

1. ATTACHMENTS

10.1. AUDIT RISK AND IMPROVEMENT COMMITTEE ANNUAL REPORT 2021-22 - ATTACHMENTS

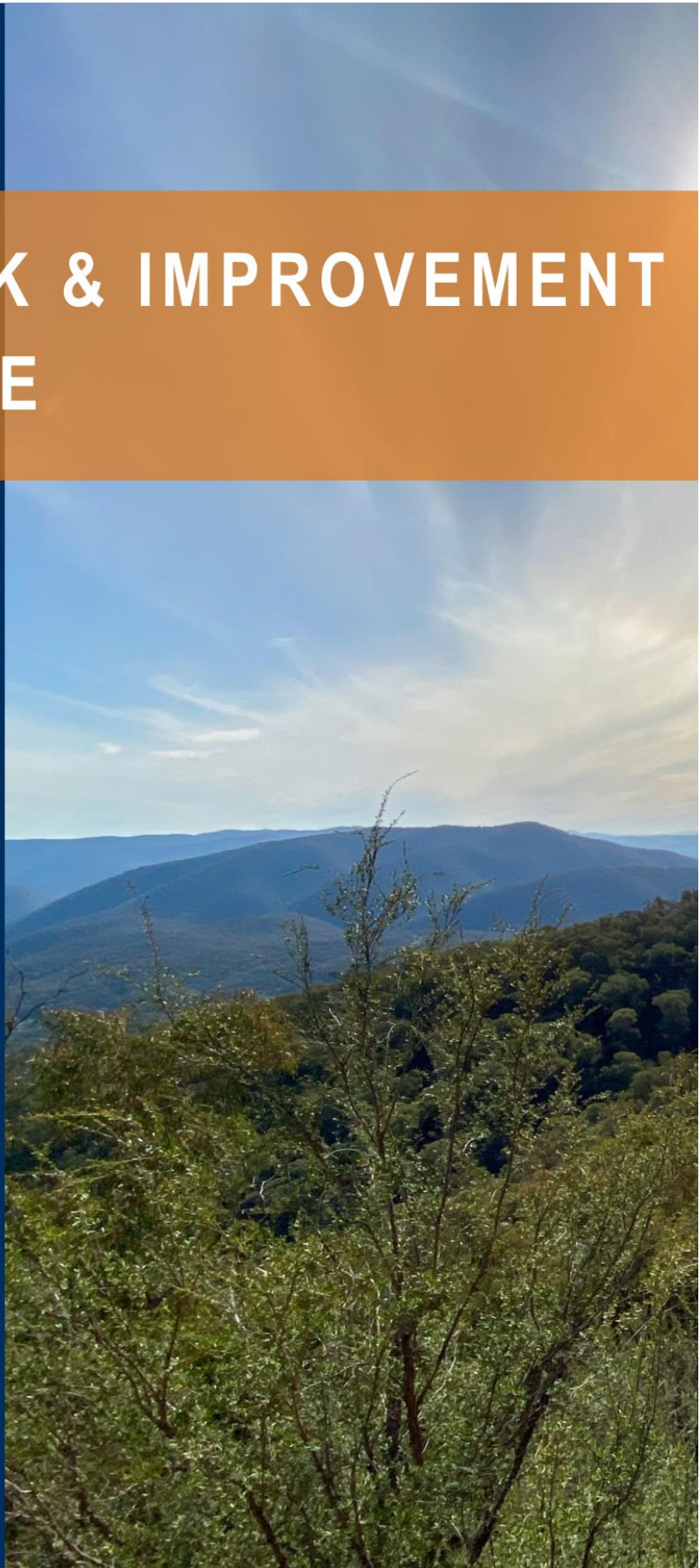
1. Audit Risk and Improvement Committee Annual Report 2021-22

Attachment 1 - ECM_3202518_v4_20221020 - Annual Report - 2021-2022 - Audit Risk and Improvement Committee

Annual Report 2021-22

AUDIT RISK & IMPROVEMENT COMMITTEE

OCTOBER 2022



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 Audit Risk and Improvement Committee meetings.

Chairperson's Report

This annual report documents the operation and activities of the Audit, Risk & Improvement Committee (ARIC) for the year 2021/22 financial year.

The Terms of Reference requires the Chair to provide an annual report to Council with the details of the reviews conducted. It is considered that the scope and approach of these activities have fulfilled the Committee's responsibilities under the Terms of Reference.

The ARIC has an important role in the governance framework of Council by providing Council with independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures and performance improvement activities. Furthermore, ARIC assists Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The ARIC continues to evolve, adopt and take guidance from the draft Risk Management and Internal Audit Framework for Local Governments Guidelines from the NSW Office of Local Government which is not due for adoption until 2027.

Members of the committee have worked well together with the Council's management team, and I thank them and Council's internal and external auditors for their efforts, cooperation and recommendations throughout the year. Thank you to all members of the committee for their valuable contribution.

Steven Walker
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 2021 to October 2022.

The Committee was established by Council in August 2016.

The Committee reports to Council following each meeting of the committee. In addition, an annual report is provided to Council of the activities undertaken during the year.

Role & Responsibilities

The objective of the Committee is to provide independent assurance and assistance to the Snowy Valleys Council (SVC or 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 General Manager and Council to fulfil their stewardship, leadership and control responsibilities.

Section 428A of the *Local Government Act 2016* 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 Committees Terms of Reference SVC-ToFR-006.

2.0 Membership

The 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.

On 28 January 2020, the Council resolved as per M11/20

- Appoint Melissa Tooke as an independent member until January 2023.

On 19 November 2020, Council resolved as per M267/20

- Appoint Steven Walker as the Chair from 01 April 2021 until 31 March 2024
- Appoint Carolyn Rosetta -Walsh as an independent member from 01 April 2021 until 31 March 2024.

Throughout the reporting period there was a significant number of staff changes and a new governing body was elected. The membership consisted of the following individuals:

Name	Position
Steven Walker	Independent External Member (Chair)
Melissa Tooke	Independent External Member
Carolyn Rosetta-Walsh	Independent External Member
Councillor John Larter	Councillor Delegate (former)
Councillor Cate Cross	Councillor Delegate (former)
Brent Livermore	Councillor Delegate (current)
Julia Ham	Councillor Delegate (current)
Non-voting Attendees	Non-voting Position
Mayor James Hayes	Mayor (former)
Mayor Ian Chaffey	Mayor (current)
Matthew Hyde	Chief Executive Officer (former)
Shelley Jones	Executive Chief of Staff (former)
Susanne Andres	Chief Financial Officer (former)
Brook Penfold	Coordinator Governance (current)
Hamish McNaulty	Interim General Manager (current)
Julie Vaughan	Interim Director Community and Corporate (current)
John Osland	Interim Director Infrastructure (former)
Daryl Hagger	Interim Chief Financial Officer (current)

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	
Steven Walker	<p>Steven has over 25 years' experience assisting small to medium sized businesses with their accounting, tax and advisory requirements.</p> <p>Steven's qualifications include a Bachelor of Commerce, Member of Institute of Chartered Accountants, Registered Tax Agent, and Registered Company Auditor.</p> <p>Steven was appointed independent member to the ARIC in April 2019 until March 2021 as per resolution M77/19.</p> <p>Steven Walker was appointed the ARIC Chair in April 2021 until 31 March 2024 as per resolution M267/20.</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>
Carolyn Rosetta-Walsh	<p>Carolyn is a Partner of Adams Kenneally White Chartered Accountants.</p> <p>Carolyn has 20 years' assurance, risk and advisory experience working across a number of industries, including: local, state and federal government; as well as the not-for-profit and private sectors.</p> <p>Carolyn is a Registered Company Auditor and a Certified Internal Auditor and utilises these skills and experience to maintain a strategic focus, whilst ensuring Council has appropriate mechanisms in place to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>Carolyn holds a Bachelor of Commerce, is a Chartered Accountant, Registered Company Auditor and a Registered SMSF Auditor.</p> <p>Carolyn was appointed independent member to the ARIC in April 2021 until March 2024 as per resolution M267/20.</p>

Councillor Delegates	
Councillor John Larter	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 and continued through to the ordinary election in December 2021.
Councillor Cate Cross	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 and continued through to the ordinary election in December 2021.
Councillor Julia Ham	Cr Julia Ham was first elected to the Snowy Valleys Council in September 2017. Cr Ham also served as an ARIC member from September 2017 until September 2019. She was once again appointed as the Councillor delegate to the ARIC in January 2022.
Councillor Brent Livermore	Cr Brent Livermore was first elected to the Snowy Valleys Council in January 2022. Cr Livermore was appointed as the Councillor delegate to the ARIC in January 2022.

3.0 Committee Activities and Outcomes

The Audit, Risk and Improvement Committee would like to highlight the following activities and outcomes of 2021/22 to Council.

The Committee received and considered the following quarterly reports:

- Verbal Confidential General Managers Report
- Audit Matrix Report
- ARIC Action Report
- Safety, Risk and Quality Committee Quarterly Update
- Major Project Status Report Quarterly Update
- Integrated Planning and Reporting Quarterly Update.

Risk Management

A main 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 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:

- Industrial Advice Relating to COVID vaccination for Local Government workers
- Special Rate Variation
- Cyber Incident Confidential Report
- Immediate Business Continuity Risks – Staffing
- Legal Matters Report.

Control Framework

Throughout the year, the Committee considered internal audit reports, reports from senior management, updates from the General Manager 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 Committee meetings thereby ensuring management is committed to implementing a sound and effective internal control framework.

The Committee received and considered the following control framework reports:

- Office of Local Government Guidelines on the Use and Management of Credit Cards
- ARIC Forward Meeting Plan (meeting dates and agenda items)
- Policies and Procedures Update

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 2021/22 financial statements and external audit focus areas.

The Committee received and considered the following financial reports:

- NSW Audit Office 2020/21 Engagement Closing Report
- SVC 2021/22 Position Papers
- NSW Audit Office 2021/22 draft Interim Management Letter
- SVC 2021/22 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 service area. The Committee receives updates from the General Manager, via a confidential verbal report, at each meeting, including any compliance matters, significant compliance breaches and key legal matters.

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

- NSW Auditor General's Report on Local Government 2021
- NSW Auditor General's Report on Managing Climate Risks to Assets and Services
- NSW Auditor General's Report on Managing Cyber Risks
- Office of Local Government Updated Integrated Planning and Reporting Guidelines.

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 General Manager and reports to ARIC.

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

After a procurement process was undertaken through VendorPanel, the Council in consideration of ARIC's recommendation, reappointed National Audits Group as the Internal Audit Provider for a further two years.

ARIC deferred the review of the four-year Strategic Internal Audit Plan. The Strategic Internal Audit Plan will be developed once the new executive are appointed and in consideration of the new *Risk Management and Internal Audit Framework for Local Government*.

The Committee received and considered the following internal audit reports:

- Records Management
- HR Recruitment and Termination.

The Committee endorsed the following two internal audits to be undertaken in the 2022/23 financial year:

- Asset Management
- Management Accounting/Financial Reporting Controls.

4.0 Conduct of the Committee

During 2021/22 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 2021	February 2022	May 2022	August 2022	September 2022 **
Steven Walker (current)	Y	Y	Apology	Y	Y
Melissa Tooke (current)	Y	Y	Y	Y	Y
Carolyn Rosetta-Walsh (current)	Y	Apology	Y (Chair)	Y (Chair)	Y
Councillor John Larter (former)	Y				
Councillor Cate Cross (former)	Y				
Councillor Julia Ham (current)		Y	Y	Y	Y
Councillor Brent Livermore (current)		Y	Y	Y	Y

** September Meeting is an extraordinary meeting to discuss the draft 2021/22 Financial Statements

Invited attendees at meetings during the year were as follows:

Attendee	November 2021	February 2022	May 2022	August 2022	September 2022 **
Mayor	Y	Apology	Y	Y	Y
General Manager	Y	Y	Y	Y	Apology
Executive Chief of Staff	Y	Y	Y		
Chief Financial Officer	Y	Y	Y	Y	Y
Director Community and Corporate				Y	Y
Director Infrastructure				Y	
Coordinator Governance	Y	Y	Y	Y	Y
Risk Management Officer	Y	Y	Y	Y	
Coordinator Financial Accounting				Y	Y
External Auditor	Y	Apology	Y	Y	Y
Internal Auditor	Y	Y	Y	Y	Apology
Audit Office NSW Representatives	Apology	Apology	Apology	Y	Y

** September Meeting is an extraordinary meeting to discuss the draft 2021/2022 Financial Statements

Boxes highlighted in grey above indicate that attendance was not required.

Audit, Risk and Improvement Committee Effectiveness

The Office of Local Government has continued to develop the draft Guidelines for *Risk Management and Internal Audit for Local Government in NSW* throughout 2021/22. The draft guidelines incorporate a standard model for monitoring and reporting on Committee effectiveness which was scheduled to come into effect from 04 June 2022.

Council provided a second submission to the Office of Local Government in November 2021, regarding the revised *Draft Risk Management and Internal Audit Framework for Local Government*.

As of 12 October 2022, the guidelines are yet to be released. The Snowy Valleys Council will continue to monitor and consider the draft guidelines and additional updates until such time as the release of the guidelines.

5.0 Outlook for 2022/2023

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 *draft Guidelines for Risk Management and Internal Audit Framework for Local Councils in NSW* released by the Office of Local Government, is implemented from 2022 onwards. The existing risk management and internal audit systems at Snowy Valleys Council are well placed to be able to adapt to the guidelines.

The challenges of recruiting a permanent executive team continues however an interim executive remains in place. The Committee will continue to provide assurance during this dynamic period by ensuring internal audits are relevant and effective at mitigating risk while improving overall business performance.

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 the Council that an adequate system of internal controls is in place to support the:

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

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

The following activities will continue to be undertaken:

- Chairperson input into the draft agenda to ensure effective agenda prioritisation, thereby giving the reassurance 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 its commitments.