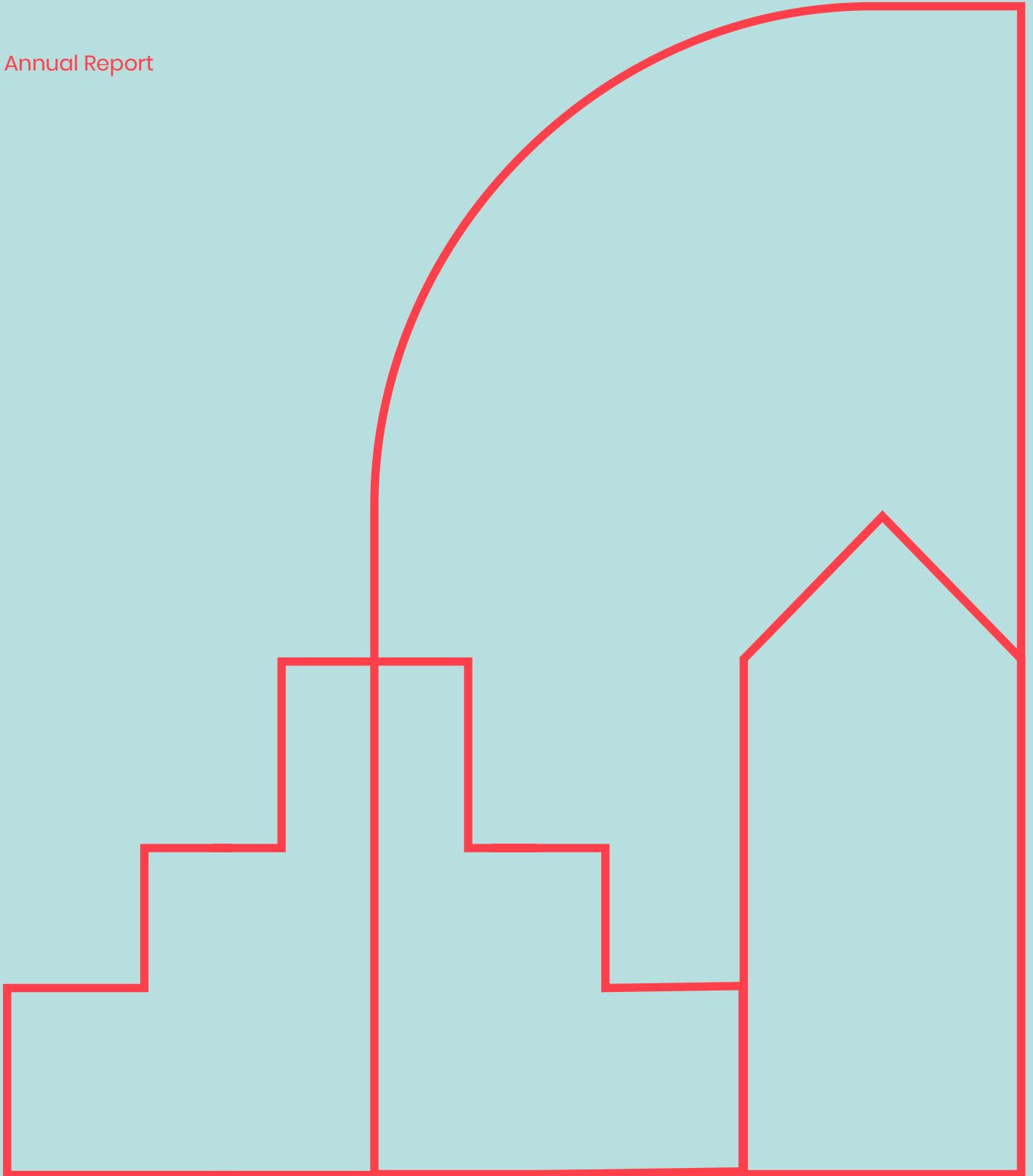


Audit, Risk  
and Improvement  
Committee

20  
19

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

The ARIC has a key role in the organisation's governance framework by bringing a systematic and disciplined approach to the examination of the effectiveness of risk management, control, governance, and continuous improvement processes in Council. The purpose of the Committee is to provide independent assurance and assistance to Inner West Council in the effective discharge of its responsibilities for financial reporting, risk management, internal controls, governance and internal and external audit.

The Committee works under a Charter that is prepared in accordance with Office of Local Government guidelines and industry best practice. The Charter was adopted by Council on 31 October 2017. In accordance with the Charter, the ARIC presents an annual report on its activities to Council.

Minutes of the ARIC meetings are provided on the IWC website.



## Committee members



**Chairperson**  
John Gordon

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 12 State and Local Government Audit Committees and Boards.



Heather Smith

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 organisational 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. Heather currently works in a senior management role at icare and is a volunteer director of Sydney Community Forum.

## Independents



Emily Hodgson

Emily Hodgson has been ASIC's Chief Financial Officer for the past eight years where she has led the organisation's work on preparing ASIC to implement an industry funding model. Emily started at ASIC in 2002 and since then has held a number of senior executive roles, including corporate services and leading ASIC's response to the Government's Funding Review. Emily also spent six years in enforcement, including as joint lead of the NSW Enforcement Directorate. She is originally an auditor with leading accounting firm KPMG and PwC and has a Bachelor of Commerce with a major in accounting, from the University of Newcastle. In addition to the role at ASIC, Emily is also a Director at Women's Community Shelters.

## Committee members



**Councillor**  
Louise Steer

Louise Steer is the principal of boutique law firm Steer Martin Lawyers and has practised law since 1982. Louise holds the degrees of Master of Laws (UTS), Bachelor of Laws (UNSW) and Bachelor of Arts (Honours) (UNSW) and is a current member of Law Society of NSW Mediators Panel. She specialises in advising Not For Profits on compliance, governance and risk management. Her clients include national charities and peak organisations. She authored the Principals and Standards of Fundraising Practice for both Fundraising Institute Australia and Fundraising Institute New Zealand. These leading edge best practice standards achieved international acceptance. She is a co author of the leading manual for Not For Profit governance, Best Practice Manual for Not for Profits (Lawbook Co). She has also worked as a General Counsel and Company Secretary for several national and international companies including IPS Worldwide and Good Cause. She has been a director of a number of Not for Profit boards including Sydney Business and ESP Gallery. She was elected a councillor on Inner West Council in September 2017.



**Councillor**  
Lucille McKenna OAM

Lucille retired in December 2018 from a very long nursing career. She is a registered nurse (RN). For ten years, prior to her retirement, she was the General Manager at St Mary's Villa, a 100 bed Residential Aged Care Facility. Since 1980 Lucille has been Director of Nursing in many facilities from 26 to 250 beds. She was elected to Ashfield Council in 2004 and served as Mayor from 2013 to 2016. She was the only woman to hold that position in the 145 years of the Ashfield Council. Lucille was awarded her OAM in the 2014 Australia Day Honours for Services to nursing and to local government. Lucille served as a councillor on the NSW Nurses and Midwives Association from 2003 to 2018.

## Councillors

## Year in Review

Six meetings were held during 2019. These included four regular meetings and two finance-related special meetings, as follows:

- 20 February
- 5 June
- 21 August
- 24 October (Financial)
- 6 November (Financial)
- 20 November

### Attendance

John Gordon 5/6 meetings attended  
 Emily Hodgson 6/6 meetings attended  
 Heather Smith 6/6 meetings attended  
 Councillor Lucille McKenna 6/6 meetings attended  
 Councillor Louise Steer 5/6 meetings attended

### Disclosures of Interests

Disclosures are recorded at the start of each meeting.

### Audit of Financial Statements

The External Audit of the Financial Statements for the year ended 30 June 2019 was conducted by the Audit Office of NSW. The ARIC meets with the Audit Office to review and discuss the audit plan and the audit findings when the audit has been completed. The ARIC reviews and provides feedback on the draft Financial Statements to management and the Audit Office. An "in-camera" meeting was held by the Committee with the Audit Office, without the presence of management, prior to the 24 October 2019 Special Financial meeting.

### Internal Audit

Internal Audits at IWC are outsourced to Ernst and Young (EY), who are into their second year of a contract awarded for four years. The EY Audit Partner and EY Audit Manager for IWC attend each ARIC meeting, providing a status report against the agreed Internal Audit Plan, and audit findings. At the 20 November ARIC meeting, a Protocol was tabled outlining the agreed actions and timeframes between EY and IWC in planning, conducting and reporting internal audits. The ARIC met with the Internal Auditors "in camera" prior to the 20 November meeting.

The following Internal Audit Reports were tabled at ARIC Meetings during the 2019 calendar year.

- Payroll Internal Audit (presented at the 5 June meeting)
- Lilyfield Road Cycleway Procurement (presented at the 21 August meeting)
- Key Financial Reconciliations (presented at the 21 August meeting)
- Corporate Credit Cards (presented at the 20 November meeting)

### Special Presentations

The following special presentations were made to the ARIC during the 2019 calendar year:

- IWC Project Management Methodology
- IWC Review of Financial Position (independent review and presentation)
- Dawn Fraser Baths Project
- Ashfield Aquatic Centre Project

### 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 etc. In support of this initiative, the ARIC has maintained a strong focus on reviewing the management of IT projects.

This has included:

- TechOne update (every meeting)
- ICT Replacement of Core Infrastructure
- ICT Security Assessment
- ICT Security – Penetration Testing
- Data Breach Protocol

### Enterprise risk management

In 2019, the ARIC considered reports concerning Enterprise Risk Management activities including:

- The Strategic operational risks and controls reviews
- The Corporate operational risks
- The Service Unit operational risks
- The Project-Risks framework developed within the Project Management system
- The risk management strategies of Council's major projects
- The work undertaken on translating the ERM framework into the TechOne platform
- Development of the Delegations Framework
- Development of the Policy and Protocol Framework
- Compliance registers of Council including Gifts and Benefits, Pecuniary Interest, Secondary Employment, and Related Party Disclosures.

The ARIC also noted the profile of the renewable insurances of Council valued at \$1.95 million and received an annual update on the insurance claims activities.

Overall, the ARIC notes the excellent work throughout 2019 undertaken by Council in the continued development of the risk-based culture across the IWC's various major corporate frameworks, and notes the forward work being planned for 2020 including the reviewed Fraud and Corruption Framework.

## The Internal Ombudsman Shared Service

The Internal Ombudsman Shared Service (IOSS) for Inner West, City of Parramatta and Cumberland City Councils commenced in September 2017. The IOSS consists of Internal Ombudsman, Ms Suellen Bullock, Assistant Internal Ombudsman, Ms Elizabeth Renneberg and Complaint Assessment and Administration Officer, Ms Sarah Labone. 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 Audit Risk and Improvement Committee (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.

## The Year Ahead

**Audit, Risk and Improvement Committee Assessment**  
The ARIC have planned for a thorough assessment of their effectiveness and performance. This review is scheduled for completion in the first half of the 2020 calendar year. Input from regular ARIC Meeting attendees and key stakeholders, as well as a self-assessment by ARIC members will be included in the review. The outcomes of the review will be included in the next ARIC Annual Report.



## ARIC Charter

### 1. Purpose

#### 1.1 Special Committee of Council

The Audit Risk & Improvement Committee (‘the Committee’) is a special committee of Council that acts as an advisory body to the Council and has no executive powers, except those expressly provided by the Council.

#### 1.2 Purpose of the Audit Risk & Improvement Committee

The purpose of the Committee is to provide independent assurance and assistance to Inner West Council in the effective discharge of its responsibilities for financial reporting, risk management, internal controls, governance and internal and external audit.

#### 1.3 Exercise of authority and access

The Council authorises the Committee, within the scope of its role and responsibilities to:

- Obtain any information it reasonably requires from the General Manager or external party (subject to legal obligations to protect information)
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations)
- Request, through the General Manager, attendance of any employee or councillor at Committee meetings
- Initiate special investigations in relation to matters set out in this Charter
- Obtain independent professional or legal advice or other professional advice considered necessary to assist in the proper exercise of its responsibilities.

### 2. Composition

#### 2.1 Membership

The Committee will consist of:

##### *Members (voting)*

- Independent member who is appointed as Chair
  - Up to three (3) additional independent members\*
  - Two (2) sitting councillors, excluding the Mayor.
- \* - not a member of the current or previous Council/ staff of Ashfield, Leichhardt, Marrickville or Inner West Councils for at least 2 continuous years.

##### *Attendees (non-voting)*

- General Manager (or delegate)
- Deputy General Manager, Chief Financial and Administration Officer (or delegate)
- Group Manager Governance (or delegate)
- Council officers and third parties who have conducted internal assurance and compliance audits for Council (for the purposes of presenting and reviewing findings of those specific audits)
- External Auditor
- Other officers of Council may attend to address agenda items relevant to their area of responsibility.

#### 2.1 Appointment

Appointment of independent members shall be by an open merit-based selection process, which shall be brought to Council for adoption. The independent members shall be appointed in accordance with the term set by Council. An independent member may be reappointed for a further term but shall not serve more than two consecutive terms in either the role of Chair or Member. Consideration may be given to a part term extension to enable independent members to have overlapping terms.

#### 2.2 Expertise

In appointing members to the Committee, the Council will have regard to the following:

- at least one member shall have accounting or related financial management expertise and experience, with understanding of accounting and auditing standards in a public sector environment; and
- the members, taken collectively shall have a broad range of skills and experience relevant to Local Government and the operations of Inner West Council.

#### 2.3 Skills development

Committee Members will receive relevant information and briefings to assist them meet their Committee responsibilities. A member of the Committee may, with the approval of the General Manager, attend appropriate seminars or training in respect to issues related to the functions and responsibilities of the Committee.

#### 2.4 Chairperson

One (1) of the independent external members shall be the Chairperson (Chair).

#### 2.5 Secretariat

Council’s Governance service unit shall provide secretariat support to the Committee.

### 3. Roles and responsibilities

In carrying out its responsibilities, the Committee recognises that primary responsibility for management of Council rests with the Council and the General Manager as defined by the Local Government Act 1993. It has a range of responsibilities as follows.

#### 3.1 External Accountability

The Committee must promote an environment at Council that is consistent with best practice financial reporting and governance standards and appropriately reflects the financial status of Council to the community and wider public. In particular, the Committee shall:

- satisfy itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls
- review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments
- consider contentious financial reporting matters in conjunction with Council’s management and external auditors
- review the processes in place designed to ensure financial information included in the Annual Report is consistent with the signed financial statements
- satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations

## ARIC Charter

### 3. Roles and responsibilities

f) satisfy itself that there is a performance management framework linked to organisational objectives and outcomes.

#### 3.2 Internal Audit

The Committee will review and assess key areas relating to the Internal Audit function of the Council. In particular the Committee will:

- a) act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit
- b) review and assess the scope and coverage of the internal audit plan, work program and resources. Consider the adequacy of internal audit resources to carry out its responsibilities including completion of the approved Annual Internal Audit Plan.
- c) review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices information
- d) review and monitor the implementation of internal audit recommendations by management
- e) review the Internal Audit Charter annually to ensure appropriate organizational structures, authority, access and reporting arrangements are in place
- f) periodically review the performance of Internal Audit
- g) meet in-camera with the Internal Auditor at least annually

#### 3.3 External Audit

The Committee will review and assess key areas relating to the external audit of the Council. In particular, the Committee will:

- a) act as a forum for communication between the Council, General Manager, senior management, internal and external audit
- b) provide input and feedback on the financial statements and audit coverage proposed by external audit, and provide feedback on the external audit services provided Inner West Council Audit Risk and Improvement Committee Annual Report 15
- c) review all external plans and reports in respect of planned and completed external audits and monitor the implementation of audit recommendations by management
- d) consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.
- e) meet in-camera with the external auditor at least annually

#### 3.4 Legislative Compliance

The Committee will:

- a) monitor changes of significance in relation to various legislation, statutory instruments, accounting policies and other regulatory and reporting requirements that apply to Council
- b) review and consider the effectiveness of systems for monitoring and ensuring compliance with relevant laws, regulations and associated government policies.

#### 3.5 Risk Management

The Committee will oversee the implementation and review of risk management throughout Council as follows:

- a) review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud
- b) review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- c) review the impact of the risk management framework on its control environment and insurance arrangements
- d) review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

#### 3.6 Control Framework

The Committee will oversee the implementation and review of compliance and related internal control systems throughout Council as follows:

- a) review whether management has adequate internal controls in place, including over external parties such as contractors and advisors
- b) review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated
- c) progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with

- d) review whether appropriate policies and procedures are in place for the management and exercise of delegations
- e) review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

#### 3.7 Insurance Program

The Committee will satisfy itself of the adequacy of Council's insurance program.

#### 3.8 Continuous Improvement

Reviewing the overall approach and arrangements in place that support Management implementing a successful culture of continuous improvement to drive productivity and efficiency gains and to effectively manage risk and increase business resilience.



## ARIC Charter

### 4. Meetings

#### 4.1 Convening of Meetings

- a) The Committee will meet regularly at the times determined by the Committee, but no less than four (4) times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion of same and that these meetings are rotated as appropriate across various IWC sites.
- b) A forward meeting plan, including meeting dates and agenda items will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit Risk & Improvement Committee Charter.
- c) A member of the Committee may request that a meeting of the Committee be convened at any other time and the General Manager shall liaise with the Chair in facilitating such a meeting.
- d) The internal or external auditor may request that a meeting of the Committee be convened and the General Manager shall liaise with the Chair in facilitating such a meeting.

#### 4.2 Quorum

16 Inner West Council Audit Risk and Improvement Committee Annual Report A majority of members present in person, constitute a quorum.

#### 4.3 Secretariat

The Secretariat will ensure:

- a) the agenda and supporting papers for each meeting are circulated at least one week prior to the meeting
- b) the minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member within two weeks of the meeting being held.
- c) minutes of meetings shall be confirmed at the next meeting of the Committee.

#### 4.4 Conflicts of Interest

- a) All Committee members shall make an annual declaration of interests.
- b) Committee members shall declare any conflicts of interests at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interests are to be appropriately minuted.

### 5. Reporting

- a) At each Committee Meeting, Internal Audit will provide a performance update of the approved Internal Audit Plan of work for the financial year showing the current status of each audit.
- b) At the first Committee meeting after 30 June each year, Internal Audit will provide a performance report on the performance of Internal Audit for the financial year, as measured against agreed performance indicators.
- c) At the first Committee meeting after 30 June each year, the annual audited financial statements and reports and external auditor's opinion and reports are to be reviewed and presented for endorsement by the Committee.
- d) The Committee may at any time consider any other matter it deems of sufficient importance.
- e) The Committee will provide:
  - i) copies of its minutes to the Council;
  - ii) an annual report to the Council on the trends / issues that have arisen in the Committee's work over the previous 12 months; and
  - iii) such additional reporting as Council may require.

### 6. Committee review

- a) The Committee shall review the scope and effectiveness of its activities and performance at least once every two years.
- b) The Committee shall review the Audit Risk & Improvement Committee Charter at least once every year.
- c) Amendment of this Audit Risk & Improvement Committee Charter is subject to the approval of the Council, after review by the Committee and Executive Leadership Team.

### Translation Service

If you have questions on this document and need an interpreter, please call TIS National on 131 450 and ask them to call Inner West Council on 9392 5000

### 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

如果您对本文件有任何疑问，需要传译员帮助，请拨打 TIS National 的电话 131 450，然后要求接通 Inner West Council 的电话9392 5000

### 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

### تمجرت لال قمدخ

يروف مجرتم لال جاتحتو دن تسم لال اذه لوح ؤلئسأ لديل تناك اذا TIS National فتاهل لال ع قمدخ ب لصتاف

450 مقر ب لاصتالال مهنم بلطاو 131 Inner West Council 5000 مقرلا لال ع 9392

### Customer Service Centres

Petersham: 2-14 Fisher Street

Leichhardt: 7-15 Wetherill Street

Ashfield: 260 Liverpool Road

Phone (02) 9392 5000

© 2020 Inner West Council