



**Bayside Council**

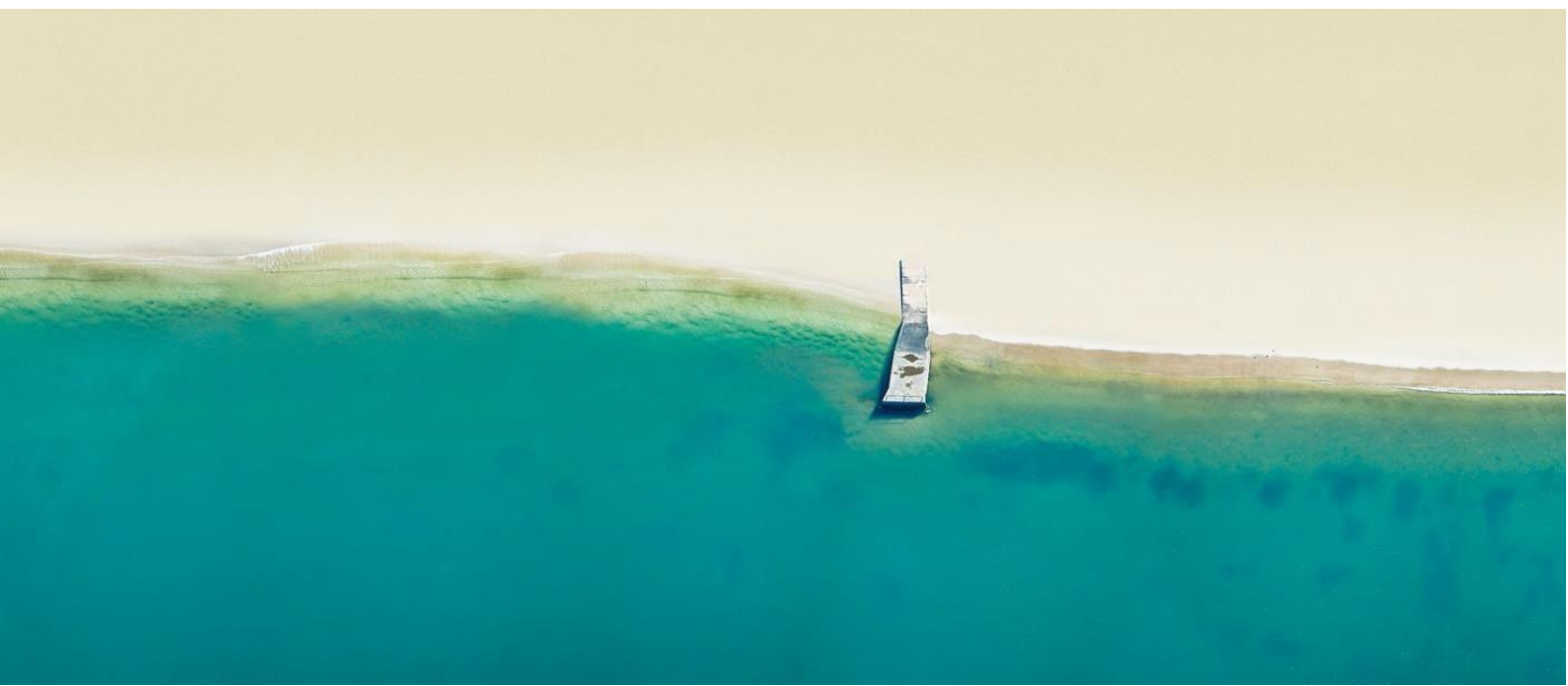
Serving Our Community

# **Bayside ARIC**

**(Audit, Risk & Improvement Committee)**

# **Annual Report**

**DRAFT 2023/24**



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# 1 Introduction

## 1.1 Background

The Bayside Audit Risk & Improvement Committee (ARIC) is established in 2016 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.

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 on 22 May 2024. The Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements. The Charter was updated ahead of the incoming Regulation and Guidelines described below.

Amendments to the *Local Government (General) Regulation 2021* ("Regulation") and the issuance of the Office of Local Government's *Guidelines for Risk Management and Internal Audit for Local Government in NSW* ("the Guidelines") commenced on 1 July 2024. Collectively these are referred to as the "new Framework".

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 2023 to 30 June 2024.

## 1.2 Membership, Attendance and Conduct

In 2023/24, the ARIC comprised 4 independent members (of which 1 is the Chair) and 2 Councillor representatives. In order to fulfil its responsibilities, the ARIC met on 6 occasions in 2023/24 including 2 extra-ordinary meetings. The ARIC Meetings in 2023/24 were held on:

- 22 August 2023
- 17 October 2023 (Extra-ordinary)
- 21 November 2023
- 14 March 2024
- 20 June 2024
- 25 June 2024 (Extra-ordinary)

Member attendance at ARIC meetings is summarized in the Table below.

**Table 1 – Member attendance record**

<b>Member</b>	<b>Role</b>	<b>Meetings Attended/ Eligible to Attend</b>
Jennifer Whitten	Independent External Member (Chairperson to March 2024)	5/6
Mark Sercombe	Independent External Member (Chairperson from June 2024)	6/6
Sheridan Dudley	Independent External Member	6/6
Robert Lagaida	Independent External Member	6/6
Councillor Scott Morrissey	Councillor Representative	1/6
Councillor Ann Fardell (to September 2023)	Councillor Representative	0/1
Councillor Greta Werner (from September 2023)	Councillor Representative	4/5

The new Framework places an emphasis on rotating periodically the independent members to maintain a fresh approach and avoid any perceptions of bias or conflicts of interest. The terms are limited to a maximum of 4 years per appointment, and a maximum period of 8 years in a 10 year period. The Guidelines make it clear Council should ensure that membership renewal dates are staggered so knowledge of the Council’s operations, financial reporting structure and other important aspects are not lost to the ARIC when members change. The Guidelines also suggest that no more than one member should leave the ARIC because of rotation in any one year.

To facilitate a smooth transition to the new arrangements and given Ms. Jennifer Whitten’s length of service, she resigned as the Chair following ARIC’s meeting in May 2024 and indicated that she will not seek re-appointment to the Committee following the expiry of her appointed term i.e. September 2024. This provided sufficient time to hand over and brief the new Chair.

In order to meet the new Framework membership requirements, on 26 June 2024, the Council re-appointed the four existing independent members to the Bayside Council Audit, Risk & Improvement Committee from 1 July 2024 for the term specified below:

- a. Mark Sercombe to 30 June 2028;
- b. Robert Lagaida to 30 June 2027;

- c. Sheridan Dudley to 30 June 2026; and
- d. Jennifer Whitten to 13 September 2024.

The Council also appointed Mark Sercombe as Chair of the Bayside Council Audit, Risk & Improvement Committee to 30 June 2028. Council also appointed Councillor Morrissey as a non-voting member of the ARIC for the remaining term of the Council i.e. to 13 September 2024.

### **1.3 Attendance – Non-Voting Members**

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

- General Manager
- Director City Performance
- Manager Mayoral & Councillor Support (Head of Internal Audit)
- Manager Governance & Risk
- Co-ordinator Risk Management
- Manager Finance
- 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 (AONSW). The ARIC held in-camera sessions with the AONSW and internal auditors. In addition, the ARIC expanded its in-camera sessions and held sessions with the Manager Governance & Risk, and Legal Counsel. The ARIC provides advice to Council and senior management through its discussion at meetings and recommendations to Council via the ARIC's Minutes.

### **1.6 Preparedness for compliance with OLG Guidelines**

In November 2023, the final form of the new Framework was released by the Office of Local Government (OLG) and the enabling Regulation amendments were also made but to commence on 1 July 2024. During 2023/24 the ARIC worked with senior management to prepare for the transition to the new Framework. The ARIC received a comprehensive implementation action plan to meet the requirements. During the year, the ARIC reviewed its Terms of Reference to ensure alignment with the new Framework. The revised Terms of Reference were adopted by Council.

## 1.7 Core Requirement

Under the new Framework effective from 1 July 2024, ARICs are to meet several core requirements. As of 30 June 2024, the ARIC's core requirements met are in relation to:

- Charter and Structure
- Size and composition
- Role of committee members
- The independence criteria and eligibility criteria of members
- Appointment including letters, terms, rotation, fees, insurance, and conduct
- Meetings
- Secretariat
- Effective key relationships
- Access to Council, staff, resources and information and confidentiality requirements
- Strategic and Annual Workplan
- Provision of advice to the Council
- Review of Committee performance

In addition, commencing with the 2024-2025 annual report, the General Manager will be required under the new Framework to attest each year in the Council's annual report whether the council has complied with the requirements prescribed under the Regulation in relation to its audit, risk and improvement committee. An indicative attestation has been provided to the Chair as to the current level of compliance.

An independent assessment of the performance of the ARIC is scheduled for completion in early 2024-25.

## 2 Year In Review

Under s. 428A of the Local Government Act in 2023-24, the ARIC was required to monitor and keep eight 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; and collection of performance measurement data by the Council. The following addresses ARIC's work in 2023-24 in each of these areas.

### 2.1 Compliance - s4289A(2)(a)

The Governance Framework outlines Bayside Council's approach to legislative compliance..

ARIC's annual workplan requires management to report at least annually on its compliance regime including legislative compliance. In addition, the ARIC at least annual in camera sessions with relevant senior management and the external auditors which cover the area of compliance.

Additionally, 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 e.g. DRIVES audit, Project Management Framework compliance review as well as being included in individual internal audits where appropriate.

The ARIC has also reviewed the 2023-24 interim and 2022-23 final management letters from the AONSW and management's responses.

The ARIC received reports on the compliance inspections of two of the Council's Children Service Centres.

The ARIC was provided with sufficient information fully consider the adequacy and effectiveness of the Council's compliance framework and meet its obligations under s428A(2)(a) of the LGA. Observations and suggestions for improvement were provided to management.

## **2.2 Risk management – s428A(2)(b)**

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.

The ARIC annual workplan requires management to report regularly on the various elements of its risk management framework to enable the ARIC to fulfil its statutory obligations.

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 *Cyber Security Policy*.
- Reports on Council's compliance with the OLG's *Cyber Security Guidelines for NSW Local Government* and the Australian Cyber Security Centre's *Essential 8* requirements.
- Reviewing internal and external audit reports including separate meetings with the internal and external auditors.
- Reviewing Council's claims management, insurance levels, insurable claims events and corrective actions.
- Reviewing a report on Council's Business Continuity (BCP) Management Framework and BCP testing.

The ARIC was provided with sufficient information fully consider the adequacy and effectiveness of the Council's compliance framework and meet its obligations under s428A(2)(b) of the LGA.

## **2.3 Fraud control – s428A(2)(c)**

The ARIC annual workplan requires management to report at least annually on its fraud and corruption framework. Fraud and corruption is indirectly reported to the ARIC through other reports e.g. internal and external audits, risk reviews, cyber security and the ARIC's in camera sessions.

The ARIC received an internal audit report on Council's fraud and corruption control framework. Council's framework was assessed against the Independent Commission Against Corruption's (ICAC) '*Assessing Corruption Control Maturity*' guide. Council is implementing the various recommendations for improvement.

The ARIC was advised that there were no reported incidents of fraud and/or corruption during 2023-24.



Through its activities, the ARIC has been able to fulfil its obligations under s428A(2)(c) and keep Council's fraud control framework under review.

## **2.4 Financial management – s428A(2)(d)**

The ARIC annual workplan requires management to report regularly on various elements of its financial management framework.

The key activities for the ARIC this year included reviewing:

- The 2022-23 financial statements and external audit outcomes.
- Council's financial performance against sector benchmarks and Council's approved budget.
- Periodic and quarterly management, financial, investment and performance reports.
- Strategies of management to achieve financial sustainability.
- The Long-term financial strategies developed by management.

ARIC notes that there was no management reporting on grants and tied funding policies and procedures. Grants and tied funding form part of the annual financial statements which are reported to ARIC.

Through its activities, the ARIC has been able to fulfil its obligations under s428A(2)(d) and keep Council's financial management under review.

## **2.5 Governance – s428A(2)(e)**

Council has in place the Bayside Governance Framework which was reviewed by the ARIC in June 2024. The revised Framework was subsequently adopted by Council.

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 ARIC received an internal audit report on the review of the processes and protocols for public access to information (GIPA) and also received reports on Council policies such as Cyber Security Policy, Media and Social Media Policies, Data Breach Policy and the Privacy Management Plan.

Through its activities including in camera sessions with senior management, the ARIC has been able to fulfil its obligations under s428A(2)(e) and keep Council's governance framework under review.

## **2.6 Strategic plan, delivery program and strategy implementation – s428A(2)(f)**

From 1 July 2024, the ARIC has significant new responsibility in keeping under review and advising on the Council's integrated planning and report (IP&R) framework. Ahead of that increased obligation, the ARIC annual workplan required management to report regularly on the IP&R activities.

During the period ARIC has reviewed the following Reports:

- Delivery Program/Operational Plan 2023-24
- Draft Operational Plan and Budget 2024-25
- Asset Management Service Review
- Long Term Financial Plan update

- Quarterly budget reviews
- Six monthly progress on Delivery Program & Operational Plan including reporting against performance measures

The ARIC noted that there was no substantive reporting on the three elements forming Council's Resourcing Strategy which will be reviewed in FY24/25.

Through its activities including in camera sessions with senior manager of governance, the ARIC has been able to fulfil its obligations under s428A(2)(f) and keep Council's IP&R framework under review.

## **2.7 Service reviews (and business improvement) – s428A(2)(g)**

The ARIC's annual workplan requires management to report at least bi-annually on its business improvement programs and service reviews.

The ARIC received a report and presentation on the Asset Management Service Review undertaken by Council and has requested a follow-up report on its implementation progress. The ARIC noted that Council was developing a Service Review Framework and that Council was undertaking a data and information management service review.

The ARIC received reports on Council's business improvement program and business improvement activities and through the General Manager updates. These included:

- Business Intelligence Reporting
- Customer Request Management system review
- Project Management Framework
- CCTV network expansion and flood detection
- People Services Program – employee self and e-recruitment

The ARIC has articulated its preference for separate reporting on the service review and business improvement projects.

Through its activities, the ARIC has been able to fulfil its obligations under s428A(2)(g) and keep Council's service review and business improvement activities under review.

## **2.8 Collection of performance management data – s428A(2)(h)**

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.

The reporting on this element to the ARIC has been limited and therefore narrowed the ARIC's ability to review this area.

## 2.9 Internal and External Audits – s428A(i)

### *Internal Audit*

As reported in the 2022/23 Annual Report, 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.

From 1 July 2024, the new Framework requires the ARIC to also monitor and keep under review Council's internal audit function. Ahead of that obligation, the ARIC has monitored and reviewed, 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 2023-24, the ARIC met separately with the internal auditors as part of its oversight function.

In 2023/24 the ARIC reviewed the following Internal Audit Reports along with the adequacy of management responses including timeframes for review over the:

- Implementation of Project Management Framework
- Process & protocols for public access to information (GIPA)
- Recruitment process
- Council's Communications Framework
- Development application fee calculation collection processes
- Management of community facilities via online booking system
- Council's cyber security maturity against the OLG's Guidelines
- Council's cyber security against the NSW Government Cyber Security essential 8 requirements
- RMS DRIVES Annual Compliance
- Independent Verification Audit of audit recommendations (2)

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 AO NSW is the mandated External Audit provider for Bayside Council under the *Local Government Act 1993*. In 2023/24 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 2023 Closing Report by AO NSW
- Presentation of final audited Annual Financial Reports for 30 June 2023
- FY22/23 Interim Management Letter - AONSW
- FY2022/23 Final Audit Management Letter - AONSW
- Annual Engagement Plan for the Audit of Council for the Year Ending 30 June 2023 by AO NSW
- Council's response to the FY2022/23 Final Audit Management Letter

### 3 Conclusion

Council has taken significant steps to transition to new Framework and is well placed to meet the remaining elements required to be implemented in 2024/25. Council continues to exhibit a strong culture of ethics and governance. The ARIC understand that Council has a comprehensive induction program for Councillors following the local government elections in September 2024 which will also include the new Framework.

Through its activities in 2023/24 and in collaboration with Council, the ARIC fulfilled its responsibilities under its Terms of Reference. 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. Nevertheless, Council's overall performance on the matters the ARIC is required to keep under review is performing, is satisfactory.

Mark Sercombe  
Bayside Council  
ARIC Chair