

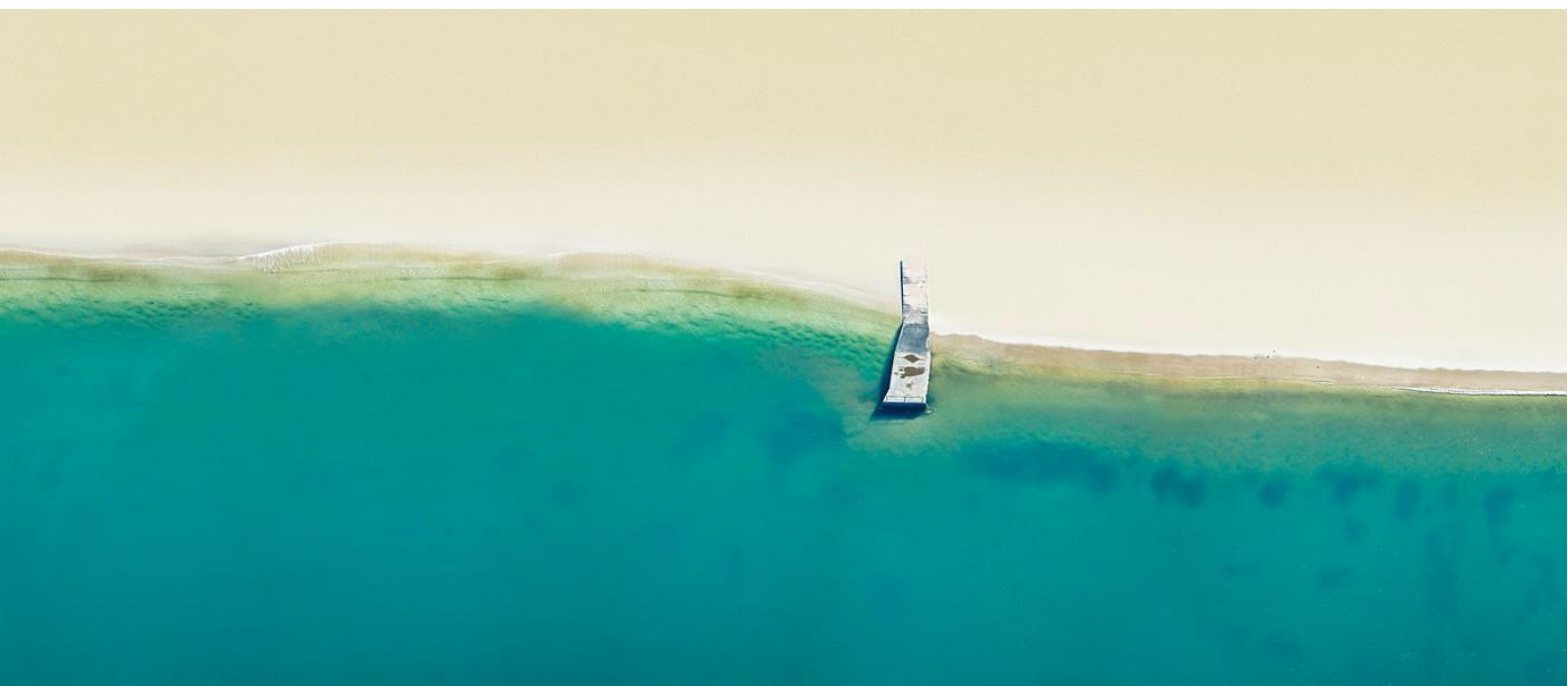


Bayside Council

Serving Our Community

Bayside ARIC
(Audit, Risk & Improvement Committee)
Annual Report

2022/23



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File: SF23/7657 Document: 24/57732

Manager Governance & Risk



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1 Introduction

1.1 Background

The Bayside Audit Risk & Improvement Committee (ARIC) is established in accordance with S.428(A) of the *NSW Local Government Act 1993* (the 'Act') and supports good corporate governance by the provision of independent objective advice and assistance to the Council. As such, the ARIC plays an important role as part of the monitoring element within Council's Governance framework in line with its statutory requirements.

Bayside Council since its inception in 2016 included as part of its governance framework a Risk & Audit Committee. The Committee was renamed to align with the Act and adapted into the current ARIC in 2021. The Act requires the ARIC to '*keep under review*':

- (a) *'compliance,*
- (b) *risk management,*
- (c) *fraud control,*
- (d) *financial management,*
- (e) *governance,*
- (f) *implementation of the strategic plan, delivery program and strategies,*
- (g) *service reviews,*
- (h) *collection of performance measurement data by the council,*
- (i) *any other matters prescribed by the regulations'*.

Further, the Act requires the ARIC is '*also to provide information to the Council for the purpose of improving the Council's performance of its functions*'.

The Committee's Charter (or terms of reference) was also revised and approved by Council to reflect the draft "*Guidelines for Risk Management and Internal Audit for local government in NSW*" issued in 2022 by the Office of Local Government. Amendments to the Local Government Regulations 2021 are also required to put in force the final version of the Guidelines to be issued. The Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements and will need to be reviewed when amendments to the Regulations are made and the final Guidelines issued.

In accordance with the Charter, the ARIC presents an Annual Report on its activities to Council. The ARIC also provides advice to Council via the minutes of its meetings which are tabled at Council meetings.

The Council's ARIC Charter outlines the specific audit, risk and improvement responsibilities for the Committee as well as related focus areas within each responsibility element. This report covers the activities of the ARIC in meeting its duties under section 428 (2) and (3) of the Local Government Act and its Charter for the period from 1 July 2022 to 30 June 2023.

1.2 Membership, Attendance and Conduct

The ARIC comprises 4 independent members (of which 1 is the Chair) and 2 Councillor representatives. The ARIC met on 5 occasions in 2022/23 including 1 extra-ordinary meeting to consider the unaudited financial statements. The ARIC Meetings in 2022/23 were held on:

- 11 August 2022
- 13 October 2022 (Extra-ordinary)
- 10 November 2022
- 9 February 2023
- 23 May 2023

Member attendance at these meetings is summarised in the Table below.

Table 1 – Member attendance record

Member	Role	Meetings Attended/ Eligible to Attend
Jennifer Whitten	Independent External Member (Chairperson)	5/5
Mark Sercombe	Independent External Member	5/5
Sheridan Dudley	Independent External Member	5/5
Robert Lagaida	Independent External Member	5/5
Councillor Scott Morrissey	Councillor Representative	1
Councillor Ann Fardell	Councillor Representative	3

1.3 Attendance – Non-Voting Members

Other regular (non-voting) attendees to ARIC meetings include:

- General Manager
- Director City Performance
- Manager Governance & Risk
- Co-ordinator Risk Management
- Chief Financial Officer
- Chief Information Officer
- Manager Business Transformation
- Internal Auditors
- Director and Audit Leads, Audit Office of NSW

1.4 Disclosures of Interest

Members declare and make any disclosures of interest at meetings and such disclosures are recorded in the Minutes of the Meeting.

1.5 Independence and Accountability

By its Charter, the ARIC is a forum for communication between the Council, the General Manager, senior management, internal audit and the Audit Office of NSW. ARIC held in-camera sessions with the Audit Office of NSW and internal auditors. The ARIC provides advice to Council and senior management through its discussion at meetings and recommendations to Council via its Minutes.

1.6 Preparedness for compliance with Guidelines

As the local government sector awaits the issue of the Guidelines in a final form once the Regulations are made, the ARIC has received a report from Council on its preparedness to transition to the amended Regulations and new Guidelines. The Report included an overall indicative attestation of compliance with the Guidelines which demonstrated Council was in a sound position to transition fully to the proposed legislative requirements.

2 Year In Review

Under s. 428A of the Local Government Act, the ARIC is required to keep nine specific aspects of Council's operations under review namely compliance, risk management, fraud control, financial management, governance, implementation of the strategic plan, delivery program and strategies, service reviews, business improvement, collection of performance measurement data by the council and Council's internal audit function. The following addresses ARIC's work in 2022-23 in each of these areas.

2.1 Compliance

The ARIC has had insufficient information in 2022-23 to fully consider the adequacy and effectiveness of the Council's compliance framework.

Legal and compliance risks are included as part of its enterprise risk management framework and compliance audits are undertaken as part of its strategic internal audit program as well as being included in individual audits where appropriate.

The Governance Framework outlines Bayside Council's approach to legislative compliance. Council has a Compliance Management Policy which requires Managers to provide Compliance Attestations each financial year.

The ARIC has noted the observations in the audit management letter issued by the AONSW that Council's legislative compliance register is in draft format and that attestations have not been received. The ARIC has also noted the management response to that issue, being that by 31 October 2023, the Compliance Attestations for 2022/23 will be completed and the LGLegal database (which shows allocated legislative responsibilities to relevant Managers) will be updated. Therefore during 2022-23 while an appropriate Policy position was in place, the implementation of appropriate processes to assess compliance were not in place.

2.2 Risk management

The risk management aspects of Council operations essentially cover Council's risk management framework and internal controls that identify and manage the risks Council faces.

In order for ARIC to keep these areas under review, its key activities included:

- Reviewing risk management reports relating to Council's Risk Management Framework with a focus on Council's 13 strategic risks
- Receiving focused presentations by senior management on individual strategic risks
- Reviewing Council's review of its fraud and corruption risks
- Reviewing a self-assessment against the AO NSW Performance Audit Report on Management of Combustible Cladding
- Reviewing a self-assessment against the Office of Local Government Credit Card Guidelines
- Reviewing Council's status compared to the Office of Local Government Cyber Security Guidelines for NSW Local Government
- Reviewing internal and external audit reports including separate meetings with the internal and external auditors.

2.3 Fraud control

The ARIC in 2022-23 kept under review Council's fraud and corruption control framework by the following key activities:

- reviewed the Fraud & Corruption Prevention Audit Report along with the practicality of the recommendations and the adequacy of management responses including timeframes
- reviewed Council's fraud and corruption risks within Council's risk register
- held separate meetings with the internal and external auditors.

2.4 Financial management

The key activities for the ARIC this year included:

- Reviewing the annual financial statements and external audit outcomes.
- Reviewing Council's financial performance against sector benchmarks and Council's approved budget.
- Reviewing monthly and quarterly management, financial, investment and performance reports.
- Reviewing strategies of management to achieve financial sustainability.
- Reviewing long-term financial strategies developed by management.

2.5 Governance

Council has in place the Bayside Governance Framework reviewed by the ARIC in April 2022 and the revised Framework adopted by Council on 22 June 2022. Elements of the governance framework are reviewed as part of ARIC's annual activities including meetings with the internal and external auditors, through the review of, and advice on, audit and management reports, the General Manager updates, and integrated planning and reporting.

The Committee's review of this area may be enhanced with regular and specific reporting on the Governance Framework.

2.6 Strategic plan, delivery program and strategy implementation

The ARIC has significant new responsibility in keeping under review and advising on the Council's integrated planning and report framework.

During the period ARIC has reviewed the following Reports:

- Delivery Program/Operational Plan 2022-23 and Resourcing Strategy (including performance measures and indicators), Long Term Financial Plan, Asset Management Strategy and Workforce Management Plan
- Long Term Financial Plan update
- Quarterly budget reviews
- Six monthly progress on Delivery Program & Operational Plan including reporting against performance measures
- Long term planning and financial sustainability

2.7 Service reviews (and business improvement)

The ARIC role has been limited to the business improvement element as no service reviews were finalized in 2022-23.

The ARIC received regular reports on Council's business improvement program and business improvement activities including:

- Business Improvement 2022/2023 Project Schedule and progress
- Bayside Project Management Framework
- Parking patrol technology – data management & privacy controls
- Smart CCTV – end of project report
- Safety Bay – end of project report

2.8 Collection of performance management data

As mentioned above, as part of the ARIC's review and advice role on Council's integrated planning and reporting framework, the ARIC received and reviewed various reports on the elements of the framework. Council improves its performance measures in every reiteration of its Delivery Program and Operational Plan and the ARIC receives six-monthly progress reports in these areas.

Council has established sound performance measures for the Community Strategic Plan, and they will be tracked and reported in the "State of our City Report" to be prepared for the incoming Council following the September 2024 local government elections.

2.9 Internal and External Audits

Internal Audit

To align with the shortened term of Council and the then newly appointed ARIC, the outstanding audits within the 5 Year Strategic Internal Audit Plan were reviewed and a 3 Year Strategic Internal Audit Plan was adopted. The ARIC monitors and reviews, at each ordinary meeting, the status of the annual internal audit plan. In May each year it endorses the forthcoming year's internal audit plan and its alignment with the three-year Strategic Internal Audit Plan. During 2022-23, the ARIC has met separately with the internal auditors as part of its oversight function.

Also, in 2022/23 the ARIC has reviewed the following Internal Audit Reports along with the practicality of recommendations and the adequacy of management responses including timeframes:

- Validation of WHS Minerva Audit Recommendations
- Process Review of the Calculation of Pre-Paid Fees & Recovery of Costs (Road Openings & Restorations)
- Fraud & Corruption Prevention Audit
- Compliance Review of Councillor Expenses & Facilities
- Public Domain Works Bonds
- Weekly Payroll Process Review
- Long Term Financial Planning and Budgetary process
- Drives24 – Compliance Audit for TfNSW
- Review of the Management of Portable & Attractive Assets
- Compliance Review of Councillor Expenses
- Independent Verification Audits of recommendations (2)

As noted above, the internal audit plan includes two independent verification audits (undertaken biannually) to validate whether audit recommendations listed as due in the period have been completed or, if not, their status and any mitigating controls put in place with a particular focus on high-risk actions. The ARIC has made suggestions to improve the timely implementation of these actions. Separate meetings with internal audit, the results of the audits (including external audits) and the implementation of the management responses, enable the ARIC to monitor the adequacy and effectiveness of the Council's internal control structure and keep these areas under review.

External Audit

The Audit Office of NSW (AO NSW) is the mandated External Audit provider for Bayside Council under the Local Government Act 1993. In 2022/23 the ARIC has met separately with the External Auditors and also reviewed the following reporting in relation to external auditor activities for Council:

- Audit Engagement 2022 Closing Report by AO NSW
- Presentation of final audited Annual Financial Reports for 30 June 2022
- FY2021/22 Final Audit Management Letter - NSW Audit Office
- Annual Engagement Plan for the Audit of Council for the Year Ending 30 June 2023 by AO NSW
- Council's response to the FY2021/22 Final Audit Management Letter

3 Conclusion

In the ARIC's view Council has continued to maintain sound governance culture and a strong internal control environment (including fraud and corruption controls) and its management of strategic and operational risk, financial and compliance is effective. The Council also has an effective integrated planning and reporting framework. The organisation has continued to work well with the ARIC and has demonstrated a high level of commitment to being open to audit findings, genuine in addressing any issues or improvement opportunities, and consistent in the fulfilment of its commitments. Additionally, Council's management has been open and positive to suggestions from the ARIC on improvements to its maturity, performance, reporting, and monitoring, which have contributed to improved performance of its operations. The ARIC is that satisfied that its activities and performance during the financial year and as outlined in this Annual Report, generally fulfils its responsibilities under section 428(2) and (3) of the Local Government Act.

The ARIC has identified improvements in reporting on compliance, governance and service reviews to ensure it is able to meet its statutory responsibilities of keeping these areas under review.

Jennifer Whitten
Bayside ARIC Chairperson