MIDCOAST
council

MidCoast Audit, Risk & Improvement Committee

ARIC STRATEGIC PLAN
2024-2028

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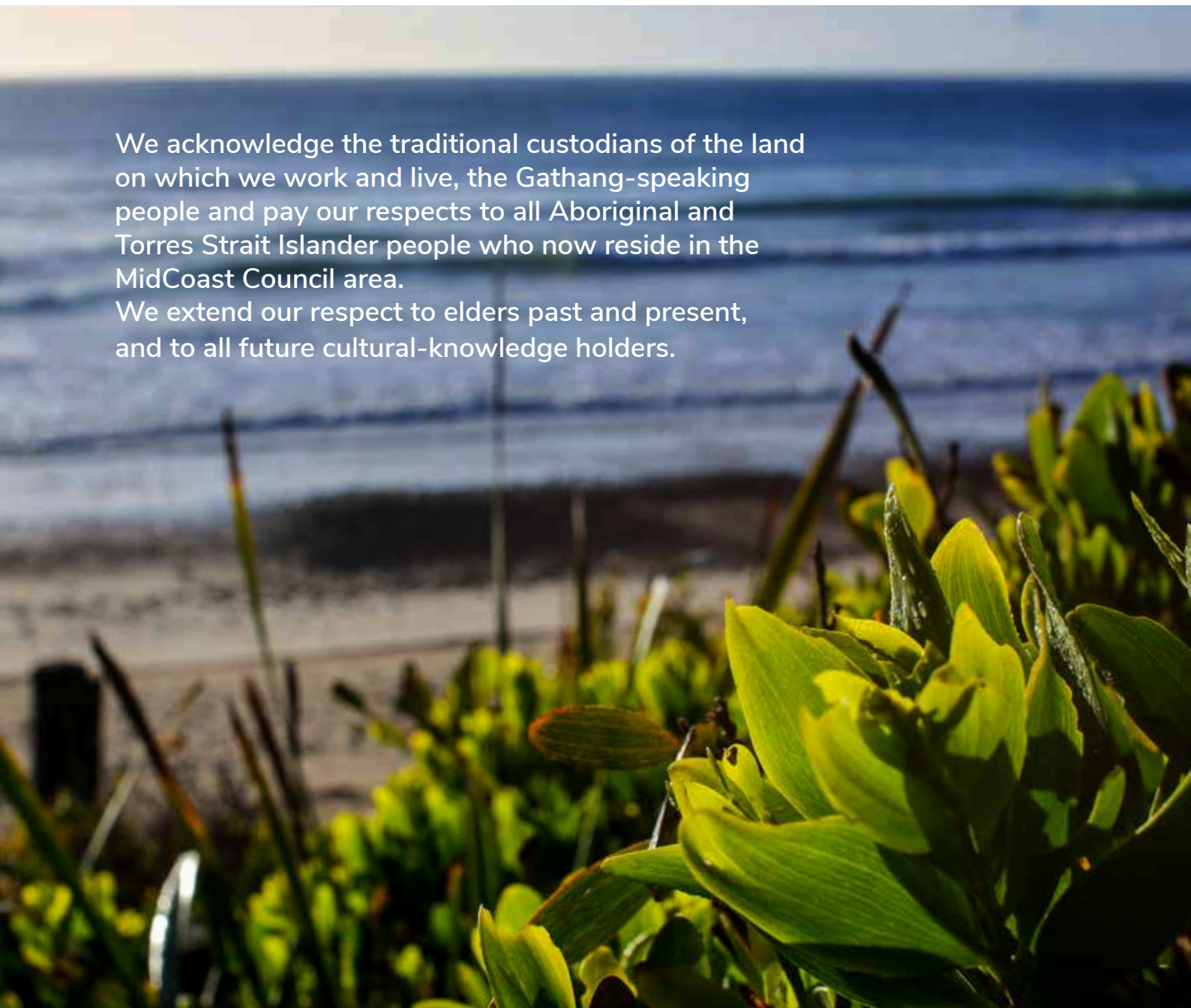We extend our respect to elders past and present, and to all future cultural-knowledge holders.

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INTRODUCTION

The Local Government Act 1993, the *Local Government (General) Regulation 2021* and the Risk Management and Internal Audit for local government in NSW Guidelines require each Council in NSW to have the following mandatory governance mechanisms:

- an audit, risk and improvement committee 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 established its Audit, Risk & Improvement Committee (ARIC) by resolution of Council in February 2018.

The MidCoast ARIC Terms of Reference are available on the Council's website:
 Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)

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 the draft Guidelines relating to the Committee.

Role and functions

Under section 428A of the *Local Government Act 1993*, each Council must have an Audit, Risk & Improvement Committee to independently review and advise on the following aspects of Council's operations:

a. Compliance

b. Risk management

c. Fraud control

d. Financial management

e. Governance

f. Implementation of strategic plan, delivery program and strategies

g. Service reviews

h. Collection of performance measurement data by the council, and

i. Any other matters prescribed by the regulation

ARICs have an advisory role that is independent of Council. They are to exercise no administrative functions, delegate financial responsibilities or any management functions for Council.

ARICs are to provide independent advice to Council that is informed by Council's internal audit and risk management activities, and information and advice provided by Council staff, relevant external bodies and other subject matter experts.

ARIC is one of the ways Council gathers information to make informed decisions, as demonstrated in the diagram below.

Strategic Plan

ARICs are required to develop a four-year strategic workplan to ensure the above areas are reviewed by the Committee and considered by the internal audit. The work of the Committee is to be thoroughly planned so all activities and functions are considered, and, advice and assurance can be provided to Council.

Sections 1 (MidCoast), 2 (MidCoast ARIC) and 3 (Risk, Audit & Assurance) of this plan contain information to inform the key focus areas and KPIs detailed in Section 4 (MidCoast ARIC Work Plans).

The ARIC Strategic Plan is an organic document that is reviewed and updated at least annually by ARIC.

Stakeholders

The following stakeholders have been consulted by ARIC in developing the plan:

- Council
- General Manager
- MANEX
- Senior staff

MIDCOAST REGION

Home to around 97,200 people, the MidCoast region offers our diverse community a wide range of lifestyle opportunities.

Located on the mid north coast of NSW, the geographical area covers more than 10,000 km^2 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 well known for its natural beauty and is a key holiday destination that attracts a large number of tourists and visitors throughout the seasons. The area spans from sparkling beaches on the coast to mountains in the hinterland, with expansive national parks and green spaces in between. It includes the Manning River valley, the Wallis, Smiths and Myall Lakes systems, the northern foreshore of Port Stephens, the agricultural hinterland and rugged, forested ranges of the Woko and Tapin Tops National Parks, and the World Heritage-listed Barrington Tops National Park.

These natural features contribute to our lifestyles, livelihoods and wellbeing, and protecting and celebrating them is an important focus for our future.

Regional statistics

- 10,052km2
- 195 Towns, Villages & Localities
- 192km Coastline
- 3,638km Roads
- 669 Bridges
- 1 World Heritage Listed Area
- 8 Protected Aboriginal Places (under National Parks and Wildlife Act)
- 5 Coastal Lakes & Lagoons
- 1 Marine park
- 58 National Parks & Reserves

MIDCOAST COMMUNITY

STRATEGIC DIRECTION

Community Vision

> *"MidCoast is a place of unique environmental and cultural significance. Our strong community connection, coupled with our innovative development and growing economy, builds the quality of life we value."*

Community Values

The values were identified by the community during consultation between 2016 and 2018, and describe what is important to our community.

We value... our unique, diverse and culturally rich communities

Our diverse communities offer active and social opportunities, are safe and are places where we work together with a creative focus acknowledging our rich history and culture.

We value... a connected community

We are socially and physically connected with each other, by ensuring we have activities, facilities, roads, footpaths and technology that are upgraded and well maintained.

We value... our environment

Our natural environment is protected and enhanced, while we maintain our growing urban centres and manage our resources wisely.

We value... our thriving and growing economy

We are a place where people want to live, work and play, business is resilient and adaptable to change by utilising knowledge and expertise that supports innovation.

We value... strong leadership and shared vision

We work in partnerships towards a shared vision, that provides value for money and is community focused.

MIDCOAST COMMUNITY OUTCOMES

The community outcomes are the priorities that Council keep in sight and focus on achieving. These are further outlined in the Community Strategic Plan.

The Integrated Planning and Reporting Framework requires that a Council's Community Strategic Plan addresses social, environmental, economic and civic leadership issues in an integrated and sustainable way. This is known as the 'quadruple bottom line' principle.

The MidCoast Community Outcomes 2022-2032 are:

Community Outcome 1:
A resilient and socially connected community

Our diverse communities offer active and social opportunities for everyone; they are safe and are places where we work together with a creative focus acknowledging our rich history and culture.

Community Outcome 2:
An integrated and considered approach to managing our natural and built environments

Our natural environment is protected and enhanced, while we maintain our growing town centres and manage our resources wisely.

Community Outcome 3:
A thriving and strong economy

A strong regional economy that supports business and jobs growth.

Community Outcome 4:
Strong leadership and good governance

Council is focused on being sustainable, well-governed, and delivering the best outcomes for the community.

MIDCOAST COUNCIL

COUNCIL FOCUS AREAS 2022-2026

Council have identified the following seven key focus areas for the Council term that are important to the MidCoast community and relate to the current needs of the region. Further information is available in the Delivery Program 2022-2026 Operational Plan 2023-2024.

Climate actions
(relates to Community Outcome 1 & 2)

Council acknowledges climate change as a key focus area for the MidCoast community, as outlined in the Community Strategic Plan.
Our Climate Change Strategy shows how we'll reduce our emissions and adapt to the impacts of climate change. Our climate actions include investing in renewable energy, becoming more energy efficient, educating the community around ways to reduce their environmental impact and reducing our waste to landfill.

Culture
(relates to Community Outcome 1 & 3)

Our commitment to culture strengthens the delivery of personal, social, economic and environmental benefits to the community through improved recognition and visibility of Aboriginal cultural heritage; expanded delivery of community arts and culture programs; creating welcoming places through revitalising town centres; and diversifying the economy to enable arts and creative enterprises to flourish.

Customer service
(relates to Community Outcome 4)

The community is our customer and it is Council's highest priority to support and promote the delivery of an exceptional customer experience across all Council services, community facilities and online channels.
Our staff are committed to strive for the highest standard of customer service possible.

Development assessment
(relates to Community Outcome 2 & 4)

We are focused on improving efficiencies in the way we approach development across the MidCoast region. By streamlining our development application process, we aim to decrease approval times. As part of this, we align our processes with NSW Department of Planning and Environment (DPE) Development Assessment Best Practice Guide.
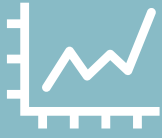
Economic Development
(relates to Community Outcome 1 & 2)

Our Economic Development Strategy builds and sustains the economic growth of our region. We've developed this in collaboration with local businesses and our community.

Financial sustainability
(relates to Community Outcome 3 & 4)

Long-term financial sustainability underpins all decision making and strategic planning for MidCoast Council with a focus on achieving intergenerational equity. Financial sustainability ensures that financial and asset management is effective, and that spending and infrastructure investment is responsible and sustainable and benefits the local community.

Local and Regional Roads
(relates to Community Outcome 2, 3 & 4)

Our roads and bridges are one of the highest priorities identified in our Community Strategic Plan, and our continued focus is to ensure local and regional roads are safe and efficient transport networks within Council's available resources.

Major projects to improve local and regional roads that are currently underway include the Regional Roads Program, Thunderbolts Way Program, The Bucketts Way Program and Cedar Party Creek bridge replacement.

ORGANISATION VISION, MISSION AND VALUES

VISION

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

MISSION

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

VALUES

Team: *We work together to achieve the best outcomes*

Safety: *We are proactive in keeping ourselves & our teams safe*

Integrity: *We build trust by being open, honest & accountable to one another*

Respect: *We are kind to each other and value our differences*

Sustainability: *We make decisions with our long-term viability in mind*

SERVICE AREAS

Adrian Panuccio: General Manager

Liveable Communities

Paul De Szell: Director 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

Robert Scott: Director Infrastructure and Engineering Services

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

Corporate Services

Steve Embry: Director Corporate Services

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

MIDCOAST ARIC

2

MIDCOAST ARIC

All councils are required under the Local Government Act 1993 to have an audit risk and improvement committee (ARIC) from 4 June 2022.

MidCoast Council's ARIC was established 28 February 2018 in accordance with section 355 of the Local Government Act 1993.

ARIC is a Committee of Council, responsible for reviewing Council's strategic and operational plans and risks across a broad range of governance matters, as prescribed in the legislation and the provisions of the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023. The Committee is advisory in its function and has no authority to direct the General Manager or Council officers. The Committee has no executive powers, except those expressly provided by the Council.

- The Committee comprises three independent members and one non-voting Councillor member. This optimises the likelihood of having a diverse range of perspectives and expertise in the group.
- The Chair of the Committee must be an independent member.

The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audit, organisational performance and external accountability responsibilities. The Committee also provides information to the Council for the purpose of improving the Council's performance of its functions.

The first meeting of ARIC was held 13 February 2019.

TERMS OF REFERENCE

The Committee operates in accordance with the Audit, Risk and Improvement Committee Terms of Reference (TOR). The TOR is based on the model included in the Guidelines.

The TOR is available on the MidCoast Council website:
Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)

The TOR was last reviewed and adopted by Council in October 2024.

MEMBERS

The ARIC consists of an independent chair and two independent members who have voting rights and one non-voting Councillor member. The Mayor cannot be appointed as the Councillor member.

Members are appointed by resolution of Council for up to four years and may be reappointed for a further four years, however, members can only hold a position for a maximum of eight years in a ten-year period.

The Mayor, General Manager and the Internal Audit Coordinator should attend Committee meetings as non-voting observers. Councillors can request to attend ARIC meetings as an observer.

Members of ARIC include:

Name	Role	Term Expiry
Stephen Coates	Independent Chair	March 2025
Mark McCoy	Independent member	February 2025
Shane Hubble	Independent member	March 2026
Cr Jeremy Miller	Councillor non-voting member	October 2026

The MidCoast ARIC has the appropriate mix of skills, knowledge and experience necessary to successfully implement its TOR and value add to Council. The term of each of the members is managed in line with the TOR.

STAKEHOLDERS

ARICs role is to provide independent advice and assurance to Council. To achieve this ARIC ensures information, discussions and presentations are provided from a range of stakeholders at each meeting including the External Auditor (Audit Office of NSW), Internal Auditor (O'Connor Marsden), General Manager, senior staff, Audit Coordinator, subject matter experts and Office of Local Government. This allows for information, discussions and advice to be provided to the Councillors.

KEY STAFF

MidCoast Council staff who attend ARIC include:

Name	Role
Adrian Panuccio	General Manager
Steve Embry	Director Corporate Services Head of Internal Audit
Rob Griffiths	Manager Governance
Phil Brennan	Manager Finance
Donna Hudson	Secretariat / Audit Coordinator

Council staff presenting information to ARIC attend the meeting for the relevant discussion.

MEETINGS

ARIC meetings are generally held once a quarter. Additional meetings are held to review the financial statements before and after audit.

OVERVIEW OF INTERNAL AUDIT

O'Connor Marsden (OCM) were appointed in July 2019 to work with MidCoast Council to develop an Internal Audit Framework including an internal audit universe, three-year internal audit plan, an annual internal audit plan and to undertake the first two audits from the plan.

The Internal Audit Framework was endorsed by ARIC 29 August 2019.

In April 2020 OCM were selected in accordance with LGP Contract No LGP218 as the Internal Auditor to deliver the three-year audit plan and the Internal Audit Framework developed in 2019.

The OCM contract is for three years with three x one-year options (3+1+1+1). Each one-year option is at the discretion of MidCoast Council and subject to performance reviews which will be carried out annually.

Two of the one year options of the contract have been exercised.

Audits completed by OCM are outlined in the following table.

Audit Topic	2020/21	2021/22	2022/23	2023/24
Cemetery Compliance	✔			
Councillor Expenses	✔			
Finance Health Check	✔			
Project Management	✔			
WHS	✔			
Drives	✔			
Fuel Cards		✔		
Records Management		✔		
Development Assessment Process (Incl 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				✔

ARICs Internal Audit Charter was adopted by Council at the 25 October 2023 Council meeting. Internal audit activities follow the MidCoast Internal Audit Framework that helps to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

CORE DOCUMENTS

The following table identifies the planning and core documents completed by ARIC (as noted in the Guidelines) along with the definition applied by MidCoast ARIC and a brief description.

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

Requirement	Defined as	Description
Forward 12-month agenda	ARIC Reports Schedule	18 month rolling calendar of planned reports is reviewed & updated at each ARIC meeting
Annual Work Plan	ARIC Reports Schedule & Internal Audit Plan	18 month rolling calendar of planned reports & discussions scheduled for each ARIC meeting Annual Internal Audit Plan
Strategic Work Plan	ARIC Strategic Plan	Four-year workplan detailing the considerations for ARIC, Council priority areas, ARIC Key Focus Areas and KPIs
Performance measures	Performance measures	Performance measures as noted in Section 4

ARIC REPORTING FRAMEWORK (REPORTING TO COUNCIL)

Council receives relevant and timely advice and assurance from ARIC in matters listed in 428A of the *Local Government Act* through regular reporting. The regular reporting ensures there are strong linkages between ARIC and the elected representatives.

Councillors who are not ARIC members are invited to attend ARIC meetings as an observer.

Council are kept updated and kept informed through the following:

Requirement	Defined as	Description
Strategic Work Plan	ARIC 4-year Work Plan	Four-year strategic plan that is reviewed & updated annually
Annual Work Plan	ARIC Annual Work Plan	Includes: - Annual Internal Audit Plan - KPIs - ARIC Reports Schedule
Agenda	ARIC Agenda	The full confidential ARIC Agenda is provided to Councillors through the secure document sharing portal
Quarterly updates	Meeting Notes	The confidential ARIC Meeting Notes are provided to Council following each meeting
Annual assessment	ARIC Annual Report	ARIC Annual Report prepared and presented to Council in November / December each year
Annual assurance meeting	ARIC Chair presentation to Councillors (coinciding with presentation of the Annual Report)	ARIC Chair presents an update to Councillors in a workshop that includes • Presentation of the Annual Report • Update on the Annual Audit Plan • Update on the Terms of Reference • Annual assessment of the risk function
Strategic assessment	ARIC End of Term Report	To include a comprehensive strategic assessment against the ARIC Terms of Reference, legislative requirements and the Guidelines.
Review of ARIC performance	ARIC Performance Review	At the end of the Council term Councillor representatives & observers undertake a review of ARICs performance & action plan

Requirement	Defined as	Description
Performance Measurement	Measuring ARICs performance	- Performance measures developed & included in the ARIC Strategic Plan - Annual Internal Audit Performance Review - Report Card included in the ARIC Annual Report
Strategic Assurance Meeting	Strategy meeting	At the beginning of the new term ARIC present the proposed ARIC Strategic Plan
Annual Attestation	Annual Attestation	General Manager to include the attestation in the MidCoast Council Annual Report from 2024/25

ARIC Annual Reports are available on the ARIC page of the website:
Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)

RISK, AUDITS & ASSURANCE

3

RISK

MidCoast Council Strategic Risks

Council has identified the following 16 strategic risks to the organisation.

Risks	
1. Work, Health & Safety	Protect the health, safety & wellbeing of employees, contractors and volunteers.
2. Human Resources	Attract, retain and continually develop qualified, skilled and motivated workforce; adequately and consistently manage workforce performance and conduct.
3. Financial Sustainability	Maintain long term financial sustainability and stability
4. Infrastructure & Property	Maintain adequate infrastructure
5. Climate Change	Prepare for and respond to the impacts of climate change
6. Business Disruptions	Maintain critical infrastructure and services
7. ICT Infrastructure / Cyber Security	Provide adequate ICT infrastructure to support and protect the organisation
8. Corporate Project Management	Successfully deliver key corporate projects
9. Compliance	Compliance with legislation, regulations and standards
10. Environment	Adequately protect the natural environment
11. Waste Management	Adequately manage waste and contamination
12. Theft, Fraud & Crime	Effective governance, management & enforcement
13. Government Decisions & Priorities	Impact of State and Federal Government decisions
14. IP&R	Align with community needs and expectations and delivered within legislated timeframes
15. Culture	Organisational culture and resilience
16. Leadership	Strategic leadership and management

RISK

LOCAL GOVERNMENT RISK TRENDS

Top Twelve Risks for regional areas
(from JLT 2023-2024 Report)

- Financial Sustainability
- Cyber Security
- Assets & Infrastructure
- Disaster & Catastrophe
- People & Culture
- Business Continuity Climate Change
- Ineffective Governance
- Statutory & Regulatory Requirements
- Waste Management
- Reputation
- Civil Liability Claims

Local Government Risk Rankings 2018-2022

(from JLT 2023-2024 Report)

	2018	2019	2020	2021	2022	2023
1	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability
2	Theft, fraud and/or crime	Cyber Security	Assets & Infrastructure	Cyber Security	Cyber Security	Cyber Security
3	Reputation	Reputation	Disaster or Catastrophic	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure
4	Statutory & regulatory Requirements	Natural Catastrophes	Cyber Security	Disaster or Catastrophe	Business Continuity	Climate Change/ Adaptation
5	Environmental Management	Climate Change/ Adaption	Reputation	Reputation	Disaster or Catastrophe	Disaster or Catastrophe
6	Asset & Infrastructure	Asset & Infrastructure	Business Continuity	Business Continuity	Climate Change/ Adaptation	People & Culture
7	Natural Catastrophes	Statutory & Regulatory Requirements	Waste Management	Climate Change/ Adaptation	Statutory & regulatory Requirements	Business Continuity
8	Cyber Security	Ineffective governance	Statutory & Regulatory Requirements	Impact of Pandemic in 2021 & 2022	HR Management	Ineffective governance
9	Business Continuity	Business Continuity	Climate Change/ Adaptation	Statutory & Regulatory Requirements	Waste Management	Statutory & regulatory Requirements
10	Ineffective governance	HR/WHS Management	HR/WHS Management	Ineffective governance	Ineffective governance	Waste Management
11	HR/WHS Management	Environmental Management	Ineffective governance	Waste Management	Reputation	Reputation
12	Errors, omissions or civil liability exposure	Errors, omissions or civil liability exposure	Theft, fraud and crime threats (including social media)	HR/WHS Management	Impact of Pandemic in 2021 & 2022	Civil Liability Claims
13		Theft, fraud and crime	Errors, omissions or civil liability exposure	Civil Liability Claims		
14		Terrorism	Terrorism	Terrorism		

AUDITS

MidCoast Four-year Internal Audit Plan 2024-2028 (indicative)

Councils are required to have an internal audit function that operates independently of Council and reports to the ARIC, and is consistent with the international standards for internal audit.

Internal Audit is required to have a comprehensive workplan linked to Council's strategic community outcomes and current risks. Proposed four-year plan is detailed below.

#	Internal Audit Reviews	Community Outcome				2024 /25	2025 /26	2026 /27	2027 /28
		1	2	3	4				
1	Recruitment	●		●	●	■			
2	Procurement			●	●	■			
3	Fees & Charges		●		●	■			
4	JSA- in-house review				●	■			
5	HR Performance Management				●		■		
6	Payroll			●	●		■		
7	Cyber Security- Data Governance				●		■		
8	Event Management			●				■	
9	Fleet Management				●			■	
10	Companion Animal – Pound Facilities and Management	●	●		●			■	
11	Public Spaces – Swimming pools/ Tourist Parks	●		●	●				■
12	Complaint Handling	●							■
13	Maturity Assessment of Councils Risk Management Framework				●				■
14	Management of Account, and Attendance at ARIC				●	■	■	■	■

Legend

- ■ Community outcome 1 – A resilient & socially connected community
- ■ Community outcome 2 – An integrated & considered approach to managing our natural and built environments
- ■ Community outcome 3 – A thriving & strong economy
- ■ Community outcome 4 – Strong leadership and good governance

AO NSW Planned Audits 2024-2026

The Audit Office of NSW (AO NSW) are the appointed financial auditors for MidCoast Council. AO NSW have a schedule for focus areas when undertaking the financial audits. The focus areas are included below. Further information is available from:

[Annual Work Program 2023-26 | Audit Office of New South Wales (nsw.gov.au)](#)

Planned Audits 2024 - 2026 include:

- Unsolicited proposals (with Trade, investment and regional development)
- Cyber security
- Governance of Artificial Intelligence, automation and robotics
- Compliance with records and public access to information
- Road asset management
- Coastal management reforms (with Environment)
- Managing climate risks to assets and services
- Western Sydney Aerotropolis (with Planning)
- Performance management and monitoring
- Audits of governance issues within a particular council
- Amalgamated councils

ASSURANCE

A MidCoast Strategic Assurance Map (past activities) along with a MidCoast Audit & Assurance Program (future activities) have been developed to provide oversight of risk mitigation, audit and improvement activities being undertaken. These documents provide an overview of activities either undertaken or planned across the organisation to help identify gaps or risks. Both of these documents are presented and reviewed at each ARIC meeting.

FURTHER INFORMATION

Further information in relation to ARICs membership, Terms of Reference and Annual Reports is available on the website:

Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)

MIDCOAST ARIC STRATEGIC PLAN

ARICs role is to have oversight over a broad range of Council activities including:

- Governance structure and processes
- Risk management structure and processes
- Control activities
- Financial management, accounting policies, financial statements and annual reporting
- External audit
- Internal audit
- Compliance
- Implementation of audit and other review recommendations
- Ethics and organisation culture
- External accountability
- Fraud and corruption control
- Business continuity management including ICT disaster recovery arrangements.

- Security including physical security, cybersecurity and ICT security
- Legal issues
- Complaint management
- Organisation performance and management reporting
- Work health safety
- Environmental management
- Major projects and business initiatives
- Regulator activities
- Response to significant government enquiries such as Royal Commissions, central regulator reviews, etc

The MidCoast ARIC Strategic Plan has been developed to provide clear direction and goals, that comply with the legislative requirements, along with a plan to achieve them. The plan takes into consideration the following:

- Community – MidCoast Community Outcomes 2022-2032 (as outlined on pg 12 & detailed in the Community Strategic Plan - MidCoast Council (nsw.gov.au))
- Council – Council Focus Areas 2022-2026 (as outlined on pgs 13/14 & detailed in the Our delivery program, operational plan and budgets - MidCoast Council (nsw.gov.au))
- Risk – the organisational strategic risks (as outlined on pg 24)
- Audit – four-year Internal Audit Plan (as outlined on pg 26)
- Reports Schedule – ARIC Reports Schedule

to ensure ARIC can achieve their mission, 'to provide effective and credible input and guidance to the elected representatives and executive management that adds value.'

The MidCoast ARIC Strategic Plan and subsequent Work Plans include:

- MidCoast ARIC Framework
- Vision, Mission, Role & Objectives
- Responsibilities
- Performance Measures

- Annual Work Plan
- Four-Year Work Plan – reviewed and updated annually.

The ARIC Strategic Plan is an organic and working document to ensure ARIC are able to respond to any changing needs. At a minimum the workplan will be reviewed and updated annually by ARIC to ensure it's dynamic, relevant and aligns with Council's risk profile.

MidCoast ARIC Framework

Community priorities 2022-23

Community	Environment	Economy	Governance
A resilient and socially connected community	An integrated and considered approach to managing our natural and built environments	A thriving and strong economy	Strong leadership and good governance

Council priorities 2022-26

Climate change	Culture	Customer Service	Development Assessment	Economic Development	Financial Sustainability	Local and regional roads

ARIC Core Responsibilities

Compliance	Risk	Fraud Control	Financial Management	Governance	IP&R	Service reviews	Performance Measurement Data	Audit

Organisational Risks

Work, Health & Safety	Human Resources	Financial Sustainability	Infrastructure & Property Management
Climate Change	Business Disruptions	ICT Infrastructure / Cyber Security	Corporate Project Management
Compliance	Environment	Theft, Fraud & Crime	Waste
Government Decisions & Priorities	IP&R	Culture	Leadership

ARIC Building Blocks

Internal Audit Charter	Internal Audit Framework	Internal Audit Plan	AO NSW Audit Program
Strategic Assurance Map	Risk & Assurance Workplan	Risk Roadmap	Risk Registers
ARIC Terms of Reference	ARIC Strategic Plan	ARIC Annual Report	ARIC Reporting Schedule

ARIC Annual Work Plan

ARIC Strategic Work Plan

ARIC Reporting Framework (to Council)

ARIC Strategic Plan

Introduction

ARIC provides strategic oversight in three core areas - audit, risk & improvement. This requires the work of ARIC to be thoroughly planned to ensure ARIC reviews and provides advice on audit activities (specifically the internal audit program), risk management framework and associated documents, compliance, fraud & corruption, financial management and governance.

Vision

The risk focused MidCoast ARIC is a highly respected and trusted committee that works collaboratively to provide independent, reliable, relevant and timely advice and assurance to Council that adds value.

Mission

To provide effective and credible input and guidance to the elected representatives and executive management that adds value.

Role

ARICs role is to continuously and independently review & advise on:

- Compliance
- Risk management
- Fraud control
- Financial management
- Governance

- Implementation of IP&R framework
- Service reviews
- Performance Measurement data
- Other matters in the regulation

Objectives

- Provide independent oversight of Council's assurance mechanisms by monitoring, reviewing and providing advice about the organisations governance processes, compliance, risk management, control frameworks, external accountability obligations and overall performance
- Act as a forum for communication and monitoring of improvement activities across Council.
- Building effective relationships with external audit.
- Oversight of an effective internal audit function – Internal Audit Performance Review, audit reports and status updates at each meeting

Work Plans

The work of ARIC is guided by the MidCoast ARIC Framework that ensures oversight and assurance is provided to Council and the General Manager in the areas noted in section 428A of the *Local Government Act*.

The ARIC Work Plans are detailed in the following pages.

Responsibilities

Key Service Description	Provide effective and credible input and guidance to the elected representatives and executive management that adds value.
Responsibility	General Manager Director Corporate Services (Head of Internal Audit)
Strategies and Plans	ARIC Strategic Plan
Community Outcomes	**4: Strong leadership and good governance**

	Key Responsibilities of ARIC
1.	Hold a minimum of four meetings per year
2.	Compliance with Guidelines
3	Oversee Internal Audit's planning, monitoring and reporting
4.	Maintain effective working relationships with Council and audit personnel
5.	Contribute the time needed to review and understand the information provided in agendas, engagement of ARIC members & contributions made
6.	Develop, review and present the work of ARIC to Council in accordance with the agreed ARIC Reporting Framework

Performance Measures

Ref	What we want to achieve	Baseline	Target
1.1	Number of meetings held	4	≥4
2.1	Terms of Reference are compliant with the Guidelines	new	100%
2.2	Annual Workplan reviewed and endorsed at each full ARIC meeting to allow forward planning	4	≥4
3.1	Audit actions presented and reviewed at each ARIC meeting	4	≥4
3.2	Average annual rating of Internal Audit Performance	4.5	≥4.5
4.1	Number of meetings held on site at YG with staff attending	4	≥4
4.2	In-camera closed session held with internal auditor	1	≥1
4.3	In-camera closed session held with external auditor minimum twice / year	1	≥1
4.4	Internal Auditor attends each ordinary ARIC meeting	4	≥4
4.5	External auditor attends each ordinary ARIC meeting	4	≥4
5.1	Rating from annual peer review by Councillor member	tba	
5.2	Average annual rating of ARIC self-assessment	4.5	≥4.5
5.3	Member attendance at ARIC meetings	80%	80%
6.1	% of legislated requirements completed within timeframes and due dates	new	new
6.2	% compliance against legislated requirements in attestation statement	95%	100%

ANNUAL WORK PLAN

A detailed Annual Work Plan has been developed from the ARIC 4-Year Work Plan that includes the key areas of Audit, Risk & Improvement.

Audit

- External Financial Audit
- Annual Internal Audit Plan – includes key goals, objectives and scope of the audits
- Risk
- Compliance

Risk

- Assurance activities & reports
- Governance, Policies & Frameworks
- Capital Works
- Procurement
- Trends
- Financial Management
- Internal Controls

Improvement

- Agreed Audit Actions
- Service reviews
- IP&R Framework implementation

This is outlined and assessed through the following:

- ARIC Reports Schedule – details agenda items by meeting and is presented and reviewed at each ARIC meeting (pg36)
- Annual Internal Audit Plan (pg37)
- Annual Presentations Schedule – key topics from areas of responsibility, risk or improvement actions (pg37)
- Annual Service Review Program – update provided on agreed program (pg38)
- Performance Measures – identified separately in the ARIC Strategic plan (pg34)
- ARIC Annual Report – presented to Council each year

Reports Schedule

To support the work of ARIC a rolling Reports Schedule has been developed to map reports & presentations by meeting. The schedule is based around the ARIC functions identified in section 428A of the Local Government Act including:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program & strategies
- service reviews

The Reports Schedule includes:

Report	Scheduled to be presented to ARIC
Asset Management	Annually
BCP	Quarterly Governance Update or Annually
BTP	Annually
Capital Works	Quarterly
Compliance	Quarterly Governance Update
Emerging Risks	as identified / required
Financial Management	Quarterly
Fraud Control	Quarterly Governance Update
Governance	Quarterly Governance Update
Internal Audit	Quarterly
External Audit	Annually
IP&R	Annually with updates provided out of session
IT / Cyber Security	Quarterly Governance Update or Annually
Procurement	Quarterly Governance Update
Risk Management	Quarterly Governance Update or Annually
WHS	Quarterly

Components of the Annual Work Plan are reviewed at each ARIC meeting. An overview of the work undertaken by ARIC each year is reported to Council in the ARIC Annual Report that is available on Council's website: Audit, Risk and Improvement Committee - MidCoast Council (nsw.gov.au)

Annual Internal Audit Plan

The agreed audits being undertaken during 2024/2025 are noted in the table below with the intention of one audit presented at each ARIC meeting.

Workplan	Community Outcomes				ARIC Terms of Reference	Organisational Risk	Proposed to be presented
Internal Audit	1	2	3	4			
Recruitment - The audit's primary objective will be to provide Council with a reasonable degree of assurance that adequate processes, systems, and management controls are working across the organisation in relation to the Recruitment process.						#1, #2, #15	Q1
Procurement - The objective of the audit is to assess that the procurement process of the Council is appropriately designed, implemented and are operating effectively; by assessing the adequacy of policies and procedures and analysing procurement data to identify control deficiencies and/or non-bonafede transactions.						#3	Q2
Fees & Charges - The purpose of this review is to evaluate whether practices which relate to the Council's fees and charges comply with its policies and legislative requirements. The audit will primarily focus on the determination, publication and calculation of Council's fees and charges						#3	Q3
JSA – Records Management (in-house)					●	#9	Q4

Annual Presentations Schedule

ARIC have chosen to have a more detailed presentation on one topic at each meeting. Each presentation is on a topic that aligns with either a key responsibility in the ARIC Terms of Reference (outlined on pg 5), Community Outcomes (outlined on pg 12) or Strategic Risks (outlined on pg 24) to the organisation (as detailed in the table below).

Presentation topics for 2024/2025 include:

Presentations	Community Outcomes				ARIC Terms of Reference	Organisational Risk	Proposed to be presented
Presentation (one per meeting)	1	2	3	4			
Business Transformation program (BTP) – BTP update along with schedule review					●	#3	Q1
Project Management – Implementation of Project Management Framework & improvements made					●	#8	Q2
Waste Management – Strategic overview of Waste Services incl contract management, infrastructure planning & continuity of service					●	#11	Q3
Service Reviews – Annual discussion & update on the program as well as future reviews scheduled					●	#2, #15	Q4
Organisational Project Updates – updates as required on any organisational projects to improve processes or add value to staff and community					●	#1, #8, #15. #16	as identified

Legend

■ Community outcome 1 – A resilient & socially connected community

■ Community outcome 2 – An integrated & considered approach to managing our natural and built environments

■ Community outcome 3 – A thriving & strong economy

■ Community outcome 4 – Strong leadership and good governance

Annual Service Review Program

The Integrated Planning and Reporting Guidelines (September 2021) introduced a requirement to encourage continuous improvement across Council operations by identifying a program of service reviews and that the Operational Plan must specify each review to be undertaken in that year.

MidCoast Council has developed a Service Optimisation Program that notes the reviews that will be undertaken during 2024/2025.

Reports and updates will be provided to ARIC through the year on the outcomes of the Service Optimisation Program with an annual update to ARIC on the progress made and the program for the following year.

Review	Community Outcomes				ARIC Core Role
	1	2	3	4	
Corporate Services					
Procurement & Stores				●	●
Finance (Payroll & Accounts Payable)			●	●	●
Legal & Property		●		●	●
Service Optimisation & Stakeholders – 'Quick Win' Optimisation Projects				●	●
Liveable Communities					
Libraries	●			●	●
Arts & Culture	●			●	●
Regulatory Services				●	●
Service Optimisation & Stakeholders – 'Quick Win' Optimisation Projects				●	●

Legend

■ Community outcome 1 – A resilient & socially connected community

■ Community outcome 2 – An integrated & considered approach to managing our natural and built environments

■ Community outcome 3 – A thriving & strong economy

■ Community outcome 4 – Strong leadership and good governance

ARIC FOUR-YEAR STRATEGIC WORK PLAN

The 4-Year Work Plan is a component of the ARIC Strategic plan and is a high level overview of the planned and scheduled program of audits, organisational risks presentations, service reviews and other activities.

Given the work of ARIC is broad, the 4-Year Work Plan needs to be adaptable and flexible to meet any changing needs identified by the ARIC members or Council.

The 4-Year Work Plan will inform the ARIC End of Term Report presented to Council. The Plan will be reviewed annually and presented to Council with the ARIC Annual Report each year.

Year	Workplan	Community Outcomes				Council Focus Area	Organisational Risk	ARIC Core Role
		1	2	3	4			
2024/25	*Internal Audit*							
	- Recruitment	■		■	■		#1, #2, #15	
	- Procurement			■	■	●	#3	●
	- Fees & Charges				■	●	#3	●
	- JSA – Site Compliance / Records Management (in-house)				■		#9	
	Presentation (one per meeting)							
	- Business Transformation Program	■			■	●	#3	●
	- Project Management				■		#8	
	- Waste Management		■				#11	
	- Service Reviews				■		#2, #15	●
	Service Review							
	CORPORATE SERVICES							
	- Procurement & Stores				■		#3, #15	●
	- Finance (Payroll & Accounts Payable)			■			#3	●
	- Legal & Property		■				#4	●
	- Service Optimisation & Stakeholders				■		#3, #15	●
	LIVEABLE COMMUNITIES							
	- Libraries	■			■		#3	●
	- Arts & Culture	■			■		#3	●
	- Regulatory Services				■		#9	●
	- Service Optimisation & Stakeholders				■		#3, #15	●
2025/26	*Internal Audit*							
	- Payroll			■	■		#3	●
	- HR Performance Management					●	#2	●
	- Cyber Security – Data Governance				■		#7	●
	Presentation (one per meeting)							
	- Environment		■			●	#5, #10	
	- Libraries	■						
	- Local & Regional Roads	■				●	#3, #4	
	- Procurement				■	●	#3	●
	Service Review							
	Program as identified in the Annual Operational Plan				■		#3 #15	

Legend

■ Community outcome 1 – A resilient & socially connected community

■ Community outcome 2 – An integrated & considered approach to managing our natural and built environments

■ Community outcome 3 – A thriving & strong economy

■ Community outcome 4 – Strong leadership and good governance

ARIC 4-Year Work Plan continued

Year	Workplan	Community Outcomes				Council Focus Area	Organisational Risk	ARIC Core Role
		1	2	3	4			
2026/27	*Internal Audit*							
	- Event Management			■	■		#9	
	- Fleet Management			■			#5, #6	●
	- Companion Animal – Pound Facilities & Management	■	■		■		#9	
	Presentation (one per meeting)							
	- Grant Funding			■	■	●	#3	●
	- Volunteers	■					#2	●
	- Cultural Services	■			■	●		
	- Asset Management	■			■		#4	●
	Service Review							
	Program as identified in the Annual Operational Plan							
2027/28	*Internal Audit*							
	- Public Spaces - Swimming Pools/ Tourist Parks	■		■	■		#4. #9	
	- Complaint Handling	■			■			●
	- Maturity Assessment of Councils Risk Management Framework				■			●
	Presentation (one per meeting)							
	- Organisational Culture				■		#15	●
	- BCP	■			■		#6	●
	- Legislative Compliance Database				■		#9	●
	- Event Management			■				
	Service Review							
	Program as identified in the Annual Operational Plan							

Legend

■ Community outcome 1 – A resilient & socially connected community

■ Community outcome 2 – An integrated & considered approach to managing our natural and built environments

■ Community outcome 3 – A thriving & strong economy

■ Community outcome 4 – Strong leadership and good governance

ATTACHMENTS

5

Terms of Reference

MidCoast Audit, Risk & Improvement Committee

Overview

MidCoast Council has established an Audit, Risk and Improvement Committee (ARIC) in compliance with section 428A of the *Local Government Act 1993*, of the *Local Government (General) Regulation 2021* and the Departmental Chief Executive's *Guidelines for Risk Management and Internal Audit for local government in NSW*. These Terms of Reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of MidCoast Council's ARIC is to provide independent assurance to Council by monitoring, reviewing and providing advice about the organisation's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.

The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of MidCoast Council. The Committee will provide independent advice to the Council that is informed by the organisations internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The Committee must always ensure it maintains a direct reporting line to and from the organisations internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.

Authority

Council authorises the Committee, for the purposes of exercising its responsibilities, to:
- access any information it needs from the organisation, requested through the General Manager
- use any organisation resources it needs, requested through the General Manager
- have direct and unrestricted access to the General Manager and senior management of the Council
- seek the General Manager's permission to meet with any other Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at Committee meetings, through the General Manager, and

> obtain external legal or other professional advice in line with councils' procurement policies in consultation with the General Manager

Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Composition and tenure

The Committee consists of an independent Chair, two independent members who have voting rights and one non-voting Councillor.

The governing body is to appoint the Chair and members of the Committee.

Current Committee members are:

Stephen Coates	Independent chair (voting)
Shane Hubble	Independent member (voting)
Mark McCoy	Independent member (voting)
Cr Jeremy Miller	Councillor member (non-voting)

All Committee members must meet the independence and eligibility criteria prescribed in the *Local Government (General) Regulation 2021.*

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the Committee. Members who have served an eight-year term (either as a member or as chair) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of the organisation, ideally, no more than one member should retire from the committee because of rotation in any one year.

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the Chair's or an independent member's term, an assessment of the Chair's or Committee member's performance should be undertaken. Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the governing body is to undertake an assessment of the chairperson's or committee member's performance. Reappointment of the Chair or a Committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.

Members of the Committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the organisation, the environment in which the Council operates, and the contribution that the Committee makes to the organisation. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the organisation's financial reporting responsibilities to be able to contribute to the committee's consideration of the organisation's annual financial statements.

Observers

The Mayor, General Manager and the Internal Audit Coordinator should attend ARIC meetings as non-voting observers.

Councillors can request to attend ARIC meetings as an observer.

Role

As required under section 428A of the Local Government Act 1993 (the Act), the role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the organisation'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 organisation, and
- internal audit.

The Committee must also provide information to the Council for the purpose of improving the organisation's performance of its functions.

The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these Terms of Reference.

The Committee will act as a forum for consideration of the organisation's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The Committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the Council rests with the governing body and the General Manager.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of members

Independent members

The Chair and members of the Committee are expected to understand and observe the requirements of the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:

➢ make themselves available as required to attend and participate in meetings
➢ contribute the time needed to review and understand information provided to it
➢ apply good analytical skills, objectivity and judgement
➢ act in the best interests of the organisation

- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the Council
- have strong leadership qualities (Chair)
- lead effective committee meetings (Chair), and
- oversee the organisation's internal audit function (Chair).

Councillor members

To preserve the independence of the committee, the Councillor member of the Committee is a non-voting member. Their role is to:
- relay to the Committee any concerns the governing body may have regarding the organisation and issues being considered by the committee
- provide insights into local issues and the strategic priorities of the organisation that would add value to the committee's consideration of agenda items
- advise the governing body (as necessary) of the work of the Committee and any issues arising from it, and
- assist the governing body to review the performance of the committee.

Issues or information the Councillor member raises with or provides to the Committee must relate to the matters listed in Schedule 1 and issues being considered by the Committee.

The Councillor member of the Committee must conduct themselves in a non-partisan and professional manner. The Councillor members of the Committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.

If the Councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the Chair of the Committee may recommend to the Council, that the Councillor member be removed from membership of the Committee. Where the Council does not agree to the Committee Chair's recommendation, the Council must give reasons for its decision in writing to the chair.

Conduct

Independent committee members are required to comply with Council's Code of Conduct.

Complaints alleging breaches of the Code of Conduct by an independent committee member are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager must consult with the governing body before taking any disciplinary action against an independent committee member in response to a breach of the Code of Conduct.

Conflicts of interest

Once a year, Committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee. Independent committee members are 'designated persons' for the purposes of the organisation's code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest,

they must remove themselves from Committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately documented.

Standards

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the International Standard on Risk Management, ISO 31000:2018, where applicable.

Media and Public Comment

All public comments and statements to the media in relation to MidCoast Council by ARIC members must be made by the General Manager, or the approved delegate. All media enquiries should be referred to the General Manager and follow Council's approved processes.

Work plans

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic work plan (Strategic Plan) every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits. The Strategic Plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the governing body, vary the Strategic Plan at any time to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the Strategic Plan. Any decision to vary the Strategic Plan must be made by the Committee.

The Committee must also develop an Annual Work Plan to guide its work, and the work of the internal audit function over the forward year.

The Committee may, in consultation with the governing body, vary the Annual Work Plan to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the Annual Work Plan. Any decision to vary the Annual Work Plan must be made by the Committee.

When considering whether to vary the strategic or annual work plans, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

Assurance reporting

The Committee must regularly report to the Council to ensure that it 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 organisation's goals and objectives.

The Committee will provide an update to the governing body and the General Manager of its activities and opinions after every committee meeting through the meeting notes of the meeting.

The Committee will provide an annual assessment to the governing body and the General Manager on the Committee's work and its opinion on how the organisation is performing through the ARIC Annual Report.

The Committee will provide a comprehensive assessment every Council term of the matters listed in Schedule 1 to the governing body and the General Manager through the ARIC End of Term Report and six-monthly presentations by the ARIC Chair.

The Committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

Should the governing body require additional information, a request for the information may be made to the Chair by resolution. The Chair is only required to provide the information requested by the governing body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the Committee.

Administrative arrangements

Meetings

The committee will meet at least four (4) times per year. Additional meeting/s may be held to review the Council's financial statements.

The Committee can hold additional meetings when significant unexpected issues arise, or if the Chair is asked to hold an additional meeting by a Committee member, the General Manager or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.

The Chair of the Committee will decide the agenda for each Committee meeting. Each Committee meeting is to be documented to preserve a record of the issues considered and the actions and decisions taken by the Committee. Documents will be available to members through the organisation's secure document sharing platform.

The external auditor (or their representative) is to be invited to each Committee meeting as an independent observer. The Chair can request the organisation's Chief Finance Officer, Manager Governance, senior staff, any Councillors, any employee/contractor of the Council and any subject matter expert to attend Committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.

The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

The Committee must meet separately with the Internal Auditor Coordinator and the organisation's external auditor at least once each year.

Dispute resolution

Members of the Committee and the organisation's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Committee and the General Manager or other senior managers, the dispute is to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Secretariat

The General Manager will nominate a staff member to provide secretariat support to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the Chair at least one week before the meeting and ensure that minutes of meetings are prepared and maintained.

Resignation and dismissal of members

Where the Chair or a Committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give three months' notice to the Chair and the governing body prior to their resignation to allow the organisation to ensure a smooth transition to a new Chair or Committee member.

The governing body can, by resolution, terminate the appointment of the Chair or an independent committee member before the expiry of their term where that person has:

- breached the Council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a Councillor member on the Committee can be terminated at any time by the governing body by resolution.

Review arrangements

At least once every Council term, the governing body must review or arrange for an external review of the effectiveness of the Committee.

These Terms of Reference must be reviewed annually by the Committee and once each Council term by the governing body. Any substantive changes are to be approved by the governing body.

Definitions

Head of Internal Audit will be undertaken by the Director Corporate Services

MidCoast Internal Audit Program is a team of people (including representatives from the outsourced internal audit activities) undertaking the endorsed internal audit activities and reports functionally to ARIC and administratively to the General Manager, and is overseen by the Head of Internal Audit

Council has been referenced when the approval / endorsement of the Council is required

Organisation has been referenced when it is an internal process and does not need the approval / endorsement of Council

Further information

For further information on organisation's Audit, Risk and Improvement Committee, contact Rob Griffiths on rob.griffiths@midcoast.nsw.gov.au or by phone (02) 7955 7389.

Reviewed by Chair of the Audit, Risk and Improvement Committee

Stephen Coates

16 August 2024

Reviewed by Council in accordance with a resolution of the governing body.

Mayor Claire Pontin

16 October 2024

(Resolution 372/2024)

Next review date: August 2025

Schedule 1 – Audit, Risk and Improvement Committee responsibilities

Audit

Internal audit

➢ Provide overall strategic oversight of internal audit activities
➢ Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
➢ Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
➢ Review and advise the Council:
- on whether the organisation is providing the resources necessary to successfully deliver the internal audit function
- if the organisation is complying with internal audit requirements, including conformance with the International Professional Practices Framework
- if the Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the organisation are suitable
- of the Strategic Four-Year Work Plan and Annual Work Plan of internal audits to be undertaken by the organisation's internal audit function
- if the organisation's internal audit activities are effective, including the performance of the Internal Audit Coordinator and the internal audit function
- of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
- of the implementation by the organisation of these corrective actions
- on the appointment of the Internal Audit Coordinator and external providers, and
- if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

➢ Act as a forum for communication between the governing body, General Manager, senior staff, the internal audit function and external audit
➢ Coordinate as far as is practicable, the work programs of internal audit and external audit
➢ Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
➢ Review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of audit recommendations
➢ Provide advice to the governing body and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise the Council:
➢ if the organisation has in place a current and appropriate Risk Management Framework that is consistent with the Australian Risk Management Standard
➢ whether the organisation is providing the resources necessary to successfully implement its Risk Management Framework
➢ whether the organisation's Risk Management Framework is adequate and effective for identifying and managing the risks the organisation faces, including those associated with individual projects, programs and other activities

- if risk management is integrated across all levels of the [council/joint organisation] and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the organisation's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the organisation has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the organisation and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the organisation's risk management approach impacts on the organisation's insurance arrangements
- of the effectiveness of the organisation's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise the Council:
- whether the organisation's approach to maintaining an effective Internal Audit Framework, including over external parties such as contractors and advisors, is sound and effective
- whether the organisation has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the organisation's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise the Council of the adequacy and effectiveness of the organisation's Compliance Framework, including:
- if the organisation has appropriately considered legal and compliance risks as part of the organisation's Risk Management Framework
- how the organisation manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

Review and advise the Council of the adequacy and effectiveness of the organisation's Fraud and Corruption Control Framework and activities, including whether the organisation has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise the Council:

- ➢ if the organisation is complying with accounting standards and external accountability requirements
- ➢ of the appropriateness of the organisation's accounting policies and disclosures
- ➢ of the implications for the organisation of the findings of external audits and performance audits and the organisation's responses and implementation of recommendations
- ➢ whether the organisation's financial statement preparation procedures and timelines are sound
- ➢ the accuracy of the organisation's annual financial statements prior to external audit, including:
  - management compliance/representations
  - significant accounting and reporting issues
  - the methods used by the organisation to account for significant or unusual transactions and areas of significant estimates or judgements
  - appropriate management signoff on the statements
- ➢ if effective processes are in place to ensure financial information included in the organisation's annual report is consistent with signed financial statements
- ➢ if the organisation's financial management processes are adequate
- ➢ the adequacy of cash management policies and procedures
- ➢ if there are adequate controls over financial processes, for example:
  - appropriate authorisation and approval of payments and transactions
  - adequate segregation of duties
  - timely reconciliation of accounts and balances
  - review of unusual and high value purchases
- ➢ if policies and procedures for management review and consideration of the financial position and performance of the organisation are adequate
- ➢ if the organisation's grants and tied funding policies and procedures are sound.

Governance

Review and advise the Council regarding its governance framework, including the organisation's:

- ➢ decision-making processes
- ➢ implementation of governance policies and procedures
- ➢ reporting lines and accountability
- ➢ assignment of key roles and responsibilities
- ➢ committee structure
- ➢ management oversight responsibilities
- ➢ human resources and performance management activities
- ➢ reporting and communication activities
- ➢ information and communications technology (ICT) governance, and
- ➢ management and governance of the use of data, information and knowledge

Improvement

Strategic planning

Review and advise the Council:

- ➢ of the adequacy and effectiveness of the organisation's integrated, planning and reporting (IP&R) processes
- ➢ if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- ➢ whether the organisation is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

➢ Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)

➢ Review and advise the Council:
  - if the organisation has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
  - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
  - how the organisation can improve its service delivery and the organisation's performance of its business and functions generally

Performance data and measurement

Review and advise the Council:

➢ if the organisation has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives

➢ if the performance indicators the organisation uses are effective, and

➢ of the adequacy of performance data collection and reporting.

Internal Audit

MidCoast Council has established the MidCoast Internal Audit Program as a key component of the organisation's governance and assurance framework, in compliance with the Departmental Chief Executive's *Draft Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for undertaking the MidCoast Internal Audit Program at MidCoast Council and has been approved by the governing body, taking into account the advice of the MidCoast Audit, Risk & Improvement Committee (ARIC).

Purpose of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps Council accomplish its objectives by bringing a systematic, disciplined third line of defence to evaluate and improve the effectiveness and efficiency of risk management, control and governance processes[1].

Internal audit provides an independent and objective review and advisory service to provide advice to the governing body, General Manager and ARIC about the organisation's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the organisation to improve its business performance.

Independence

MidCoast Council's internal audit function is to be independent of council so it can provide an unbiased assessment of the organisation's operations and risk and control activities.

The MidCoast Internal Audit Program reports functionally to the MidCoast ARIC on the results and findings of completed audits, and for strategic direction and accountability purposes; and reports administratively to the General Manager to facilitate day-to-day operations. Internal audit activities are not subject to direction by the Council who have no role in the exercise of the organisations internal audit activities.

The ARIC is responsible for communicating any internal audit issues or information to the governing body via the General Manager. Should the governing body require additional information, a request for the information may be made to the chair by resolution. The chair is only required to provide the information requested by the governing body where the chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual councillors are not entitled to request or receive information from the committee.

Where the chair of the MidCoast ARIC has any concerns about the treatment of the members of the MidCoast Internal Audit Program, or any action taken that may compromise their ability to undertake their functions independently, the chair may report their concerns to the governing body.

The Director Corporate Services is to confirm at least annually to ARIC the independence of internal audit activities undertaken.

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[1] As defined by the International Standards for the Professional Practice of Internal Auditing (2017)

Authority

MidCoast Council authorises members of the MidCoast Internal Audit Program to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Director Corporate Services considers necessary for the members of the MidCoast Internal Audit Program to undertake its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. Members of the MidCoast Internal Audit Program, external audit providers and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

All internal audit documentation is to remain the property of MidCoast Council, including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to MidCoast Internal Audit Program are not to be made publicly available. Council information may only be released to external parties that are assisting to undertake internal audit activities, with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter being reviewed.

Role

The MidCoast Internal Audit Program is to support the MidCoast ARIC to review and provide independent advice to the Council in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits and monitoring the implementation of corrective actions.

The MidCoast Internal Audit Program is to also play an active role in:
- → developing and maintaining a culture of accountability and integrity
- → facilitating the integration of risk management into day-to-day business activities and processes, and
- → promoting a culture of high ethical standards.

The MidCoast Internal Audit Program has:
- → no direct authority or responsibility for the activities it reviews
- → no responsibility for developing or implementing procedures or systems and does not prepare records or engage in council functions or activities (except in carrying out its own functions).

MidCoast Internal Audit Program

The MidCoast Internal Audit Program will be undertaken through a combined delivery of audits undertaken by an external provider and audits undertaken or overseen by Council staff. Any audits undertaken by staff will be undertaken at the discretion of the General Manager.

The MidCoast Internal Audit Program will be led by staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Council and the ARIC. All staff will be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

The role of Head of Internal Audit will be undertaken by the Director Corporate Services.

The day to day management of the audit activities will be undertaken by the Audit Coordinator who reports to the Director Corporate Services, for audit related activities. The role includes:

→ contract management

→ managing the internal audit budget

→ supporting the operation of the MidCoast ARIC

→ implementing the audit, risk and improvement committee's annual work plan and four-year strategic work plan

→ ensuring the external provider completes internal audits in line with the audit, risk and improvement committee's annual work plan and four-year strategic work plan

→ forwarding audit reports by the external provider to the ARIC

→ acting as a liaison between the external provider and the ARIC

→ monitoring the organisation's implementation of corrective actions that arise from the findings of audits and reporting progress to the ARIC, and

→ assisting the audit, risk and improvement committee to ensure the organisation's internal audit activities comply with the *Guidelines for risk management and internal audit for local government in NSW*.

Council staff that perform internal audit activities for the organisation must have:

→ an appropriate level of understanding of the organisations culture, systems and processes

→ the skills, knowledge and experience necessary to conduct internal audit activities

→ effective interpersonal and communication skills to ensure they can engage with staff effectively and collaboratively, and

→ honesty, integrity and diligence.

Outsourced internal audit activities

MidCoast Council contracts an external third-party provider to undertake most of its internal audit activities. To ensure the independence of the external provider, the Director Corporate Services is to ensure the external provider:

→ does not conduct any audits on specific operations or areas that they have worked on within the last two years

→ is not the same provider conducting the external audit

→ is not the auditor of any contractors that may be subject to the internal audit, and

→ can meet the obligations under the *Guidelines for risk management and internal audit for local government in NSW*.

The Director Corporate Services will consult with the ARIC and the General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the organisation.

Performing internal audit activities

The work of the MidCoast Internal Audit Program is to be thoroughly planned and executed. The MidCoast ARIC will develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and the internal audit function. The strategic work plan will be reviewed at least annually to ensure it remains appropriate.

The committee will also develop an annual work plan to guide the work of the internal audit function over the forward year.

All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and ISO 31000.

The Director Corporate Services is to provide the findings and recommendations of internal audits to the audit, risk and improvement committee at the end of each audit. Each report is to include a response from the relevant senior manager.

The Director Corporate Services is to establish an ongoing monitoring system to follow up the progress in implementing corrective actions.

The General Manager, in consultation with the ARIC, is to develop and maintain policies and procedures to guide the operation of the MidCoast Internal Audit Program.

The Director Corporate Services is to ensure that the ARIC is advised at each of the committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

Conduct

Internal audit personnel must comply with the MidCoast Council Code of Conduct. Complaints about breaches of the Code of Conduct by internal audit personnel are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager will consult with the MidCoast ARIC before any disciplinary action is taken against members of the MidCoast Internal Audit Program in response to a breach of the Council's code of conduct.

Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Administrative arrangements

Audit, risk and improvement committee meetings

Representatives from the MidCoast Internal Audit Program should attend ARIC meetings as independent non-voting observers. Representatives from the MidCoast Internal Audit Program can be excluded from meetings by the committee at any time.

The Director Corporate Services, or their delegate, can meet separately with the ARIC at least once per year.

The Director Corporate Service, or their delegate, can meet with the chair of the ARIC at any time, as necessary, between committee meetings.

External audit

Where possible internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.

External audit will have full and free access to all internal audit plans, working papers and reports.

Dispute resolution

MidCoast Internal Audit Program should maintain an effective working relationship with the organisation and the audit, risk and improvement committee and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between members of the MidCoast Internal Audit Program and MidCoast Council, the dispute is to be resolved by the General Manager and/or the MidCoast ARIC.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the General Manager in writing.

Review arrangements

The MidCoast ARIC will review the performance of the internal audit function each year and report its findings in the ARIC Annual Report.

This charter is to be reviewed annually by the MidCoast ARIC and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Definitions

Head of Internal Audit will be undertaken by the Director Corporate Services

MidCoast Internal Audit Program is a team of people (including representatives from the outsourced internal audit activities) undertaking the endorsed internal audit activities and reports functionally to ARIC and administratively to the General Manager, and is overseen by the Head of Internal Audit

Council has been referenced when the approval / endorsement of the Council is required

Organisation has been referenced when it is an internal process and does not need the approval / endorsement of Council

Further information

For further information on MidCoast Council's internal audit activities, contact Donna Hudson on donna.hudson@midcoast.nsw.gov.au.

Reviewed by Steve Embry, Director Corporate Services

[sign and date]

Reviewed by Stephen Coates, Chair of the MidCoast ARIC

[sign and date]

Reviewed by Adrian Panuccio, General Manager

[sign and date]

Reviewed by Council in accordance with a resolution of the governing body

[sign and date]

[resolution reference]

Schedule 1 – internal audit function responsibilities

Audit

Internal audit

→ Conduct internal audits as directed by the MidCoast ARIC
→ Implement the MidCoast ARIC annual and four-year strategic internal audit work plans.
→ Monitor the implementation of the organisation's corrective actions.
→ Assist the organisation to develop and maintain a culture of accountability and integrity.
→ Promote a culture of high ethical standards.

Risk

Risk management

Review and advise:

→ if risk management is integrated across all levels of the organisation and across all processes, operations, services, decision-making, functions and reporting

Internal controls

Review and advise:

→ whether the approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
→ whether the organisation has in place relevant policies and procedures and that these are periodically reviewed and updated
→ whether appropriate policies and procedures are in place for the management and exercise of delegations
→ whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
→ if the organisation's monitoring and review of controls is sufficient, and
→ if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise of the adequacy and effectiveness of the organisation's compliance framework, including:

→ if the organisation has appropriately considered legal and compliance risks as part of the risk management framework
→ how the organisation manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements.

one world heritage area

192km of coastline

10,052 km² in area

3,638km of roads / 669 bridges

5 coastal lakes and lagoons / one marine park

195 towns, villages & localities

8 protected aboriginal places under National Parks and Wildlife

58 national parks and reserves