

1. ATTACHMENTS

10.4 AUDIT RISK AND IMPROVEMENT COMMITTEE ANNUAL REPORT 2022 - 2023 - ATTACHMENTS

Attachment Titles:

1. ARIC Annual Report - 2022-2023

**Attachment 1 - ECM_3295754_v1_20240313 - AUDIT RISK AND IMPROVEMENT COMMITTEE
ANNAUL REPORT 2022 2023**



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.

ARIC Chairperson Report 2023

This annual report provides the Council with details on how the Committee has discharged its responsibilities contained in the Committee's Charter with respect for the period November 2022 to October 2023.

During the year Council's internal auditor, National Audit Group, presented a program of two separate internal audit reviews. Further details can be found in the body of the report.

The Committee has then provided oversight as to the implementation of the recommendations that addressed the identified risks in accordance with the internal audit risk framework and council's risk appetite policy.

During the year ARIC undertook a review of the four-year Strategic Internal Audit Plan, with input from Council's senior leadership team and the internal auditor.

However, this plan remains in a fluid state ready to respond to any changes, challenges and emerging risks associated with Council's operations.

I would like to thank the other members of the Committee and Management team's support in ensuring that the SVC effectively discharges its responsibilities for financial reporting, risk management, internal controls, governance, internal and external audit.

Moreover, I would like to thank Brook Penfold for her many years of outstanding service as SVC Coordinator of Governance. Michelle Marsh has now been appointed to this important role.

I, with the Committee, look forward to working with Michelle to deliver on the responsibilities of ARIC.

I also wish to thank independent members Carolyn Rosetta-Walsh and Melissa Tooke for their important contributions to ARIC.

Stephen Walker

Independent Chair

Audit, Risk and Improvement Committee

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 2022 to October 2023.

The Committee was established by the Council in August 2016.

The Committee reports to the 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, internal controls, 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 internal control responsibilities.

Section 428A of the *Local Government Act 1993* states the following in respect of Audit, Risk and Improvement Committees:

- The 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 Committees Terms of Reference SVC-TofR-006.

Membership

The Committee, as per the 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, during this period was 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.

Throughout the reporting period there was a significant number of staff changes. 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
Julia Ham	Councillor Delegate (Current)
Brent Livermore	Councillor Delegate (Current)
NON VOTING ATTENDEES	NON VOTING POSITION
Ian Chaffey	Mayor
Ken Gouldthorp	Former General Manager
Julie Vaughan	Former Interim Director Community and Corporate
Jessica Quilty	Director Community and Corporate
Daryl Hagger	Former Interim Chief Finance Officer
Parthiv Parekh	Manager Finance
Nicholas Wilton	Executive Manager Growth and Development
Brook Penfold	Former Coordinator Governance
James Butt	Coordinator Risk and Safety
Matthew Suter	Risk and Management Officer / Secretariat of Committee

Invitations are extended to Council's internal auditor, National Audits Group and Council's contracted 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 26 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 an independent member to the ARIC from April 2019 until March 2021 as per resolution M77/19.</p> <p>Steven Walker was appointed the ARIC Chair from 1 April 2021 until 31 March 2024 as resolved by Council at its meeting held Thursday 19 November 2020 M267/20.</p>
Melissa Tooke	<p>Melissa is a risk management and governance professional with over 21 years' experience in the public sector, including 13 years in senior risk management roles.</p> <p>Melissa 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 Tooke was appointed independent member in January 2020 until January 2023 as per resolution M11/20.</p> <p>Melissa Tooke was re-appointed independent member in December 2022 until January 2026 as per resolution M360/22.</p>
Carolyn Rosetta-Walsh	<p>Carolyn is a Partner of Adams Kenneally White Chartered Accountants.</p> <p>Carolyn has 21 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>
Councillor Delegates	
Councillor Julia Ham	<p>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.</p>
Councillor Brent Livermore	<p>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.</p>

Committee Activities and Outcomes

The Audit, Risk and Improvement Committee would like to highlight the following activities and outcomes of 2022/2023 to Council.

The Committee received and considered the following quarterly reports:

- Verbal Confidential General Managers Report
- Audit Matrix Report
- Action Report
- ARIC Action Report
- Safety, Risk and Quality Committee Quarterly Update
- Major Project Status Report Quarterly Update - each meeting
- Integrated Planning and Reporting Quarterly Update
- External Audit
- Operational Plan
- Project Office Report
- Strategic Risk Review

Risk Management

The 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 the Council.

During the year, the Committee considered the organisational risks facing the Council and monitored management 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:

- Draft financial statements
- Rehabilitation methodology for provisions for landfills and quarries
- Riverina Highlands Building flooding report
- Cyber Incident report
- Draft Position Paper - Infrastructure Property Plant and Equipment (IPPE)
- Insurance matters
- 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:

- Internal Audit budget
- Risk Management Framework
- Draft Audit, Risk and Improvement Committee - Terms of Reference
- Draft Audit Charter
- 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 the Council's financial statements. During the year, the Committee considered Council's 2022/2023 financial statements and external audit focus areas.

The Committee received and considered the following financial reports:

- Quarterly budget review reports for first and second quarter
- SVC 2022/2023 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.

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 Vendor Panel, the Council in consideration of ARIC's recommendation, reappointed National Audits Group as the Internal Audit Provider for a further two years.

The Committee received and considered the following internal audit reports:

- Internal Audit Plan 2023–2024
- Internal Audit Report – Asset Management
- Internal Audit Report – Management Accounting and Financial Reporting Controls
- Internal Audit Engagement Letters – Projects and Contract management as well as drinking water management.

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

- Asset Management
- Management Accounting and Financial Reporting Controls.

Conduct of Committee

During 2023, 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 the Council.

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

** September Meeting is an extraordinary meeting to discuss the draft 2022/2023 Financial Statements

Member	November 2022	March 2023	May 2023	August 2023	September 2023 **
Steven Walker (current) Chair	Y	Y	Y	Y	Y
Melissa Tooke (current)	Y	Y	Y	Apology	Y
Carolyn Rosetta-Walsh (current)	Y	Y	Y	Y	Y
Councillor Julia Ham (current)	Y	Apology	Y	Y	Y
Councillor Brent Livermore (current)	Y	Y	Y	Y	Apology
Invited attendees at meetings during the year were as follows:					
Mayor	Apology	Y	Y	Y	Y
General Manager (Former)	Y	Y	Y	NA	NA
General Manager Current	NA	NA	NA	Y	Y
Interim Director Community & Corporate	Y	NA	NA	NA	NA
Director Community & Corporate (Current)	NA	Y	Y	Y	Y
Director Infrastructure	Apology	Apology	Apology	Apology	Apology
Coordinator Governance (Former)	Y	Y	Y	NA	NA
Coordinator Risk and Safety	Y	Y	Y	Apology	NA
Risk Management Officer	Y	Apology	Y	Y	Y

Member	November 2022	March 2023	May 2023	August 2023	September 2023 **
Interim Chief Finance Officer	Y	NA	NA	NA	NA
Finance Manager	Y	Y	Y	Y	Y
Manager Growth and Activation	Y	Apology	Apology	Apology	Apology
External Auditor	Y	Apology	Apology	Apology	Y
Internal Auditor	Apology	Y	Y	Y	Apology
Audit Office NSW Representatives	Y	Apology	Apology	Apology	Y
Crowe Howarth	Y	Y	Apology	Y	Y
Statewide Mutual	Apology	Y	Apology	Apology	Apology

Audit, Risk and Improvement Committee Effectiveness

The Office of Local Government has developed the Guidelines for *Risk Management and Internal Audit for Local Government in NSW*. The guidelines incorporate a standard model for monitoring and reporting on Committee effectiveness which is scheduled to come into effect from 1 July 2024.

The 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*.

Outlook for 2023/2024

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 *Guidelines for Risk Management and Internal Audit Framework for Local Councils in NSW* released by the Office of Local Government, will be implemented from 2024 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 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 the Council's internal 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.



P: 1300 ASK SVC (1300 275 782)

info@svc.nsw.gov.au | www.svc.nsw.gov.au

**Tumut Office
76 Capper Street
Tumut NSW 2720**

**Tumbarumba Office
Bridge Street
Tumbarumba NSW 2653**