

**Audit, Risk & Improvement Committee
and
Internal Audit Annual Performance Report
Year Ended 30 June 2024**

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1 Background

The Division of Local Government issued *Internal Audit Guidelines* under Section 23A of the *Local Government Act 1993* in September 2010. In accordance with these guidelines, Council approved the establishment of an Audit Committee.

The objective of the Audit, Risk and Improvement Committee (ARIC) is to provide independent assurance, oversight and assistance to Council on risk management, internal controls, governance and external accountability.

In accordance with section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 and the Risk Management and Internal Audit Guidelines November 2023 require each council in NSW to have:

- an audit, risk and improvement Committee with responsibilities to keep under review:
 - compliance,
 - risk management,
 - fraud control,
 - financial management,
 - governance,
 - implementation of the strategic plan, delivery program and strategies,
 - service reviews,
 - collection of performance measurement data by the council,
 - any other matters prescribed by the regulations.
- A robust risk management framework, and
- An effective independent internal audit function.

Terms of Reference (TOR)

The ARIC operates in accordance with Terms of Reference (TOR) endorsed by ARIC at its 22 February 2024 meeting and adopted by Council at its 26 March 2024 Council meeting. The TOR is consistent with the model and sets out the roles and responsibilities of the Committee, its authority, membership and tenure, the operation of meetings and reporting responsibilities.

The Chair of the ARIC, in consultation with Council and other independent members has developed a strategic and annual work plan to guide the committee's work over the coming 2024/25 year.

Performance against the previous TOR and coverage of the matters outlined in section 428A is outlined at 2.4.

2 Audit, Risk and Improvement Committee

2.1 Attendance & participation

In accordance with the Audit, Risk and Improvement Committee Charter, the Committee met 4 times including to consider the outcomes of the financial audit for the year ended 30 June 2023.

Attendance at the 4 meetings held during the year was as follows:

Meeting Participants	No. of Meetings
Voting Members	
Ms Deborah Goodyer (Independent Chair	3
Mr Ben Niland (Former independent Chair).	1
Mr Frank Cordingley (independent member).	4
Mr Shaun Mahony (former independent member).	3
Mr Paul Dunn (independent member).	1
Councilor Leah Anderson.	3
Non-voting observers	
Tim Crosdale - General Manager	4
Tony Wickham - Governance Section Manager (Internal Audit Coordinator)	4
Chris Hilkemeijer - Enterprise Risk Manager or representative	4
Glen Peterkin - Financial Services Section Manager	4
Internal Audit provider representative	4
External Auditor representative	4
Financial Audit Director (Audit Office).	4

The ARIC was supported and informed through reports to its meetings by council officers including:

- Director Corporate Strategy & Support (or representative).
- Director Community Futures (or representative).
- Director Facilities & Infrastructure (or representative).

2.2 Membership – capabilities, skills and performance

Appropriateness of the composition

At 30 June 2024 the Audit, Risk and Improvement Committee consisted of three independent members (including the Chairperson), and one non-voting councillor.

Non-voting attendees were the General Manager, and Governance Section Manager who is the Head of Internal Audit.

The committee was re-established progressively throughout the year in alignment with the regulation and OLG Guidelines, including separate EOI processes for recruitment of the Chair and two independent members (one continuing member for a tenure of 2 years).

The committee composition aligns with the guidelines and includes a non-voting councillor observer to maintain the connection with the elected Council.

Processes and procedures undertaken by the committee (Administration, secretariat and meetings)

- A strategic and annual ARIC work plan were developed to guide the work of the committee and support council's compliance with the OLG regulation and guidelines over the coming year.
- Minutes were recorded and provided to the next Council meeting including brief outline of discussions, advice and recommended actions.
- The committee maintains a table of actions arising from meetings including responsibility and timeframes.

2.3 Audit, Risk and Improvement Committee review and advice on Section 428A (Schedule 1) matters.

Audit, Risk and Improvement Committee performance for the 2023 - 24 year has been assessed against the roles and responsibilities outlined in the Committee terms of reference with respect to risk management, governance, internal controls and external accountability and section 428A (schedule 1) matters required to be kept under review.

The assessment includes results of the annual survey and review of agenda items. Survey results (**Appendix A**) indicated that:

- Meeting administration, scheduling and operation was appropriate, timely and productive.
- The committee membership possess the requisite skills and capabilities, are well prepared, understand the matters under consideration and provide relevant and practical advice.

The evaluation provided in the following table and survey responses indicate that the committee is generally satisfied with information and reports presented in relation to the S428A (Schedule 1) matters, except for:

- Internal audit compliance with the IPPF framework which was the subject of an independent EQA not finalized at the time of the May 2024 meeting, and
- Review of Council's fraud and corruption control framework.

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
AUDIT	INTERNAL AUDIT section 428A(2)(i) Council has an effective internal audit function and receives maximum value from its internal audit activities.	27/7/23	Item 4.1.1 Internal audit reports from PKF – Transport for NSW Drives compliance. Item 4.1.3 Internal audit register actions and implementation Item 4.6.1 2023 to 2024 Internal Audit Report
		5/10/23	Item 4.1.1 Review of outstanding internal audit actions.
		22/2/24	Item 4.1.1 Internal Audit reports from PKF: • Volunteer management • Disaster management

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
			Verbal commentary on upcoming audits. Item 4.1.2 Internal audit register actions and implementation Item 4.6.3 Internal Audit Charter
		23/5/24	Item 4.1.1 Internal audit reports from PKF – Contract/Contractor Management Item 4.1.2 Internal audit register actions and implementation.
	EXTERNAL AUDIT Section 428A(2)(d) Council receives maximum value from its external audit activities.	27/7/23	Item 4.2.1 Update on progress of audit – Prosperity Advisers Group. Item 4.2.2 External audit register actions and implementation.
		5/10/23	Items 4.2.1-4.2.3 Update from NSWAO and external audit providers on financial statements and audit.
		22/2/24	Item 4.2.1 Report by external auditors – Annual engagement plan. Item 4.2.2 External audit register actions and implementation. Item 4.2.3 Final management letter FY 22/23
		23/5/24	Item 4.2.1 Verbal update on audit progress from Prosperity Advisers Group. Item 4.2.2 External audit register actions and implementation – nil. Item 4.2.3 NSW Auditor General report 26 March 2024 Item 4.2.4 Audit Office – Cyber Security in Local government
RISK	RISK MANAGEMENT Section 428A(2)(b) Council has an effective risk management framework and internal controls that successfully identify and manage the risks it faces.	27/7/23	Item 4.3.1 Enterprise Risk Report Item 4.5.1 Summary of legal matters. Item 4.7.1 Audit office reports: - Financial management and Governance in Mid Coast Council - Local Government 2022
		5/10/23	Item 4.3.1 Enterprise Risk report – high priority risks. Item 4.5.1 Summary of legal matters.
		22/2/24	Item 4.3.1 Enterprise Risk Report Item 4.5.1 Summary of current legal matters.

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
		23/5/24	Item 4.2.4 Audit Office – Cyber Security in Local government Item 4.3.1 Enterprise Risk Report and update presentation. Item 4.5.1 Summary of current legal matters. 4.6.1 Risk Management Policy 4.6.4 Cyber management at Council
	COMPLIANCE FRAMEWORK Section 428A(2)(a) Council has an effective compliance framework that ensures it is complying with its legal obligations and other governance and contractual requirements when undertaking its functions.		The compliance obligations were discussed at the meetings of the ARIC, with advice provided in relation to the new compliance register.
	FRAUD AND CORRUPTION CONTROL FRAMEWORK Section 428A(2)(c) Council has an effective fraud and corruption control framework in place that minimises the incidence of fraud and corruption.	27/7/23	
		5/10/23	
		22/2/24	
		23/5/24	Item 4.6.2 ICAC report on Investigation into the awarding of Transport for NSW and Inner West Council contracts
	GOVERNANCE FRAMEWORK Section 428A(2)(e) Council has an effective governance framework to ensure it is appropriately directing and controlling the management of the council.	27/7/23	Item 4.7.1 Audit office reports: - Financial management and Governance in Mid Coast Council - Local Government 2022
		5/10/23	Item 4.7.2 Governance Health Check
		23/5/24	Item 4.2.4 Audit Office – Cyber Security in Local government
	FINANCIAL MANAGEMENT FRAMEWORK Section 428A(2)(d)	27/7/23	Item 4.4.1 Finance update: - SRV Update - Analysis of supplier payments

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
	Council has an effective financial management framework, sustainable financial position and positive financial performance.		- EFT payments to employee bank accounts. Item 4.4.2 eInvoicing Hunter Hub Launch Item 4.7.1 Audit office reports: - Financial management and Governance in Mid Coast Council - Local Government 2022
		5/10/23	Item 4.4.1 Financial statements Item 4.4.2 Credit card spend analysis Item 4.4.3 Supplier payments analysis (75k to 150k)
		22/2/24	Item 4.4.1 Purchase card transactions report
		23/5/24	Item 4.4.1 Finance report - Quarterly budget update 2025 Long Term Financial plan
IMPROVEMENT	STRATEGIC PLANNING Section 428A (2)(f) Council has an effective framework that ensures it achieves its strategic plans and objectives under the integrated planning and reporting (IP&R framework).	5/10/23	Item 4.7.3 Organisation structure update.
	SERVICE REVIEWS AND BUSINESS IMPROVEMENT Section 428A(2)(g), 428A(3) Council has an effective framework to ensure it is delivering services and conducting its business and functions to an expected standard.	23/5/24	Item 4.4.1 Finance report - Quarterly budget update 2025 Long Term Financial plan Item 4.6.3 Integrated Planning & Reporting documents - Draft Resourcing Strategy 2024-2034 - Draft Delivery Program 2022-2026 - Operational Program 2024 – 2025 - Draft Fees and Charges 2024 – 2025
		23/5/24	Item 4.6.3 3 Integrated Planning & Reporting documents – Continuous improvement and Business excellence: Service Review Program

OPERATIONAL AREA	OBJECTIVES	ARIC MEETING	ITEMS TABLED
	PERFORMANCE DATA AND MANAGEMENT Section 428A(2)(h)		
	Council's performance management framework ensures council can measure its performance and achievement of its strategic goals.	23/5/24	Item 4.3.1 Enterprise Risk Report and update presentation – Key Risk Indicators. Item 4.4.1 Finance report - Quarterly budget update 2025 Long Term Financial plan Item 4.6.3 Integrated Planning & Reporting documents - Draft Resourcing Strategy 2024-2034 - Draft Delivery Program 2022-2026 - Operational Program 2024 – 2025 - Draft Fees and Charges 2024 – 2025

3 Internal Audit Activities

3.1 Position & Resourcing

The following provides a comparison of the cost of internal audit-related activities for the current and prior financial year.

Description	Budget	Actual
Internal Audit - External providers	\$55,018	\$55,907
Total (ex GST)	\$55,018	\$55,907

Independence of internal audit is maintained via functional reporting to the Chair of the committee by the head of internal audit and conduct of internal audit projects by an external provider.

3.2 Strategic Planning

The 2023/24 Internal Audit Plan was prepared as an annual plan.

The methodology included reference to insights by the Risk Management Coordinator, industry risks, Council delivery program objectives, and issues raised by NSW Audit Office in the Annual Report on Local Government.

The Plan was approved at the Audit, Risk and Improvement Committee meeting of 27 May 2023 and commenced in July 2023. The planned audits were completed within the year (refer 3.3), and the ARIC has requested that internal audit prepare a four-year strategic risk-based internal audit plan in consultation with Council management and the ARIC for the 2024-25 year.

3.3 Effectiveness including performance against Internal Audit Plan 2023-2024

The Annual Internal Audit plan 2023/24 provided for 5 audits to be undertaken during the year.

Status of delivery of the plan is outlined below.

Internal Audit plan – Scheduled reviews	Overall Rating	Date completed
Volunteer Management	Low	February 2024
Disaster Recovery	Low	February 2024
Contract/contractor management	Medium	May 2024
Transport for NSW Drives compliance	Low	July 2024
National Heavy Vehicle Accreditation Scheme	Low	May 2024

The following **Other Activities** have also been performed or undertaken by Internal Audit:

Other Internal Audit Activities	Days/\$
Strategic Planning	-
Follow up of Implementation of recommendations	-
ARIC secretariat	-
Quality Assurance & Improvement Program – facilitate EQA	\$10,500
Total (ex GST)	\$10,500
Grand Total Audit time – year ended 30 June 2024	\$66,407

3.4 Conformance with the International Professional Practices Framework including Quality Assurance and Improvement Program (QAIP)

The Regulation and OLG Risk management and Internal Audit Guidelines (OLG) November 2023, require that Council's internal audit function and activities conform with the International Standards for the Professional Practice of Internal Audit.

As such the ARIC recommended that Council request the Institute of Internal Auditors (IIA) Australia undertake an independent external quality assurance review of internal audit to determine the level of conformance and identify any opportunities for improvement.

The final report indicated that overall Council's internal audit function partially conforms with the internal audit standards and generally meets the expectations of its stakeholder. An improvement plan has been developed in relation to:

- A Quality Assurance and Improvement Plan
- Strategic and annual internal audit planning
- Audit engagement planning and reporting, and
- Risk based process for acceptance and implementation of recommended improvements.

4 2024 – 2025: The year ahead

The key priorities for the Committee in this coming year will be:

- Continue to advise Council on implementation of the OLG's Regulation and Guidelines for Risk Management and Internal Audit.
- Implement the ARIC four-year workplan covering the Committee's responsibilities contained within Schedule 1.
- Assist with the implementation of Council's internal audit improvement plan including development and adoption of the Strategic Internal Audit Plan.
- Monitor and progressively review the Council's functions and operations by receiving reports and providing real-time advice on programs, initiatives, risks and controls from their operations.

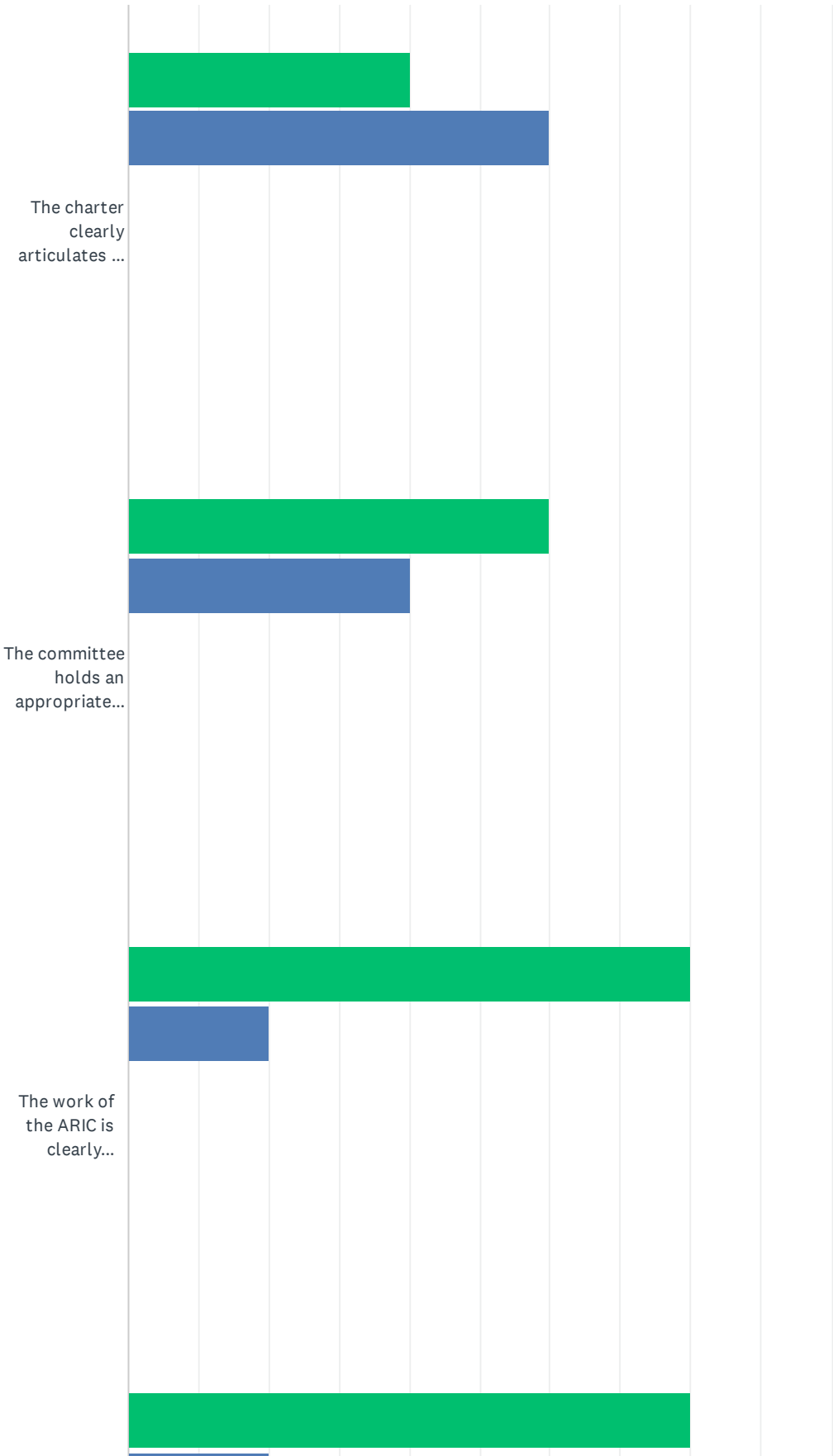
5 Acknowledgments and Appreciation

The Committee would like to acknowledge the work and support of management and looks forward to the opportunity to continue to provide input and advice to Council over the coming year.

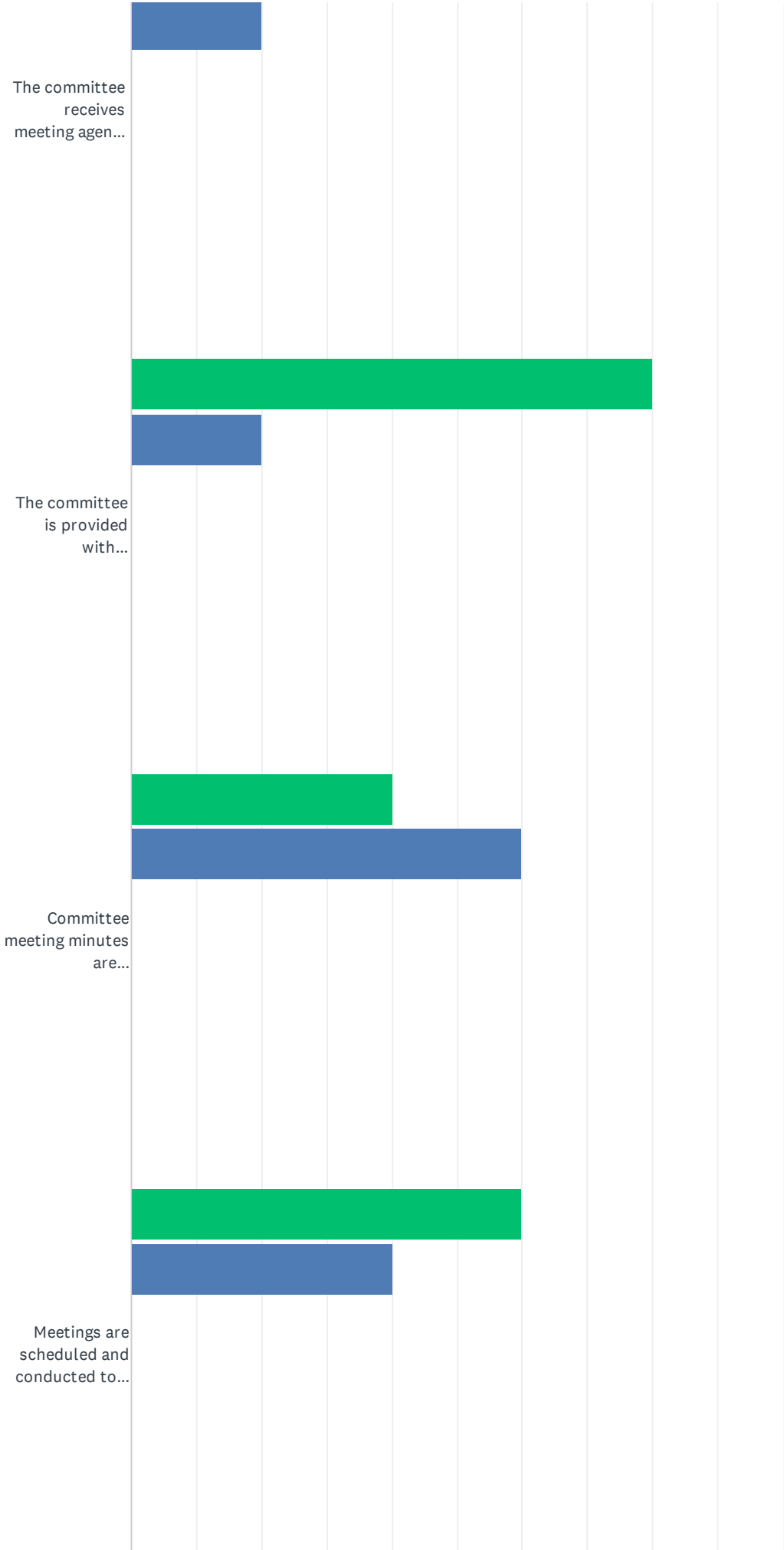
6 APPENDIX A

Q1 Audit Risk and Improvement Committee administration, secretariat and meetings.

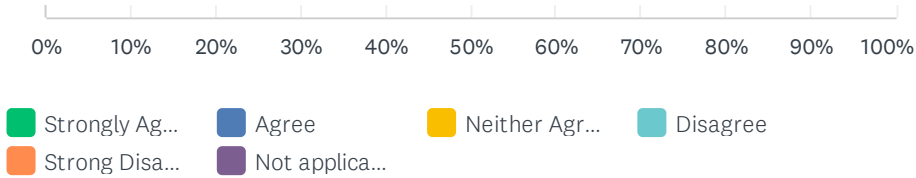
Answered: 5 Skipped: 0



2024 Audit, Risk and Improvement Committee Survey (ARIC)

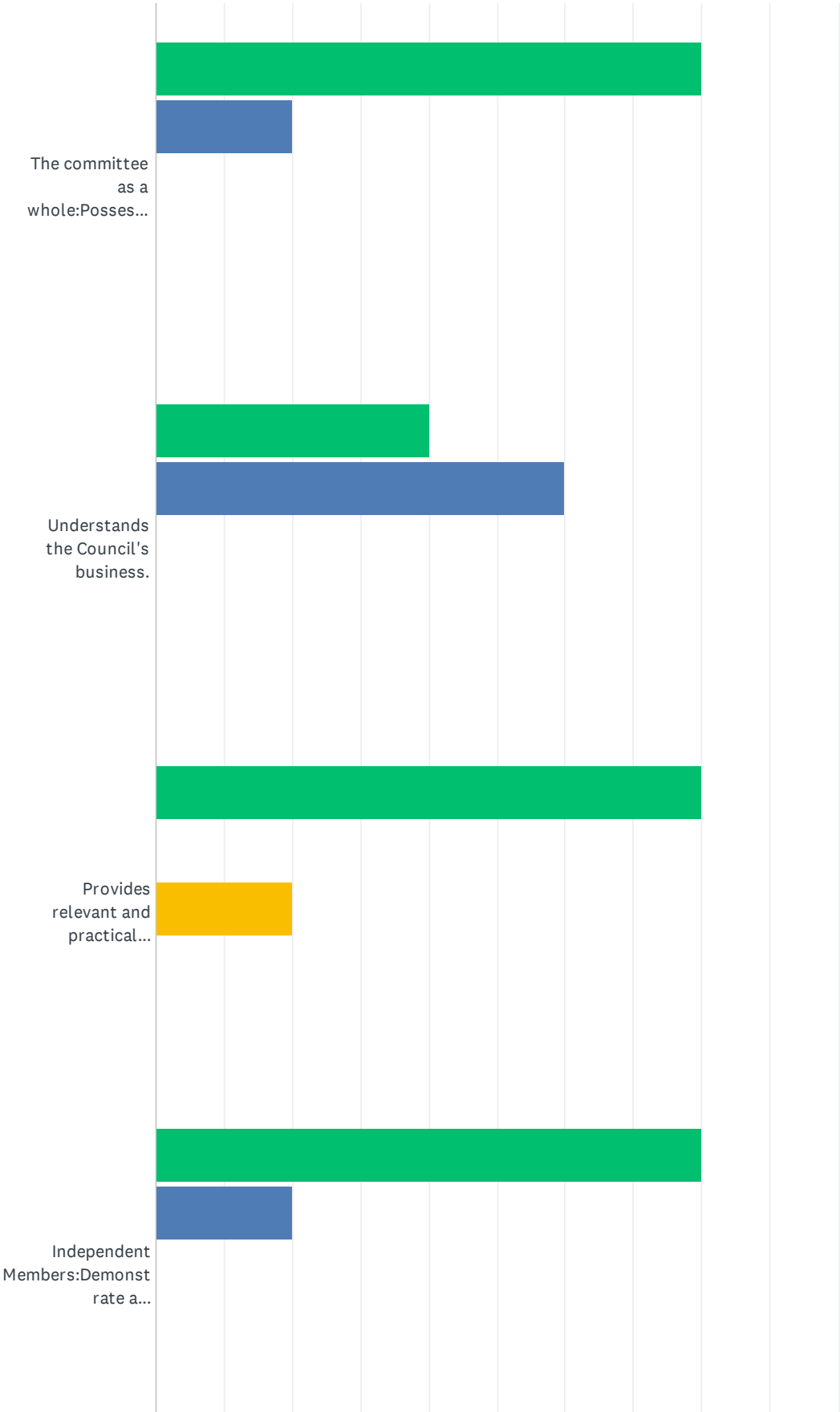


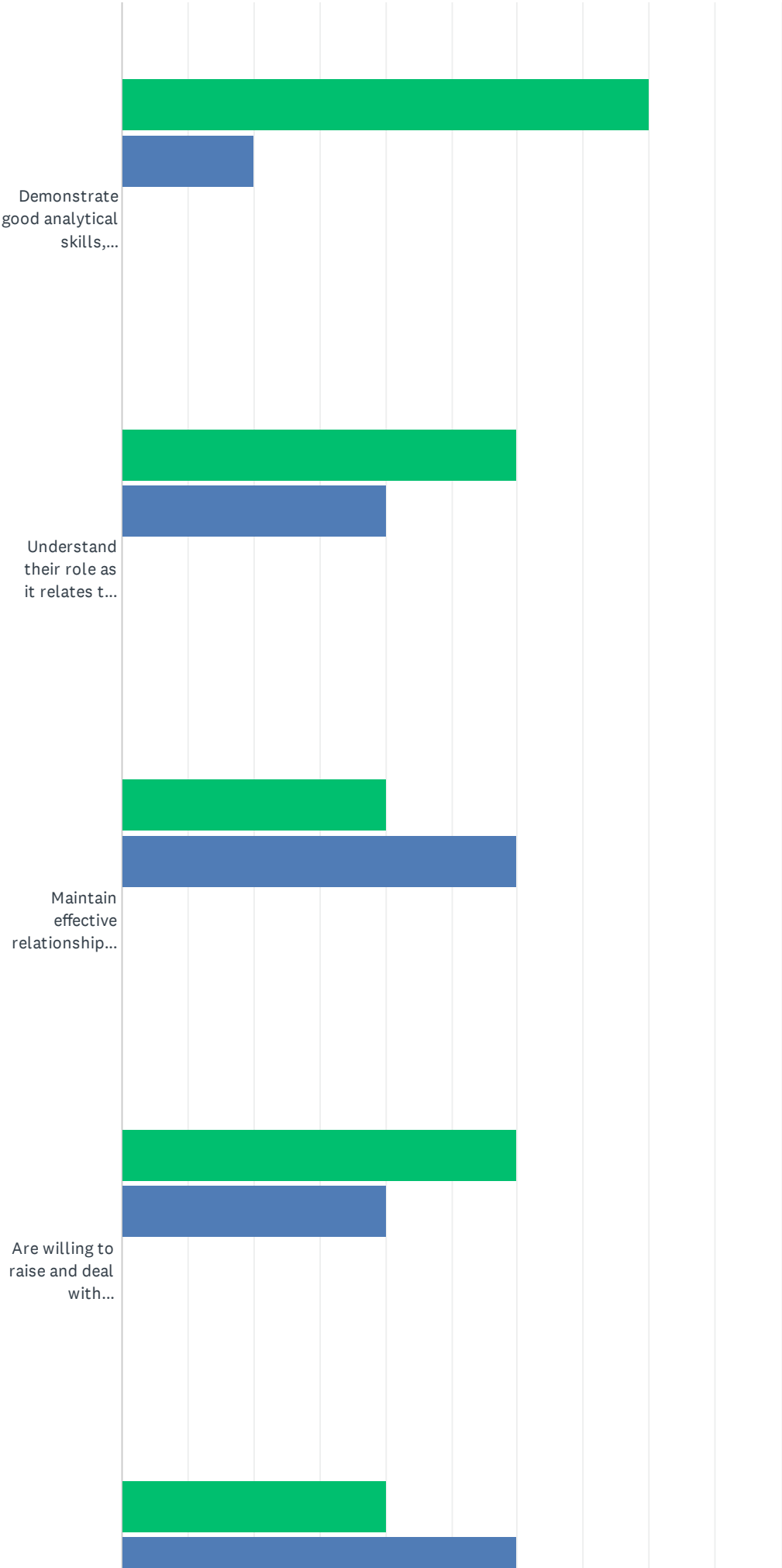
2024 Audit, Risk and Improvement Committee Survey (ARIC)



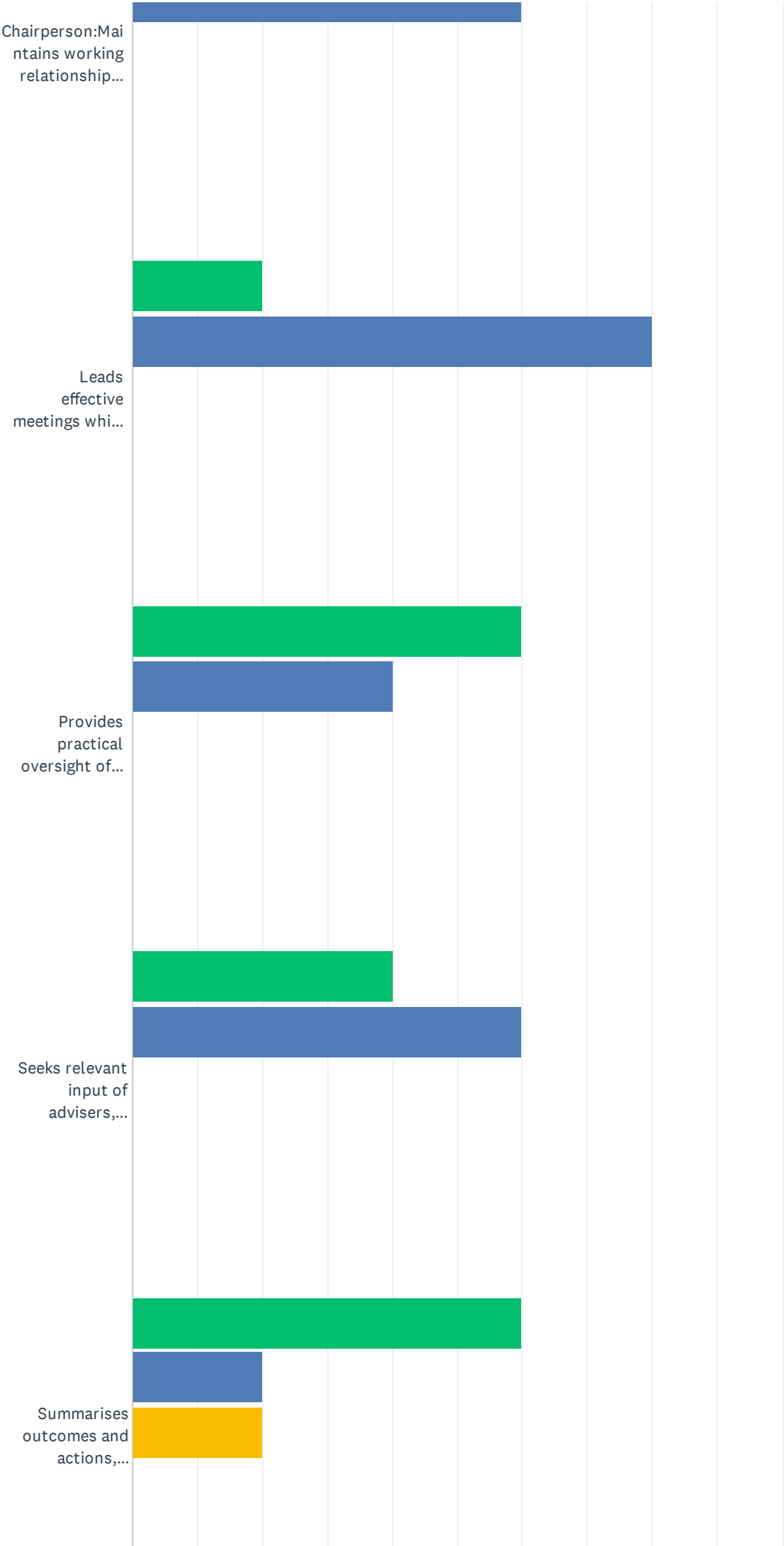
Q2 Audit Risk and Improvement Committee Members – Capabilities, skills, and performance.

Answered: 5 Skipped: 0

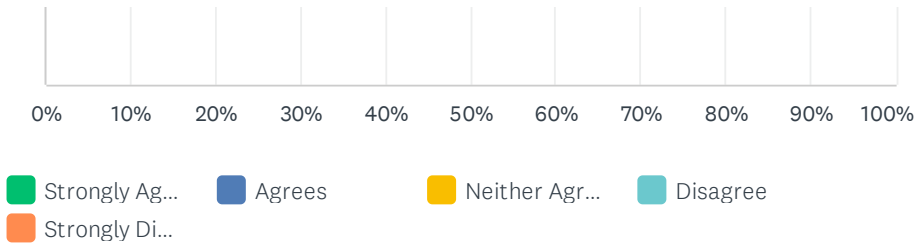




2024 Audit, Risk and Improvement Committee Survey (ARIC)

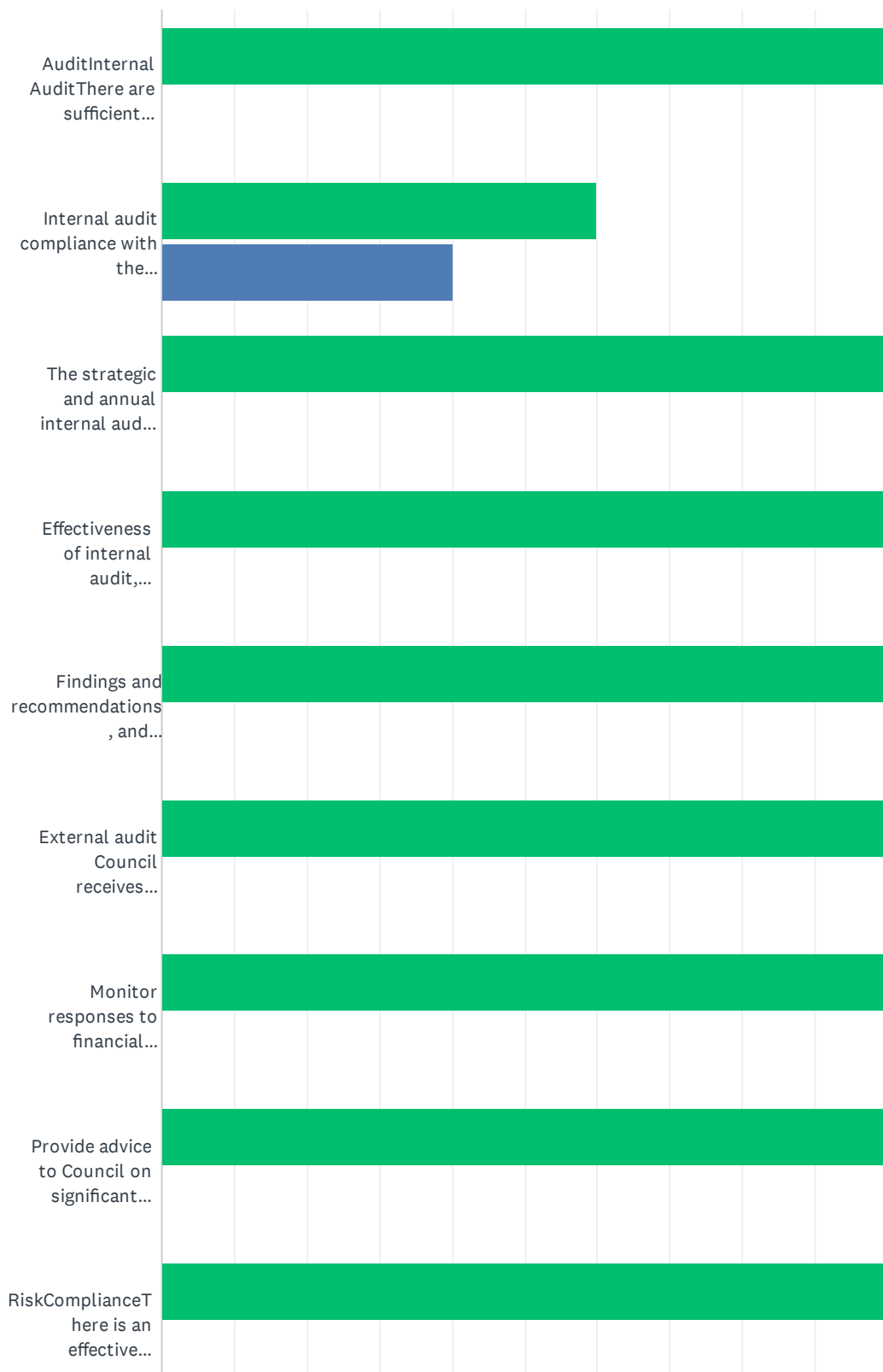


2024 Audit, Risk and Improvement Committee Survey (ARIC)

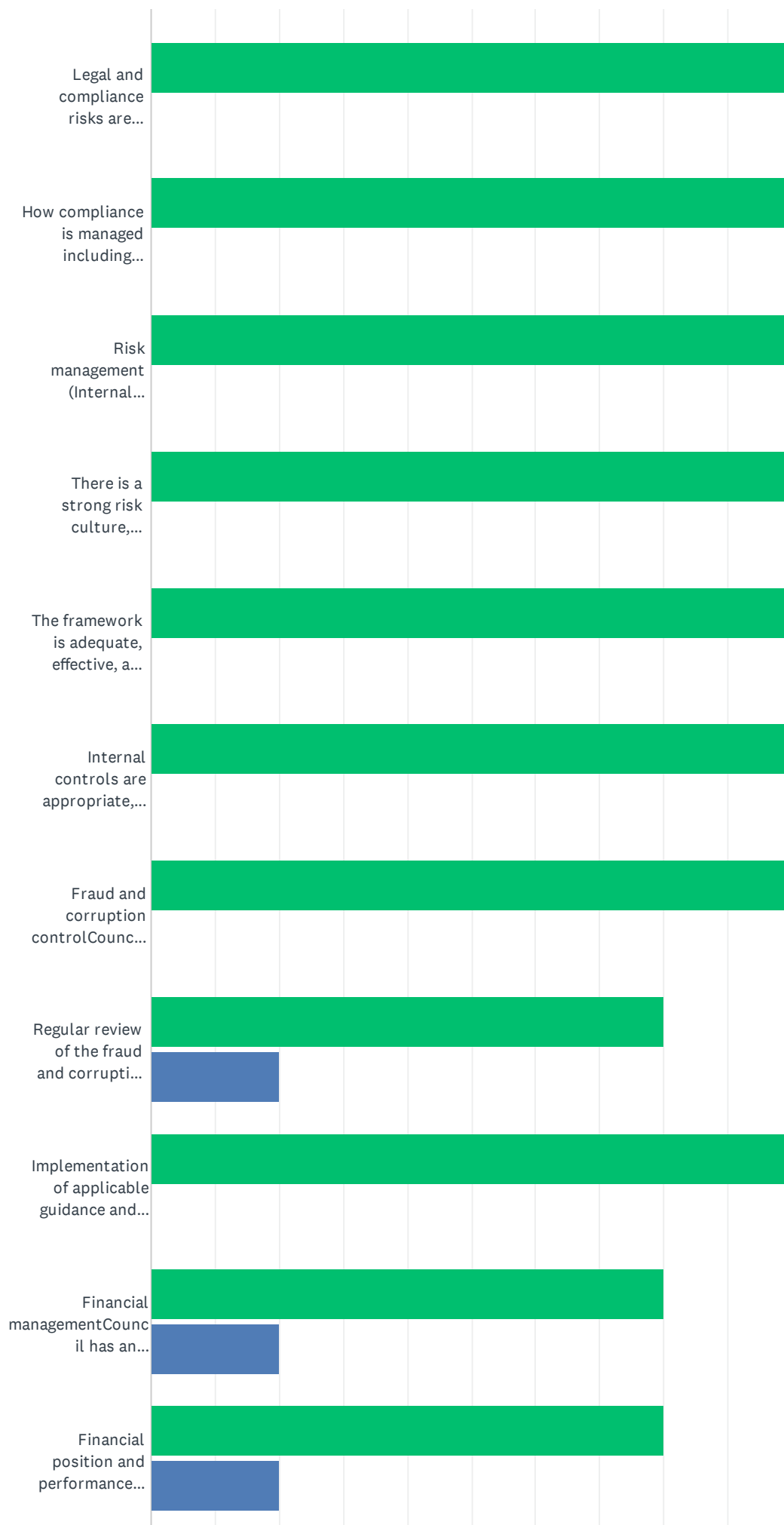


Q3 The Audit, Risk and improvement Committee received appropriate information and reports to address its responsibilities to review the matters listed in s428A of the LG Act (Schedule 1 to the ARIC & IA Charter) and form a view on how council is performing in relation to these.

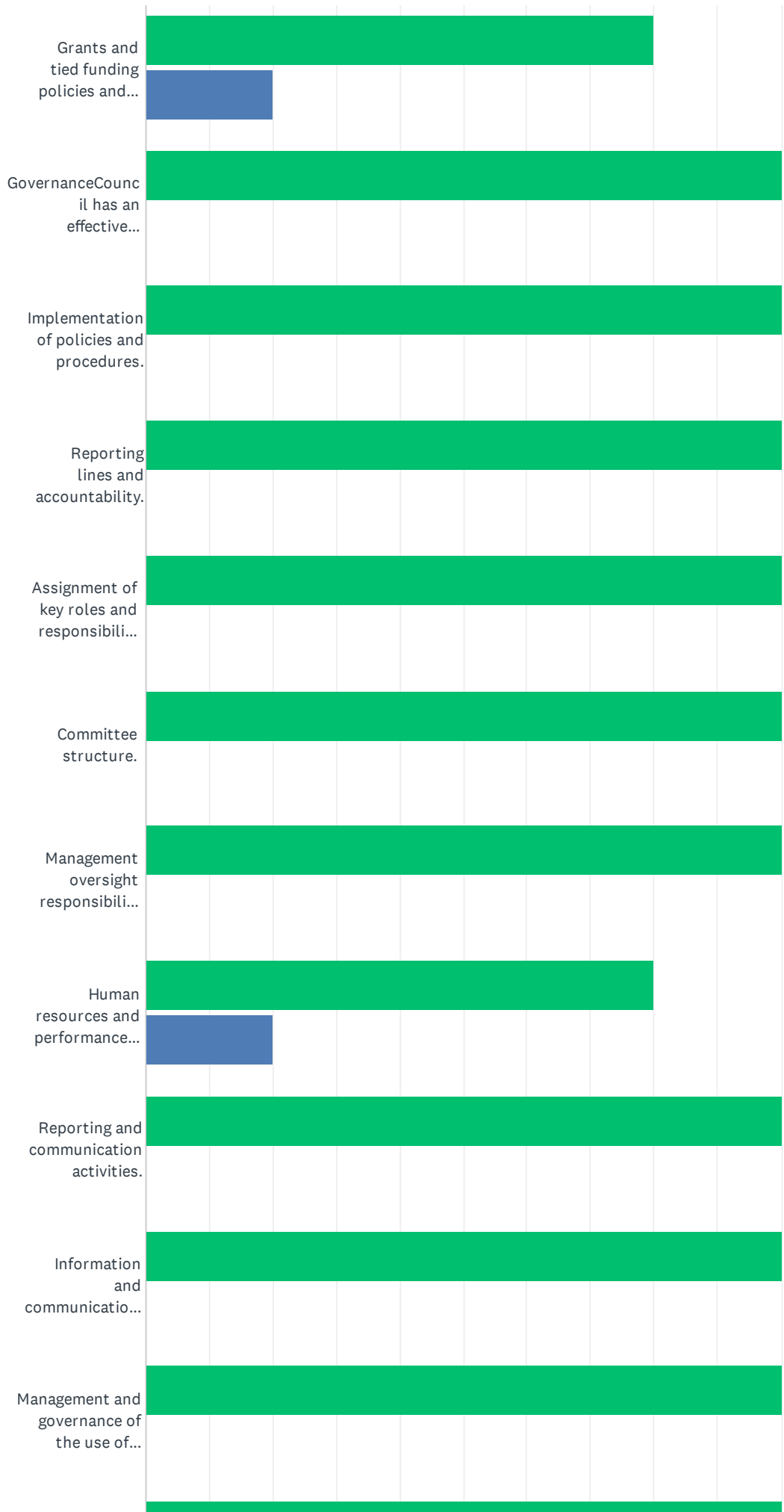
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2024 Audit, Risk and Improvement Committee Survey (ARIC)



2024 Audit, Risk and Improvement Committee Survey (ARIC)



2024 Audit, Risk and Improvement Committee Survey (ARIC)

