



Audit, Risk
and Improvement
Committee

20
22

Annual Report



Inner West Council acknowledges the Gadigal and Wangal peoples of the Eora nation, who are the traditional custodians of the lands in which the Inner West Local Government Area is situated



LGA Wards

- Balmain Ward – Baludarri (Leather Jacket)
- Leichhardt Ward – Gulgadya (Grass Tree) Ashfield Ward – Djarrawunang (Magpie)
- Stanmore Ward – Damun (Port Jackson Fig)
- Marrickville Ward – Midjuburi (Lillypilly)



Audit, Risk and Improvement Committee

The Inner West Council (Council) Audit, Risk and Improvement Committee (ARIC) is a key supporting element of good corporate governance. Its establishment reflects the commitment of Council to industry better practice and high standards of accountability to the community it serves.

The ARIC has a key role in Council's governance framework by bringing a systematic and disciplined approach to examination of the effectiveness of audit, risk management, governance, and continuous improvement processes in Council.

The purpose of the ARIC is to provide independent assistance to Council by monitoring, reviewing and providing advice about Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

The ARIC works under Terms of Reference which align with the Office of Local Government Guidelines and industry leading practice.

The ARIC Terms of Reference, adopted by Council, 9 August 2022, is available on Council's website. The ARIC Responsibilities, as detailed in the Terms of Reference, are attached to this Report. See Appendix 1.

In accordance with the Terms of Reference, the ARIC presents an Annual Report on its activities to Council. The ARIC also provides minutes of its meetings to Council and these minutes are available on Council's website.





NO BUS STOPPING ZONE

ALL ENQUIRIES TO CUSTOMER SERVICE CENTRE 115 WETHERILL ST

Committee members Independents



John Gordon
Chairperson

John is a Chartered Accountant with 40 years' experience providing assurance, advisory and corporate governance assistance to a broad range of clients in the private and public sectors. This includes 22 years as an Audit & Assurance Partner with PwC Australia. John has over 35 years of continuous involvement with Local Government in NSW covering over 50 councils and serving as a foundation member of the Department (Office) of Local Government Accounting Advisory Committee with direct involvement in the introduction of accounting for infrastructure assets; implementation of the GST regime; introduction of International Accounting Standards to the sector. John currently serves as Chair or Member on 7 State and Local Government Audit Committees.



Heather Smith
Independent member

Heather's career spans service operations, human resources, IT, risk and finance. Through her career spanning public, private and for purpose (not-for-profit) sectors Heather has focused on finding pragmatic, implementable solutions to respond to organisational strategy challenges or change. She has brought together diverse teams to align innovation with action, achieving stakeholder and organisational goals.

Using data driven, evidence informed decision making it is possible to improve diversity and cultures at team and organization level. Informed by her insights from health, disability services, insurance, community services and child development Heather is skilled in balancing the tension between grassroots and global drivers to achieve better decisions. The breadth of her experience provides the ability to appropriately question the performance, reports and opportunities highlighted by internal audit.



Emily Hodgson
Independent member

Emily Hodgson concluded her term as an Independent Member of the ARIC at its meeting on 17 August 2022, after serving the Inner West for approximately eight years in that capacity (including time on predecessor Council ARICs).

Emily Hodgson is the Chief Financial Officer at the Australian Nuclear Science and Technology Organisation (ANSTO) since October 2021.

Emily formerly served as ASIC's Chief Financial Officer for eight years.

Originally an auditor with KPMG and PWC, Emily holds a Bachelor of Commerce with a major in accounting from the University of Newcastle. Emily is also a non-Executive Board Member at Women's Community Shelters.

Committee members Independents



Mark Sercombe
Independent Member

Mark is a technology, risk and assurance specialist with significant expertise in cyber security and systems gained from the private and public sectors - including local government - both in Australia and overseas.

He brings notable experience in auditing, finance, risk, governance and business improvement practices to the Committee. He has been a member of audit and risk committees since 2017 after establishing a boutique assurance and risk advisory firm in 2014.

Mark was formerly a Partner with Deloitte for seventeen years. Mark also lectures part time in accounting information systems at the University of Sydney's Business School.

Mark holds a Bachelor of Economics, is a Fellow Chartered Accountant and also has several credentials in internal audit (CIA, PFIIA) and information systems audit (CISA, ISO 27001 Lead Auditor).



Phillippa Scott (Deputy Mayor)
Councillor

Phillippa Scott is a lifelong Inner West local, and an experienced governance, policy and management professional, committed to social justice.

In 2021, she was elected as a Labor Councillor for the Leichhardt Ward of the Inner West Council. Philippa is a Board Director of Metro Assist, a migrant resource centre serving the Inner West and Canterbury-Bankstown LGAs, and is President of Sydney Secondary College P&C.

Before politics, Philippa worked as a governance and policy manager in the university sector for ten years, and is currently on leave from her position as a senior manager at the University of Technology Sydney. Philippa holds a combined Bachelor of Arts/Bachelor of Laws degree from the Australian National University, a Master of Laws (Honours) degree from UTS and a Master of Education degree from the George Washington University in Washington D.C.

Committee members Councillors



Liz Atkins
Councillor

Liz has been an Inner West Councillor since December 2021. They are a lawyer and former senior public servant who worked in government for more than 30 years, with a particular focus on law enforcement and national security policy, and administrative law.

A Deputy CEO at the Australian Government's anti-money laundering agency, AUSTRAC, from 2010 to 2016, Liz was responsible for policy, corporate services, project and risk management, security, IT and finance.

Liz has significant experience in governance and managing change across an organisation. Liz holds a combined Bachelor of Arts/Law from the University of Sydney.

Year in Review

Five (5) meetings were held during 2022. These included four (4) regular meetings and (1) Finance related special meeting, as follows:

- 23 February
- 8 June
- 17 August
- 16 November
- 5 December (Financial)

Attendance

Committee Member	Meeting Date				
	23 Feb	8 Jun	17 Aug	16 Nov	5 Dec
John Gordon	•	•	•	•	•
Emily Hodgson ¹	•	•	•		
Heather Smith	•	•	•	•	•
Mark Sercombe ²				•	•
Councillor Philippa Scott	•	•	•	•	•
Councillor Liz Atkins	•	•		•	•

Note 1: Ceased membership after 17 August 2022

Note 2: Commenced membership 5 December 2022

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

- General Manager
- Director Community
- Director Corporate
- Director Infrastructure
- Director Planning
- Senior Manager Governance & Risk
- Risk and Audit Manager
- Chief Financial Officer
- Chief Information Officer
- EY Engagement Partner (Internal Auditors)
- EY Engagement Director (Internal Auditors)
- Specialist EY Auditors (Internal Auditors)
- Internal Ombudsman Shared Service
- Assistant Internal Ombudsman
- Director and Audit Leads, Audit Office of NSW

Disclosures of Interests

Disclosures are recorded at the start of each meeting and annually for all ARIC members.

Audit of Financial Statements

The External Audit of the Financial Statements for the year ended 30 June 2022 was conducted by the Audit Office of NSW. The ARIC considers the findings and recommendations of the Audit Office and assesses Council's performance implementing those findings and recommendations. The ARIC considers and provides input and feedback on the draft Financial Statement to management and the Audit Office.

Internal Audit

Internal Audits at Council during the period were conducted by Ernst and Young (EY). Their term of contract concluded in the period.

The EY Engagement Partner and EY Audit Director for IWC attend each ARIC meeting, providing a status report against the agreed Internal Audit Plan, and audit findings.

Council is making arrangements to tender for and engage a new contract Internal Auditor early in 2023.

The following Internal Audits were completed and reports issued in the 2022 calendar year.

- Dawn Fraser Baths Refurbishment Project (15 Feb 2022)
- Procurement for Capital Projects (10 June 2022)
- Budgeting and Forecasting (26 July 2022)

ARIC Resolutions and Audit Actions

The process to update and resolve outstanding ARIC resolutions and Council wide Audit actions with relevant departments will always be ongoing.

However, a key task of the newly formed Governance and Risk Department was to initially identify and accurately capture the current status of both ARIC resolutions and Internal and External Audit recommendations since the establishment of the Inner West Council to provide an accurate picture of Council's maturity.

The team examined and confirmed the implementation status of more than 130 ARIC Resolutions, with fewer than 5 matters remaining ongoing or open by the end of 2022. The team examined the completion of approximately 50 Audit Actions during the period, with the implementation of 135 internal and 21 Audit Office recommendations under monitoring at year end.

Presentations and Reports

Forty-nine reports were tabled to the ARIC over its five meetings during the 2022 calendar year.

Reports and presentations covered:

- Council's Community Strategic Plan, Delivery Program, Operational Plan and Service Delivery Program
- Customer Service projects
- Budgetary and financial updates
- Council investments portfolio (Investments Reports and Investments Policy Updates)
- Major capital projects
- Procurement strategies, practices and controls
- Information technology including projects, IT security, data protection and privacy matters
- People and culture and Workplace Health and Safety performance and initiatives
- Risk management including matters such as business continuity, Council's COVID-19 response, incident management, fraud and corruption prevention
- Performance, trends, initiatives and recommendations of the IOSS
- Internal Audits, their progress, findings and any implementation plans arising
- Council's progress implementing ARIC Resolutions and findings and recommendations made by IOSS, the Internal and External Auditors (Audit Actions).

Technology

A major undertaking of IWC is the "One Council" initiative. This involves the roll out of integrated modules in the TechOne platform. These modules cover Council processes ranging from payroll, to finance and procurement, to document management, property and rating.

In support of this initiative, the ARIC has maintained a strong focus on reviewing the management and delivery of IT projects throughout 2022.

During the period, ARIC received a Program Closure Report for the TechOne implementation as well as a post-implementation review report.

Governance and Risk operations and projects

During 2021 and 2022, the Governance and Risk team underwent a significant restructure which included the recruitment of key personnel including the Senior Manager Governance and Risk, Risk and Audit Manager, Governance Officer and Risk and Audit Officer, (with Governance Manager recruitment currently underway).

Significant projects and initiatives of the Governance and Risk team during the period include:

- Review and update of Council's Delegations Framework and review of all Council delegations
- Policy Harmonisation Project to review all current Council policies to ensure appropriate harmonisation has occurred post amalgamation, confirm appropriateness/accuracy of policies and to uplift the overall governance framework of Council.

The Policy Harmonisation project is examining all Council policy and procedural documents and enabling Council to prioritise and schedule updates and their implementation cycle effectively across the organisation.

Significant policy and procedure refreshes, with policies adopted (A) or redrafts underway (U) for adoption in 2023, were undertaken in relation to Council's:

- Model Code of Conduct (A)
- Code of Meeting Practice (A)
- Councillor and Staff Interaction Policy (A)
- Councillor Facilities and Expenses (A)
- ARIC Terms of Reference (A)
- Conflict of Interest Policy (U)
- Gifts, Benefits and Hospitality Guidelines (A)
- Risk Management and Internal Audit (U),
- Compliance Management (U)
- Fraud Control and Corruption (U)
- Business Continuity (U)
- Incident Management (U)
- Privacy Management Plan (A)
- Agency Information Guide (A)
- Privacy Policy (U) and
- Property and Leasing Policy (U)
- Procurement Framework (U)

The Internal Ombudsman Shared Service

The Internal Ombudsman Shared Service (IOSS) for InnerWest, City of Parramatta and Cumberland City Councils commenced in September 2017. The IOSS consists of the Internal Ombudsman, Assistant Internal Ombudsman and Complaint Assessment and Administration Officer.

The activities of the IOSS encompass: prevention activities including providing probity advice, policy review and assistance with policy development, for example in relation to Child Protection Guidelines and Domestic and Family Violence Policy; education and training, for example in relation to complaint handling, public interest disclosures, probity in procurement and presentations to the Local Government NSW Good Governance Forum and the Australian Institute of Internal Auditors; and the investigation of complaints within the jurisdiction of the IOSS Governance Charter including in relation to delays and administrative conduct.

The work of the IOSS is reviewed by the IOSS Management Committee, consisting of the General Manager and the Chief Executive Officers of the member Councils.

The Internal Ombudsman attends every ARIC meeting for all the member Councils and provides a report at each meeting of its activities with the specific Council in addition to a summary of activities undertaken with the other Councils.

The IOSS also presents its Annual Report to each Council's ARIC and once the Annual Report is endorsed by the ARIC, it is provided to Councillors and then the community.

Audit, Risk and Improvement Committee

Terms of Reference

The Terms of Reference was entirely redrafted during the year and adopted by Council, as part of the review to align the document and the ARIC's operations, as far as practicable, to the (then) draft OLG guidelines on Risk Management & Internal Audit. Schedule 1 *ARIC Responsibilities*, is reproduced, commencing page 12.

ARIC Annual Performance Assessment

The ARIC conducted an assessment of its and the Chair's performance, to ensure an effective, comprehensive and complete service is being provided. A report on the review and continuous improvement initiatives will be provided to the ARIC in its first meeting in 2023.

Appointments of new Independent Members

During the period, an EOI process was conducted, with two major rounds of interviews being conducted. The first round resulted in the appointment of Mark Sercombe to the ARIC. The second round was conducted during the period, with the recommendation being adopted by Council at its first meeting in 2023. Ilona Meyer will join the ARIC at its first meeting in 2023, replacing the retiring member, Heather Smith.

Comment from the Chair

The ARIC has continued to focus on fulfilling its responsibilities under its TOR and in particular, providing support for the management team and Council through the challenges of COVID-19; senior executive turnover; major systems and project implementation; and the impact of an unresolved position regarding a potential de-amalgamation of Inner West Council to its former three, constituent councils. Notwithstanding, management has continued to improve the risk management and governance processes of Council and continue to serve stakeholders during the period.

I take this opportunity to thank the other Committee members both past and present, the General Manager, other management and staff for their valuable contribution and support in what has been another challenging year.

I also wish to acknowledge the professionalism and support from the Internal Audit and External Audit teams. It is a privilege to serve on the Committee with the other members and the management team to support Inner West Council as it serves its stakeholders.

John A. Gordon
Chair Inner West Council
Audit Risk & Improvement Committee

5 April 2023



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ARIC Responsibilities per Terms of Reference (Schedule 1)

Compliance

Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including:

- if the Council has appropriately considered legal and compliance risks as part of the Council's risk management framework
- how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Risk Management

Review and advise the Council

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard (AS ISO 31000:2018)
- whether the Council is providing the resources necessary to successfully implement its risk management framework
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management

- how the Council risk management approach impacts on the Council insurance arrangements
- of the effectiveness of Council management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Fraud Control and Corruption

Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial Management

Review and advise the Council:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of Council's accounting policies and disclosures
- of the implications for Council of the findings of external audits and performance audits and Council's responses and implementation of recommendations
- whether the Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements
- appropriate management signoff on the statements
 - if effective processes are in place to ensure financial information included in the Council's report is consistent with signed financial statements
 - if the Council's financial management processes are adequate
 - the adequacy of cash management policies and procedures
 - if there are adequate controls over financial processes, for example:
- appropriate authorisation and approval of payments and transactions
- adequate segregation of duties
- timely reconciliation of accounts and balances

- review of unusual and high value purchases
 - if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate
 - if Council's grants and tied funding policies and procedures are sound

Governance

Review and advise the Council regarding its governance framework, including the Council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key role and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge

Implementation of the strategic plan, delivery program and strategies

Review that Council is meeting its integrated planning and reporting obligations in accordance with legislative requirements.

Service Reviews

Act as a forum for communicating, monitoring that service reviews, or other appropriate improvement reviews, are undertaken where appropriate to ensure a focus on continuous improvement, including the monitoring of audits conducted by external bodies.

Review and advise the Council if

- Council has robust systems to set objectives and goals to determine and delivery appropriate levels of service to the community and business performance
- if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
- how the Council can improve its service delivery and the Council performance of its business and functions generally

Collection of performance measurement data by the Council

Review that Council is collecting appropriate performance measurement data and reporting its performance measures in accordance with the integrated, planning and reporting framework.

Review Councils Customer experience, including but not limited to customer response times, escalation of complaints, active vs resolved issues and customer feedback.

Any other matters prescribed by regulations

Internal Audit

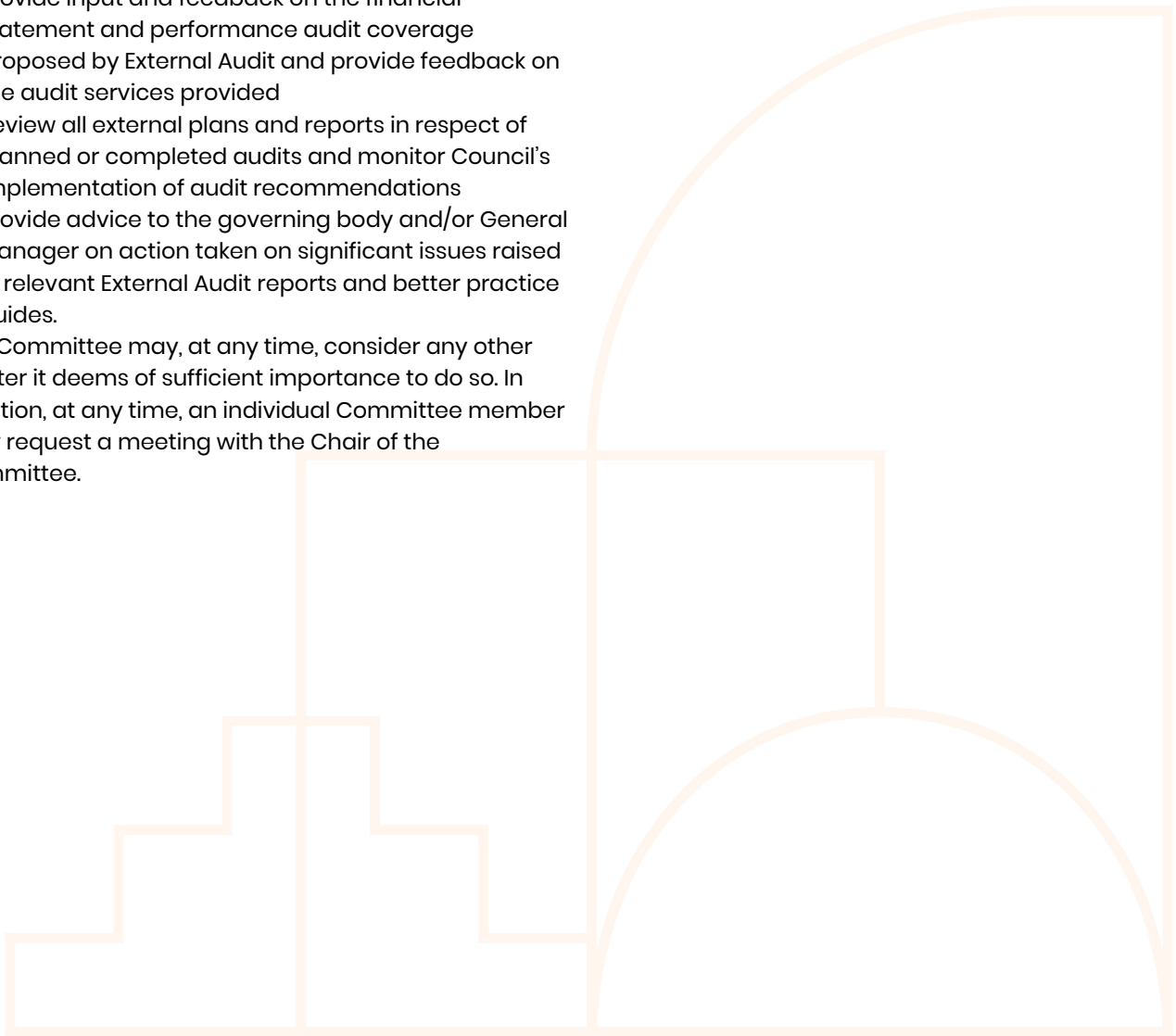
- Provide overall strategic oversight of Internal Audit activities
- Act as a forum for communication between the governing body, General Manager, senior management, the Internal Audit Function and External Audit
- Coordinate, as far as is practicable, the work programs of Internal Audit and other assurance and review functions
- Review and advise the Council:
 - on whether the Council is providing the resources necessary to successfully deliver the Internal Audit Function
 - if the Council's Internal Audit Charter is appropriate and whether the Internal Audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - if Council's internal audit activities are effective, including the performance of the Internal Audit Function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by Council of these corrective actions
 - if the Internal Audit Function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

ARIC Responsibilities (continued)

External Audit

- Act as a forum for communication between the governing body, General Manager, senior management, the Internal Audit Function and External Audit
- Coordinate as far as is practicable, the work programs of Internal Audit and External Audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by External Audit and provide feedback on the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of audit recommendations
- Provide advice to the governing body and/or General Manager on action taken on significant issues raised in relevant External Audit reports and better practice guides.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time, an individual Committee member may request a meeting with the Chair of the Committee.





Translation Service

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Υπηρεσία Διερμηνείας

Εάν έχετε ερωτήσεις αναφορικά με το παρόν έγγραφο και χρειάζεστε διερμηνέα, παρακαλούμε καλέστε την TIS National στο 131 450 και ζητήστε τους να καλέσουν το Inner West Council στο 9392 5000

Servizio traduzioni

Se avete domande su questo documento e necessitate di un interprete chiamate TIS National al numero 131 450 e chiedetegli di chiamarvi Inner West Council al numero 9392 5000

翻译服务

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Dịch vụ Thông Phiên dịch

Nếu quý vị có thắc mắc gì về tài liệu này và cần có thông dịch viên xin gọi cho TIS National qua số 131 450 và nhờ họ gọi cho Inner West Council qua số 9392 5000

عمجرتلا ؤمدخ، يروف مجرتم بلا جاتحتو دنتسملا اذه لوح ؤلئسأ كيدل تناك اذإ TIS National فتاهلا بلع ؤمدخب لصتاف 450 مقر ب لاصتالا مهتم بلطاو 131 Inner West Council 5000 مقرلا بلع 9392

Customer Service Centres

Petersham: 2-14 Fisher Street

Leichhardt: 7-15 Wetherill Street

Ashfield: 260 Liverpool Road

Phone (02) 9392 5000

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