

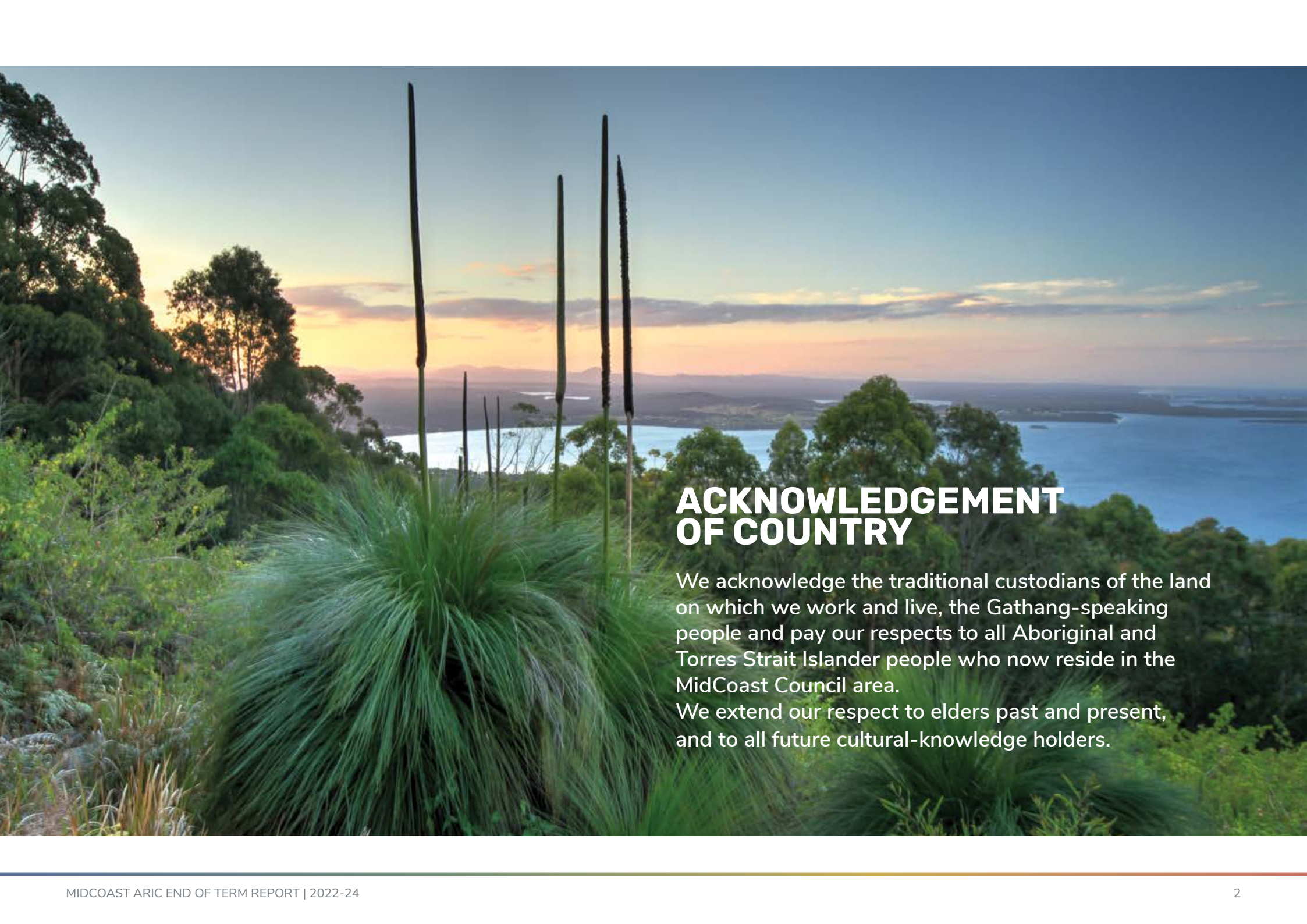


# MidCoast Audit, Risk & Improvement Committee



## END OF TERM REPORT

STRATEGIC ASSESSMENT 2022-2024



# **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.

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# INTRODUCTION

The *Local Government Act 1993*, the *Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023* (the 'Regulations') and the *Risk Management and Internal Audit for Local Government in NSW Guidelines* (the 'Guidelines') require each Council in NSW to have an audit, risk

and improvement committee (ARIC), a robust risk management framework, and an effective internal audit function.

The **MidCoast ARIC** was established on 28 February 2018.

The first MidCoast ARIC meeting was held 13 February 2019.



## Legislative Requirements

The Act, Regulations & Guidelines requires each Council to establish an ARIC to continuously review and provide independent advice to the General Manager and the governing body of the council on:

- whether the Council is complying with all necessary legislation, regulations and other legal requirements
- the adequacy and effectiveness of the Council's Risk Management Framework, fraud and corruption prevention activities, financial management processes, and the council's financial position and performance
- the Council's governance arrangements
- the achievement by the Council of the goals set out in the Council's Community Strategic Plan, delivery program, operational plan and other strategies
- how the Council delivers local services and how it could improve the performance of its functions more generally
- the collection of performance measurement data by the Council, and
- any other matters prescribed by the Local Government Regulation (including internal audit)

## Guiding Principles

The guiding principles for ARICs are:

- The ARIC is independent of the Council
- The Committee is equipped with the relevant expertise and has access to the Council resources and information necessary to fulfil its role and responsibilities effectively
- Each Council receives relevant and timely advice and assurance from the Committee on the matters listed

in section 428A of the Local Government Act

- The work of the Committee is thoroughly planned and executed, risk-based and linked to the Council's strategic goals
- The Committee adds value to the Council and is accountable to the governing body for its performance
- The Council is accountable to the community for complying with statutory requirements and these ARIC Guidelines relating to the Committee

## Reporting

Reporting to the Council is essential for accountability and will ensure that the governing body is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.

The MidCoast ARIC has developed a Reporting Framework based on the requirements noted in the Guidelines. The Reporting Framework, available in the ARIC Strategic Plan, outlines how ARIC inform and update the governing body on the work undertaken.

Some of the key reports to Council include:

- MidCoast ARIC Strategic Plan & Annual Work Plan
- MidCoast ARIC Annual Reports
- ARIC End of Term Report

Council also receive a copy of the agenda and meeting notes for each ARIC meeting.

## End of Term Report

The ARIC End of Term Report presents a comprehensive strategic assessment of the structure of the Committee and the work undertaken over the Council term (against the Regulations & Guidelines). The assessment has been undertaken in four key areas that include:

1. Structure – how ARIC is formed, its structure and whether it is compliant
2. Responsibilities & Functions – outlines the work ARIC is required to undertake and how it has achieved this
3. Practices & Processes – ensures the right strategies and procedures are in place to meet the legislative requirements
4. Effectiveness – how ARIC has reviewed its performance and the results

In the following pages there are a number of components presented to help demonstrate how ARIC have met the requirements. These include:

- overview of each of the areas or processes ARIC have in place
- snapshot from the Report Schedule presented and discussed with ARIC
- requirements noted in the Regulations and Guidelines
- a status update that shows the current state of the activity
- comments to provide more information and context about the status of each activity

Status Key



Target Achieved or Completed



On Track



Delayed or Deferred



Withdrawn or Cancelled

## Report from ARIC Chair

### I am pleased to present the MidCoast ARIC End of Term Report 2022 – 2024 to Council.

The 2022 – 2024 Council term has seen the MidCoast ARIC focus on understanding and implementing the new legislative requirements included in the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023 and the Risk Management and Internal Audit for Local Government in NSW Guidelines. The ARIC has been supported by an experienced and well-resourced Secretariat within Council, and I am confident the MidCoast ARIC has covered the entire breadth of these expectations detailed in the Act, Regulations, and Guidelines.

In order to achieve this, ARIC have developed strong working relationships with all stakeholders over the Council term including the External Auditor (Audit Office of NSW), Internal Auditor (O'Connor Marsden), Councillors, General Manager, senior staff, and subject matter experts.

As it is essential that the work of the ARIC is thoroughly planned and executed, to ensure that no Council activity or function is missed by the Committee, ARIC have developed a robust forward reporting calendar that is reviewed and updated for each meeting. This has resulted in a good annual plan that cycles through the major issues with excellent adherence to and implementation of the Guidelines.

The MidCoast ARIC notes that:

- ARIC operates in accordance with its Terms of Reference
- An Internal Audit Plan has been delivered, the details of which are available from page 22 in this Report
- Council has a robust Risk Management Framework that accurately identifies and mitigates the risks facing the Council and its operations. ARIC has received regular risk and assurance updates. Further details are available from page 16 in the Report

We are fortunate to have a diverse range of professional skills & experience in the MidCoast ARIC members. I thank all members, past and present, for their insights and contributions during the Council term. This group has allowed the Committee to achieve the development and delivery of core documents that guide the work of ARIC and ensure Council receives value for money from their assurance

investment. These documents include:

- MidCoast ARIC Framework that connects Council's plans and strategies with the work ARIC is undertaking
- Four-year MidCoast ARIC Strategic Plan and Annual Work Plan that includes a Framework for ARIC reporting to Council and performance measures
- MidCoast ARIC Annual Report to Council each year
- MidCoast ARIC End of Term Report

I believe the MidCoast ARIC has successfully navigated the implementation of the new legislative requirements very well.

As part of our continuous improvement goals ARIC has conducted a self-assessment and noted several areas for minor improvement. We now more clearly record action items in our Meeting Notes, better schedule content of meetings to achieve coverage in a reasonable meeting length, focus on our mandate exclusively, and have streamlined reporting processes to the elected body.

We also have a number of focus areas for the near future. These include ensuring we consider emerging risks across the sector, and for MidCoast specifically, better understand how ARIC can add value to elected members in the budget cycle,

and be across the upcoming requirements of mandated sustainability reporting, when that occurs.

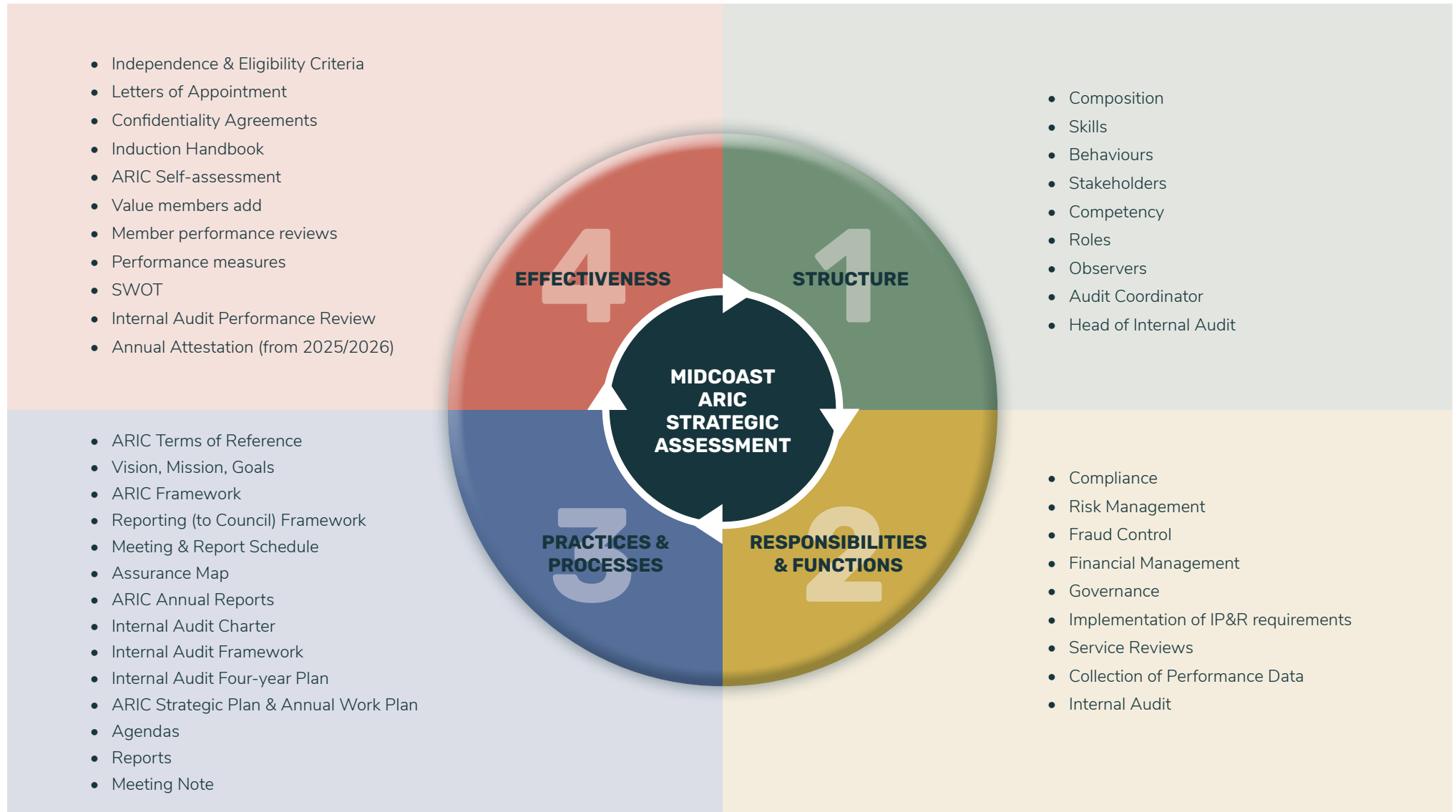
I look forward to implementing the important foundational work that has been undertaken and working with the new Council to provide advice and assurance.



A handwritten signature in black ink that reads "Steve".

Steven Coates  
Chair MidCoast ARIC

An assessment of ARICs performance during the Council term (2022-2024) has been undertaken against four key areas:



# MIDCOAST ARIC STRUCTURE



- COMPOSITION
- ROLES
- SKILLS
- BEHAVIOURS
- STAKEHOLDERS
- COMPETENCY
- OBSERVERS



ARICs are independent of Council and have an advisory and assurance role. ARIC has no administrative functions, delegated financial responsibilities or any management functions for Council.

ARIC provides independent advice to Council that is informed by the Council's Internal Audit and Risk Management activities as well as information and advice provided by Council staff, relevant external bodies and other subject matter experts.

The committee has the relevant expertise and has access to the Council resources and information necessary to fulfil its role and responsibilities effectively.

How ARIC is structured and if it is compliant is detailed in the sections below.

### Composition / Membership

Each Council is required to appoint an ARIC that has an independent chairperson and at least two independent members that meet the independence and eligibility criteria outlined in the Regulation and the Guidelines. ARIC members can only be appointed to the Committee for a maximum of 8 years over a 10-year period.

Under the new Regulations Councils have the option to appoint one non-voting Councillor member to ARIC who must meet the eligibility criteria for Councillor members of committees that are set out in the Guidelines. The Mayor cannot be appointed as the Councillor member of ARIC.

The MidCoast ARIC membership currently includes three independent members and two Councillor members. The Terms of Reference are scheduled to be reviewed and updated following the Local Government elections in September 2024 and will include one Councillor non-voting member.

### Roles

The Chair acts as the interface between the ARIC and the General Manager and other staff, the governing body, the external auditor, and the internal audit function.

Independent ARIC members are expected to be able to assess information provided to them about the Council and to identify and assess key risks and issues.

Councillor members is to ensure that decision making by the ARIC is independent of the Council. Councillor members of Committees act as an important link between the governing body and the Committee.

Member	Position	Appointed	Period
Stephen Coates	Chair Independent Member	Nov 2019	2 yrs
		Reappointed Mar 2021 (through a public EOI process)	2 yrs
		Reappointed Mar 2023	2 yrs
Sheridan Dudley	Independent Member	18 Feb 2022 - 18 Aug 2023	
Shane Hubble	Independent Member	7 Feb 2024	2 yrs
Mark McCoy	Independent Member	18 Feb 2022	3 yrs
Cr Alan Tickle (Deputy Mayor)	Councillor Member	2 Feb 2022 23 Oct 2023 extended	2 yrs Sept 24
Cr Jeremy Miller	Councillor Member	2 Feb 2022 23 Oct 2023 extended	2 yrs Sept 24

### Skills / Competency

It is important the Committee has the appropriate mix of skills, knowledge and experience necessary to undertake their role and successfully implement the ARIC Terms of Reference and add value to the Council. The ARIC should have:

- at least one member with financial expertise (for example, a qualified accountant or auditor or other financial professional with experience of financial and accounting matters), and
- a mix of skills and experience in:
  - o business
  - o financial and legal compliance
  - o risk management
  - o internal audit, and
  - o any specialised business operations of the Council, where the committee would benefit from having a member with skills or experience in this area (for example, IT skills or experience where IT systems)

The MidCoast ARIC members have a broad range of knowledge, skills and experience to call on when providing advice and assurance to Council and meet the above criteria.

## Behaviours / Independence & Eligibility Criteria

ARIC members work respectfully and constructively with each other and with stakeholders. They act objectively and independently, and actively contribute to the work of ARIC by asking the right questions, having the courage to do the right things for the right reasons, constructively challenge management when appropriate, demonstrating sound business judgement and presenting an independent perspective.

Each ARIC member has completed and signed an Independence & Eligibility Criteria statement against the requirements noted in the Guidelines.

## Meetings

Regular ARIC meetings are held quarterly with additional meetings held to discuss and review the financial statements.

Meetings held during the Council term were:

**2022** – 18 February 2022, 20 May 2022, 12 August 2022, 18 November 2022  
(Financial - 6 September 2022, 24 October 2022)

**2023** – 24 February 2023, 2 June 2023, 18 August 2023, 17 November 2023  
(Financial – 4 September 2023, 23 October 2023)

**2024** – 1 March 2024, 17 May 2024, 16 August 2024



## Stakeholders

ARICs role is to provide independent advice to Council that is informed by Council's internal audit and risk management activities and information and advice provided by stakeholders.

To achieve this the MidCoast ARIC ensures information, discussions and presentations are provided and considered from a range of stakeholders including the: External Auditor (Audit Office of NSW), Internal Auditor (O'Connor Marsden), Councillors, General Manager, senior staff, subject matter experts, Office of Local Government.

ARIC works to have strong relationships and good communication with all stakeholders that allow honest and frank conversations.

## Superannuation

Councils are obliged under the Superannuation Guarantee (Administration) Act 1992 to make compulsory superannuation guarantee contributions on behalf of ARIC independent members.

MidCoast Council makes superannuation guarantee payments for independent ARIC members.

## Observers

In addition to ARIC members, the Guidelines note the Mayor, General Manager and the Internal Audit Coordinator should attend ARIC meetings as non-voting observers. These people attend the MidCoast ARIC meetings.

Representatives of the Audit Office of NSW and the Internal Auditor are invited to attend ARIC meetings. Councillors (other than the Councillor members) are also invited to attend ARIC meetings as an observer, at the discretion of the Chair.

## In-camera session

At least once each year ARIC holds an in-camera session (private meeting) with the External Auditor and the Internal Auditor.

Head of Internal Audit / Audit Coordinator

Commencing 1 July 2024, the General Manager must appoint a member of staff of the Council (the Internal Audit Coordinator) to direct and coordinate internal audit activities for the council (section 216P).

Steve Embry, Director Corporate Services has been appointed as the Head of Internal Audit.

**Legislative requirements** | The ARIC Structure legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
Councils must by resolution appoint an audit, risk and improvement committee comprising of a chairperson and at least two or more other persons as voting members of the committee (section 216C of the Regulation)		The MidCoast ARIC has an independent Chair and two independent members who were appointed by resolution of Council
Commencing 1 July 2024, the chairperson and other voting members of a council's audit, risk and improvement committee must satisfy the independence and eligibility criteria prescribed by the Regulation (sections 216D, 216E and 216F of the Regulations)		All ARIC members have completed and signed Independence & Eligibility Criteria declarations
Councils may appoint one councillor as a non-voting member of its audit risk and improvement committee (section 216C of the Regulations). Councillors appointed as a non-voting member of an audit, risk and improvement committee (section 216C of the Regulations). Councillors should satisfy the eligibility criteria for councillor members of committees specified in these Guidelines		The MidCoast ARIC Terms of Reference currently include two voting Councillor members. The updated Terms of reference are scheduled to be presented to Council following the Council elections in September 2024. Councillor members have completed and signed Independence & Eligibility Criteria declarations
The appointment of chairpersons and members of audit, risk and improvement committees should be formalised in an official letter of appointment signed by the mayor of the council		All ARIC members have received a letter of appointment signed by the Mayor and General Manager
The chairperson is to provide a thorough induction to each new member of the audit, risk and improvement committee		All ARIC members have received an induction undertaken by the Chair, General Manager and senior staff. The Mayor also attends inductions when available
Councils must ensure that chairpersons and members serve the time-limited terms prescribed under section 216 of the Regulations to facilitate a rotation of knowledge and perspectives		Membership renewal dates are staggered so the knowledge of Council's operations, financial reporting structure and other important aspects are not lost to the ARIC when members change
A council's audit, risk and improvement committee must have direct and unrestricted access to the general manager and senior management of the council in order to fulfil its responsibilities		The General Manger meets with the Chair independently at least once per quarter The General Manager attends ARIC meetings
A council's audit, risk and improvement committee must have direct and unrestricted access to any council resources or information it needs to fulfil its responsibilities		The Chair is in direct contact with staff and meets with staff as required The Chair and ARIC members work closely with staff to develop processes, required reports and complete strategies
The audit, risk and improvement committee must meet at least quarterly over the course of each year (see section 216J of the Regulations)		Quarterly meetings have been held with additional meetings scheduled to review the Financial Statements The meetings held and attendance at meetings is reported in the ARIC Annual Reports

# MIDCOAST ARIC RESPONSIBILITIES & FUNCTIONS

# 2



COMPLIANCE

RISK MANAGEMENT

FRAUD CONTROL

FINANCIAL MANAGEMENT

GOVERNANCE

IMPLEMENTATION OF IP&R REQUIREMENTS

SERVICE REVIEWS

COLLECTION OF PERFORMANCE DATA

INTERNAL AUDIT

**The Local Government Act (section 428A) requires each Council to establish an ARIC to continuously review and provide independent advice to the General Manager and the governing body of the Council on:**

- whether the Council is complying with all necessary legislation, regulations and other legal requirements
- the adequacy and effectiveness of the Council's Risk Management Framework, fraud and corruption prevention activities, financial management processes, and the Council's financial position and performance
- the Council's governance arrangements
- the achievement by the Council of the goals set out in the Council's Community Strategic Plan, delivery program, operational plan and other strategies
- how the Council delivers local services and how it

could improve the performance of its functions more generally

- the collection of performance measurement data by the Council

Each Council receives relevant and timely advice and assurance from the Committee on the matters listed in section 428A of the Local Government Act.

The responsibilities and functions that ARIC need to review over the Council term are detailed in the Guidelines and include:

- Compliance
- Risk Management
- Fraud Control
- Financial Management
- Governance
- Implementation of IP&R requirements

- Service Reviews
- Collection of Performance Data
- Internal Audit

An assessment of these areas is included in the following pages. The assessment includes:

- an overview
- related items presented at each meeting, and
- an assessment by the ARIC Chair and members

The work of ARIC is thoroughly planned. A 12-month Reporting Schedule has been developed to ensure all aspects of the above items are reviewed each Council term. A copy of the relevant agenda items reported to ARIC during the Council term is included within each of the sections in the following pages.

ARIC agenda items include presentations, information, reports, updates and discussions with relevant staff.



## COMPLIANCE / GOVERNANCE / FRAUD CONTROL

ARIC have reviewed a range of compliance and governance agenda items over the Council term as indicted in the table below.

The Compliance Framework that documents how Council is complying with legal obligations and other governance and contractual requirements was presented to and discussed with ARIC in August 2022. The Fraud & Corruption Control Framework that outlines how Council minimises incidence of fraud and corruption was presented to ARIC in November 22 and May 24. The Governance Framework that outlines the guiding principles for how Council is managed was presented and discussed with ARIC in August 2024.

A Quarterly Governance Update Report (noted as GU in the tables below) was introduced in August 2023 to provide a level of oversight and assurance to ARIC that policies, processes and procedures are being applied throughout the organisation on a regular basis. This report changes each quarter depending on work or progress undertaken and may include: risk registers, risk profiles, education programs, risk grant funding, Statewide Continuous Improvement Program updates & workbooks, insurance, business continuity, incidents & claims, Policy Working Group, Compliance Review Panel, Drives24 Audit, delegations, matters before the court, compliance updates, fraud updates, PIDs, project management, procurement & contract management updates.

**Agenda Items** | The following Compliance / Governance / Fraud Control items were presented and discussed with ARIC at the scheduled meetings.

ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24
<b>Compliance / Governance</b>																			
Governance Quarterly Update (GU)										•	•				•		•	•	•
Compliance Framework				•															
Compliance Review Panel Update											GU				GU		GU	GU	GU
Matters Before the Court		•	•								GU				GU		GU	GU	GU
DRIVES 24		•									GU				GU		GU	GU	GU
Legislative Compliance Database											GU								
Fraud and Corruption Control							•				GU				GU		GU	•	
Policies											GU				GU		GU	GU	GU
PID											GU				GU		GU	GU	
Delegations											GU				GU		GU	GU	
Code of Conduct											GU								
Governance Framework																			•
Governance Training											GU								
Procurement / Contract Management		•													GU		GU	GU	GU

**Legislative Requirements** | The Compliance / Governance / Fraud Control legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
The council has an effective compliance framework that ensures it is complying with its legal obligations and other governance and contractual requirements when undertaking its functions	✓	The Compliance Framework has been presented & discussed with ARIC Legal and compliance risks are considered as part of the Risk Management Framework Any updates are provided through the Quarterly Governance Update Report at each meeting to demonstrate compliance with applicable laws, regulations, policies, procedures, codes and contractual arrangement
The council has an effective fraud and corruption control framework in place that minimises the incidence of fraud and corruption	✓	The Fraud & Corruption Control Framework has been presented & discussed with ARIC particularly in relation to the appropriate processes and systems that are in place to capture and effectively investigate fraud-related information Any updates are provided through the Quarterly Governance Update Report at each meeting or through the General Manager verbal update provided at each ARIC meeting
The council has an effective governance framework to ensure it is appropriately directing and controlling the management of the council	✓	The Governance Framework has been presented, discussed & reviewed with ARIC Any updates are provided through the Quarterly Governance Update Report at each meeting to demonstrate effective governance in action

**“ARIC covers the entire breadth of the new Guidelines expectations. Breadth is very good.”**

**“The governance structure at Council appears well supported from the top down.”**

**“ARIC adds value and is accountable to the governing body for its performance.”**

## RISK MANAGEMENT

Risk Management is a core requirement in the Guidelines that notes Council must implement a Risk Management Framework that is consistent with current Australian standards for risk management. Council has a Risk Management Framework that is appropriate and consistent with the Australian risk management standard AS ISO 31000:2018.

MidCoast Council accepts responsibility and accountability for risk management across the organisation and supports the development of a positive risk culture. Council has a Risk Management Roadmap to ensure risk management is an integral part of all Council management, operations, functions and activities.

ARIC is provided with information to assist in providing assurance that risk controls work effectively and that there are policies and procedures in place that are in practice.

The implementation of the Risk Management Framework is reported to ARIC through specific risk reports and agenda items (noted below) as well as regular updates included in the Governance Quarterly Update Report provided at each ARIC meeting during the Council term.

Risk Management Framework Self-assessments are undertaken and reported to ARIC.

**Agenda Items** | The following Risk Management items were presented and discussed with ARIC at the meetings noted

ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24
<b>Risk Management</b>																			
Risk Management Policies / Framework		•								•	GU								GU
Strategic/Divisional/Operational Risk Registers		•	•				•				GU				GU		GU	GU	GU
Risk Presentation			•								•								
Business Contunity Plan / LEMC / EOC											GU				GU		GU	•	GU
Annual Insurance Report / Renewals											GU				GU		GU	GU	
Incidents & Insurance Claims		•		•							GU				GU		GU		GU
Statewide CIP Action Plan / Workbooks		•									GU				GU		GU	GU	GU
Risk Education & Awareness											GU				GU		GU	GU	GU
WHS & Wellbeing		•		•			•	•		•	•				•		•	•	•



**Legislative requirements** | The Risk Management legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
Commencing on 1 July 2024, councils must adopt and implement a framework for identifying and managing risk (section 216S of the Regulations). Councils must consider these Guidelines when doing so	✓	The Risk Management Policy and Framework have been updated with consideration of the Guidelines, reviewed by the Policy Working Group and endorsed by Council in July 2024. The updated documents were presented to ARIC in August 2024
A council's audit, risk and improvement committee must keep the implementation of the council's risk management framework under review and provide advice to the council on its operation and efficacy (section 216S of the Regulations)	✓	Risk Management items are included in each ARIC agenda either as a separate report or detailed in the Quarterly Governance Update
Each council must manage its strategic and operational risks and implement a risk management framework that is consistent with the current Australian risk management standard, and appropriate for the council's risks	✓	The Risk Management Framework aligns with the principles and practices detailed in AS ISO 31000:2018 – Risk Management Guidelines and is tailored to the organisation. MidCoast Council develops and maintains an organisational Risk Register
A council's audit, risk and improvement committee must provide an assessment of the effectiveness of the council's risk management framework to the governing body each council term, as part of the committee's four-yearly strategic assessment	✓	A self-assessment of the Risk Management Framework against AS ISO 31000:2018 confirms MidCoast Council's Framework is compliant. In addition, quarterly reporting to MANEX & ARIC on Risk Management Roadmap activities occurs to provide assurance on the implementation and effectiveness of the Framework
The council has an effective risk management framework and internal controls that successfully identify and manage the risks it faces	✓	The Assurance Map is updated and presented to ARIC at each meeting. Risk management self-assessments, risk register development, review and reporting and risk control attestations further support the effective management of organisational risks.

**“ARIC continuously reviews and provides independent advice to the Council on how it is functioning and managing risk.”**

**“Council has a robust Risk Management Framework that accurately identifies and mitigates the risks facing the Council and its operations.”**

## FINANCIAL MANAGEMENT

The ARIC has a key role in ensuring that Council has an effective financial management framework. This assists in achieving a sustainable financial position and an ongoing positive financial performance.

Quality financial information is essential to support resource allocation decisions that contribute to the achievement of Council goals. Effective internal controls over financial systems and information protects the quality of financial information that is used for decision-making purposes.

Throughout the Council term ARIC has received regular updates and presentations that address the financial management of the organisation. These include: monthly

budget and investment reports, financial sustainability discussions and long-term financial plans, external financial reporting reports, accounting position papers, draft financial statements and engagement with Council's auditors.

A quarterly Financial Management report was introduced in March 2024 to improve and standardised the reporting provided to ARIC. Information or updates that were included in the Financial Management report are noted as FM in the table below.

MidCoast Council's financial statements are audited by the NSW Audit Office. Representatives from the Audit Office attend each ARIC meeting and provide a status update on work being undertaken and an overview of any findings.

**Agenda Items** | The following Financial Management items were presented and discussed with ARIC at the meetings noted.

ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24
<b>Financial Management</b>																			
Financial Management Report				•							•						•	•	•
Long Term Financial Plan				•			•				•								FM
Accounting Policies / Position Papers			•	•	•			•		•	•				•		FM	FM	FM
Financial Sustainability				•			•	•			•				•		•	•	•
Investments Report		•								•	•								
Budget Variation Report		•								•	•								
<b>Financial Statements Audit (External)</b>																			
Annual Engagement Plan			•					•									•		
Draft Financial Statements					•							•					FM		
Final Financial Statements						•								•					
Audit Closing Report						•								•					
Audit Management Letters (Interim/Final)			•					•							•				•
Financial Audit Update / Status Update		•	•	•			•	•		•	•				•		•	•	•
Performance Audit							•			•	•						•		•

**Legislative requirements** | The Financial Management legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
<p>The council has an effective financial management framework, sustainable financial position and positive financial performance.</p>		<p>Regular reports and discussions are scheduled with ARIC to allow ARIC to review and provide advice on financial systems and processes.</p>
<p>External accountability and financial reporting framework</p> <ul style="list-style-type: none"> <li>• Council complies with accounting standards and external accountability requirements</li> <li>• Council's accounting policies and disclosures are appropriate</li> <li>• Implications of the findings of external audits and performance audits and Council's responses to and implementation of agreed recommendations are appropriate</li> <li>• Council's financial statement preparation procedures and timelines are sound</li> <li>• Council's annual financial statements, prior to external audit, are accurate</li> <li>• Effective processes exist to ensure the consistency of financial information between the signed financial statements and annual report</li> </ul>		<p>ARIC receive regular updates from the NSW Audit Office and Council management on matters affecting the preparation and audit of the annual Financial Statements.</p> <p>The NSW Audit Office have presented and discussed the following items with the ARIC over this term: Annual Engagement Letter, Interim and Final Management Letters, Engagement Close Reports and Audit Opinions.</p> <p>Management have presented and discussed the following matters with the ARIC over this term: Accounting Position Papers, draft Financial Statements, Financial Statement preparation timelines and status, responses to Audit Management Letter recommendations and implementation progress.</p> <p>The ARIC have reviewed draft Financial Statements, sought additional information and provided feedback on aspects of those reports prior to their referral to audit by the Council.</p>
<p>Financial management framework</p> <ul style="list-style-type: none"> <li>• Council's financial management processes are adequate</li> <li>• Cash management and credit card use policies and procedures are adequate</li> <li>• Controls over financial processes are adequate</li> </ul>		<p>ARIC have received reports and financial management policies for review and discussion during this term.</p>
<p>Financial position and performance</p> <ul style="list-style-type: none"> <li>• Policies and procedures for management review and consideration of the financial position and performance of Council are adequate</li> </ul>		<p>ARIC have received reports and financial management policies for review and discussion during this term.</p> <p>Further development of reporting functionality is desirable to increase the transparency and availability of financial information for management and Council.</p>
<p>Grants and tied funding policies and procedures</p> <ul style="list-style-type: none"> <li>• Grant and tied funding policies and procedures are sound</li> </ul>		<p>ARIC has considered Accounting Position Papers that have outlined the revenue recognition principles associated with accounting for grants and contributions during this term. A broader grants management framework (consisting of policy and procedures) are a work-in-progress currently with management. The Audit Office have identified that the development of a consolidated Grants Register would enhance existing controls within a recent Audit Management Letter.</p>

## IP&R / IMPROVEMENTS (Service Reviews / Collection of Performance Data)

Throughout the Council term ARIC received updates and presentations in relation to Integrated Planning & Reporting (IP&R) and improvements that outline the forward program as well as what has been achieved for the previous year.

Each year the timeline is reviewed and developed that meets the IP&R legislative requirements and is presented to ARIC.

In addition to the annual presentations a progress update was introduced in the Quarterly Governance Update (GU) presented to the August 2024 ARIC meeting. For the 2024 – 2028 Council term progress updates will be included in the GU Report in addition to the scheduled annual update.

ARIC is also notified when IP&R documents are placed on public exhibition and placed on the Council website.

MidCoast Council have a Service Optimisation Program to review the services delivered to the community. The Framework and trial implementation program has been discussed with ARIC. For the 2024 – 2028 Council term regular progress updates will be included in the GU Report with annual presentations scheduled on the progress and outcomes.

**Agenda Items** | The following IP&R / Improvements items were presented and discussed with ARIC at the meetings noted

ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24	
<b>IP&amp;R / Improvements</b>																				
IP&R overview / update				•															•	GU
Resourcing Strategy / CSP / DPOP			•								•				•				•	
MidCoast Council Annual Report																	•			
Service reviews / Service Optimisation								•											•	GU
Auditor General's Reports								•			•								•	•

**“MidCoast ARIC demonstrates a clear commitment to its terms of reference and effectively fulfills its responsibilities.”**

**“ARIC is an additional arm that adds accountability and keeps a timeline for prioritised areas of improvement or management of risk”**

**Legislative requirements** | The IP&R / Improvements legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
The council has an effective framework that ensures it achieves its strategic plans and objectives under the integrated planning and reporting (IP&R) framework	✓	ARIC has reviewed Council's IP&R implementation timeline which includes discussions, presentations, reporting and endorsement by MANEX and Council
The council has an effective framework to ensure it is delivering services and conducting its business and functions to an expected standard	✓	ARIC have been notified when the six-monthly Delivery Program Progress Reports are presented to Council and placed on Council's website ARIC are provided a link to Council's Annual Report after it is presented to Council and placed on Council's website
The council's performance management framework ensures the council can measure its performance and if it is achieving its strategic goals	✓	ARIC has been briefed on the performance indicators that are based on the PuMP Performance Measurement Methodology which is focused on evidence-based, realistic, measurable and feasible performance measures ARIC is aware that Council reviews performance measures each year to ensure effectiveness and ongoing availability of data



## INTERNAL AUDIT

Each Council is required to have an independent internal audit function that reports to the ARIC (and is consistent with current international standards for internal audit) for them to review and provide advice on Council's internal audit activities.

MidCoast Council outsources the Internal Audit activities and has a staff member coordinate the activities with the relevant stakeholders. Information in relation to the provider, audits undertaken and assessments is available in the ARIC Annual Reports available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

All Internal Audit activities follow the guiding principles for internal audit noted in the Guidelines, these are:

- The internal audit function operates independently and with appropriate expertise in a manner that is appropriate for the Council
- The internal audit function has access to all Council information necessary to fulfil its role and responsibilities
- The internal audit function is appropriately positioned in the Council's governance framework to ensure its work complements the work of other internal and external assurance providers
- The internal audit function has a comprehensive work plan linked to the Council's strategic objectives and current and emerging risks
- The ARIC receives relevant and timely advice from the internal audit function to ensure the Committee can fulfil its role and responsibilities
- The internal audit function operates in a manner consistent with accepted international standards
- The work of the internal audit function is thoroughly planned and executed, risk based, client-focused and linked to the Council's strategic goals
- The internal audit function adds value to the Council and is held accountable by the Committee and governing body for its performance
- Each Council is accountable to the community for the effective implementation of its internal audit function

MidCoast Council meets these guiding principles.

## Audits undertaken during the Council term


Audit Topic	2021/22	2022/23	2023/24
Fuel Cards	•		
Records Management	•		
Development Assessment Process (Including VPAs)	•		
Water Management and Treatment	•		
Rates	•		
Cyber Security	•		
Capital Works	•		
Waste Management Facility		•	
Swimming Pool Compliance		•	
Property Leasing		•	
Volunteer Management		•	
Self-Assessment of the Internal Audit Function		•	
Asset Management			•
Climate Change			•
Contract Management			•










**Agenda Items** | The following Internal Audit items were presented and discussed with ARIC at the meetings noted.




ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24
<b>Internal Audit</b>																			
Four-year Strategic Audit Plan / Annual Plan		•	•	•				•		•							•	•	•
Audit Plan Status Update		•	•	•			•	•		•	•				•		•	•	•
Management Action Items (AMAs)		•	•	•			•	•		•	•				•		•	•	•
Assurance Map			•				•			•	•				•		•	•	•
Audit reports			•	•			•	•		•	•				•		•	•	
Internal Audit Charter										•					•				
Internal Audit Performance Review								•											•

**Legislative requirements** | The Internal Audit legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
For the purposes of section 428A(2)(i) of the Local Government Act, councils' ARIC are to keep under review internal audit activities (section 216M of the Regulations)		ARIC reviews all aspects of the Internal Audit function including the Terms of Reference for each audit, audit outcomes and findings, monitors audit actions and seeks input and comments from the Internal Auditor
Commencing 1 July 2024, councils must have an internal audit function to keep under review the council's operations and risk management and control activities (section 216O of the Regulations)		The Internal Audit Program has a four-year audit plan. The Internal Auditor attends each ARIC meeting and provides a status update along with advice on activities
A council's internal audit function must operate independently of the council and internal audit activities cannot be subject to direction by the council		The Internal Audit Program is determined through discussions with staff & ARIC, reviewing the organisations strategic risks and understanding the controls in place (Assurance Map) for ARIC to then determine the program. Once the program is agreed by ARIC it is presented to Council

Requirement	Progress	Comments
<p>To ensure that the internal audit function remains independent from council management it must have a dual reporting line that reports:</p> <ul style="list-style-type: none"> <li>&gt; administratively to the general manager or a sufficiently senior role in the council to ensure the internal audit function fulfils its responsibilities, and</li> <li>&gt; functionally to the audit, risk and improvement committee</li> </ul>		<p>Reporting processes have been established. Internal meetings are held between the Audit Coordinator and Internal Auditor, Audit Coordinator and Head of Internal Audit, Audit Coordinator and General Manager, Audit Coordinator and MANEX</p> <p>External meetings are held between the Internal Auditor and General Manager</p> <p>The Internal Auditor also has in-camera sessions with ARIC</p>
<p>A council's internal audit activities are to be undertaken under the oversight and direction of the council's audit, risk and and improvement committee (sections 216M, 216P and 216R of the Regulations)</p>		<p>ARIC reviews all aspects of the Internal Audit function including the Terms of Reference for each audit, audit outcomes and findings, monitors audit actions and seeks input and comments from the Internal Auditor</p>
<p>The Regulations (section 216O of the Regulations) require each council to adopt an internal audit charter to guide how internal audit will be undertaken by the council</p>		<p>The MidCoast Internal Audit Charter has been adopted by Council and is included as an attachment to the ARIC Strategic Plan available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a></p>
<p>A council's internal audit function must be undertaken in accordance with the internal audit charter adopted by the council (section 216O of the Regulations)</p>		<p>MidCoast Internal Audit Function undertook a self-assessment in August 2023 to ensure processes and procedures were undertaken in accordance with the Charter</p> <p>The assessment noted Councils Internal Audit function has been established in conformance with and complies with the Guidelines. As a result, Council has an effective internal audit function</p>
<p>Commencing 1 July 2024, councils' general managers must appoint a member of staff of the council (the internal audit coordinator) to direct and coordinate internal audit activities for the council (section 216P of the Regulations)</p>		<p>The General Manager has allocated a staff member to fulfil the role of Audit Coordinator. The staff member meets the independence and eligibility criteria noted in the Guidelines</p>
<p>The member of staff appointed by the general manager to direct and coordinate internal audit activities is to report to the audit, risk and improvement committee on those activities (section 216P of the Regulations)</p>		<p>Reports are prepared by the Audit Coordinator and presented to ARIC at each meeting (see agenda item schedule above)</p>
<p>The member of staff of a council appointed to direct and coordinate internal audit activities is not to be subject to direction in the performance of internal audit activities by anyone other than the audit, risk and improvement committee (section 216P of the Regulations)</p>		<p>The Audit Coordinator meets independently with the Internal Auditor</p> <p>The Internal Auditor has an in-camera session with ARIC at least once per year</p>



Requirement	Progress	Comments
All internal audit personnel must have direct and unrestricted access to council staff, the audit, risk and improvement committee and council information and resources necessary to undertake their role and responsibilities (section 216Q of the Regulations)		The Internal Auditor is able to access staff as required. When on site the Internal Auditor is provided an access card and sits within the team of the audit being undertaken
The general manager must consult with the chairperson of the council's audit, risk and improvement committee on any decision affecting the employment of the staff member appointed to direct and coordinate the council's internal audit activities and must consider the chairperson's views before making the decision (section 216P of the Regulations)	N/A	No changes have been made to the position or person reporting to ARIC. Has not been required to be undertaken
The work of each council's internal audit function will be guided by the four-year strategic work plan and annual work plan developed by the audit, risk and improvement committee (see core requirement 1 of the Guidelines)		The MidCoast ARIC has a four-year audit plan and a detailed one-year plan. The four-year plan is included in the ARIC Strategic Plan available on Councils website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
Each council's internal audits must be performed in accordance with the requirements of the International Professional Practices Framework		All Internal Audits are undertaken by an external provider who is accredited and undertakes audits in accordance with the International Professional Practices Framework

**“Council has an effective internal audit function that provides independent advice as to whether the Council is functioning effectively.”**

**“ARIC reviews audit findings and holds the administration to account following audit recommendations.”**

**FOCUS AREA**

**“Improved tracking and reporting of audit action items.”**

# MIDCOAST ARIC PRACTICES & PROCESSES

# 3



TERMS OF REFERENCE

VISION, MISSION, PERFORMANCE MEASURES

ARIC FRAMEWORK

REPORTING

ARIC STRATEGIC PLAN

ASSURANCE MAP ANNUAL REPORTS

INTERNAL AUDIT CHARTER

INTERNAL AUDIT FRAMEWORK

INTERNAL AUDIT PLAN

**The work of the Committee is thoroughly planned, risk-based and linked to Council's strategic goals. Having the right practices and processes in place allows ARIC to provide relevant and timely independent advice and assurance to Council that meets the legislative requirements.**

In addition to reviewing reports ARIC have been focused on undertaking the work required to setting up the Committee for success through completing key documents and developing processes. An outline of this work is included below.

### **ARIC Terms of Reference**

The Committee operates in accordance with the ARIC Terms of Reference. The Terms of Reference is based on the model included in the Guidelines. The Terms of Reference 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 Terms of Reference was last reviewed and adopted by Council in October 2023.

### **Vision, Mission, Performance Measures**

ARIC have developed a vision, mission and performance measures as part of the ARIC Strategic Plan that was adopted by Council in June 2024. Updates and achievements against these will be reported to Council through the ARIC Annual Report. The ARIC Strategic Plan and ARIC Annual Reports are available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

**“The reporting schedule is excellent.”**

### **ARIC Framework**

One of the requirements for ARIC is that the work of the Committee is thoroughly planned and executed, risk-based and linked to Council's strategic goals.

ARIC have developed the MidCoast ARIC Framework, a one-page reference that includes the: community priorities, Council priorities, ARIC core responsibilities, organisational risks, and ARIC building blocks. This Framework is part of the ARIC Strategic Plan and is available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

### **ARIC Reporting (to Council) Framework**

Council receives relevant advice and assurance from ARIC in items listed in the regulation. Regular reporting to Council ensures there are strong linkages between ARIC and the elected representatives.

Council are kept updated and informed through the ARIC Reporting Framework that is included in the ARIC Strategic Plan available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

### **Meetings & Report Schedule**

ARIC have a forward reporting schedule to ensure all items listed in the Regulations and Guidelines have been reviewed by ARIC through the Council term. This reporting schedule allows ARIC to track what has been presented and discussed as well as plan for future meetings.

**“ARIC has demonstrated a commitment to renewal and succession planning.”**

Reports presented to Council are monitored through the Reporting Schedule that is presented, discussed and updated at each meeting. This allows ARIC to monitor that the legislative requirements are being met along with the agreed ARIC Reporting Framework being delivered to Council.

### **Assurance Map**

The Internal Audit Function and Risk Team have developed an Assurance Map that provides ARIC with an overview of the controls or assurance activities that are in place against the organisation's strategic risks. This document is used when planning Internal Audit activities or future ARIC reports and presentations.

### **ARIC Annual Reports**

ARIC complete an ARIC Annual Report each year and present to Council.

The ARIC Annual Reports are available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

### **Internal Audit Charter**

The Internal Audit Charter provides the MidCoast Internal Audit Function with clear guidance on how it should support the ARIC and the Council, and that the ARIC and Council has input into how the internal audit function will operate.

The Internal Audit Charter has been developed by the ARIC in consultation with the General Manager and the Head of Internal Audit and approved by resolution of the governing body.

## Internal Audit Framework

The Internal Audit Framework outlines the processes in place for the management and oversight of the Internal Audit Program in accordance with the IIA Standards and the Guidelines.

The Internal Audit Framework has been reviewed by ARIC and endorsed by Council.

## Internal Audit Four-year Plan

An Annual Internal Audit Plan (1 July 2024 to 30 June 2025) and the indicative Four-Year Internal Audit Plan (2024-2028) have been developed and endorsed by ARIC.

The objective of the Internal Audit Function and internal audits is to provide a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, systems of internal control and

governance arrangements in an independent and professional manner.

## ARIC Strategic Plan & Annual Work Plan

Under the Regulations and Guidelines ARIC are required to have a four-year Strategic Work Plan as well as an Annual Work Plan. The Plan must be developed by the ARIC in consultation with the governing body, General Manager, the Internal Audit Coordinator and senior staff (where appropriate) and adopted by the governing body of the Council at the start of the Council term.

The MidCoast ARIC have developed the ARIC Strategic Plan, that also includes the Annual Work Plan, that is available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement)

## Agendas & Reports

ARIC prepare a 12-month forward meeting agenda to ensure that the ARIC covers all its responsibilities at the appropriate time of the year.

The agenda and supporting documentation (reports) are distributed to ARIC members through the secure document sharing portal one week prior to the meeting.

The Guidelines recommend that all information and work relating to the ARIC and internal audit activities is treated as confidential.

## Meeting Notes

A record of each ARIC meeting must be kept to ensure an account of the items considered as well as any actions and decisions by the Committee are documented.

Meeting notes are taken for each meeting and presented to the following meeting for confirmation that they are a true and accurate record. Once confirmed the ARIC Chair signs the meeting notes as true and correct.

All Councillors have access to the agendas, reports and meeting notes through the secure document sharing portal.











**“Excellent adherence to and implementation of the Guidelines is ensuring all the areas that need to be covered over the year are covered.”**

**Agenda Items** | The following Practices & Processes items were presented and discussed with ARIC at the meetings noted.

ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24
<b>Reporting to Council</b>																			
Reporting Framework								•							•				
Full Agenda							•	•		•	•				•		•	•	•
Confidential Memo / Meeting Notes							•	•			•				•		•	•	•
ARIC Annual Report								•			•				•				
ARIC Strategic Plan																		•	•
Presentation to Councillors									•				•						
Annual Assurance Meeting									•				•						
Strategic Assessment (every 4 years) – ARIC End of Term Report															•				•

**Legislative requirements** | The ARIC Practices & Processes legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
Councils must adopt by resolution, terms of reference for their audit, risk and improvement committees and must consider the model terms of reference for committees approved by the Departmental Chief Executive contained in these Guidelines when doing so (section 216K of the Regulations)		The Terms of Reference was last reviewed and adopted by Council in October 2023
A council’s audit, risk and improvement committee must exercise its functions in accordance with the terms of reference adopted by the council (section 216K of the Regulations)		ARIC have undertaken a self-assessment against the Terms of Reference and requirements included in the Guidelines. The annual assessments are included in the ARIC Annual Reports available on Council’s website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>

Requirement	Progress	Comments
A council's audit, risk and improvement committee must develop a strategic work plan every four years to ensure that all the matters listed in section 428A of the Local Government Act are reviewed by the committee and considered by the internal audit function when developing their riskbased program of internal audits		The ARIC Strategic Plan was adopted by Council in June 2024. The ARIC Strategic plan is available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
A council's audit, risk and improvement committee must develop an annual work plan to guide its work over the forward year		The Annual Work Plan has been developed and is included in the ARIC Strategic Plan adopted by Council in June 2024. The ARIC Strategic Plan is available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
A council's audit, risk and improvement committee must provide an annual assessment to the governing body each year		ARIC complete the ARIC Annual Report each year and present to Council. The ARIC Annual Reports are available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
The work of each council's internal audit function will be guided by the four-year strategic work plan and annual work plan developed by the audit, risk and improvement committee (see core requirement 1 of the Guidelines)		An annual Internal Audit Plan (1 July 2024 to 30 June 2025) and the four-year indicative Internal Audit Plan through to 2028 have been developed and endorsed by ARIC. The Internal Audit Plan is presented in the ARIC Strategic Plan available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
A council's audit, risk and improvement committee is to provide an assessment of the effectiveness of the council's internal audit function to the general manager and governing body in each term of the council, as part of the committee's four-yearly strategic assessment.		ARIC undertake a regular Assessment of Internal Audit Performance & include the outcomes in the ARIC Annual Report available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
Councils must provide their audit, risk and improvement committee with such access to the general manager and other senior management staff of the council, and any information and resources of the council as may be necessary for the committee to exercise its functions (section 216L of the Regulations).		ARIC members, particularly the Chair, are in direct contact with Council's General Manager, senior staff and Audit Coordinator as required.

# MIDCOAST ARIC EFFECTIVENESS

# 4



LETTERS OF APPOINTMENT  
CONFIDENTIALITY AGREEMENTS  
INDEPENDENCE & ELIGIBILITY CRITERIA  
INDUCTIONS  
ARIC SELF-ASSESSMENT  
PERFORMANCE MEASURES  
INTERNAL AUDIT PERFORMANCE REVIEW

Ongoing reporting by the ARIC to the governing body and General Manager is essential for accountability. This ensures that Council is kept informed of the items considered by the Committee and any comments or emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.

There are a number of ways ARIC provide assurance to Council that the work being undertaken is thoroughly planned, effective and meeting both the legislative requirements and Council's expectations.

### Letters of Appointment

MidCoast ARICs independent members receive a formal letter of appointment that is signed by the Mayor, General Manager (along with the member) that outlines the roles and responsibilities, timing and location of meetings, remuneration, managing conflicts of interest, confidentiality, expectations, performance appraisal, relevant policies and termination of appointment.

### Confidentiality Agreements

The letter of appointment references the confidentiality requirements for ARIC. All members and observers sign a confidentiality agreement before attending the meeting.

### Independence & Eligibility Criteria

All MidCoast ARIC members have completed Independence & Eligibility Criteria declaration statements. The declarations are completed for new members or when a position is renewed.

### Inductions & Induction Handbook

The Chair provides a thorough induction to each new member of the ARIC to ensure members can 'hit the



ground running' in their role including ARICs role, responsibilities and Terms of Reference.

The induction also includes an overview of Council's operations, functions, and service delivery; key areas of risk; internal controls, and financial reporting systems. In addition, information is provided on the business, operations, culture, risks and controls of the Council, and the expectations of the Council about ARICs responsibilities and performance.

A MidCoast ARIC Induction Handbook has been developed to provide new members with any background information or documentation necessary to ensure they understand the operations of Council and any key challenges.

### ARIC Self-assessment

Each year ARIC undertake a self-assessment to review its performance and report back to Council through the End of Term assessment (survey) and the ARIC Annual Report. The survey questions have been developed taking into consideration the reporting

requirements noted in the Guidelines and are the same questions used each year to benchmark and monitor improvements.

### Member performance reviews

It is important that the work of the ARIC is regularly assessed, and that the Committee is accountable for its performance. In addition to the self-assessment the ARIC Chair completes a review of each members performance each Council Term.

This information is provided to the Council panel as part of the Review of Committee Performance that is completed each Council term.

### Value members add

At each meeting ARIC members provide feedback. As a result, adjustments and continual improvements are made to the agenda, reports and the information included in the agenda pack. This has ensured ARIC meetings are well planned and the information is relevant. Since the first meeting in 2019 the MidCoast ARIC has made improvements to become a well-run



and constructive meeting and now has a solid base to build on. The ARIC meeting notes document the 'value' each member identified the ARIC provided to Council during the respective meeting.

### Performance measures

ARIC have developed performance measures and included them in the ARIC Strategic Plan that was endorsed by Council in June 2023. The outcomes from the performance measures and achievements are reported in the ARIC Annual Report each year. ARIC Annual Reports are available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

### Internal Audit Performance Review

ARIC must review the performance of the internal audit function each year and report its findings to the governing body as part of the Committee's annual assessment. The annual assessment is to ensure that any concerns regarding the operation of the internal audit function and compliance with the International Professional Practices Framework can be addressed before they are identified in the four-yearly strategic review. This is reported in the ARIC Annual Report available on Council's website: [Audit, Risk and Improvement Committee - MidCoast Council \(nsw.gov.au\)](https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee)

Each Council term a strategic assessment of the effectiveness of Council's internal audit function is to be provided to the General Manager and governing body. This assessment is included in the ARIC End of Term Report.

### Annual Attestation (from 2025/2026)

Commencing with the 2024-2025 Annual Report, the General Manager will be required under the Local Government Regulation to attest each year in the MidCoast Council's Annual Report whether the council has complied with the requirements prescribed under the regulation in relation to its ARIC, internal audit and risk management.

**Agenda Items** | The following Effectiveness items were presented and discussed with ARIC at the meetings noted.

ARIC Responsibility / Requirement	11 & 14 Feb 22	18-Feb-22	20-May-22	12-Aug-22	6-Sep-22	24-Oct-22	18-Nov-22	24-Feb-23	16-Mar-23	2-Jun-23	18-Aug-23	4-Sep-23	30-Sep-23	23-Oct-23	17-Nov-23	20-Feb-24	1-Mar-24	17-May-24	16-Aug-24
<b>ARIC Responsibilities</b>																			
ARIC report calendar (standard agenda)		•	•	•			•	•		•	•				•		•	•	•
Proposed meeting schedule (standard agenda)		•	•	•			•	•		•	•				•		•	•	•
Review ARIC Terms of Reference										•					•				•
ARIC Annual Report		•						•							•				
ARIC Strategic Plan							•								•		•	•	•
ARIC Strategic Planning Meeting															•				
Annual Attestation											•								•
Annual Work Plan Review							•												
ARIC Performance Review																			•
Annual Self Assessment										•					•				•
Induction for new members	•															•			

**Legislative requirements** | The Effectiveness legislative requirements are noted below along with a status for the Council term and comments.

Requirement	Progress	Comments
A council's audit, risk and improvement committee must provide an annual assessment to the governing body each year	✓	ARIC completes the ARIC Annual Report each year and presents to Council. The ARIC Annual Reports are available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
A council's audit, risk and improvement committee is to provide an assessment of the effectiveness of the council's internal audit function to the general manager and governing body in each term of the council, as part of the committee's four-yearly strategic assessment.	✓	ARIC undertake a regular Assessment of Internal Audit Performance included in the ARIC Annual Reports available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
A council's audit, risk and improvement committee must provide to the governing body of the council a comprehensive independent assessment every council term (i.e. four years) of all the matters listed in section 428A of the Local Government Act that have been reviewed during the council term	✓	The ARIC End of Term Report provides a comprehensive strategic assessment of the work undertaken by ARIC. This report is available on Council's website: <a href="https://www.midcoast.nsw.gov.au/audit-risk-and-improvement-committee">Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)</a>
At least once each council term (i.e. four years), the governing body of the council is to conduct a review of the effectiveness of the audit, risk and improvement committee in conformance with the International Professional Practice Framework.	✓	A review panel consisting of the Mayor, the two Councillor ARIC members and the General Manager (as determined by Council) have undertaken an ARIC Performance Review. The results will be presented to the new Council following the September 2024 Local Government elections and presented in the 2023/2024 ARIC Annual Report.
Commencing with the 2024-2025 annual report, the general manager will be required under the Local Government Regulation to attest each year in the council's annual report whether the council has complied with the requirements prescribed under the Regulation in relation to its audit, risk and improvement committee.	N/A	The MidCoast ARIC Attestation will be completed in November 2025.

**“ARIC is superbly supported by a diligent and vigilant secretariat.”**

**“The work of ARIC is thoroughly planned and executed, risk-based and linked to Council’s strategic goals.”**

# ANALYSIS OF MIDCOAST ARIC



WHAT ARIC IS DOING WELL?

WHAT ARE THE STRENGTHS OF ARIC?

AREAS FOR IMPROVEMENT?

OPPORTUNITIES FOR ARIC?

ANY WEAKNESSES OR THREATS?

ARIC have undertaken an assessment of the strengths, opportunities and improvements of the ARIC and associated activities of Council. These areas will be discussed with the governing body a strategic assurance meeting following the 2024 Local Government elections.

### Strengths of MidCoast ARIC

- Diverse range of professional skills & experience of members
- MidCoast ARIC has a recently completed ARIC Strategic Plan to guide the work of ARIC
- Documents, processes and strategies developed to meet the legislative & Guidelines requirements
- Relationships with all stakeholders including the internal & external auditor
- ARIC are in a position to be able to ask more detailed questions directly with Council staff
- ARIC members bring learnings / benchmarking from their membership on other Council's ARICs.
- Good annual plan to cycle through the major issues. Excellent adherence to and implementation of the Guidelines. It ensures all the areas that need to be covered over the year are covered: the reporting schedule is excellent.
- The governance structure appears well supported from the top down
- Onboarding process for new ARIC members
- Secretariat support provided ARIC

### What is working well for MidCoast ARIC

- Detailed reports to ARIC along with presentation by the accountable Manager during ARIC meetings
- Availability of ARIC reports prior to meeting
- Support & communication with Chair
- Interaction and communications with Council staff
- MidCoast ARIC demonstrates a clear commitment to its terms of reference and effectively fulfills its responsibilities.
- In this term, ARIC has particularly demonstrated a commitment to renewal and succession planning.

- The ARIC is superbly supported by a diligent and vigilant secretariat.
- Covers the entire breadth of the new Guidelines expectations. (Breadth very good)
- Not adversarial but an additional arm that adds accountability and keeps a timeline for prioritised areas of improvement or management of risk
- Reviews audit findings and holds the administration to account following recommendations
- Continue current tracking process of status of actions and measuring risk and consequence. Secretariat support and the obvious liaison with Chair Stephen Coates is effective in having a smooth outcome-based methodology and is the key to the success and effectiveness of ARIC
- Presentation of agenda pack and ARIC strategic documents

### Weakness for MidCoast ARIC

- Amount of new legislative requirements to meet
- Limited tenure of ARIC independent members & transfer of knowledge
- Council's document sharing platform
- Imposed costs to Council through legislative requirements
- The amount of information that needs to be covered in each meeting limits the opportunity for ARIC members to 'get a feel' for Council's general operations. There is no time for site visits or other background activities.

### Opportunities for MidCoast ARIC

- Opportunity for ARIC to provide advice / comments / questions prior to each meeting might make ARIC meetings more efficient.
- Feedback to ARIC on comments Council have made on reports or items at a Council meeting or workshop
- As the Guidelines are implemented look at process enhancements through review of how other Councils have implemented & applied them
- Potential for ARIC to provide any questions in relation to agenda items in advance
- Council is undertaking a significant and multi-pronged financial sustainability journey. ARIC members may need to be reminded of the scale and scope of this journey from time to time as they are presented with individual project reports along the way

## Improvements for MidCoast ARIC

- Reporting & interaction with the elected body on the work of ARIC and implementation of the Guidelines
- Need to establish a routine reporting focus to the elected members, in line with new expectations
- With the new Council term about to commence, streamlining the ARIC reporting schedule to allocate ARIC items for consideration over the Council term
- Tracking and reporting overdue audit action items. Better reporting would improve this area
- There are always aspects of Council that ARIC could understand better. This will come in time. However, understanding the various operational areas would benefit ARIC. Also having access to an updated org chart would be beneficial
- More updates on the service optimisation journey.
- The Committee (incl. the Chair) has a good variety of expertise and experience in local government to cover areas/functions of Council. While the Committee largely focuses on audit and does this well, the Committee should further consider Council's challenges, being it financial/asset/process improvement etc.
- Potentially longer and/or more meetings to address the breadth of responsibilities, including heightened reporting responsibilities
- continue doing all but streamline meetings to keep them manageable at 3 hours or less.
- Take on a more improvement focus. consider anything that is reported annually and question whether it can be biannual to lessen the load on members

## Valued added by ARIC

- By challenging managements assumption that everything is working as best as possible. Also, by bringing different perspectives from various industries.
- ARIC maintains a keen focus on internal and external audits and on following through Management action items to ensure constant improvement
- provides a focus on improvement actions being implemented
- An independent perspective
- an additional arm that adds accountability and keeps a timeline for prioritised areas of improvement or management of risk. Has also proved to be an advocate to External Auditors when appropriate.
- Independent review of council's functions assists with improvement/ harmonisation of functions.

