



Annual Report 2019-20

Audit, Risk & Improvement Committee

October 2020



Acknowledgement

The Committee would like to acknowledge the contributions of the Committee Members, Internal Auditor, External Auditor, NSW Audit Office, Management and Staff that regularly present and attend ARIC meetings.

Chairperson's Report

As indicated in the following report, significant progress was achieved by Council in a number of areas of governance during 2019-2020.

The growing maturity of Council's approach to the identification and management of risk reflects well on the CEO and senior staff.

The Committee has followed the impact of bushfires, COVID-19, Boundary Commission Hearings on services, resources and the delivery of capital works projects which continues to be a concern.

The Committee with strong interest and support of management, has attempted to identify and implement best practice in relation to the format and operation of local governance oversight.

An assessment of the Snowy Valleys Council ARIC as at 30 June 2020 against the recently released requirements of the Office of Local Government indicates that, with the exception of the temporary lack of a Chief Audit Executive and the inclusion of Councillor members on the Committee itself, the Committee is already operating in line with those requirements. This is supported by the ARIC Self-Assessment Questionnaire where the results indicated that, while improvements were identified, the Committee is generally operating very well.

I would like to thank the members of the Committee for their stewardship over the past year and express my appreciation to the CEO and staff of Council for their support of the Committee. It has been a pleasure to be able to make an on-going contribution to this important work.

Glenyce Francis
Independent Chairperson
Audit, Risk and Improvement Committee

1.0 Executive Summary

This Annual Report of the Snowy Valleys Council Audit, Risk and Improvement Committee “the Committee” or “ARIC”) covers the activities of the Committee for the period November 2019 to October 2020.

The Committee was established by Council in August 2016, as an advisory Committee to the Council pursuant to and in accordance with provisions contained in Section 355 of the Local Government Act 1993, and the Local Government (General) Regulations 2005.

The Committee reports to Council after each meeting and provides an annual report of activities undertaken during the year.

Role & Responsibilities

The objective of the Audit, Risk and Improvement Committee is to provide independent assurance and assistance to the Snowy Valleys Council on risk management, control, governance, and external accountability responsibilities. An effective committee has the potential to strengthen the control environment (of which it is part) and assist the Chief Executive Officer and Council to fulfil their stewardship, leadership and control responsibilities.

S428A(1) of the Local Government Amendment (Governance and Planning) Act 2016 No 38 states the following in respect of Audit, Risk and Improvement Committees:

- *A council must appoint an Audit, Risk and Improvement Committee;*
- *The Committee must keep under review the following aspects of the council’s operations:*
 - *Compliance*
 - *Risk management*
 - *Fraud control*
 - *Financial management*
 - *Governance*
 - *Implementation of the strategic plan, delivery program and strategies*
 - *Service reviews*
 - *Collection of performance measurement data by the council*
 - *Any other matters prescribed by the regulations*
- *The Committee is also able to provide information to the council for the purpose of improving the council’s performance of its functions.*

The Committee’s authority and scope of its role and responsibilities is outlined in the Audit Risk and Improvement Committee Terms of Reference SVC-TofR-006.

2.0 Membership

The Audit, Risk and Improvement Committee Terms of Reference notes that committee members and the Chair of the Committee should be appointed by the Council and in consultation with the Committee. Terms of appointment of members are for three years on a rotational basis.

Membership of the Committee is made up of a minimum of two and no more than three independent external members, and a minimum of one and no more than two Councillors.

Recruitment for an independent external member was undertaken in November 2019 as per Council resolution M307/19.

The membership of the Committee for the reporting period was as follows:

Name	Position
Glenyce Francis	Independent External Member (Chair)
Steve Walker	Independent External Member
Melissa Tooke	Independent External Member
Councillor John Larter	Councillor Delegate
Councillor Cate Cross	Councillor Delegate

Non-voting attendees for the meetings of the Committee were altered during the reporting period. The Terms of Reference was reviewed in alignment with the new structure which was implemented on 20 January 2020.

Non-voting Attendees June 2019-May 2020	Non-voting Attendees June 2020 ongoing
Mayor (ex-officio)	Mayor (ex-officio)
General Manager	Chief Executive Officer
Director Internal Services	Executive Chief of Staff
Director Strategy, Community and Development	Chief Financial Officer
Director Assets and Infrastructure	Coordinator Governance and Risk
Divisional Manager Finance and IT	
Divisional Manager People Culture and Governance	
Coordinator Governance and Risk	

Invitations are extended to Council's internal auditor, external auditor, the Audit Office of NSW to attend each meeting as required.

Remuneration

Independent external members of the Committee are paid for their services and are remunerated in accordance with and pursuant to Council Resolution No. M77/19.

Committee Member Profiles

Committee Member	Profile
Current External Members	
Glenyce Francis	<p>Glenyce brings a wealth of experience to the Snowy Valleys Council that includes 20 years across industries such as retail, property and financial investments, teaching and research, 22 years working for the Australian Government in senior management roles within the ATO, Public Service Commission and the Office of Parliamentary Counsel, and 4 years as an Independent External Representative on Snowy Works & Services Board.</p> <p>Glenyce has a Bachelor of Commerce (Accounting, Economics and Legal Studies) and a post graduate law degree, Bachelor of Legal Studies, and is a member of CPA Australia.</p> <p>Glenyce was appointed to the Internal Audit Committee in August 2016 as per resolution M88/16. Glenyce was appointed Chair of the ARIC in April 2019 until March 2021 as per resolution M77/19.</p>
Stephen Walker	<p>Stephen has over 25 years experience assisting small to medium sized businesses with their accounting, tax and advisory requirements.</p> <p>Stephen's qualifications include a Bachelor of Commerce, Member of Institute of Chartered Accountants, Registered Tax Agent, and Registered Company Auditor and has a Limited Financial Planning License.</p> <p>Stephen was appointed independent member to the ARIC in April 2019 until March 2021 as per resolution M77/19</p>
Melissa Tooke	<p>Melissa is a risk management and governance professional with over 20 years experience in the public sector, including 13 years in senior risk management roles.</p> <p>Melissa's has post graduate qualifications in Risk Management and Occupational Health and Safety. In addition, she is certified as an Integrated Management Systems Lead Auditor, has a Cert IV in Workplace Training and Assessment and is Tier 1 Insurance Broking Compliance qualified.</p> <p>Melissa was appointed independent member to the ARIC in January 2020 until January 2023 as per resolution M11/20.</p>
Current Councillor Delegates	
Councillor John Larter	<p>Cr John Larter was first elected to the Snowy Valleys Council in September 2017 and has been elected Deputy Mayor in 2017,2018,2019,2020.Cr Larter was appointed as the Councillor delegate to the ARIC in September 2017.</p>
Councillor Cate Cross	<p>Cr Cate Cross was first elected to the Snowy Valleys Council in September 2017. Cr Cross was appointed as the Councillor delegate to the ARIC in September 2019.</p>

3.0 Committee Activities and Outcomes

The Audit, Risk and Improvement Committee would like to highlight the following activities and outcomes of 2019/20 to Council.

Risk Management

A key role of the Committee is to review and monitor the effectiveness of the key controls in place to manage and mitigate the risks encountered by Council.

During the year, the Committee considered the key organisational risks facing Council, and monitored management's plans to mitigate or treat risk exposures, through regular updates on emerging and critical risks and key capital projects at each meeting.

The Committee received and considered the following risk management reports:

Regular Reporting

- Safety, Risk and Quality Committee Quarterly Update
- Major Projects Program reported quarterly

Emerging Risks

- Improvement Plan from complaints received during 2019
- Updates on Submission to the Boundaries Commissioner
- Proposed Organisational Structure for 2020
- Bushfire Impact, Response and Recovery
- Response to COVID 19 Pandemic
- Position Paper on changes to the Australian Accounting Standards, Implications to Council From the Introduction to AASB 15 and AASB 105
- Rates Options Study and Road to Sustainability

Control Framework

Throughout the year the Committee considered internal audit reports, reports from senior management, updates from the CEO and reviewed key policies to obtain assurance that internal controls were working effectively and appropriate policies, procedures and delegations were in place.

The Committee was able to ask direct questions of management attending ARIC meetings thereby allowing the Committee to establish that management is committed to having a sound and effective internal control framework.

The Committee received and considered the following control framework reports:

- Enterprise Risk Management Framework
- Technology Services Future Direction
- ARIC Forward Meeting Plan (meeting dates and agenda items)
- Council Committees Framework

External Audit/External Accountability

The Committee undertakes a general oversight role of the external auditor's audit scope, approach and reliance on internal audit activity. The Committee monitors management's implementation of recommendations identified within the external auditor's management letters.

The Committee has a role in the oversight of Council's financial statements. During the year the Committee considered Council's 2019/2020 financial statements and external audit focus areas.

The Committee received and considered the following external audit/accountability reports:

2018-2019 Financial Year

- SVC 2018/2019 Financial Statements
- NSW Audit Office 2018/2019 Engagement Closing Report
- NSW Audit Office 2018/2019 Management Letter

2019-2020 Financial Year

- NSW Audit Office 2019/2020 Management Letter on the Interim Phase of the Audit
- SVC2019/2020 DRAFT Financial Statements

Legislative Compliance

The Committee undertakes a monitoring role in relation to legislative compliance. Each internal audit undertaken considers compliance with legislation applicable to the particular service area. The Committee receives updates from the CEO, via a confidential verbal report, at each meeting, including any compliance matters, significant compliance breaches and key legal matters.

The Committee received and considered the following legislative compliance reports:

- Integrated Planning & Reporting Suite Quarterly Updates
- Legislative Compliance Policy
- Internal Audit Charter

The Committee also noted the implications of publications from a range of public bodies including:

- NSW Auditor General's Report on Local Government 2018
- DRAFT New Risk Management and Internal Audit Framework NSW

Internal Audit

Internal audit is a key component of the Council's assurance framework. The primary objective of internal audit is to provide an assurance framework to underpin the risk management program. This includes reviews of processes and controls over high risks as determined through the risk planning process. The internal audit function provides independent appraisal of the adequacy and effectiveness of internal controls. Internal audit is responsible administratively to the CEO and reports to ARIC.

ARIC endorsed a four year Strategic Internal Audit Plan that was drafted by the internal auditor.

At each meeting, the Committee received a progress update regarding status of the internal audit program, as well as status of management's implementation of internal audit action items arising from previous audits.

During the year, the Committee met separately with the CEO to undertake a review of the performance of the internal audit function.

The Committee received and considered the following internal audit reports:

- *Cost Allocation Review*
- *Risk Management Review*

4.0 Conduct of the Committee

During 2019/2020 the Audit, Risk and Improvement Committee met on five occasions. Minutes are circulated to all members of the Committee following each meeting, and reported to Council.

Details of Committee members' attendance at meetings during the year were as follows:

Member	November 2019	March 2020	May 2020	August 2020	October 2020 **
Glenyce Francis	Y	Y	Y	Y	Y
Steve Walker	Y	Y	Y	Y	Y
Melissa Tooke	N/A	Y	Y	Apology	Y
Councillor John Larter	Y	Apology	Y	Y	Apology
Councillor Cate Cross	Y	Y	Y	Y	Y

** October Meeting is an extraordinary meeting to discuss the DRAFT Financial Statements

Non-voting attendee's attendance at meetings during the year was as follows:

Attendee	November 2019	March 2020	May 2020	August 2020	October 2020 **
Mayor (ex-officio)	Y	Y	Y	Apology	Y
Chief Executive Officer	Y	Y	Y	Y	Y
Executive Chief of Staff		Y	Y	Y	Y
Chief Financial Officer		Y	Y	Y	Y
Executive Director Community and Corporate		Y			
Executive Director Infrastructure		Y			
Coordinator Governance and Risk	Y	Y	Y	Y	Y
Governance Officer	Y	Y			
Director Internal Services	Y				
Director Strategy, Community and Development	Y				
Director Assets and Infrastructure	Y				
Divisional Manager Finance and IT	Y				
Divisional Manager People Culture and Governance					
External Auditor	Y	Y	Apology	Y	
Internal Auditor	Y	Y	Y	Y	
Audit Office NSW Representatives	Y	Y	Y	Y	
Coordinator Financial Strategy and Reporting					Y

** October Meeting is an extraordinary meeting to discuss the DRAFT 2019/2020 Financial Statements

Boxes highlighted in grey above indicate that attendance was not required. Changes to the organisational structure came into effect for the March 2020 meeting and the ARIC Terms of Reference was revised accordingly for the May 2020 meeting.

Audit, Risk and Improvement Committee Effectiveness

A review of the Committee's performance was conducted in July 2020, with the completion of the ARIC Self-Assessment Questionnaire - an anonymous survey sent to the ARIC voting members. The survey measured the collective performance and considered:

- Terms of Reference, Roles and Responsibility
- Committee Composition
- Meetings
- Interaction with Executive, Council and Auditors
- Financial Statements
- Risk, Control and Compliance
- Evaluation and Future

A total of four responses were received from ARIC voting members. Results indicate the ARIC is meeting its purpose, objectives and responsibilities, with some opportunity for improvement.

5.0 Outlook for 2020/2021

The evolution of the Committee and its role will continue as the proposed regulatory framework to support the operation of the Committee, as foreshadowed in the discussion paper "A New Risk Management and Internal Audit Framework for local councils in NSW" released by the Office of Local Government, is implemented from 2021 onwards.

The four-year Strategic Internal Audit Plan presented at the August 2020 meeting, takes into consideration internal and external risks faced by Snowy Valleys Council, its stakeholder needs and compliance requirements whilst considering other assurance activities within Council. It is anticipated that the Strategic Internal Audit Plan will be reviewed.

The focus of the annual internal audit plan is to contribute to Council achieving its strategic directions and meeting its obligations by aligning potential internal audit activity to the areas of greatest strategic importance and risk. The Annual Internal Audit Plan will be reviewed by the Committee to ensure the focus remains on Council's strategic and operational risks, as well as considering current or emerging risks faced by Snowy Valleys City Council.

The Committee looks forward to continuing to receive presentations and reports from Council's external auditors, the Audit Office of NSW.

The Committee will continue to receive and consider reports, presentations and other information to allow the Committee to be in a position to provide reasonable assurance to Council that an adequate system of internal controls is in place to support:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations

During 2020/2021 the Committee will continue to focus on making improvements to committee practices to enhance the effectiveness of the Committee and best utilise meeting time frames.

The following activities will continue to be undertaken:

- Chairperson input into the draft agenda to ensure effective agenda prioritisation, thereby giving the comfort that the Committee can adequately discharge its responsibilities and add value through effective member contribution
- Supporting documentation and reporting provided to the Committee is continuously reviewed, refined and updated based upon feedback from Committee members at each meeting
- Annual review of the Committee's forward meeting plan to ensure it remains relevant, contemporary and allows the Committee to meet all of its commitments