

## **Executive Summary**

The Audit, Risk and Improvement Committee (ARIC), a committee of Council, is required under its Council approved Terms of Reference to report to the Council, at least annually, on its oversight role of the internal audit function. This report is presented to advise Council on what the ARIC has been reviewing over the last 12 months.

## **Recommendation**

THAT the Audit, Risk and Improvement Committee annual report be received and noted by Council.

## **Background**

The ARIC plays a pivotal role in the governance framework providing Council with independent oversight and monitoring of Council's audit processes, including the internal control activities.

Since its inception in 2008, the ARIC has undergone organic growth to its current structure and achieves its independence by having a majority of independent members external to Council and its operations ie: three independent members, Mr Mark Barraclough, Ms Sharlene Cohen and Ms Christine Quick and two Councillors, Clr Anthony Mayne and Clr Phil Constable.

The ARIC meets four times a year however, extra meetings are scheduled if required and the review of documents and financial issues is carried out between scheduled meetings when necessary.

The resignation of Mr Ken Mitchell (Chair) from the ARIC in December 2015 necessitated the selection of a new committee member. After advertising the vacancy, and an application process including an interview with committee members, Ms Quick was welcomed to the ARIC in April 2016.

At the ARIC meeting held on 5 April 2016, I was elected to the Chair.

## **Considerations**

During the past year the ARIC has reviewed and/or monitored:

- 2015-16 Financial Statements for Referral to Audit
- Budget review and six monthly performance report
- The Batemans Bay Beach Resort by
  - monitoring financial and occupancy trends
  - following progress reports on maintenance and improvement tasks
- Oversight of the Special Rate Variation (SRV) and Fit for the Future (FFF) frameworks including:
  - reviewed the reporting requirements
  - the use of SRV funds (reported at each meeting)
  - SRV and FFF are now regular ARIC agenda items

- sought reassurance that the mechanics in the budget will directly lead to savings.
- Corporate Business System (now named 'e-connect')
  - reviewed the business case that provides transparency on the process of consideration of change.
    - one platform that promotes efficiency and removes risk and will provide wider access for the public to our services with many functions to be automated or electronic
    - improve business processes and effectiveness enhancing the control over the way that business is performed and provide easier and quicker access to information.
    - provided independent probity
- Reviewed the report carried out by the General Manager on the processes undertaken on the approval of the Huntfest event licence and found that 'due process and procedures have been undertaken by Council, including obtaining and relying on legal advice, in an appropriate manner'.
- Internal Audit reports - best practice audit standards are applied by the external independent auditor, Inconsult, in auditing the activities undertaken in the daily operation of Council's financial management and processes. The audits allow the ARIC to review the activities and monitor the implementation of the recommendations provided by Inconsult.

Ten internal audit reports have been undertaken by Inconsult with two more to be completed by end 2016/17. Recommendations from the reports are prioritised, reviewed by the ARIC and Executive Leadership Team (ELT), and implemented by staff. Inconsult carry out follow up reviews on any high priority recommendations which provide further assurance to the ARIC that continual improvement and internal controls are being applied.

The areas that have been audited are:

- Procurement - audit complete and reviewed. Recommendations migrating to a 'Roadmap' for implementation over the next three years are currently being progressed.
- Waste – audit complete and reviewed with a very positive outcome that noted all processes were in place in response to the 'high' priority recommendations.
- Property – audit complete and recently reviewed (results imminent) with actions progressing.
- Debtors – audit complete. All recommendations will be complete by end 2016.
- Risk and Insurance – audit complete. Enterprise Risk Management Plan is nearing completion and will address most recommendations made by Inconsult to meet best practice.
- Plant and fleet – audit complete. Recommendations are being progressed and reported on appropriately.
- Contract Management - audit complete. Relevant recommendations migrating to the Roadmap and being progressed in unison with Procurement recommendations.

- Recruitment – audit complete. Recommendations being progressed in accordance with the adopted timframes.
- Asset maintenance – audit to be finalised and presented to the ARIC shortly.
- Building Certification – audit currently underway.
- Internal Audit Plan – progress reports from Inconsult are on track including the progress on Key Performance Indicators.
- Investments – review of monthly investment reports in accordance with legal and policy requirements.
- Survey of Key Performance Indicators (KPIs) for internal audit functions and KPIs for Audit committee. KPIs are being satisfactorily meet.
- Terms of Reference – reviewed regularly and recently acknowledged by Council as per the Local Government Amendment (Governance and Planning) Bill 2016 (NSW).
- Regular Insurance/risk reports now provided with emphasis on the type, number and cost of claims.
- Enterprise Risk Management workshop held with Echelon.

The internal audit program reinforces the adherence to procedures and policies.

### **Conclusion**

It is considered the presence of the ARIC adds value to Council and strengthens a culture of sound financial governance that is increasingly transparent and accountable.

Each member of the ARIC contributes to the continual improvement of Council from within and represents the community by playing a pivotal role in the management of Council's financial requirements and expectations.

I take this opportunity to thank Mr Ken Mitchell for his leadership and the commitment he made to the committee during his term as Chair and I thank my fellow committee members for their continued contribution to the roles they have undertaken. I would also like to thank Mr Neil Burnside and Mr Peter Schwarz who, in their previous positions as Council representatives on the committee over the last four years, were dedicated to the betterment of council and the community.

It is recommended that the annual report tabled by the Audit, Risk and Improvement Committee be received and noted.

Mark Barraclough

**Chair**

**ESC Audit, Risk and Improvement Committee**