committee meetings	A quorum was met at every meeting. Meetings held in this period include 19 February 2021, 14 May 2021, 6 August 2021, 26 November 2021
Composition	3 Independent members 2 Councillors
Broad range of skills and experience	The ARIC consists of a diverse range of extensive experience across risk management, internal audit, local government and commercial activities.
Sufficient time allocated to tasks	The ARIC agenda facilitated adequate time to discuss all internal audit reports from Council's Internal Auditor (O'Connor Marsden - OCM), external audit reviews, financial statements, and an update on the progress of the implementation of audit actions. The Agreed Management Action Items Report is tabled at each ARIC meeting.
Probity	Members declared conflicts of interest if they arose.
Risk management	Risk management key activities are reported at each meeting of the ARIC. The ARIC maintains interest in MidCoast Council's Enterprise Risk Management Framework and subsequent risk registers that have been developed that help to inform business planning and decision making, including the internal audit plan.
Control framework	The ARIC effectively reviewed the controls, policies and procedures through audit reports from OCM and high-level briefings received. The ARIC also received presentations from the Audit Office of NSW.
Compliance	The ARIC received and reviewed reports relating to compliance.
COVID-19 Pandemic	The ARIC has received regular updates on MidCoast Council's response to the COVID-19 pandemic.
Fraud, corruption and control	Council has an effective Fraud and Corruption Control Framework in place.
Internal audit	Reviewed and updated MidCoast Council's Internal Audit Three Year Plan. The ARIC monitored the implementation of internal audit recommendations by management. The ARIC received and discussed the following Internal Audit reports: <ul style="list-style-type: none"> • Financial Health Check • Project Management Audit • WHS Audit • DRIVES Audit • Records Management Audit • Fuel Card Management Audit
External audit	The ARIC has continued to review MidCoast Council's financial position and commitment towards achieving financial sustainability.
External accountability	The ARIC is a forum for communication between the Council, the General Manager, senior management, internal audit and the Audit Office of NSW. ARIC has in-camera sessions with the Audit Office of NSW and internal auditor. The Chair of ARIC has scheduled presentations to Council twice a year.
Financial management	The Committee receives the Quarterly Budget Review report and Investments report at each meeting along with accounting position papers.

YEAR AHEAD

ARIC have a planned audit program. Scheduled audits are noted in the table below.

MidCoast Council Internal Audit Plan

#	Audit/Review Description	Estimated Time (days)	To be scheduled
1	Water Management & Treatment	20	2022
2	Development Assessment Process (including VPAs)	15	2022
3	Capital Works Program	15	2022
4	ITC / Cyber Security	20	2022
5	Rates (4 Systems)	22	2022
6	Procurement, Tendering & Purchase Card (One System)	20	
7	Asset Management	20	
8	Volunteer Management	20	
9	HR - Performance Management	20	
10	Contract Management	15	
11	Complaint Handling	15	
12	Companion Animal – Pound Facilities and Management	12	
13	Property Leasing	12	
14	Management of Account & Attendance at ARIC (8 days per year) 20	20	2022(8)



Internal audits undertaken to date (by financial year)

Audit Topic	2019/20	2020/21	2021/22
Development of Three-Year Audit Plan and Internal Audit Framework	✓	✓	✓
Credit Cards	✓		
Procurement	✓		
Payroll and Allowances	✓		
Cemetery Compliance		✓	
Councillor Expenses		✓	
Finance Health Check		✓	
Project Management			✓
WHS			✓
Drives			✓
Records Management			✓
Governance Framework (AO Lighthouse Framework)			✓
Fuel Card Management			✓