



**MIDCOAST**  
council

# ANNUAL REPORT

Audit, Risk & Improvement Committee

**2022**

**AUDIT**

Business

Verification

Finance





A lush green forest with a waterfall cascading over mossy rocks. The water flows over several tiers of dark, wet rocks, creating a series of small waterfalls. The surrounding vegetation is dense and vibrant, with large green leaves and moss covering the rocks. The scene is captured from a low angle, looking down the length of the waterfall.

## **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.**



# ARIC FOREWORD

The ARIC is an advisory committee to Council and management operating under s428A of the Local Government Act 1993. Our objectives are clearly defined and documented in our Charter, and our efficiency and effectiveness is measured by reference to those objectives, and through a self-assessment process.

The independent MidCoast Council ARIC is a fundamental component of good corporate governance. We have a majority of experienced independent members that add to the skills of allocated Councillor representatives. We declare any potential or actual conflicts of interest with matters on the agenda at each meeting.

We focus on issues relevant to the integrity of Council's financial reporting, oversee external audit, internal audit, governance, risk management, internal control, and compliance. In 2022 we assisted the MidCoast elected body, through management, to fulfil corporate governance and oversight responsibilities in areas including:

- Risk management structure and processes
- Controls activities
- Financial management, accounting policies, financial statements, and annual reporting
- External audit
- Internal audit
- Implementation of audit and other review recommendations
- Fraud and corruption control
- Business continuity management including ICT disaster recovery arrangements
- Cyber security and ICT security
- Work health & safety

The ARIC provided timely strategic reporting on significant governance, risk and control issues to Council after each meeting. We also produce this ARIC Annual Report to Council. I commend this 2022 ARIC Annual Report to you.

**Stephen Coates**  
Chair - MidCoast ARIC



# BACKGROUND

In December 2022, the Office of Local Government published its **Guidelines for Risk and Internal Audit for Local Councils in NSW.**

The Guidelines state that:

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

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

MidCoast Council's ARIC was established 28 February 2018 in accordance with the above.

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 MIDCOAST

The MidCoast region is home to a diverse community that is expected to grow by almost 30% to 122,962 people by 2036.

Our population of more than 96,300 is spread across 195 of towns and villages, all of which have their own unique qualities. The geographical area covers more than 10,000 km<sup>2</sup> and extends from the coastline, west to the escarpment of the Great Dividing Range. The Biripi and Worimi people are the traditional owners of the land.

The region is a popular location for retirees, and our ageing community enriches us with its diversity and experience, and supports our strong volunteer sector. This segment of our community is also responsible for our large, and growing aged care sector, providing a specialised service industry in our region.

The region is also a popular place for raising young children, and families are an important and valued part of our community. While educational opportunities are increasing, there is often a need for young people to leave the area to pursue higher education or employment opportunities.

MidCoast Council employs approximately 900 staff across three directorates and over 1600 volunteers help to provide services and facilities to the community.

MidCoast Council manages an asset portfolio of \$4.4 billion, an operational budget of \$346 million and a capital expenditure of \$111 million.



# ORGANISATION VISION, MISSION AND VALUES

## Our Vision

To be a high performing organisation where we are always striving to be better. One where we work collaboratively and are trusted.

## Our Mission

To deliver benefits for our community in a way that adds value and builds trust.

## Our Values

**Wellbeing:** We value safety, security, health and happiness

**Integrity:** We are open, honest, accountable and take pride in all we do

**Sustainability:** We use efficiencies, innovation and cooperation to achieve sustainable results

**Respect:** We work together respectfully ensuring inclusion, equality and open communication

## Our Executive Team and Services

**Adrian Panuccio:** General Manager

**Paul De Szell:** Director Liveable Communities

**Robert Scott:** Director Infrastructure and Engineering Services

**Steve Embry:** Director Corporate Services

### Liveable Communities

- Aged Care Support
- Arts & Culture
- Building Services
- Business
- Community Assets
- Community Development
- Customer Service
- Development Assessment
- Disability Services
- Engagement, Communication & Education
- Environmental Health
- Land Use Planning
- Libraries
- Natural Systems
- Open Spaces & Recreation
- Regulatory Services
- Resilience & Recovery Services
- Waste Services

### Infrastructure and Engineering

- Emergency Management
- Sewer Services
- Stormwater Drainage, Flooding & Coastal Engineering
- Transport Network
- Water Supply & Treatment

### Corporate Services

- Corporate Performance & Development
- Finance
- Governance & Risk
- Human Resources
- Information & Communications Technology
- Legal & Property
- Procurement, Fleet & Stores

# MIDCOAST ARIC OVERVIEW

The 2022 MidCoast ARIC Annual Report to Council provides a summary of key activities undertaken during 2022.

The MidCoast ARIC is established to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities.

A key responsibility of ARIC is overseeing the Internal Audit function. The Internal Audit seeks to enhance overall performance by assisting with review of processes and working with the organisation to facilitate improvements, enhance accountability and manage change.

## Charter

The Committee operates in accordance with the Audit, Risk and Improvement Committee Charter.

The Charter is available on the MidCoast Council website - Audit, Risk and Improvement Committee - MidCoast Council ([nsw.gov.au](http://nsw.gov.au))

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

## Membership

The MidCoast ARIC membership includes three independent members and two Councillor members.

Member	Position	Appointed	Period
Stephen Coates	Independent Member	November 2019 Reappointed March 2021 (through a public EOI process) Reappointed March 2023	2 years 2 years 2 years
Sheridan Dudley	New Independent Member	18 February 2022	3 years
Mark McCoy	New Independent Member	18 February 2022	3 years
Cr Alan Tickle (Deputy Mayor)	New Councillor Member	2 February 2022	2 years
Cr Jeremy Miller	New Councillor Member	2 February 2022	2 years

## Inductions

Following the appointment of the new members to the MidCoast ARIC an induction was undertaken prior to the 18 February 2022 ARIC meeting to ensure members received a comprehensive overview of MidCoast Council operations and were aware of:

- ARIC's role, responsibilities and Charter
- the business, operations, culture, risks and controls of Council
- the functions and service delivery
- key areas of risk
- internal controls
- financial reporting and audit status



# YEAR IN REVIEW

## Meetings held

In 2022 ARIC met six times to review reports, audit program and audited financial statements. The four meetings were scheduled ARIC meetings,

The 2022 Audit, Risk and Improvement Committee meetings were held:

- 18 February 2022
- 20 May 2022
- 12 August 2022
- 18 November 2022

With two meetings held to review the financial reports / statements on:

- 6 September 2022
- 24 October 2022

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.

## Attendance at meetings

Member	Position	Role	Eligible	Attended
Stephen Coates	Independent	Chair	6	6
Sheridan Dudley	Independent	Member	6	6
Mark McCoy	Independent	Member	6	5
Cr Alan Tickle	Councillor	Member	6	5
Cr Jeremy Miller	Councillor	Member	6	6





## Disclosures of Interests

Disclosures of interest are declared and recorded at each meeting.

## Reporting to Council

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

Reporting to Council includes:

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

## Report calendar

Reports are scheduled and prepared in accordance with the ARIC Report Calendar and are in line with the key areas of responsibility and oversight outlined for ARIC in the Guidelines.

- External Audit & Financial Management
- Internal Audit
- Risk Management
- Financial Management
- Governance, Compliance & Fraud Control
- Improvements

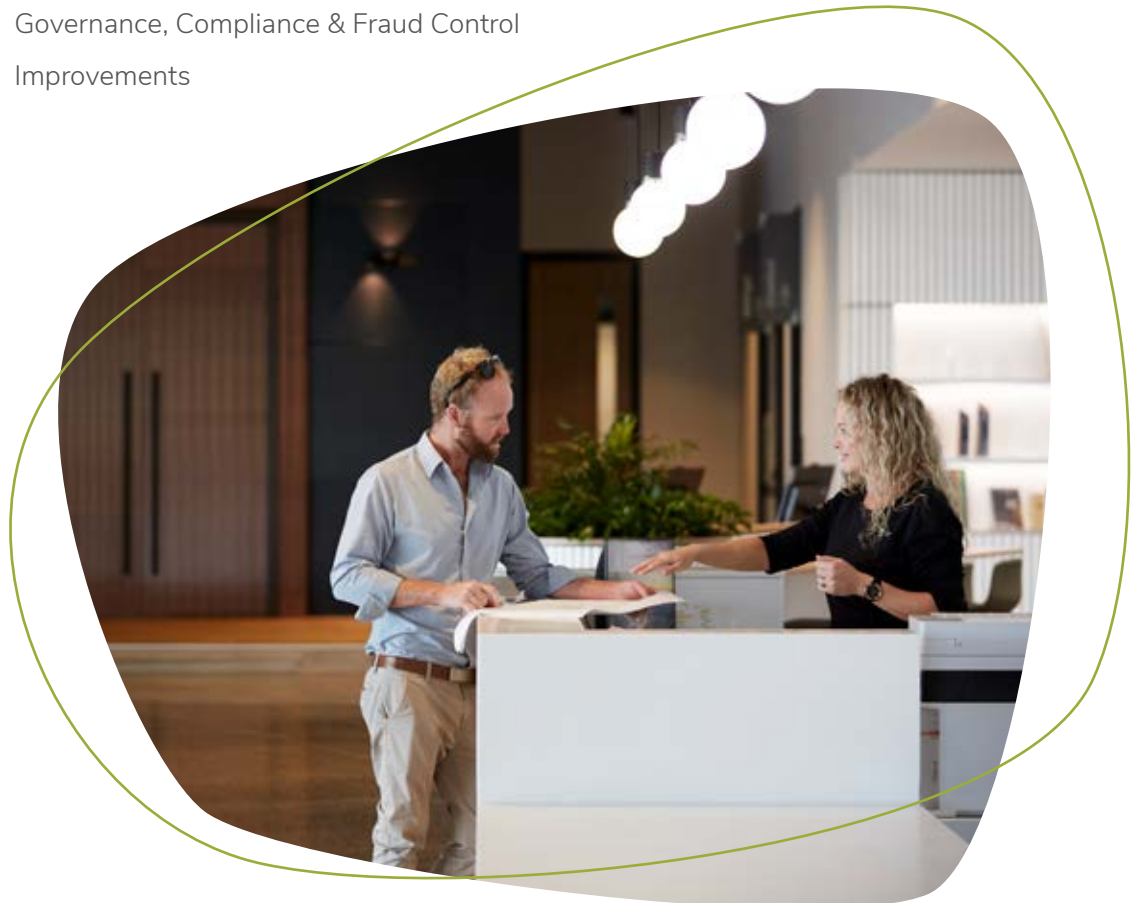




Photo: Mark Gutterson

## External Audit - Audit of Financial Statements

The External Audit of the Financial Statements for the year ending 30 June 2022 was undertaken by the Audit Office of NSW.

The completed statements were adopted at the 23 November 2022 Ordinary Council Meeting and submitted to the Office of Local Government (OLG) at the end of November 2022 in accordance with statutory requirements.

The NSW Audit Office is invited to attend 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 management actions
- Findings from the External Audit
- The Audited Financial Statements

## Internal Audit

O'Connor Marsden (OCM) have been appointed through a public tender process as MidCoast Council's Internal Auditor in May 2020 for an initial three years. Contract terms are for a three-year period with a number of one-year options. Each 1-year option will be at the discretion of Council and subject to performance reviews which will be carried out annually.

Representatives from OCM attend each ARIC meeting and provide a status update and details of their audit findings.

OCM presented the updated Audit Framework with the three-year audit plan to ARIC at the end of 2022.

The three-year Audit Plan includes Local Government Risk Trends (see below) and the MidCoast Strategic Risks, and these both align with the audits being undertaken.



Of the above, briefings and discussions were held with ARIC in relation to Financial Sustainability, Cyber Security and Regulatory / Statutory Requirements.

### Audits Undertaken

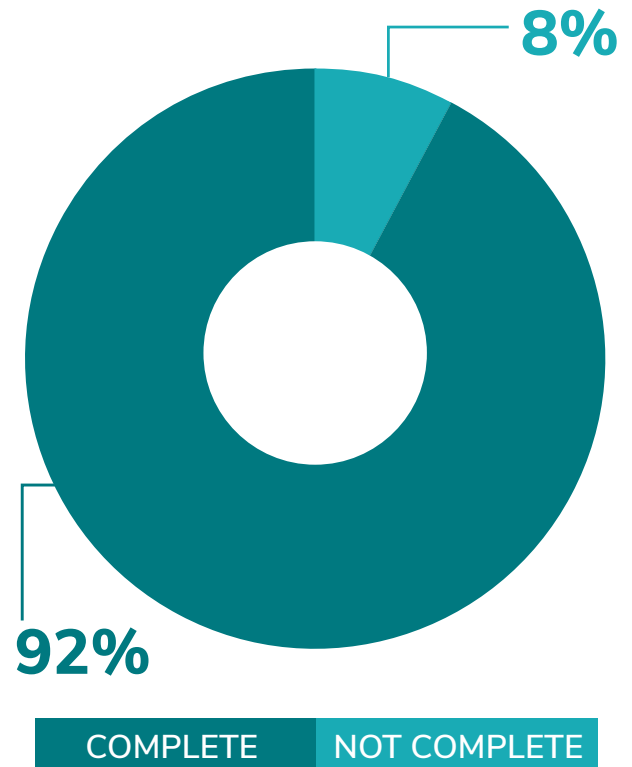
There were seven audits undertaken and completed in 2022. These included:

- Development Assessment Process (including VPAs)
- Water Extraction Licensing
- Rates Management
- Cyber Security
- Swimming Pool Safety Compliance
- Waste Management Facilities
- Capital Works



### Snapshot of Audit Actions

- 74 actions due from 1 January 2022 – 31 December 2022
- 92% completed (68 actions)
- 8% delayed (6 actions)



## Assessment of Internal Audit Performance

In line with the MidCoast ARIC Charter and the draft Guidelines an Annual Assessment of the Internal Audit function was undertaken at the end of 2022.

The intention of the assessment is to review the Internal Audit function performed by OCM, its processes, planning and contribution to Council.

The survey included 21 questions with eight people invited to respond (5 ARIC members and 3 MidCoast Council staff) with all eight responding.

### Respondents were:

Stephen Coates	Chair MidCoast ARIC (Independent Member)
Sheridan Dudley	Independent Member
Mark McCoy	Independent Member
Cr Alan Tickle	MidCoast Councillor
Cr Jeremy Miller	MidCoast Councillor
Adrian Panuccio	General Manager MidCoast Council
Rob Griffiths	Manager Governance MidCoast Council
Donna Hudson	Governance Liaison & Projects Coordinator MidCoast Council

The range of average question responses was between 3.75 and 5.

The average response overall was 4.25 out of a possible 5, determining O'Connor Marsden (OCM) to have a 'very satisfactory' result.

## Management of actions

Management actions are managed through a purpose-built program to enable MidCoast Council to better manage action items from ARIC meetings, external audit and internal audit. The program tracks the action, responsible officer, due date, overdue actions, status, progress notes and when completed. These management actions are reported to ARIC at each meeting.

## Financial Management

Information is provided to both ARIC and Council to provide assurance that Council has an effective financial management framework, a positive financial performance and is working towards a sustainable financial position.

Reports and discussions presented include:

- Long term financial plan
- Accounting policies and position papers
- Quarterly financial reports
  - Budget review
  - Borrowings, Investments & Treasury Report
  - Financial Sustainability

## Governance, Compliance & Fraud Control

Good governance is the processes and behaviours that ensure MidCoast Council performs to achieve its intended purpose, and complies with all relevant laws, codes and directions while meeting community expectations of probity, accountability and transparency.

Governance should be enduring, not just something done from time to time. Good governance sets a clear direction, a way to get there and tracks progress. It provides independent assurance that management is achieving this direction in an ethical and legal way. Risks and opportunities are recognised and addressed.

Governance Frameworks are a key component to guide the management and processes of the organisation. Presented and discussed with ARIC during 2022 include:

- Governance Framework
  - Code of Conduct
  - Public Interest Disclosures
  - Enterprise Risk Management Framework
  - Policy Framework
  - Internal Audit Framework
  - Fraud and Corruption Control Framework
  - Management of actual and/or perceived Conflicts of Interests
  - Statutory Reporting and legal compliance
  - Councillors, Council Meetings and Council Committees
  - Delegations
- Compliance Framework
  - Legislative Compliance Database
  - Statutory reporting calendar
  - Legislative Breaches register
  - Delegations Database
  - Internal Audit function
  - Risk Management Framework
  - Fraud & Corruption Control Framework
  - Governance Training & Education Program



## Risk Management

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

MidCoast Council accepts responsibility and accountability for risk management across the organisation and supports the development of a positive risk culture.

Risk management is an integral part of all Council management, operations, functions and activities.

Council has a risk management framework that is appropriate and is consistent with the Australian Risk Management Standards.

The Risk Management Policy & Framework, Incidents & Claims Reports, Continuous Improvement Program Results & Actions and WHS & Wellbeing were presented to ARIC during 2022.

A copy of Council's Risk Management Road Map is shown on the following page.



## Objectives

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

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

## Our framework

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

## Key actions to achieve objectives

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

## Benefits & gains

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

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

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

## How are we going to measure success & identify improvements?

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

# MIDCOAST ARIC REPORT CARD

Committee Charter	Compliance
Committee meetings	A quorum was met at every meeting. Meetings held in this period include 18 February 2022, 20 May 2022, 12 August 2022, 18 November 2022, plus financial meetings held 6 September 2022 & 24 October 2022
Composition	3 Independent members 2 Councillors
Broad range of skills and experience	The ARIC consists of a diverse range of extensive experience across financial & risk management, internal audit, local government and commercial activities.
Functional separation	The ARIC has no executive powers and is advisory in its capacity.
Sufficient time allocated to tasks	The ARIC agenda facilitated adequate time to discuss all internal audit reports from Council's Internal Auditor (O'Connor Marsden - OCM), external audit reviews, financial statements, and an update on the progress of the implementation of audit actions (tabled at each meeting) as well as Governance, risk management & financial management activities.
Probity	Members declared conflicts of interest if they arose.
Risk management	Risk management key activities are reported at each meeting of the ARIC. The ARIC maintains interest in MidCoast Council's Enterprise Risk Management Framework and subsequent risk registers that have been developed that help to inform business planning and decision making, including the internal audit plan.
Control framework	The ARIC effectively reviewed the controls, policies and procedures through audit reports from OCM and high-level staff briefings received. The ARIC also received presentations from the Audit Office of NSW.
Compliance	The ARIC received and reviewed the Compliance Framework & reports relating to compliance.
Fraud, corruption and control	Council has an effective Fraud and Corruption Control Framework in place that was reviewed by ARIC.
Internal audit	Reviewed and updated MidCoast Council's Internal Audit Three Year Plan. The ARIC monitored the implementation of internal audit recommendations by management. The ARIC received and discussed the following Internal Audit reports: <ul style="list-style-type: none"> <li>• Financial Health Check</li> <li>• Project Management Audit</li> <li>• WHS Audit</li> <li>• DRIVES Audit</li> <li>• Records Management Audit</li> <li>• Fuel Card Management Audit</li> </ul>
External audit	The ARIC has continued to review MidCoast Council's financial position and commitment towards achieving financial sustainability. Specific meetings were held to review financial statements on 6 September 2022 & 24 October 2022.
External accountability	The ARIC is a forum for communication between the Council, the General Manager, senior management, internal audit and the Audit Office of NSW. ARIC has in-camera sessions with the Audit Office of NSW and internal auditor. The Chair of ARIC meets each quarter with the general Manager & has scheduled presentations to Council twice a year.
Financial management	The Committee receives the Quarterly Budget Review report and Investments report at each meeting along with accounting position papers.

# YEAR AHEAD

ARIC have a planned audit program for 2023. Scheduled audits for the upcoming twelve months are noted in the table below.

## MidCoast Council Internal Audit Plan

#	Audit/Review Description	Estimated Time [days]	To be scheduled
1	Volunteer Management	25	2023
2	HR - Performance Management	20	2023
3	Self-Assessment of the Internal Audit Function	5	2023
4	Asset Management (Deep dive)	30	2023
5	Climate Change	15	2023
6	Contract Management	15	2024
7	Recruitment	25	2024
8	Art Collection (artefacts)	5	2024
9	Management of Account & Attendance at ARIC (8 days per year)	12	2023/24





## Internal audits undertaken to date (by financial year)

Audit Topic	2019/20	2020/21	2021/22	2022/23
Development of Three-Year Audit Plan and Internal Audit Framework	✓			
Credit Cards	✓			
Procurement	✓			
Payroll and Allowances	✓			
Cemetery Compliance		✓		
Councillor Expenses		✓		
Finance Health Check		✓		
Project Management		✓		
WHS		✓		
Drives		✓		
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				✓
HR Performance Management				✓
Self-Assessment of the Internal Audit Function				✓