



MIDCOAST
council



ANNUAL REPORT

2019 MidCoast ARIC Annual Report



MidCoast Audit Risk & Improvement Committee (ARIC)

From the Chair

The Audit Risk & Improvement Committee provides insight, transparency and accountability to Council, and brings external expertise to Council through the inclusion of independent members to assist in that regard. Our inaugural program of work is focusing on the basic commercial controls necessary for Council to demonstrate good governance, and reliable support processes. As our focus matures in 2020 we will add to this and also include in our work more components of the business of Council, the tasks of providing services and providing infrastructure.

As a new decade commences the Audit Risk & Improvement Committee focuses on key risks affecting local government. For MidCoast Council these include:

- Financial Sustainability
- Cyber incidents and IT infrastructure resilience
- Reputation Risk
- Natural catastrophe / climate change / environmental management
- Property and infrastructure management
- Increases statutory or regulatory requirements
- Business continuity and community disruption
- Effective Human Resource and Workplace Health and Safety management
- Theft, fraud and crime

Our monitoring of the threat landscape provides Council with the necessary insights and tools to address these risks, safeguard community assets, and provide a real difference to the MidCoast community. I commend this Annual Audit Risk & Improvement Committee report to Council.



Stephen Coates
Chair – MidCoast ARIC

Overview

The 2019 MidCoast ARIC Annual Report to Council provides a summary of key activities undertaken during 2019. The report highlights progress made in establishing the MidCoast ARIC including developing the Internal Audit Plan.

Introduction

Council's ARIC was established 28 February 2018 in accordance with section 355 of the Local Government Act 1993. In establishing ARIC consideration was also given to the obligations that will be imposed by section 428A of the Local Government Act 1993, when that section commences. Council considered section 23A guidelines (OLG Internal Audit Guidelines) when adopting the MidCoast ARIC Charter.

ARIC is a Committee of Council, responsible for reviewing Council's strategic and operational plans and risks across a broad range of governance matters, as prescribed in the legislation and the pending provisions of the Amending Act. The Committee is advisory in its function and has no authority to direct the General Manager or Council officers. The Committee has no executive powers, except those expressly provided by the Council.

- The Committee comprises three independent members and two Councillors. This optimises the likelihood of having a diverse range of perspectives and expertise in the group.
 - 2 councillors – two year appointment and appointed by the Council;
 - 3 independent members – two or three year term as it would be prudent to appoint independent members with different tenure periods to ensure continuity of committee and system knowledge when new members are appointed.
- The Chair of the Committee must be an independent member.

The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audit, organisational performance and external accountability responsibilities. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

The Audit & Risk Committee met six times in 2019:

- 13 February 2019 (first meeting)
- 23 May 2019
- 29 August 2019
- 24 September 2019 (extraordinary meeting to review draft financial statements)
- 17 October 2019 (extraordinary meeting to review draft financial statements)
- 29 November 2019

At the 29 August 2019 meeting a quorum was not reached as the required number of Councillors were not present.



In September 2019, the NSW Office of Local Government (OLG) released a discussion paper on a new risk management and internal audit framework for local councils in NSW.

ARIC reviewed the discussion paper in liaison with management. A submission on the discussion paper was provided to the OLG in December 2019. Council is tracking well against the proposed core requirements in the discussion paper due to the considerable efforts made in these important areas in recent months. ARIC will make the necessary refinements to the internal audit function once the OLG guidelines are released in 2020.

Members

The MidCoast ARIC membership includes:

Member	Position	Role	Eligible	Attended
Stephen Coates	Independent	Chair	6	6
Peter McLean	Independent	Member	6	6
Donna Rygate	Independent	Member	6	6
Cr Claire Pontin	Councillor	Member	5	5
Cr David Keegan	Councillor	Member	6	5
Cr Peter Epov	Councillor	Alternate	1	0

Number of meetings

In 2019 ARIC met six times to review reports, audit program and audited financial statements. Four meetings were scheduled ARIC meetings, two were extraordinary meetings to review draft financial statement before being sent to Audit Office of NSW for audit.



Achievements for 2019

- First meeting held 13 February 2019
- ARIC Charter adopted
- Induction for all ARIC members included organisational structure & functions, introduction to Governance Framework, Risk Management Framework, Fraud & Corruption Control Framework
- Request For Proposal (RFP) for MidCoast Council Business Continuity Plan was sought with JLT appointed
- RFP for development of an Internal Audit Framework including Audit Universe, three-year audit plan, annual internal audit plan & first two audits of the plan was sought with O'Connor Marsden appointed. A copy of the Internal Audit Framework is attached as Annexure A
- Review of draft financial statements prior to audit
- Feedback on the draft OLG discussion paper – New Internal Audit & Risk Management Framework for consideration in the MCC submission to OLG
- Review & feedback on the regular reports & presentations in accordance with the ARIC Report Calendar

ARIC recognises the continual progress made in the very challenging task of consolidating the four previous financial systems along with the fire emergency impacting the region during 2019.



Report calendar

Reports are scheduled and prepared in accordance with the ARIC Report Calendar and are in line with the key areas recommended by OLG.

- External Audit & Financial Reporting
- Internal Audit
- Compliance
- Risk Management
- Fraud Control
- Financial Management
- Governance
- Implementation of strategic plan, delivery program & strategies

Agenda

A typical agenda includes:

Acknowledgement of Country	Monthly Project Status / Capital Works Reports
Outstanding matters from previous minutes	Matters Before the Court
Declaration of Pecuniary or Conflicts of Interests	Incidents & Claims Report
Borrowings, Investments & Treasury Report	RMS Drives
Financial & Budget Review	Workplace Health & Safety
Contracts Management	

Senior staff are invited to attend the ARIC meetings to discuss strategic focus and corporate direction.



Audits

Internal

O'Connor Marsden were appointed in July 2019 to work with MidCoast Council to develop an Internal Audit Framework including internal audit universe, three-year internal audit plan, an annual internal audit plan and undertake the first to audits from the plan (see Annexure A).

The Internal Audit Framework was endorsed by ARIC 29 August 2019. Seven audits were identified for the first 12 months with the first two audits (procurement and credit cards) to be completed by the end of December 2019. These two audits will be presented to the first meeting in 2020.

In November 2019 ARIC identified volunteer management, cemeteries and payroll & allowances to be completed by end June 2020.

Prior to the end of the 2019/20 financial year ARIC will review the delivery of the internal audit services.

External

The NSW Audit Office conducted the audit of Council's 2018/19 Financial Statements. The Audit Team were on site from 4 – 7 November 2019. The fire threat to the Forster administration building and surrounding area meant the Audit Team left the region on 7 November 2019.

Council received an extension for lodgement of the audited financial statements from the Office of Local Government (OLG) until 28 February 2020.

All information sought by the Auditors was provided by the Council Finance Team by the end of December (the auditors subsequently requested further clarification on matters which were then addressed during the February site visit)

The Audit Team returned from 5 – 7 February 2020 to cover off outstanding audit items. On the advice of the Audit Office of NSW and following discussions with the OLG a request for a further extension to cover the revised timeframe was been lodged.

It is anticipated the Audit Office of NSW will present the audited financial statements at the first ARIC meeting for 2020 (6 March 2020) and subsequently to the 25 March 2020 Council meeting.

Key areas for 2020

The focus for 2020 includes:

- Strategic focus including key service delivery areas eg customer service, library and delivery of capital works
- The three year Audit Plan is included below. Volunteer Management, Cemeteries and Payroll & Allowances are scheduled to be completed before the end of 2019/20.

MidCoast Council three year indicative Audit Plan

#	Audit/Review Description	Estimated Time	2019-20	2020-21	2021-22
1	Procurement, Tendering & Purchase Card (One System)	20			
2	Credit Cards	6			
3	Asset Management	20			
4	Cemeteries Compliance review	15			
5	Payroll including Allowances	20			
6	Volunteer Management	20			
7	DRIVES	5			
8	Financial Health Check (Basic Commercial Controls)	8			
9	HR- Performance Management	20			
10	Project Management – Major project review	20			
11	Contract Management	15			
12	WHS	20			
13	Complaint Handling	15			
14	ITC/ Cyber Security	20			
15	Governance Framework (Using NSW AO Lighthouse Framework)	12			
16	Companion Animal – Pound Facilities and Management	12			
17	Rates (4 Systems)	22			
18	Property Leasing	12			
19	Capital Works Program	15			
20	Records Management	15			
22	Development Assessment Process				
21	Management of Account & Attendance at ARIC (8 days per year)	24			
Total Days		326	119	96	121