



Audit, Risk  
and Improvement  
Committee

20  
23

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





## 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 (TOR) which align with the Office of Local Government Guidelines and industry leading practice.

In accordance with the TOR, 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.

### Section 428A of the Local Government Act 1993

*This section of the Act requires: (1) A Council to appoint an ARIC. (2) The ARIC must keep under review aspects of Council's operations, specifically: 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 and any other matters prescribed by the regulations. (3) The ARIC is also to provide information to the Council for the purpose of improving the Council's performance of its functions.*

*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 Terms of Reference for the period 1 January 2023 to 31 December 2023.*





THE CLOCK IN THIS TOWER  
WAS BUILT BY THE  
MAYOR OF THE CITY OF  
MELBOURNE IN THE YEAR  
1857.

THE  
MAYOR OF THE CITY OF  
MELBOURNE

## Acting Chair's message

It is with great pleasure that I can contribute to the Audit Risk and Improvement Committee (ARIC), having joined as an Independent Member in February 2023 and contributing as Acting Chair since July 2023.

The Committee continues to focus on the continued improvement to risk management and governance processes. Key activities in the 2023 calendar period (as required by the Terms of Reference) included:

- Reviewing the 2022-2023 draft annual financial statements focusing on accounting policies and procedures and changes thereto; adjustment to the financial reports arising out of the audit process; and recommending adoption of the annual financial report to Council.
- Reviewing and adopting the 2021-2024 Strategic Internal Audit plan.
- Reviewing the progress and achievement of the internal audit annual plan and considering the effectiveness of the function.
- Reviewed Council's updated Risk Management Strategy, risk appetite and risk registers.
- Conducted ARIC's Annual Performance Assessment.
- Reviewed Council's insurance strategy.
- Reviewing reports of internal audit and the extent to which Council and management react to matters raised by Internal Audit.
- New Independent ARIC Member appointments

We are looking forward to building on the immense collaborative work done in 2023, as well as continuing to engage with both internal and external audit teams.

I would like to thank the other Members of the Committee and Management Team's support in ensuring the Inner West Council effectively discharges its responsibilities for financial reporting, risk management, internal controls, governance and internal and external audit.

We also wish to thank Independent Members Heather Smith and former Chair John Gordon for their contributions to ARIC.

**Ilona Meyer**

Acting Chair Inner West Council  
Audit Risk & Improvement Committee

## General Manager's message

Council is on a change journey which has seen significant progress over this year.

We delivered reinvigoration projects which harmonise our policies, ensure we are making risk-informed decisions, bolster our capabilities to prevent, detect, report and respond to fraud, corruption and maladministration, comply with our obligations and ensure we can respond to crises affecting our people and our community.

This results in managing finite resources in the best interest of current and future communities and risk, compliance and audit processes underpinning our continuous improvement journey.

These initiatives are bolstered and complemented by our whole of organisation initiatives.

We've put customer service at the heart of our new strategy and rolled out a bespoke Customer and Service Experience to over 1000 staff. We are implementing a new People and Leadership Strategic Framework, which underpins our cultural and organisational transformation. Our performance goals are intimately connected to our delivery on our strategy and help support our commitment to delivering a strong culture, clear values and embedding personal accountability amongst our teams.

We've been able to turn the dial on making sure we have the right people in the right roles and empowered to deliver the outcomes for which they are responsible.

Having best practice governance arrangements underpinning our delivery of these outcomes ensures we deliver on our promises.

In pursuing this journey, I'd like to welcome the new independent members of our ARIC Committee and extend my thanks to the retiring members for their contribution to our ongoing success. The insight and advice they deliver on our audit, risk and improvement transformation is invaluable.

**Peter Gainsford**

General Manager  
Inner West Council

## ARIC Governance

### ARIC Terms of Reference (TOR)

The ARIC TOR were redrafted during 2022 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 (draft Guidelines).

The draft Guidelines substantially varied the former OLG requirements. However, as at November 2023, the foreshadowed regulations had not been enacted.

Council is undertaking a significant body of work to fulfil the draft Guideline requirements as written, to ensure Council can comply from their intended commencement on 1 July 2024.

This work encompasses all core requirements and Model documents of the draft Guideline in relation to the risk management, internal audit and ARIC related activities of Council.

Notably:

- Council has implemented an updated Risk Management policy and procedure consistent with the requirements.
- An updated Internal Audit Charter consistent with Model requirements is being considered by ARIC at its 22 November meeting and will be tabled for Council adoption (as required) thereafter.
- However, the requirements in relation to the ARIC TOR under the December 2022 draft Guidelines changed significantly from an earlier version of the Guideline and would trigger changes in its composition; among other significant alterations.

The TOR adopted by Council in 2022 include most material elements of the December 2022 draft Guideline, so Council is already substantively working to its requirements. Council will update its TOR to align to the Model requirements once the final requirements are enacted.

Council has also adopted measures within its TOR which exceed the minimum standards in the Model TOR. For example, on 8 August 2023, Council adopted changes to the TOR to enable Out of Session adoption of ARIC Minutes.

These changes enable ARIC Minutes to be tabled to Council for adoption and publication more swiftly, to promote transparency and public accountability.

Council intends to retain this measure in future versions of the ARIC TOR when the final Guidelines and associated regulations can be reviewed and Council can confirm this is permissible.

### 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 was provided to the ARIC meeting on 5 April 2023. A report on the 2023 review will be provided to the first ARIC meeting of 2024.

### Appointments of new Independent Members

Ilona Meyer joined the ARIC at its first meeting in 2023, replacing Heather Smith, who retired from the ARIC. At the conclusion of the financial year, ARIC's long-standing Chair, John Gordon, retired from the ARIC.

Ilona Meyer was confirmed as the Acting Chair for Council's ARIC on 27 July 2023, following a vote of the remaining members consistent with the ARIC TOR.

An EOJ process is being undertaken to fill the remaining ARIC vacancy and Council is looking to appoint a new member prior to the first ARIC meeting in 2024.

## Committee members

### Independents



**Ilona Meyer**

*Independent member  
Acting Chair (from 27 July 2023)*

*Ilona brings over 25 years experience as a Non-Executive Director and General Counsel in the healthcare and emerging technologies sectors.*

*She has held executive roles within private and public companies, gaining extensive experience in providing advice and managing legal & compliance teams through digital transformation, complex commercial transactions, mergers & acquisitions, implementation of risk management frameworks, as well as navigating high profile litigation and regulatory disputes. Ilona is also a Non-Executive Director and Chair of the Audit & Risk Committee for Micro-X Limited (ASX:MXI); Chair of Hoxton Industries Limited and Member of the Nominations Committee of the International Paralympic Committee (IPC).*

*Ilona is an admitted Solicitor and Barrister to the NSW Supreme Court and High Court of Australia, Associate Member of the Institute of Internal Auditors Australia and was recently recognised by Australasian Lawyer's Elite Women of 2021; the GC Powerlist of 2023; and Top 100 Governance Professional of 2023.*



**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).

### Councillors



**Phillippa Scott**

*Councillor*

Philippa 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

## Outgoing Independent Members



**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.



**John Gordon**  
Chair (concluded 30 June 2023)

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 (concluded 14 February 2023)

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.

The breadth of her experience provides the ability to appropriately question the performance, reports and opportunities highlighted by internal audit.

## Year in review

Five (5) meetings were held during 2023. These included four (4) regular meetings and (1) Finance related special meeting, as follows:

- 5 April
- 17 May
- 16 August
- 4 October (Financial)
- 22 November

### Attendance

Committee Member	Meeting Date				
	5 Apr	17 May	16 Aug	4 Oct	22 Nov
Ilona Meyer <sup>1</sup>	•	•	•	•	•
Mark Sercombe	•	•	•	•	•
Councillor Philippa Scott	•	•		•	•
Councillor Liz Atkins	•	•	•	•	•
John Gordon <sup>2</sup>	•	•			
Heather Smith <sup>3</sup>					

Note 1: Appointed by Council resolution 14 February 2023

Note 2: Ceased membership 30 June 2023

Note 3: Ceased membership 14 February 2023

### 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
- Governance Manager
- Chief Financial Officer
- Chief Information Officer
- KPMG Engagement Partner (Internal Auditors)
- KPMG Associate Director (Internal Auditors)
- Internal Ombudsman Shared Service
- 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. Consistent with new

requirements in the draft Guidelines, Council also classifies external ARIC members as 'designated persons' who must complete and submit 'returns of interest'.

### Audit of Financial Statements

The External Audit of the Financial Statements for the year ended 30 June 2023 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 KPMG.

KPMG's appointment resulted from a procurement process undertaken in the first half of the calendar year of 2023. The term of their appointment is for four years.

KPMG were appointed as Council's outsourced Internal Audit Service Provider consistent with the December 2022 draft OLG Guidelines.

The release of the draft OLG Guidelines impacted the procurement process, by significantly updating the nature and scope of services and the terms upon which internal auditors are to be engaged by councils.

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

KPMG will also conduct independent reviews of Council's delivery of completed audit actions and performance reports to support the review of the effectiveness of the Internal Audit function, at the appropriate time.

Since their appointment, KPMG have initiated and have or soon will table their reports in relation to the four internal audits scheduled for calendar year 2023 under the ARIC forward calendar, concerning:

- Records Management
- Cyber Security
- TechOne and ICT project implementation capabilities
- Fraud and Corruption Control.

## ARIC Recommendations and Audit Actions

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

During 2022, a key task of the Governance and Risk Department was to accurately capture the current status of both ARIC Recommendations and Internal and External Audit Actions since the establishment of the Inner West Council, to provide an accurate picture of Council's maturity. Council also began treating IOSS recommendations as internal audit Actions in ARIC reporting.

ARIC Recommendations typically require that Council report to it on a material matter or question, at a following meeting. Audit Actions (of whatever kind) are matters which Council agrees to implement to resolve a finding or concern, of varying materiality. The resolution of both types of matters are relevant to Council's continuous improvement initiatives.

During 2023 the team has ensured ARIC Recommendations remain actively tracked and completed promptly, with typically only one or two matters requiring completion beyond the ARIC meeting following the Recommendation being made and that some recommendations are ongoing in nature.

The team examined the completion of approximately 60 internal and the Audit Office NSW confirmed the completion of 11 external Audit Actions during the period.

At calendar year end, Governance and Risk has just under one hundred (97 actual) internal and 9 external audit Actions under monitoring (including new Actions raised during the period). This is a significant result, representing a 40% reduction in longstanding actions since the last report. Council will continue to focus on these matters until they are fully resolved.

## Presentations and Reports

More than sixty 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, incident management, fraud and corruption prevention
- The policy harmonisation project and resulting new and updated policies and procedures
- Performance, trends, initiatives and recommendations of the IOSS
- Internal Audits, their progress, findings and any implementation plans arising
- Council's progress implementing OLG Guidelines requirements, ARIC Resolutions and findings and recommendations made by IOSS, the Internal and External Auditors (Audit Actions).

## Key Governance and Risk operations and projects

During 2023, the Governance and Risk team continued to mature council processes and appoint key personnel following its restructure.

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

- Completion of the project to review Council's Delegations Framework and update all delegations across Council.
- 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.
- Significant policy and procedure refreshes, with policies adopted (A) or redrafts underway (U) for adoption in 2023, were undertaken in relation to Council's:
  - Agency Information Guide (A)
  - ARIC Terms of Reference (A)
  - Business Continuity (A)
  - Conflict of Interest Policy (U)
  - Model Code of Conduct (A)
  - Code of Meeting Practice (A)
  - Complaints Handling (A)
  - Compliance Management (U)
  - Councillor and Staff Interaction Policy (A)
  - Councillor Facilities and Expenses (A)
  - Data Breach (A)

- Fraud and Corruption Control (A)
  - Gifts, Benefits and Hospitality Guidelines (A)
  - Incident Management (A)
  - Internal Audit Charter (U)
  - Investment Policy (A)
  - Privacy Policy (A)
  - Privacy Management Plan (A)
  - Property and Leasing Policy (U)
  - Public Interest Disclosures (A)
  - Procurement Framework (U) [\*several]
  - Risk Management (A)
  - Traffic Management Investigations (A)
  - Verge Gardening.
- The Development of the new Risk Management, Procurement and Fraud and Corruption Control Frameworks
  - The Development of the Governance, Risk and Compliance Framework.
  - The Development of the new Policy Operational Management Standard and suite of Policy, Procedure, Report and Briefing Note templates specifically for policy development.

## 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.

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#### Υπηρεσία Διερμηνείας

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#### Servizio traduzioni

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#### 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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