

OCTOBER 2021

Annual Report 2020-21

AUDIT RISK & IMPROVMENT COMMITTEE

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 ARIC meetings.

Chairperson's Report

Now after five years in operation since its establishment in 2016, ARIC continues to mature as an important provider of external transparency, insights and accountability to Council in the areas of governance best practice, risk management, legislative compliance and organisational performance.

To achieve these ends ARIC has focussed on ensuring that Council has a robust and efficient risk management framework that identifies those key risks across the organisation and how these risks may impact the council's ability to successfully achieve its objectives. Secondly, to ensure that the internal audit function provides sound and appropriate advice to Council on whether it has good governance, is performing successfully and is managing its risk effectively.

In August 2021, the NSW Office of Local Government released its new draft Risk Management and Internal Audit for Local Councils guidelines. It is reassuring to both the committee and Council that we are well in advance of meeting or near meeting many of the core requirements of the draft guidelines well in advance of its full compliance implementation in 2027. This demonstrates Council's commitment and importance placed upon ensuring risk management is taken seriously and improvement in its ability to address risk, its operational performance and to provide a real difference to the SVC community.

I would like to take this opportunity to thank my predecessor, Glenyce Francis who retired from the committee during the year. Glenyce was an inaugural member and served for five years, two as Chair.

Finally, on behalf of the committee I would like to extend thanks to the CEO, executive team and in particular the Council staff for administrative support throughout the year.

Steven Walker
Independent Chairperson
Audit, Risk and Improvement Committee

1.0 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 2020 to October 2021.

The Committee was established by Council in August 2016, as an advisory Committee to Council pursuant to, and in accordance with, provisions contained in Section 355 of the Local Government Act 1993, and the Local Government (General) Regulations 2005.

The Committee reports to Council after each meeting and provides an annual report of activities undertaken during the year.

Role & Responsibilities

The objective of the Audit, Risk and Improvement Committee is to provide independent assurance and assistance to the Snowy Valleys Council on risk management, control, governance, and external accountability responsibilities. An effective committee has the potential to strengthen the control environment (of which it is part) and assist the Chief Executive Officer and Council to fulfil their stewardship, leadership and control responsibilities.

S428A(1) of the Local Government Amendment (Governance and Planning) Act 2016 No 38 states the following in respect of Audit, Risk and Improvement Committees:

- *A 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 Audit Risk and Improvement Committee Terms of Reference SVC-TofR-006.

2.0 Membership

The Audit, Risk and Improvement Committee 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 is 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.

Recruitment for an independent external member was undertaken in November 2019. On 28 January 2020, the Council resolved as per M11/20 to appoint Melissa Tooke to the committee and place Carolyn Rosetta-Walsh on an eligibility list for a 12 month period.

On 19 November 2020, Council resolved as per M267/20 to

- Accept the resignation of Glenyce Francis as the Chair effective from 31 March 2021
- Appoint Steven Walker as the Chair from 01 April 2021 until 31 March 2024
- Appoint Carolyn Rosetta -Walsh as an independent member from 01 April 2021 until 31 March 2024.

The membership of the Committee for the reporting period was as follows:

Name	Position
Steven Walker	Independent External Member (Chair)
Glenyce Francis	Independent External Member (Outgoing Chair)
Melissa Tooke	Independent External Member
Carolyn Rosetta-Walsh	Independent External Member
Councillor John Larter	Councillor Delegate
Councillor Cate Cross	Councillor Delegate

Non-voting Attendees	Non-voting Position
Mayor James Hayes	Mayor (ex-officio)
Matthew Hyde	Chief Executive Officer
Shelley Jones	Executive Chief of Staff
Susanne Andres	Chief Financial Officer
Brook Penfold	Coordinator Governance and Risk

Invitations are extended to Council's internal auditor, 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	
Glenyce Francis	<p>Glenyce brings a wealth of experience to the Snowy Valleys Council that includes 20 years across industries such as retail, property and financial investments, teaching and research, 22 years working for the Australian Government in senior management roles within the ATO, Public Service Commission and the Office of Parliamentary Counsel, and 4 years as an Independent External Representative on Snowy Works & Services Board.</p> <p>Glenyce has a Bachelor of Commerce (Accounting, Economics and Legal Studies) and a post graduate law degree, Bachelor of Legal Studies, and is a member of CPA Australia.</p> <p>Glenyce was appointed to the Internal Audit Committee in August 2016 as per resolution M88/16. Glenyce was appointed Chair of the ARIC in April 2019 until March 2021 as per resolution M77/19.</p>
Steven Walker	<p>Steven has over 25 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 and has a Limited Financial Planning License.</p> <p>Steven was appointed independent member to the ARIC in April 2019 until March 2021 as per resolution M77/19</p>
Melissa Tooke	<p>Melissa is a risk management and governance professional with over 20 years experience in the public sector, including 13 years in senior risk management roles.</p> <p>Melissa's 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 was appointed independent member to the ARIC in January 2020 until January 2023 as per resolution M11/20.</p>
Carolyn Rosetta-Walsh	<p>Carolyn is a Partner of Adams Kenneally White Chartered Accountants. Carolyn has 20 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>

Current Councillor Delegates	
Councillor John Larter	Cr John Larter was first elected to the Snowy Valleys Council in September 2017 and has been elected Deputy Mayor in 2017,2018,2019,2020.Cr Larter was appointed as the Councillor delegate to the ARIC in September 2017.
Councillor Cate Cross	Cr Cate Cross was first elected to the Snowy Valleys Council in September 2017. Cr Cross was appointed as the Councillor delegate to the ARIC in September 2019.

3.0 Committee Activities and Outcomes

The Audit, Risk and Improvement Committee would like to highlight the following activities and outcomes of 2020/21 to Council.

Risk Management

A key 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 Council.

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

Regular Reporting

- Safety, Risk and Quality Committee Quarterly Update
- Major Project Status Report Quarterly Update

Emerging Risks

- Draft Snowy Valleys Children's Service Strategic Plan 2020-2025
- Updates on the Boundaries Review and Deloitte's Report of Financial Implications
- Special Rates Variation Engagement Project
- 2020/2021 Operational Plan Quarterly Update
- 2021 Community Satisfaction Survey Results
- Deferral of Local Government Elections due to COVID-19 restrictions
- Future Direction of Council Committees

Control Framework

Throughout the year the Committee considered internal audit reports, reports from senior management, updates from the CEO 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 ARIC meetings thereby allowing the Committee to establish that management is committed to having a sound and effective internal control framework.

The Committee received and considered the following control framework reports:

- Purchase Card Policy
- Telstra Purple High Level Security Review
- ARIC Forward Meeting Plan (meeting dates and agenda items)
- CRM Improvement Project
- ARIC Terms of Reference Review
- Change Management Policy
- Update report on Section 94 Contributions
- 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 Council's financial statements. During the year the Committee considered Council's 2020/2021 financial statements and external audit focus areas.

The Committee received and considered the following external audit/accountability reports:

2019-2020 Financial Year

- SVC 2019/2020 Financial Statements
- NSW Audit Office 2019/2020 Engagement Closing Report

2020-2021 Financial Year

- NSW Audit Office Performance Audit – Business and Service Continuity Arrangements for Natural Disasters
- SVC 2020/2021 Position Papers
- NSW Audit Office 2020/2021 Interim Management Letter
- SVC 2020/2021 DRAFT 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 particular service area. The Committee receives updates from the CEO, via a confidential verbal report, at each meeting, including any compliance matters, significant compliance breaches and key legal matters.

The Committee received and considered the following legislative compliance reports:

- Integrated Planning & Reporting and Long-term Financial Plan
- Local Government Amendment Act 2021

The Committee also noted the implications of publications from a range of public bodies including:

- NSW Auditor General's Report on Local Government 2020
- NSW Auditor General's Report on Credit Card Management in Local Government
- NSW Auditor General's Report on Procurement Management
- NSW Auditor General's Report on Accounting Practice and Financial Reporting
- DRAFT Guidelines for Risk Management and Internal Audit for Local Government NSW

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 CEO and reports to ARIC.

ARIC endorsed a four-year Strategic Internal Audit Plan that was drafted by the internal auditor.

At each meeting, the Committee received a progress update regarding status of the internal audit program, as well as status of management's implementation of internal audit action items arising from previous audits.

During the year, the Committee met separately with the CEO to undertake a review of the performance of the internal audit function.

The Committee received and considered the following internal audit reports:

- *Previous Internal Audit Recommendations and Actions Review*
- *Property Management*

4.0 Conduct of the Committee

During 2020/2021 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 Council.

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

Member	November 2020	February 2021	May 2021	August 2021	September 2021 **
Glenyce Francis	Y	Y			
Steven Walker	Apology	Y	Y	Apology	Y
Melissa Tooke	Y	Y	Y	Y	Y
Carolyn Rosetta-Walsh		Y	Y	Y	Y
Councillor John Larter	Y	Apology	Y	Apology	Y
Councillor Cate Cross	Y	Y	Y	Y	Y

** September Meeting is an extraordinary meeting to discuss the DRAFT Financial Statements

Invited attendee's at meetings during the year was as follows:

Attendee	November 2020	February 2021	May 2021	August 2021	September 2021 **
Mayor (ex-officio)	Apology	Y			Y
Chief Executive Officer	Y	Y	Y	Y	Y
Executive Chief of Staff	Y	Y	Y	Y	Y
Chief Financial Officer	Y	Y	Y	Y	Y
Executive Director Community and Corporate	Y	Y		Y	Y
Executive Director Infrastructure	Y			Y	Y
Coordinator Governance and Risk	Y	Y	Y	Y	Y
Governance Officer					
Risk Management Officer				Y	
Divisional Manager Customer Experience and IT	Y		Y		
Coordinator Financial Accounting					Y
External Auditor	Y	Y	Y	Y	Y
Internal Auditor	Y	Y	Y	Y	Y
Audit Office NSW Representatives	Apology			Y	Apology
Office of Local Government Representative			Y		

** September Meeting is an extraordinary meeting to discuss the DRAFT 2020/2021 Financial Statements

Boxes highlighted in grey above indicate that attendance was not required.

Audit, Risk and Improvement Committee Effectiveness

The Office of Local Government has continued to develop the draft Guidelines for Risk Management and Internal Audit for Local Government in NSW throughout the 2020/2021. The draft guidelines incorporate a standard model for monitoring and reporting on Committee effectiveness which comes into effect after 4 June 2022.

The guidelines establish a requirement for a review of the Audit, Risk & Improvement Committee once per Council term against the International Professional Practice Framework. This replaces the Self-Assessment review.

5.0 Outlook for 2021/2022

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 *draft Guidelines for Risk Management and Internal Audit Framework for Local Councils in NSW* released by the Office of Local Government, is implemented from 2022 onwards. The existing risk management and internal audit systems at Snowy Valleys Council are well placed to be able to adapt to these new guidelines.

The challenges of the COVID-19 pandemic response and restrictions will continue into the foreseeable future. Despite this pervasive emergency the risks associated with climate change, cyber security and legislative changes will remain constants during the new year. 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 2021/2022 year will see the election of a new Council and the beginning of a new Council term. 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:

- 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 Council's external auditors, 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 comfort 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 of its commitments