



**MIDCOAST**  
council



# **ANNUAL REPORT**

2020 MidCoast ARIC Annual Report





# 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 (ARIC) assists Council discharge its governance responsibilities to exercise due care, diligence and skill in relation to the operations of 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).

An independent Committee is a fundamental component of good corporate governance. It focuses on issues relevant to the integrity of Council's financial reporting; oversees external audit, internal audit, governance, risk management, internal control and compliance; and liaises with Council, internal auditors, external auditors and management.

Our program ensures coverage of many operational areas of Council, with a distinct focus on governance, risk, internal control, financial management, and compliance aspects. We also enquire on matters of fraud risk, business continuity, and cyber risk. This also includes review of the implementation progress of internal and external audit recommendations and progress on the rollout of various second line of defence frameworks (e.g., risk management, workplace health & safety, fraud and corruption).

The lens we use to spotlight potential areas of concern comes from our members experience across local government and the wider risk and governance community.

Finally, we implement better practice recommendations for Audit Risk & Improvement Committees and:

- Follow a formal Audit Risk & Improvement Committee Charter,
- Measure the Committee's progress against a formal work plan,
- Receive briefings from management on topical issues and emerging risks.

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 2020 MidCoast ARIC Annual Report to Council provides a summary of key activities undertaken during 2020.

## Introduction

MidCoast Council's ARIC was established 28 February 2018 in accordance with section 355 of the Local Government Act 1993. 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 will ensure that there are adequate and effective systems of internal control in place throughout Council and will assist in the implementation of the internal and external audit plans. The committee is also to provide information to the Council for the purpose of improving the Council's 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)

## Year in review

### Number of meetings

In 2020 ARIC met seven times to review reports, audit program and audited financial statements. Four meetings were scheduled ARIC meetings, three were additional meetings to review financial statements before being referred to the Audit Office of NSW for audit.

The Audit, Risk and Improvement Committee met seven times in 2020:

- 6 March 2020
- 22 May 2020
- 7 August 2020
- 8 September 2020 (additional meeting to review draft financial statements)
- 23 October 2020 (additional meeting to review draft financial statements)
- 10 November 2020 (additional meeting to review draft financial statements)
- 27 November 2020

In addition, the Chair presented to Council (on behalf of the ARIC) on 8 July 2020 and 16 December 2020 to provide a status report and answer any questions Councillors may have.

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:

<b>Member</b>	<b>Position</b>	<b>Role</b>	<b>Eligible</b>	<b>Attended</b>
Stephen Coates	Independent	Chair	7	7
Peter McLean	Independent	Member	7	7
Donna Rygate	Independent	Member	7	7
Cr Claire Pontin	Councillor	Member	7	7
Cr David Keegan	Councillor	Member	7	3
Cr Peter Epov	Councillor	Alternate	4	1

Where Committee timing has had to change at short notice, or members become unavailable at short notice, it has meant that the usual Council members may not be able to attend. This short notice also impacts the ability of the Alternate member being able to attend. The Committee is working with management to reduce any short notice changes to Committee scheduling and does not envisage a repeat of this in 2021.

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.

As the position of Chairperson is due February 2021, a recruitment process is currently being conducted and it is anticipated that the Chairperson position will be appointed in early March 2021.

### Disclosures of Interests

Disclosures of interest are declared and recorded at meeting

## 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 18 November 2020 Ordinary Council Meeting and submitted to the Office of Local Government (OLG) at the end of November 2020 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
- Review of the Attorney General's report to parliament
- The Audited Financial Statements

## 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.

Whilst the Internal Audit function, 3-year audit plan and 1 year audit plan is determined by ARIC, Senior Management and the External Auditor, the specific audits are coordinated by the Governance section of MidCoast Council.

A number of factors impacted the audit program for 2020 including COVID-19 and the delivery of multiple major corporate projects. These impacted staff availability and resourcing requirements. The schedule for 2021 has been adjusted and amended to include the audits not able to be completed 2020.

The specific Internal Audits conducted during 2020 include:

- Credit Card
- Procurement
- Payroll
- Councillor Expenses
- Cemeteries

## 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 Council's Risk Management Road Map. During the 2020 year the committee has reviewed Council's Strategic Risk Register and the three Divisional Risk Registers. As defined in the Risk Management Road Map, the committee will also review several Operational Risk registers as they are developed throughout the year.

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



## Our risk management roadmap

Objectives	Our framework	Key actions to achieve objectives	Benefits & gains
<p><b>To embed risk management across the organisation so that we can realise the benefits and opportunities that effective risk management offers</b></p> <p><b>To achieve the Organisational Vision</b>  <i>"... 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"</i></p>	<ul style="list-style-type: none"> <li>✓ Risk Management Policy</li> <li>✓ Risk Management Framework</li> <li>✓ Risk Management Process (Handbook)</li> <li>✓ Risk Management Roadmap (detailed Plan)</li> <li>✓ Risk Registers               <ul style="list-style-type: none"> <li>○ Strategic</li> <li>○ Divisional</li> <li>○ Operational</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Education &amp; Awareness Sessions</b> – promote benefits, increase understanding and build capacity</li> <li>✓ <b>Risk Management Hub</b> – provide easily accessible risk management processes, tools &amp; guidance</li> <li>✓ <b>Risk registers</b> – build risk registers to inform focussed analysis &amp; control implementation</li> <li>✓ <b>Risk Review &amp; Reporting Structure</b> – ensure oversight and accountability for risk management through review and reporting</li> <li>✓ <b>Risk Management System</b> – implement a system to track and report on risk &amp; action plans</li> <li>✓ <b>Statewide CIP Program</b> – participate in programs that identify gaps and promote enhanced risk management approach to operations</li> <li>✓ <b>MCC Risk Management Grant Funding Program</b> – promote risk management and capacity building through internal initiatives</li> <li>✓ <b>Process Improvement Opportunities Program</b> – use claims data to identify risks and inform process improvements</li> </ul>	<ul style="list-style-type: none"> <li>✓ Achieve desired outcomes and realise opportunities</li> <li>✓ Make reliable, informed and evidence based decisions</li> <li>✓ Reduce incidents, liability exposure and claims - reduced financial losses, safeguard people, property, environment &amp; reputation</li> <li>✓ Improve internal and external stakeholder communication, confidence and trust</li> <li>✓ Ensure compliance with relevant legislation, regulations and standards</li> <li>✓ Enhance operational efficiency and continuity, and allocate resources effectively</li> <li>✓ Allocate responsibility and ensure accountability for actions and decisions</li> </ul>
<p><b>How are we going to ensure we deliver on our roadmap?</b></p> <ul style="list-style-type: none"> <li>✓ Commitment to delivery program &amp; schedule</li> <li>✓ Quarterly roadmap reporting to MANEX</li> <li>✓ Risk reporting to MANEX, Ext MANEX &amp; ARIC</li> <li>✓ Continuous Improvement Program reporting to Statewide Mutual</li> </ul>		<p><b>How are we going to measure success &amp; identify improvements?</b></p> <ul style="list-style-type: none"> <li>✓ Organisational risk culture surveys (minimum every 2 years)</li> <li>✓ Daily operations and networking with staff</li> <li>✓ Analysis of risk reviews and reports</li> <li>✓ Monitoring of number of applications / participants in internal risk management grants program</li> <li>✓ Seeking feedback from staff during internal risk management communications and initiatives</li> <li>✓ Monitoring participation and responses to Statewide Mutual Risk Management Programs</li> </ul>	

## MCC Audit and Risk Committee Report Card

<b>Committee Charter</b>	<b>Compliance</b>
<i>Committee meetings</i>	A quorum was met at every meeting. Meetings held in this period include 6 March, 22 May, 7 August, 8 September, 23 October, 10 November, 27 November 2020
<i>Composition</i>	3 Independent members 2 Councillors
<i>Broad range of skills and experience</i>	The Committee consists of a diverse range of extensive experience across risk management, internal audit, local government and commercial activities.
<i>Functional separation</i>	The Committee has no executive powers and is advisory in its capacity.
<i>Sufficient time allocated to tasks</i>	The Committee agenda facilitated adequate time to discuss all internal audit reports from Council's Internal Auditor (O'Connor Marsden - OCM), external audit reviews, financial statements, update on the progress of the implementation of audit actions. This Agreed Management Action Items Report is tabled at each ARIC Meeting.
<i>Probity</i>	Members declared conflicts of interest if they arose.
<i>Risk management</i>	Risk management key activities are reported at each meeting of the Committee. The Committee maintains interest in the implementation status of MCC's Enterprise Risk Management Framework and clarification of risk data to inform business planning and decision making, including the internal audit plan.
<i>Control framework</i>	The Committee effectively reviewed the controls, policies and procedures through audit reports from OCM and high-level briefings received. The Committee also received presentations from the Audit Office of NSW.
<i>Compliance</i>	The Committee received and reviewed the annual calendar of Compliance and Reporting Requirements.
<i>COVID-19 Pandemic</i>	The Committee received a briefing on MCC's response to the COVID-19 pandemic which included forming a Pandemic Response Team and the development the Pandemic Response Plan – Staged Activation Guide which is linked to the organisations Business Continuity Plans (BCP).
<i>Fraud, corruption and control</i>	The Committee received and discussed the following Internal Audit Reports: <ul style="list-style-type: none"> <li>• Credit Card</li> <li>• Procurement</li> <li>• Payroll</li> <li>• Councillor Expenses</li> <li>• Cemeteries</li> </ul>
<i>Internal audit</i>	Reviewed and approved minor changes to MCC's Internal Audit Three Year Plan. The Committee monitored the implementation of internal audit recommendations by management.
<i>External audit</i>	The Committee has continued to review MCC's financial position and commitment towards achieving financial sustainability.  The Committee met several times to review and discuss Council's Draft Financial Statements which included discussions with the Audit Office of NSW.
<i>External accountability</i>	The Committee acts as a forum for communication between the Council, the General Manager, senior management, internal audit and the Audit Office of NSW.
<i>Financial management</i>	The Committee receives and reviews the Quarterly Budget Review report at each meeting.



## Year Ahead

ARIC have a planned program for the year ahead. Planned audits are noted in the table below.

### MidCoast Council Audit Plan

#	Audit/Review Description	Estimated Time	2021	To be scheduled
1	Financial Health Check (Basic Commercial Controls)	8		
2	Project Management – Major project review	20		
3	DRIVES	5		
4	WHS	20		
5	Procurement, Tendering & Purchase Card (One System)	20		
6	Asset Management	20		
7	Volunteer Management	20		
8	Financial Health Check (Basic Commercial Controls)	8		
9	HR- Performance Management	20		
11	Contract Management	15		
13	Complaint Handling	15		
14	ITC/ Cyber Security	20		
15	Governance Framework (Using NSW AO Lighthouse Framework)	12		
16	Companion Animal – Pound Facilities and Management	12		
17	Rates (4 Systems)	22		
18	Property Leasing	12		
19	Capital Works Program	15		
20	Records Management	15		
22	Development Assessment Process			
21	Management of Account & Attendance at ARIC (8 days per year)	24		

## 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

## Agenda

A typical agenda includes:

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

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