



W A V E R L E Y
COUNCIL

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

A meeting of the AUDIT, RISK AND IMPROVEMENT COMMITTEE will be held at Waverley Council Chambers,
Cnr Paul Street and Bondi Road, Bondi Junction at:

9.00AM, TUESDAY 29 OCTOBER 2019

Elizabeth Gavey
Committee Chair

Waverley Council
PO Box 9
Bondi Junction NSW 1355
DX 12006 Bondi Junction
Tel. 9083 8000
E-mail: info@waverley.nsw.gov.au

AGENDA

The Chair will read the following Acknowledgement of Indigenous Heritage:

The Waverley Audit, Risk and Improvement Committee respectfully acknowledges the Indigenous heritage and recognises the ongoing Aboriginal traditional custodianship of the land which forms the Waverley Local Government Area.

1. Apologies/Leaves of Absence

2. Declarations of Pecuniary and Non-Pecuniary Interests

3. Confirmation of Minutes

Nil.

4. Reports

ARIC/4.1/19.10	Presentation - 2018-19 Financial Statements.....	3
ARIC/4.2/19.10	External Audit Update.....	48
ARIC/4.3/19.10	Presentation - Council's Information Technology Systems	65
ARIC/4.4/19.10	Presentation - Council's Probity Infrastructure	67
ARIC/4.5/19.10	Review of ARIC Charter and Internal Audit Charter.....	68
ARIC/4.6/19.10	Audit Report Recommendations - Implementation Status Update	91
ARIC/4.7/19.10	Annual Internal Audit Plan Status Update	98
ARIC/4.8/19.10	Governance Information Report.....	102
ARIC/4.9/19.10	ARIC Meeting Dates and Draft Annual Work Program	139

5. Other Business

6. Meeting Closure

REPORT ARIC/4.1/19.10



Subject: Presentation - 2018-19 Financial Statements

TRIM No: A19/0124

Author: Teena Su, Executive Manager, Finance

Director: Darren Smith, Chief Financial Officer

RECOMMENDATION:

That the Committee:

1. Notes the Annual Engagement Plan for the 2018–19 Financial Statements Audit attached to this report.
2. Notes the Management Letter for the Interim Phase of Audit for 2018–19 financial year attached to this report.
3. Notes the updated Financial Statements for the 2018–19 financial year tabled at the meeting.

1. Executive Summary

The Financial Statements audits were carried out in accordance with the Annual Engagement Plan for the Financial Statements audit for year ending 30 June 2019.

The Management Letter on the Interim Phase of the Audit was received on 1 August 2019. The interim phase management letter outlines 10-unresolved matters that were identified during the audits. Some matters have been resolved for the year-end audit in September while others are work in progress to be resolved.

The draft year-end financial statements have been completed and posted an operating surplus of \$7.5 million. It has been presented to Council on 17 September for further audit reference. The updated financial statements will be tabled at the meeting.

2. Introduction/Background

Section 413 of the *Local Government Act 1993* (The Act) requires a council to prepare financial reports for each year and to refer them for audit as soon as practical and resolve to refer the Draft Annual Financial Statements for Audit. The Office of Auditor-General is responsible for audits of NSW local government.

3. Relevant Council Resolutions

Meeting and date	Minute No.	Decision
Council 17 September 2019	CM/7.1/19.09	That: 1. Council, in relation to the financial statements required in accordance with section 413(2)(c) of the <i>Local Government Act 1993</i> , resolves that in its opinion the

		<p>General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules for the year ended 30 June 2019:</p> <p>(a) Have been properly drawn up in accordance with the provisions of the <i>Local Government Act 1993</i>, the <i>Local Government (General) Regulation 2005</i>, the Australian Accounting Standards and professional pronouncements, and the Local Government Code of Accounting Practice and Financial Reporting.</p> <p>(b) To the best of the Council’s knowledge and belief, present fairly the Council’s operating result and financial position for the year and accord with the Council’s accounting and other records.</p> <p>2. Council is unaware of any matter that would render the financial statements false or misleading in anyway.</p> <p>3. The Statement by Councillors and Management for the General Purpose Financial Statements and Special Purpose Financial Statements, on page 3 of the Annual Financial Statements, be signed by the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer.</p> <p>4. The Statement by Councillors and Management for the Special Purpose Financial Statements, on page 2 of the Special purpose Financial Statements, be signed by the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer.</p> <p>5. The financial statements be referred to Council’s auditor for audit.</p> <p>6. Arrangements be made to place copies of the audited financial statements on public exhibition and the necessary advertisements be published.</p> <p>7. A copy of the audited financial statements be forwarded to the NSW Office of Local Government.</p> <p>8. The audited financial statements be presented at a meeting of Council to be held in accordance with section 418 of the <i>Local Government Act 1993</i>.</p> <p>9. Public notice of the meeting to be held on Tuesday, 19 November 2019, be published in newspapers in the week commencing 11 November 2019, including the publication of all documents required under section 418 of the <i>Local Government Act 1993</i>.</p> <p>10. Council notes that, at the meeting to be held on</p>
--	--	--

		Tuesday, 19 November 2019, Council will present its Audited Financial Report and Auditor’s Report to the public.
--	--	--

4. Discussion

Annual Engagement Plan for the 2018/19 Financial Statements Audit

The Annual Engagement Plan, issued by the Audit Office on 7 March 2019, outlines the audit approaches, engagement communications, audit timetables and audit fees for the financial audit for year ending 30 June 2019 in consultation with Waverley Council Management - see Attachment 1 for more detail of the 2018/19 Audit Plan.

This document is not intended for publication; hence, it was not tabled at a Council meeting.

Management Letter for the Interim Phase of Audit for 2018/19 financial year

The Interim Audit Management letter was received on 1 August 2019. The auditor has identified 10 issues from the interim audit. Those issues relate to IT environment control, financial control and governance control as per table below:

Issue	Detail	Likelihood	Consequence	Risk assessment	Status update
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
■	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

These issues have been discussed with the responsible business managers and management. Action plans have been agreed too to address these matters - see Attachment 2 for more detail.

This document is not intended for publication; hence, it was not tabled at a Council meeting.

Draft Financial Statements for 2018/19 financial year

The draft financial statements was presented to Council on 17 September 2019 and referred it to audit.

The draft results for the 2018/19 financial year shows that Council's operating result for the year was a surplus of \$7.5 million and that Council continues to maintain a sound financial position as shown by the following summary of the Income Statement, Balance Sheet, Cash and Cash Investments Balance:

Financial Overview - \$million	2018/19	2017/18
• Operating surplus	\$7.50m	\$17.11m
• Net assets (Equity)	\$1,242.41m	\$1,234.91m
• Cash and cash investments	\$179.43m	\$171.78m

See Attachment 3 for more detail.

5. Financial impact statement/Time frame/Consultation

Council is waiting for the receipt of the Auditor's Report. Once received we will then publicly advertise the Audited Financial Statements that are available for inspection and comment by members of the public.

31 October 2019

Audited Financial Statements, including the Auditors Report, and the Financial Data Return to be lodged with OLG: s 417(5).

11 November 2019

Public notice of the meeting to be held on Tuesday, 19 November 2019, be given to the newspapers to be published in the week commencing 11 November 2019. The public notice will also advise that the Annual Financial Statements are available for inspection and that submissions will be received until 29 November 2019.

19 November 2019

Council Meeting. Council's Auditors report on the Annual Financial Statements is formally presented to Council.

29 November 2019

The closing date for public submissions on the Annual Financial Statements. All submissions received must be referred to Council's Auditor for consideration: s 420(3). Council may take such action as it considers appropriate with respect to any submissions received.

6. Conclusion

The 2018/19 financial audits are carried out in accordance with the Annual Engagement Plan.

7. Attachments

1. Annual Engagement Plan for 2018/19 Financial Audit (Confidential)
2. Management Letter for the Interim Phase of Audit 2018/19 (Confidential)

REPORT
ARIC/4.2/19.10

Subject: External Audit Update

TRIM No: SF18/655

Author: Teena Su, Executive Manager, Finance

Director: Darren Smith, Chief Financial Officer

RECOMMENDATION:

That the Committee notes the External Auditor's draft reports on the conduct of the audit and the engagement closing report attached to this report.

1. Introduction/Background

Council's External Auditor, Mr Brett Hanger, Director of Audit and Assurance from Nexia Australia and Ms Caroline Karakatsanis, Council's Audit Director from the Audit Office of NSW, will present to the Committee on the conduct of the 2019 audit, including a summary of the Engagement Closing Report.

A copy of the Draft Report on the Conduct of the Audit 2019 and the Draft Engagement Closing Report 2019 are attached.

2. Relevant Resolutions

Nil.

3. Discussion

Nil.

4. Financial impact statement/Time frame/Consultation

Nil.

5. Conclusion

Nil.

6. Attachments

1. Draft Report on the Conduct of the Audit 2019_DRAFT
2. Draft Engagement Closing Report 2019_DRAFT (Confidential).



Cr Paula Masselos
Mayor
Waverley Council
PO Box 9
Bondi Junction 1355

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1925166/1804

XX October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Waverley Council**

I have audited the general purpose financial statements (GPFS) of the Waverley Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	61.4	59.4	3.4
Grants and contributions revenue	17.8	18.1	1.7
Operating result for the year	7.5	17.1	56.1
Net operating result before capital grants and contributions	(1.9)	6.7	128

Council's operating result (\$7.5 million including the effect of depreciation and amortisation expense of \$20.4 million) was \$9.6 million lower than the 2017–18 result. This was mainly due to a lower increase in the value of investment properties and an increase in employee costs.

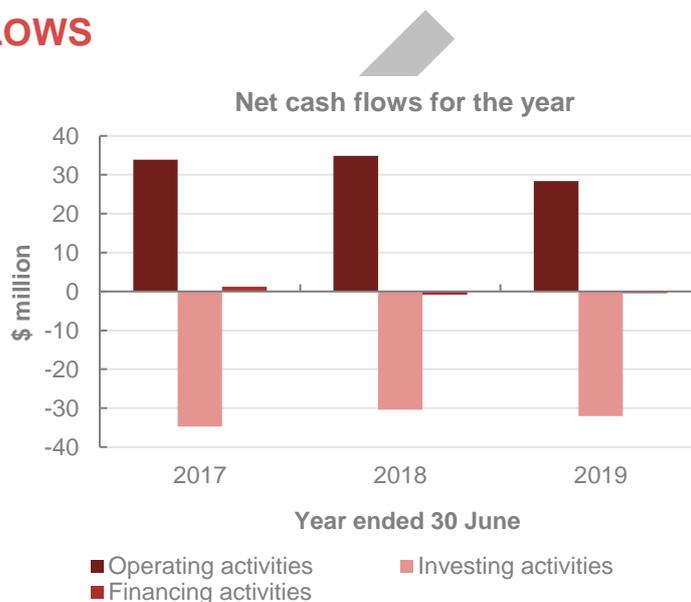
The net operating result before capital grants and contributions (\$1.9 million deficit) was \$8.6 million lower than the 2017–18 result. This was primarily due to factors noted above.

Rates and annual charges revenue (\$61.4 million) increased by \$2 million (3.4 per cent) in 2018–2019.

Grants and contributions revenue (\$17.8 million) decreased by \$0.3 million (1.7 per cent) in 2018–2019.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$4.1 million to \$14.1 million at the close of the year.
- The decrease is mainly due to investing funds in longer term investments.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	29.7	22.7	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges.
Internal restrictions	142.0	140.1	
Unrestricted	7.8	9.0	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	179.5	171.8	

Debt

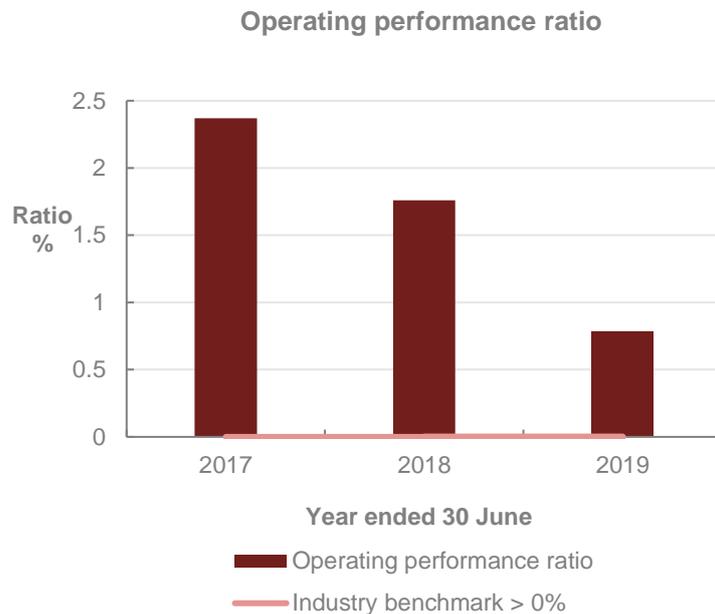
After repaying principal and interest of \$502,000, total borrowings as at 30 June 2019 was \$3.3 million (2018: \$3.8 million).

PERFORMANCE

Operating performance ratio

- Council's operating performance indicator of 0.8 per cent in 2018-19 (1.8 per cent in 2017-18) met the industry benchmark.

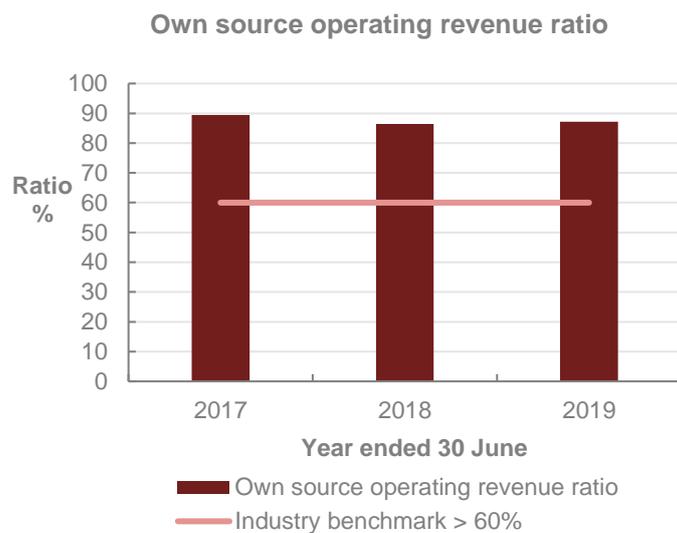
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

- Council's own source operating revenue ratio of 87.1 per cent in 2018-19 (86.5 per cent in 2017-18) exceeded the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

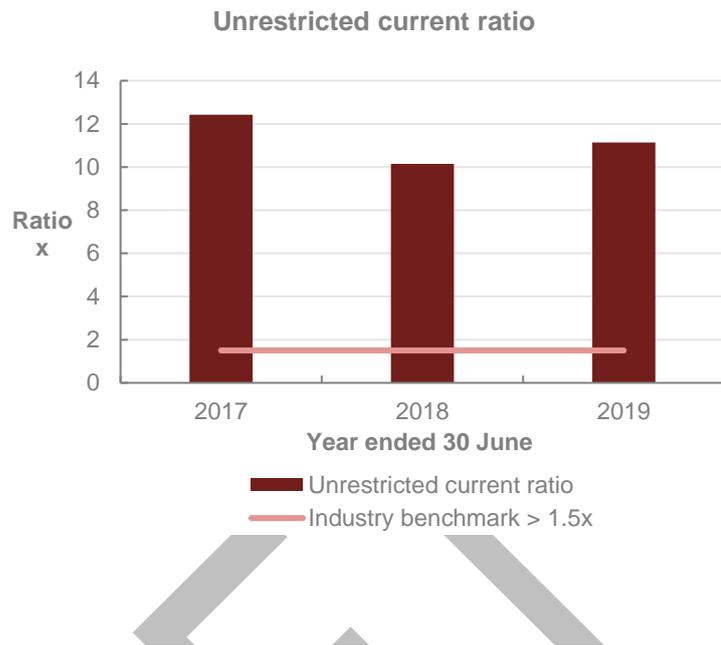
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council had 11.1 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio increased to 11.1 as at 30 June 2019 (10.2 for 2018) and exceeded the industry benchmark.

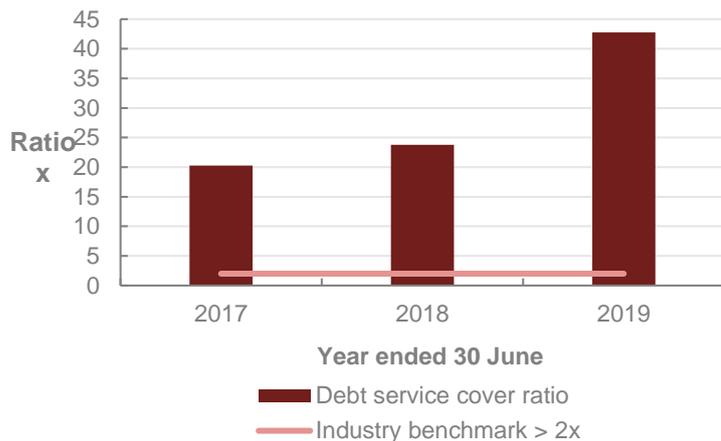
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio for 2018-19 was 42.8 (23.8 in 2017-18) which is above the industry benchmark.

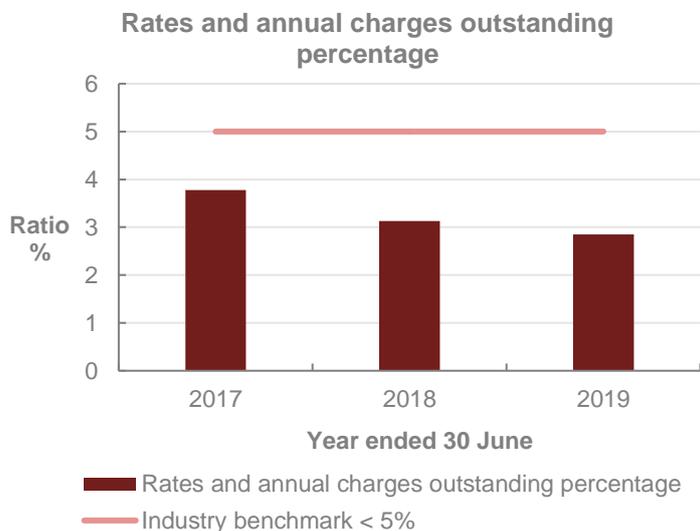
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's indicator of 2.9 per cent as at 30 June 2019 (3.1 per cent as at 30 June 2018) met the benchmark.

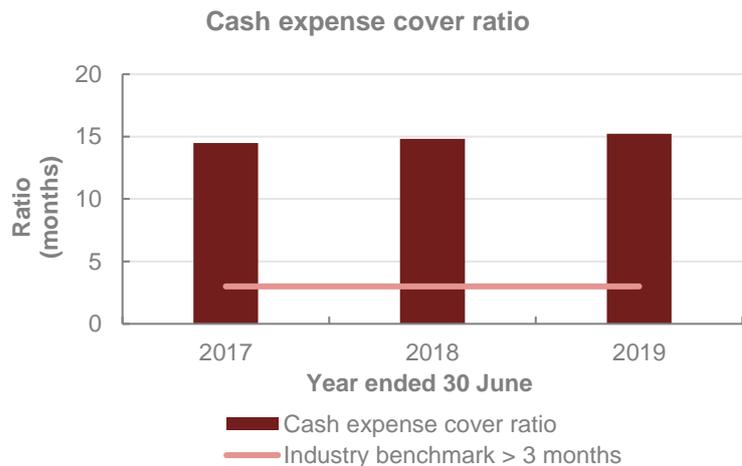
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 15.2 months for 2018-19 (14.8 months for 2017-18) exceeded the benchmark.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$14.6 million compared \$16.6 million for the prior year
- The level of asset renewals during the year represented 71 per cent of the total depreciation expense (\$20.4 million) for the year.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> a simplified model for classifying and measuring financial assets a new method for calculating impairment a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>The impact of adopting AASB 9 is disclosed in Notes 6, 7 and 13 of the financial statements.</p>

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ross Mcleod, General Manager
Elizabeth Gavey, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

DRAFT

REPORT

ARIC/4.3/19.10



Subject: Presentation - Council's Information Technology Systems

TRIM No: A18/0665

Author: Kevin Trinh, Executive Manager, Information Management and Technology

Director: John Clark, Director, Customer Service and Organisation Improvement

RECOMMENDATION:

That the Committee notes the presentation by the Executive Manager, Information Management and Technology on Council's information technology systems.

1. Introduction/Background

The Committee has requested that it receive a presentation on Council's Information Technology Systems.

The Executive Manager, Information Management and Technology will present an overview of Council's IT systems and security. Council's approach to cyber security will be explained and an update on the recommendations of a recently completed audit of IT integrity and security of systems will be provided. The Executive Manager will also outline the program of work in the IT area over the next 6 months.

At its final meeting in February 2019 the former Waverley Audit Committee was provided with a progress report on the planning of the IT Audit. Following feedback from the Committee the scope of the audit was refined to focus on both an internal and external audit of the organisation's systems and processes and to include a phishing simulation to test Council's cyber security awareness.

The IT Audit has now been completed and is planned to be presented to the Committee at its next meeting.

2. Relevant Resolutions

Meeting and date	Minute No.	Decision
Audit Committee February 2019	A-1902.5	That the Committee notes the progress of the Audit of Information and Technology Systems outlined in the report.

3. Discussion

Nil.

4. Financial impact statement/Time frame/Consultation

Nil.

5. Conclusion

The Executive Manager, Information Management and Technology will present an overview of Council's IT systems and security, including an update following the recently completed IT Audit.

It is recommended the Committee notes the presentation.

6. Attachments

Nil.

REPORT
ARIC/4.4/19.10**WAVERLEY**
COUNCIL

Subject: Presentation - Council's Probity Infrastructure

TRIM No: A07/0944

Author: Jane Worthy, Internal Ombudsman

Director: John Clark, Director, Customer Service and Organisation Improvement

RECOMMENDATION:

That the Committee notes the presentation by the Internal Ombudsman on Council's probity infrastructure.

1. Introduction/Background

Council's Internal Ombudsman will present an overview of the organisation's probity infrastructure. This will include discussion of:

- The role of the Internal Ombudsman, including Code of Conduct management and PID management
- The Governance Framework
- The relationship with external agencies (ICAC, NSW Ombudsman)
- Monitoring improvement

The Internal Ombudsman will also outline the program of work in the area over the next 6 months.

2. Relevant Resolutions

Nil.

3. Discussion

Nil.

4. Financial impact statement/Time frame/Consultation

Nil.

5. Conclusion

Council's Internal Ombudsman will present an overview of the organisation's probity infrastructure. It is recommended the Committee notes the presentation.

6. Attachments

Nil.

REPORT

ARIC/4.5/19.10



Subject: Review of ARIC Charter and Internal Audit Charter

TRIM No: A18/0658

Author: Al Johnston, Governance and Internal Ombudsman Officer

Director: John Clark, Director, Customer Service and Organisation Improvement

WAVERLEY
COUNCIL

RECOMMENDATION:

That the Committee reviews the Audit, Risk and Improvement Committee Charter and the Internal Audit Charter attached to this report.

1. Introduction/Background

At its meeting in February 2019, Council adopted the Charter of the new Audit, Risk and Improvement Committee (ARIC) with one amendment moved on the floor of Council. Now the ARIC is operational the newly appointed independent members have requested to review the Charter.

The Internal Audit Charter has remained unchanged since it was endorsed by Council's Executive Leadership Team in 2010. It is overdue for review.

The Audit, Risk and Improvement Committee Charter and the Internal Audit Charter are attached to this report.

2. Relevant Resolutions

Meeting and date	Minute No.	Decision
Council February 2019	CM/7.4/19.02	<p>That Council:</p> <ol style="list-style-type: none"> 1. Establishes an Audit, Risk and Improvement Committee to succeed Council's current Audit Committee, to be operational by the end of May 2019. 2. Authorises the General Manager to undertake all necessary actions to establish the Committee and to select an independent Chair and Members to recommend to Council for appointment. 3. Adopts the Audit, Risk and Improvement Committee Charter for the Committee attached to this report, subject to the following amendment: <ol style="list-style-type: none"> (a). In section 5, under the heading 'Non-voting Members', insert the following sentence: 'Councillors who are not Committee members may attend meetings of the Committee as observers.'

		4. Sets the remuneration for the external independent committee members at \$1,500 (Chair) and \$1,300 (Member) per meeting, which includes preparation and travel time.
--	--	--

3. Discussion

The contract with SSROC for internal audit services ends in March 2020. The General Manager has asked the Chief Financial Officer to run a procurement process for Internal Audit Services. A review of the Internal Audit Charter will be undertaken as part of that. Input from the Committee to that review would be of use.

4. Financial impact statement/Time frame/Consultation

There is no unbudgeted cost to Council in reviewing these documents.

Any amendments proposed to the charters will be presented to Council as soon as possible for adoption.

5. Conclusion

Nil.

6. Attachments

1. Waverley - Audit Risk and Improvement Committee Charter
2. Internal Audit Charter .



Audit, Risk and Improvement Committee Charter

Adopted by Council February 2019

Table of Contents

1.	Introduction.....	3
2.	Objective and Scope	3
3.	Authority.....	4
4.	Independence.....	4
5.	Membership	5
	Voting Members	5
	Non-voting Members.....	6
	Non-voting Invitees	6
6.	Tenure	7
7	Role and Responsibilities.....	7
	A. Compliance	7
	B. Risk Management	8
	C. Fraud and corruption prevention and resilience.....	8
	D. Management control framework.....	8
	E. External accountability, including financial reporting	9
	F. Internal Audit	9
	G. External audit	10
	H. Continuous Improvement	10
	I. Accountability of the Committee and members	11
	J. Transparency	11
	Role of the Chair	11
8.	Reporting Requirements	12
	Meeting minutes reported to Council	12
9.	Performance Review	13
	Internal audit performance	13
	Committee and member performance	13
	Charter review	13
10.	Administrative Arrangements	13
	Meeting schedule and Forward Meeting Plan	13
	Agendas and minutes	14
	Confidential Reports	14
	Quorum.....	15
	Voting.....	15
	Conflicts of Interest	15
	Induction.....	16
	Remuneration.....	16

1. Introduction

The appointment of an Audit, Risk and Improvement Committee ('the Committee') will be compulsory for all NSW councils under new section 428A of the Local Government Act 1993 within 6 months following the next local government election in September 2020. Council has developed this Charter for the operation of the Committee in anticipation of the future legislation.

The Committee provides independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures, and performance improvement activities.

The Committee will help ensure that the people of Waverley receive the services they need in an effective and efficient manner, via robust and transparent systems and processes delivered with honesty and integrity.

The Charter sets out the objective, authority, roles and responsibilities, membership, operation and scope and purview of the Audit, Risk and Improvement Committee at Waverley Council. It is based on the Internal Audit Guidelines issued by the Chief Executive of the Office of Local Government in September 2010, and is intended to promote openness, transparency and accountability in Council's operations.

2. Objective and Scope

The objective of the Committee is to provide independent assurance and assistance to the Council with respect to the following key areas:

- compliance including legal compliance
- risk management
- fraud control and corruption resilience
- financial management
- treasury management and oversight
- governance
- policy management
- health and safety
- insurance placements
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance management data by the council
- provide information to the Council for the purpose of improving the Council's performance of its functions.
- efficacy of the management control environment
- any other matters prescribed by the regulations
- any matters identified by the Committee or the General Manager as requiring assurance or oversight from the Committee.

In order to give effect to this objective and scope the Chair of the Committee will work with the General Manager and relevant managers to develop an annual work program for the Committee.

3. Authority

The Committee is an independent advisory body to Council that assists the Council to fulfil its functions. The advisory status of the Committee means that it may only make recommendations to management and the Council.

The Committee has no executive powers except those expressly provided by Council.

The Council authorises the Committee to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or councillor at Committee meetings.
- Obtain external legal and other professional advice considered necessary to meet its responsibilities.
- Provide information, advice and recommendations to the elected Council on any matter within the scope of its responsibilities.
- Provide Council with advice on the Committee Charter.

4. Independence

The Committee has an independent status to ensure its effectiveness. To achieve this, any advice or recommendations of the Committee cannot be directed by any organisational unit, employee or official of the Council.

Committee members are required to have an independence of mind in deliberations and not act as a representative of a particular area of the community or of the Council.

All Committee business and activities must be free of influence from any element in the organisation.

The Committee is independent of the activities that it audits or reviews to ensure unbiased judgements, proper conduct and impartial advice to Management and the Council.

The Committee must not have any direct operational responsibility or authority over any of the activities audited or reviewed and must not assume responsibilities for the implementation of any of its recommendations to Management or the Council about Council's operations.

To further preserve independence, external independent members must not undertake other business or employment with Council. This includes any organisation in which the external independent members has a controlling interest.

5. Membership

The Committee will consist of voting members, non-voting members and non-voting invitees:

Voting Members

There are to be 4 voting members on the Committee comprising:

- Three external independent members and
- One councillor (other than the Mayor).

All voting members must be appointed to the Committee by resolution of Council.

The external independent members shall be sought by way of public advertisement inviting expressions of interest for assessment by an Audit, Risk and Improvement Committee Appointment Panel comprising the Mayor (or their delegate), General Manager, Internal Ombudsman and two external representatives from Council's legal or conduct review panels.

The Panel will recommend the external independent membership of the Committee to Council for its determination. The Panel must ensure that the recommended external independent members, taken collectively, have recent and relevant:

- financial and accounting experience
- risk management experience
- performance improvement experience
- local government / public sector experience
- legal or governance experience, and
- experience in asset management.

Council must appoint one of the external independent Committee members as the Chair of the Committee for the term of the Committee.

Council must appoint one of the external independent Committee members as the Deputy Chair of the Committee for the term of the Committee, to carry out the functions of the Chair of the Committee, in the Chair's absence.

The Councillor member of the Committee must be appointed by resolution of the Council, once every two years to coincide with the Mayoral term.

The Mayor cannot be a member of the Committee.

The Council may resolve to appoint an alternate Councillor member to the Committee to attend meetings in the absence of the Councillor member. The alternate Councillor member will have the same voting rights as the Councillor member being replaced.

A vacancy for an external independent member of the Committee will occur upon the resignation of the member, expiry of a term of appointment as outlined in Section 6 of this Charter, failure to attend without cause for three consecutive meetings, or removal of the member by resolution of Council.

Vacant external independent member positions on the Committee must be filled by way of public advertisement inviting expressions of interest for assessment by the Panel, who will recommend a new member to Council. This will occur as soon as practical within the period of two Committee meetings.

Former Waverley Council staff and Councillors may be eligible for appointment as an external independent member to the Committee but only following a two year break from service at the Council.

Committee members must decline any request to act as referee to applicants for vacant positions on the Committee.

Non-voting Members

The following Council staff will receive a standing invitation to meetings of the Committee as non-voting members:

- General Manager
- All Directors and relevant senior managers
- Internal Ombudsman
- Executive Manager, Financial Waverley
- Manager, Risk and Safety
- Internal Auditor

Councillors who are not Committee members may attend meetings of the Committee as observers.

The Committee may exclude the General Manager or any other staff member from a Committee meeting while it deals with any matter, if it thinks it appropriate to do so.

Non-voting Invitees

Other Council staff may be invited by the Chair of the Committee or the General Manager to attend meetings as observers or advisors as the Committee deems necessary.

The Committee may also invite the external auditor or other external parties to provide expert advice, information or presentations as the Committee deems necessary.

6. Tenure

The term of external independent members of the Committee is 4 years.

The external independent members of the Committee will be appointed by resolution of the Council in December following the Council election.

The Councillor member of the Committee will be appointed by resolution of the Council every two years to coincide with the Mayoral term.

External independent members will be appointed following an expressions of interest process as set out in Section 5 of this Charter. Council will endeavour through the selection process to maintain some continuity between terms of the Council.

External independent members of the Committee that have served two consecutive terms or eight years, whichever is the greater, will not be eligible for reappointment. There will be no limitation on the number of terms an individual councillor can serve on the Committee.

A Councillor or external independent member found by the appropriate investigative body to have behaved inappropriately (for example, found to have breached disclosure of interests requirements under the Local Government Act) and/or breached Council's Code of Conduct, may be removed or suspended from the Committee. Such a removal or suspension requires a resolution of Council.

7 Role and Responsibilities

The Committee will have the following specific roles and responsibilities that may be revised or expanded from time to time:

A. Compliance

Oversee Council's compliance arrangements and:

- Provide assurance over Council systems for appropriately considering legal and compliance risks as part of risk assessment, management and decision making arrangements.
- Review the effectiveness of systems for monitoring compliance with relevant laws, regulations and associated government policies.

B. Risk Management

Oversee Council's risk management arrangements and provide assurance as to whether:

- Management has in place a current and comprehensive good practice risk management framework, and associated procedures for effective identification and management of business risks.
- A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested.
- A sound and effective approach has been followed in developing strategic risk management plans for selected major projects or undertakings.
- Risk mitigation strategies are adequate and effective, including insurance arrangements.

C. Fraud and corruption prevention and resilience

Oversee Council's fraud and corruption prevention arrangements and provide assurance in respect of:

- Review and discuss with management their philosophy with respect to business ethics and corporate conduct, its written code of conduct and the programme it has in place to monitor compliance with that code.
- Monitor the level of and issues raised in relation to Public Interest Disclosures, customer complaints, and internal and external conduct investigations (for example by the Independent Commission Against Corruption).
- Review Council's assessment of the level of exposure to fraud and corruption.
- Receive and review management's strategies and controls to manage fraud and corruption risks.

D. Management control framework

Oversee Council's management control framework arrangements and provide assurances as to whether:

- Management has adequate controls in place, including over external parties such as contractors and advisors.
- Management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- Appropriate processes are in place to assess compliance with policies and procedures.
- Appropriate policies and procedures are in place for the management and exercise of delegations.
- Management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

E. External accountability, including financial reporting

Provide assurance with respect to Council's external accountability obligations and:

- 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 or not appropriate action has been taken in response to audit recommendations and adjustments in a timely manner.
- Monitor management responses to the Audit Management Letter.
- Consider contentious financial reporting matters in conjunction with Council's management and external auditors.
- Provide assurance over the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Satisfy itself that there is an Integrated Planning & Reporting framework in place, which is in accordance with Local Government guidelines and directives.

F. Internal Audit

Council's Internal Auditor reports functionally to the Committee and administratively to the General Manager. The Committee establishes the role and direction for internal audit and maximises the benefits of the internal audit function.

The Internal Auditor's role is set out in Council's Internal Audit Charter.

The Committee's role is to monitor and overview Council's internal audit function and:

- Provide assurance that the internal audit function is adequately resourced and has appropriate standing within Council.
- Provide assurance that the Internal Audit Plans (strategic and annual) are linked with and cover the major risks identified in Council's risk profile as per its risk registers, and approve the Plans.
- Promote the co-ordination between management, internal and external auditors.
- Support the independence of the internal audit function by providing oversight.
- Make recommendations to commission internal audits of any kind, whether to be conducted by the internal auditor or otherwise.
- Review all internal audit reports and consider any significant matters reported and provide assurance over the adequacy of management responses.
- Review and discuss the internal auditor's quarterly reports, including year to date progress on the Internal Audit Plan, significant variations that may have occurred from the approved Internal Audit Plan, and any specific concerns the Internal Auditor may have.
- Monitor management responses to internal audit reports through the Register of Management Actions.

- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Participate in the selection of external internal audit providers, as required.
- Meet at least once per year with the internal auditor, in closed session, to discuss any issues of concern.

G. External audit

Oversee Council's external audit function and:

- Promote the co-ordination between management, internal and external auditors.
- Review the proposed external audit scope and approach.
- Provide input and feedback to Council and the external auditor on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Review external audit plans and reports in respect of planned or completed external audits and monitor management's implementation of significant audit recommendations.
- Make recommendations to the General Manager on external audit activities.
- Assist the General Manager to periodically review the performance of external audit.
- Make recommendations to the General Manager on the appointment and removal of external auditors.
- Meet at least once per year with the external auditor, in closed session, to discuss any issues of concern.

H. Continuous Improvement

Provide input and guidance to Council's organisation development and continuous improvement activities by:

- Monitoring improvement initiatives, programs and projects as programmed including:
 - Organisational / operational reviews.
 - Service reviews.
 - Organisation Planning
 - Development of performance criteria / data requirements and the collection of data for performance reporting against such criteria.
- Reviewing the annual performance of Council against its documented key performance criteria and provide relevant advice to the General Manager.
- Identifying and recommending to the General Manager from time to time Council activities, services, business processes, systems etc. that may benefit from a review.

I. Accountability of the Committee and members

The key requirements are:

- The Committee is accountable for ensuring that it operates in line with this Charter.
- All members are accountable to ensure that they abide by the Council Code of Conduct at all times.
- All members are accountable to ensure that they act in accordance with the conflicts of interest section of this Charter.
- All members of the Committee are individually accountable for:
 - understanding the relevant legislative and regulatory requirements appropriate to Council
 - contributing the time needed to study and understand the papers provided
 - applying good analytical skills, objectivity and good judgment
 - expressing opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry
 - acting honestly and in good faith
 - actively participating in the work of the Committee
 - performing their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee
 - conducting the business of the Committee with the care, diligence and skill appropriate to the role
 - declaring any change in employment status that may give rise to any real or perceived conflict of interest, and
 - recognising and respecting the role of the Council as the governing body and the General Manager as the principal executive officer.

J. Transparency

The Committee:

- Will ensure that agendas and minutes of Committee meetings will be made publicly available subject to the privacy and confidentiality considerations set out in section 10A(2) of the *Local Government Act 1993*, the *Government Information (Public Access) Act 2009* (GIPA) and the *Privacy and Personal Information Protection Act 1998* (PPIPA)
- In some instances, may recommend the non-release, or delayed release, of a particular report, at least until such time as the findings contained within it are sufficiently managed so as not to jeopardise Council's financial, legal, safety or other risks.
- May seek input or advice from Council's nominated GIPA and PPIPA specialists in relation to any public disclosures.

Role of the Chair

The primary role of the Chair of the Committee is to manage Committee meetings to create a co-operative and conducive decision-making forum.

The role of the Chair of the Committee is also to:

- set the agenda for meetings of the Committee in consultation with the General Manager, Internal Ombudsman and Internal Auditor.
- develop an annual work program for the Committee in conjunction with the General Manager and relevant staff.
- coordinate a self-assessment of the performance of the Committee on an annual basis.
- review the performance of each external independent member at the end of their term of appointment.
- provide an annual report to Council each year on the Committee's activities.
- report the minutes of each Committee meeting to Council.

8. Reporting Requirements

The Internal Auditor must present an Internal Audit Annual Report to the Committee at its first meeting after 30 June each year. The report must include commentary on the following performance related matters:

- the approved Internal Audit Plan of the previous financial year showing the current status of each audit
- the performance of internal audit for the financial year as measured against agreed key performance indicators
- management's progress with the implementation of internal audit recommendations, and
- the performance of Council-wide service risk assessments, and project-specific risk assessments, in accordance with the Enterprise Risk Management Plan and Committee work program.

The Chair of the Committee must provide an annual report to Council each year. The key elements of the annual report must include a summary of the Committee's activities in each of its areas of responsibilities as set out in this Charter, as well as details of:

- the annual Audit Plan
- meetings held and member attendance
- key achievements
- key action points
- results of the self-assessment of the Committee's performance, and
- any other matters deemed to be of importance.

Meeting minutes reported to Council

The Chair of the Committee is to report the minutes of Committee meetings to the first available Council meeting following their confirmation. As the minutes may contain confidential or sensitive information, broader public access will be subject to privacy and confidentiality considerations (noted under the Transparency section above).

9. Performance Review

Internal audit performance

The Committee will oversee with input from the General Manager an annual internal review of the performance of the internal audit function and an independent review of the function during its term of office.

Committee and member performance

The Chair of the Committee shall coordinate a self-assessment of the performance of the Committee on an annual basis. The results of this self-assessment will be included in the Committee Annual Report to Council.

The performance of external independent members will be subject to review at the end of each term of appointment or before this time if required. The Chair of the Committee will review the performance of each external independent member, and the Mayor or the Councillor member, General Manager and Internal Ombudsman will review the performance of the Chair.

Charter review

Once every two years, the Committee will review its Charter to ensure it remains current, relevant and accurately reflects the Committee's composition, role and responsibilities.

The Committee may make recommendations to the Council to change aspects of the Charter. However the adoption of the Charter is the responsibility of Council.

10. Administrative Arrangements

Council will provide Secretariat for the Committee from the Governance and/or Internal Ombudsman's Offices as appropriate. Council will also provide project support to the Committee as appropriate.

Meetings of the Committee are not open to the public. There is no opportunity for members of the public to address the Committee.

Meeting schedule and Forward Meeting Plan

The Committee shall meet a minimum of 5 times per year.

Meetings will be scheduled around particular points in the Council's planning and reporting cycles. Additional meetings may be held as necessary.

Where, either Internal Audit Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Committee will be kept fully informed of all changes via email through the Secretariat.

A Forward Meeting Plan, including meeting dates and agenda items, will be agreed by the Committee each year. The Forward Meeting Plan will cover Committee responsibilities as detailed in this Charter and defined in the annual work program.

Agendas and minutes

Meeting agendas must be set and approved by the Chair of the Committee in consultation with the General Manager, Internal Ombudsman and Internal Auditor.

All items on the agenda must consist of a report. Confidential items must include a non-confidential covering report that provides a brief summary of the matter for the public.

The Secretariat support will ensure the agenda for each meeting is circulated at least seven business days before the meeting and made publicly available on Council's website the following day.

The General Manager through the Secretariat support must ensure that full and accurate minutes of the proceedings of Committee meetings are kept. The minutes must record:

- the date and time of meetings, attendees and any apologies
- any conflict of interests declared at the meeting
- the confirmation (or otherwise) of the minutes from previous the meeting
- the Committee resolutions on each item
- details of any vote taken
- the time the meeting closed.

The Secretariat will circulate minutes to all Committee members, Councillors and relevant staff as soon as practicable after the meeting. The minutes must be confirmed by the Committee at the next available Committee meeting.

Confidential Reports

All agenda reports will be publicly available unless the report contains information of the following kind, in which case the report will not be publicly available (the below criteria reflect section 10A(2) of the Local Government Act 1993).

- Personnel matters concerning particular individuals (other than councillors).
- Personal hardship of any resident or ratepayer.
- Information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.

- Commercial information of a confidential nature that would, if disclosed:
 - prejudice the commercial position of a person who supplied it; or
 - confer a commercial advantage on a competitor of Council; or
 - reveal a trade secret.
- Information that would, if disclosed, prejudice the maintenance of law.
- Matters affecting the security of Council, Council Officials and Council property.
- Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.
- Information concerning the nature and location of a place or an item of Aboriginal significance on community land.
- Alleged contraventions of any code of conduct requirements applicable under section 440 of the Local Government Act.

If the subject business is of a kind listed above then those documents will be issued separately to the Agenda and must be treated as confidential. The grounds for restricting public access to documents will be stated on the Agenda along with an explanation provided as to why public access would be, on balance, contrary to the public interest.

Quorum

A quorum will consist of a majority of Committee members, including at least two external independent members.

Voting

The Committee is expected to make decisions by consensus, but if voting becomes necessary then the vote will be decided by a majority of votes of members present and the details of the vote recorded in the minutes.

Each member of the Committee is entitled to one vote only. In the case of an equality of votes on any issue, the Chair of the Committee shall have the casting vote.

Conflicts of Interest

Members of the Committee must comply with Council's Code of Conduct in carrying out their functions as Committee members. It is the personal responsibility of each Committee member to comply with the standards in the code of conduct and regularly review their personal circumstances with this in mind.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest will be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate that they be excused from deliberations on the issue where the conflict of interest may exist. It is the responsibility of each member and staff member to determine if a conflict of interest exists, the nature of that interest and how they will respond to that interest.

Induction

New voting members will receive information packs and briefings upon their appointment to assist them to meet their Committee responsibilities.

Remuneration

The independent members of the Committee shall be remunerated on a per meeting basis for participating on the Committee at the remuneration level adopted by Council.



Waverley Council

Internal Audit Charter

Internal Audit Charter

This charter outlines the purposes, authorities and responsibilities of Waverley Council's Senior Internal Auditor so he can provide an effective service.

Nature of Internal Audit

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.¹

Role and Objective of Internal Audit

The Internal Audit function is established to assist the Council, Audit Committee, General Manager and management of Waverley Council to achieve sound managerial control over all activities of the organisation.

The objective of Internal Audit is to determine whether Waverley Council's risk management, control, governance and other processes, as designed by management, are adequate, effective, efficient and functioning. Opportunities for improving management control, profitability (improved revenue and cost reduction) and Council's image may also be identified during reviews.

The achievement of the overall objective may involve:-

- reviewing the adequacy and effectiveness of the system of internal controls;
- reviewing the relevance, reliability and integrity of management, financial and operating data and reports;
- reviewing and assessing the adequacy of established systems, policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the Waverley Council's operations;
- reviewing the economy, efficiency, and effectiveness with which resources are employed;
- reviewing operations or programs to ascertain whether results are consistent with Waverley Council's established objectives and goals and whether the operations or programs are being carried out as planned; and
- conducting special assignments and investigations on behalf of the Audit Committee or General Manager into any matter or activity affecting the integrity, interests and operating efficiency of Waverley Council.

¹ Institute of Internal Auditors

Independence

Internal Audit is an advisory function and has an independent status within Waverley Council.

The Senior Internal Auditor: -

- shall report functionally to the Audit Committee and administratively to the General Manager and be independent of any other division or employee of Waverley Council;
- shall have no executive or managerial powers, functions or duties except those relating to management of the Internal Audit team;
- shall not be responsible for the detailed development or implementation of new systems and procedures, but should be consulted before such development to enable an assessment of the adequacy of planned controls;
- shall not be involved in the day to day operations of Waverley Council; and
- shall have the opportunity to meet privately with the Audit Committee as regularly as necessary.

Authority

The authority of the Senior Internal Auditor is derived from the Council, Audit Committee and General Manager.

The Senior Internal Auditor of Waverley Council shall at all reasonable times have access to the relevant information, personnel and property of Waverley Council, that is necessary for an effective and efficient performance of the Internal Audit function.

Scope of Internal Audit

Internal Audit coverage may extend to all areas of Waverley Council and include operational and financial activities.

The Senior Internal Auditor will consult with the Audit Committee and management to establish long and short term plans.

A three-year Internal Audit plan will be developed by applying a risk assessment to each business area to establish the frequency of reviews required in the area. The risk assessments will depend upon varying circumstances such as results of previous reviews, relative risk associated with activities, materiality and the adequacy of the internal control system. The three-year plan will indicate which areas are due for inclusion in the annual review plan and will be reviewed at least annually to reflect changes to the Waverley Council operations.

The annual review plan will include the planned scope, time and resources required for the review projects being conducted. The Audit Committee will approve this plan in conjunction with the 3 Year Plan.

Internal Audit Reports and Recommendations

At the conclusion of each internal review project, internal audit reports, which include observations and recommendations, will be discussed with management and actions agreed. An executive summary which includes the medium to high risk findings will be prepared by the Senior Internal Auditor, responded to by management and issued to relevant managers, and others considered necessary.

A written review report is prepared for each Audit Committee meeting. This report includes summaries of the key findings from reviews conducted and the progress against the Annual Audit Plan.

Liaison with External Auditors

The Senior Internal Auditor will liaise with the external auditors to:-

- reduce the incidence of duplication of effort;
- foster a co-operative working relationship;
- ensure appropriate sharing of financial information; and
- ensure co-ordination of the overall review effort.

The Senior Internal Auditor will make available to the external auditors all internal audit working papers, programs, flow charts and reports.

Standards of Audit Practice

The Senior Internal Auditor will meet or exceed the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

Where applicable the Senior Internal Auditor will also have regard to standards and statements issued by other Australian and international accounting and auditing organisations.

Quality Assurance

In order to ensure that the quality of the internal audit work is of a consistently high standard, the Senior Internal Auditor shall:-

- develop and maintain comprehensive working papers;
- ensure review work goes through an adequate quality assurance process;
- be provided with training as required; and
- seek advice from consultants on matters beyond Internal Audit capacity.

Senior Internal Auditor

Date

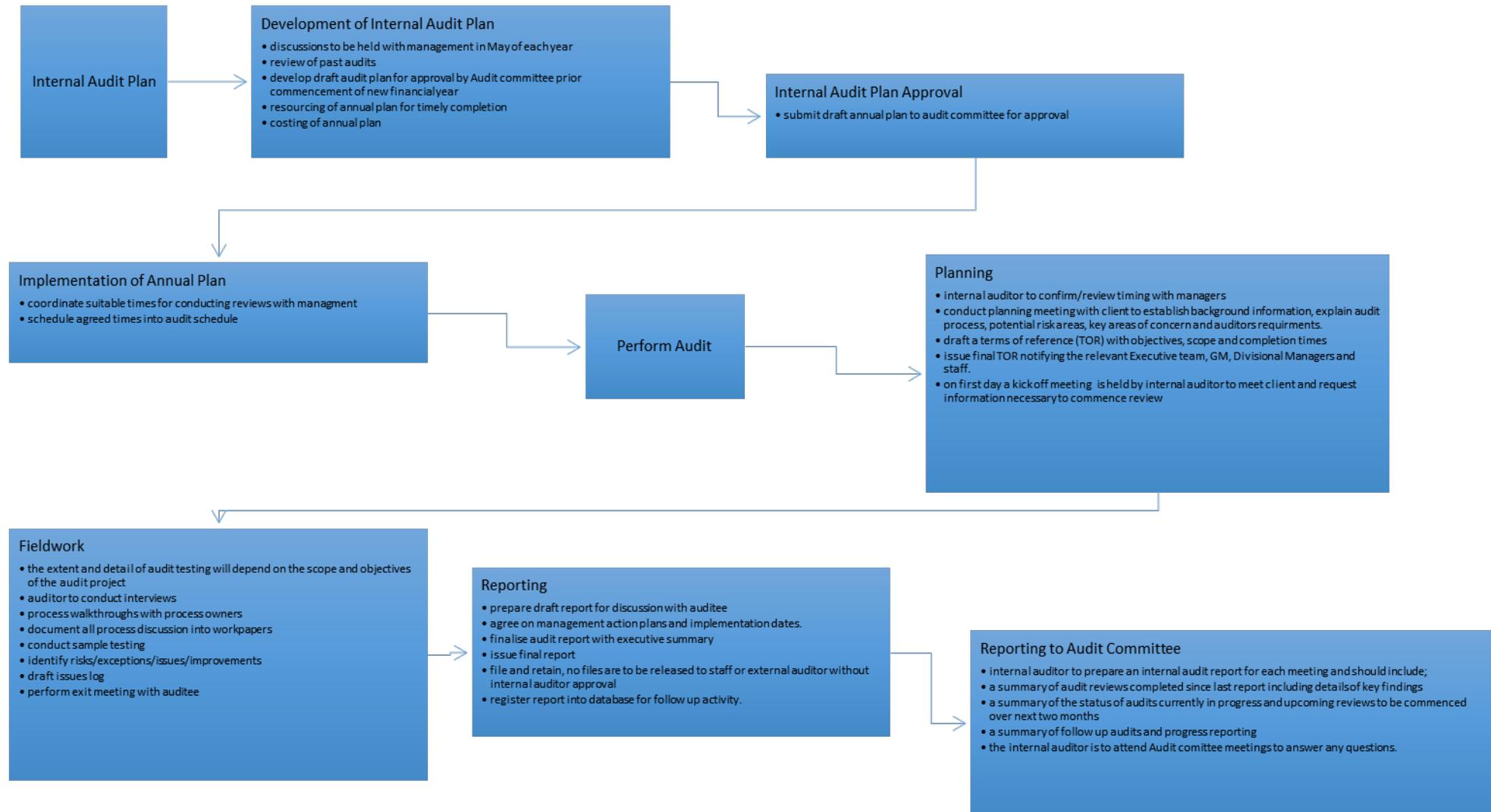
Audit Committee Chairperson

Date

General Manager

Date

Internal Audit Process Flowchart



REPORT
ARIC/4.6/19.10

Subject: Audit Report Recommendations - Implementation Status Update

TRIM No: SF19/963

Author: Jane Worthy, Internal Ombudsman

Director: John Clark, Director, Customer Service and Organisation Improvement

RECOMMENDATION:

That the Committee notes the implementation status of the high and medium rated recommendations from internal audits from 2017 to date.

1. Introduction/Background

At the ARIC Induction session on 16 October 2019, the independent members requested a summary of the high and medium rated recommendations resulting from internal audits from 2017 to date.

Attached to this report is a spreadsheet containing the high and medium rated recommendations from this period. An update of the implementation status will be tabled at the meeting.

2. Relevant Resolutions

Nil.

3. Discussion

Nil.

4. Financial impact statement/Time frame/Consultation

Nil.

5. Conclusion

Nil.

6. Attachments

1. Recommendations from Internal Audits - High and Medium - 2017 to date (Confidential).

REPORT

ARIC/4.7/19.10



Subject: Annual Internal Audit Plan Status Update

TRIM No: A19/0149

Author: Umayal Sivanandan, Senior Internal Auditor

Director: Ross McLeod, General Manager

RECOMMENDATION:

That the Committee notes the Annual Internal Audit Plan 2018/2019 status update.

1. Introduction/Background

At the Audit Committee meeting on 23rd February 2018, the Audit Committee stated that they have not been previously provided adequate information on the progress of the internal audit plans and requested the new auditor to provide a report on the progress of all audits in the internal audit plan.

At the Audit Committee meeting on 23rd May 2018 the first progress report was presented to the Audit Committee to provide an update on the work carried out by the Internal Audit function on the audit plan.

2. Relevant Resolutions

Meeting and date	Minute No.	Decision
Audit Committee February 2019	A-1902.7	That the Committee: <ol style="list-style-type: none"> 1. Notes the progress of the Internal Audit function. 2. Recommends that the Development Application Process Review be brought forward from the 2020/21 Audit Plan to the 2019/20 Audit Plan.

3. Discussion

Please see attached the Progress Report to the Audit Risk & Improvement Committee on the Work of the Internal Audit Function for the audit plan 2018/2019, as at 21 October 2019.

4. Financial impact statement/Time frame/Consultation

Nil.

5. Conclusion

The 2018/2019 Annual Audit Plan was endorsed by the Audit Committee on 1 November 2018 and despite a delay in commencement has progressed very well. All audits in the plan have been completed. Three audit reports were presented to the Audit Committee at its meetings in November 2018 and February 2019. The remaining audit reports will be presented to the Audit Risk & Improvement Committee at the next meeting.

6. Attachments

1. Annual Internal Audit Plan 2018-19 - Status Update .

PROGRESS REPORT TO THE AUDIT RISK & IMPROVEMENT COMMITTEE ON THE WORK OF THE INTERNAL AUDIT FUNCTION

PURPOSE:

To provide an update to the Audit Risk and Improvement Committee on the work carried out by the Internal Audit function.

REPORT:

Status of Audits as at 21 October 2019

Name of Audit	Risk Rating	Audit Priority	As Per Audit Plan	Revised Audit Schedule As At 21/10/2019	Audit Team	Current Status/Comments
Annual Internal Audit Plan – 2018/2019						
On Street Parking [Follow Up]	H	A	1 st Quarter	1 st Quarter	Senior Internal Auditor (SSROC)	Completed. Reported to Audit Committee on 1 st Nov.2018
Cash Management	H	A	1 st Quarter	1 st Quarter	Senior Internal Auditor (SSROC)	Completed. Reported to Audit Committee on 28 th February 2019.
Councillor Expenses & Payments	M	B	2 nd Quarter	2 nd Quarter	Senior Internal Auditor (SSROC)	Completed. Reported to Audit Committee on 28 th February 2019.
Overtime	H	A	2 nd Quarter	2 nd Quarter	Senior Internal Auditor (SSROC)	Completed. Report to be presented to ARIC at the next meeting.
Waste Management - Commercial [Follow Up]	M	B	3 rd Quarter	3 rd Quarter	Senior Internal Auditor (SSROC)	Completed. Report to be presented to ARIC at the next meeting.

Name of Audit	Risk Rating	Audit Priority	As Per Audit Plan	Revised Audit Schedule As At 21/10/2019	Audit Team	Current Status/Comments
149 Planning Certificates- GIS [Digital Waverley]	H	A	3 rd Quarter	3 rd Quarter	Senior Internal Auditor (SSROC)	Completed. Report to be presented to ARIC at the next meeting.
IT Security – Integrity & Security of Systems	H	A	4 th Quarter	4 th Quarter	External IT Specialist/ Consultant	This review was brought forward from the 2017/2018 audit plan into the audit plan for 2018/2019. Regular progress reports on this specialised review was provided to the Audit Committee by Executive Manager, Digital Waverley. Completed. Report to be presented to ARIC at the next meeting.
Accounts Payable	M	B	4 th Quarter	4 th Quarter	Senior Internal Auditor (SSROC)	Completed. Report to be presented to ARIC at the next meeting.

RECOMMENDATION:

That the Audit Risk & Improvement Committee notes the progress of the Internal Audit function's work as given above.

Umayal Sivanandan

Senior Internal Audit Consultant-SSROC 

REPORT ARIC/4.8/19.10



Subject: Governance Information Report

TRIM No: A07/0944

Author: Jane Worthy, Internal Ombudsman

Director: John Clark, Director, Customer Service and Organisation Improvement

RECOMMENDATION:

That the Committee receives and notes this report.

1. Introduction/Background

At the induction session for Council's Audit Risk and Improvement Committee held on 16 October 2019, the independent members of the committee requested a report be tabled at the first meeting to consider complaints and compliments, access to information requests, code of conduct investigation outcomes and public interest disclosure reports and legislative compliance issues.

This report provides a brief overview of Council's current position in relation to the above matters.

2. Relevant Resolutions

Nil.

3. Discussion

Complaints and compliments

Council uses Merit CRM to capture and manage customer requests. The system is configured into the following categories to reflect Council's Complaints Management Policy 2011:

- Quality of service.
- Behaviour of staff.
- Policy and procedure.

Each month, the Manager of Customer Service, who manages the system, prepares a report from the system of all complaints and compliments logged in the system during the month and the outcomes. This report is forward to her Executive Manager, Customer First, and to the Internal Ombudsman. I am unaware if it is more broadly circulated, and I note that access to the behaviour of staff matters is now restricted to the relevant line managers.

A copy of the two most recent reports is attached (Attachment 1).

Broader complaints management processes will be covered at Item 3 of this agenda.

Access to information requests

The Internal Ombudsman, Governance and Civic department provides a weekly report to the Executive Leadership Team (ELT) meeting detailing current requests for information under the *Government Information (Public Access) Act 2009* (GIPA Act). The most recent report to ELT is attached (Attachment 2).

An overview of the number of requests and the most common types of requests for the 2018–20219 financial year is attached (Attachment 3).

Code of Conduct matters, public interest disclosures and referrals to and from other agencies

All public interest disclosures and Code of Conduct complaints against Councillors are managed by the Internal Ombudsman as Council's Disclosure Co-ordinator and Complaints Co-ordinator respectively. Some Code of Conduct complaints against staff are also referred to the Internal Ombudsman.

Council has recently adopted the three bespoke versions of the Model Code of Conduct and the associated procedure provided by the Office of Local Government. The version relevant to the Committee members was included in the Induction Pack.

The Internal Ombudsman keeps a spreadsheet of all investigations managed by the Internal Ombudsman, including referrals to and from external agencies such as ICAC and NSW Ombudsman.

Recommendations that come from investigations undertaken by external conduct reviewers and managed by the Internal Ombudsman are also captured in a register. A redacted copy of the Register of External Investigation Recommendations is attached (Attachment 4).

Legislative compliance

In June 2019, the General Manager engaged Maddocks to undertake a Review of Statutory and Regulatory Compliance Systems. The final Maddox report was included in the Induction Pack.

Council subscribes to the Local Government Legal (LG Legal) Delegations Database and the Legislative Compliance Database. LG Legal is the trading name for the Hunter Council's Legal Services Limited and is an incorporated legal practice.

The benefit of using these databases is that Council has ready access to changes to all the legislation that relates to local government in NSW in a timely manner. Updates are made to the delegations and compliance databases by LG Legal when and as changes to legislation occur which ensures our legislative delegations and authorities are always up to date and correct.

The system can also provide legislative updates to legislation 'owners', and this is being set up for people who occupy positions with delegations as we roll out the new system. The roll-out has been slowed by on-going restructures as the system relies on the organisation structure establishing the back end set up.

Over time, it is hoped that this information will be used by staff across the organisation to update related policies etc. as the updates come through from LG Legal.

While the LG Legal databases provide Council with excellent legislative information, they do not provide a mechanism for checking legislative compliance. As part of work to strengthen the management control environment, process and audit initiatives will be considered.

4. Financial impact statement/Time frame/Consultation

There are no financial, timing or consultation issues associated with this report.

5. Conclusion

This report is provided to give the committee a brief overview of some of Council's current governance responsibilities. Any feedback or suggestions from the Committee will be welcome.

6. Attachments

1. Merit Complaints and Compliments Report - August-September 2019 (Confidential)
2. Access to information - Week ending 18 October 2019 (Confidential)
3. Requests for information 2018-2019 - Overview
4. Register of External Investigation Recommendations - 2015 onwards (Confidential).

Attachment 3

Requests for information -2018/2019 Overview

No of GIPA applications	No of Informal requests for information	The top five types of GIPA requests	Percentages	The top five types of Informal requests	Percentage
28	272	DA and building related, including investigations	25%	Internal plans	35.6%
		Slips & Falls related to infrastructure	17.8%	DA submissions	21.3%
		Cycleway	10.7%	CCTV	10.6%
		CCTV	7.1%	Contact details of owners	6.9%
		All others (in various categories)	39.4%	Other DA related requests	4.7%

REPORT ARIC/4.9/19.10



Subject: ARIC Meeting Dates and Draft Annual Work Program

TRIM No: A18/0658

Author: Al Johnston, Governance and Internal Ombudsman Officer

Director: John Clark, Director, Customer Service and Organisation Improvement

RECOMMENDATION:

That the Committee:

1. Sets its meeting dates for the remainder of 2019 and for 2020.
2. Adopts an Annual Work Program for 2020.

1. Introduction/Background

The Committee needs to set its meeting dates for the remainder of 2019 and for 2020.

The Committee also needs to develop an annual work program for 2020.

2. Relevant Resolutions

Nil.

3. Discussion

The proposed schedule of meeting dates for Council and its Standing Committees and the Waverley Traffic Committee for 2020 are attached to this report for the Committee's reference to assist it in setting its meeting dates.

Meetings of the ARIC are to be held in the Council's meeting chamber. The Waverley Traffic Committee also meets in the chamber on the fourth Thursday of each month. The Traffic Committee's dates have been provided so a clash can be avoided.

An Annual Work Program template is attached to this report for Committee members to populate.

4. Financial impact statement/Time frame/Consultation

Nil.

5. Conclusion

Nil.

6. Attachments

1. Proposed Schedule of Meeting Dates for Council and Committees 2020
2. Draft Waverley ARIC Annual Work Program 2020-21 .

PROPOSED SCHEDULE OF MEETING DATES 2020

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Operations and Community Services Committee		4	3	7	5	2	7	4	1		3	1
Strategic Planning and Development Committee		4	3	7	5	2	7	4	1		3	1
Council *Mayoral Election		18	17	21	19	16	21	18	*29	20	17	15
Traffic Committee		27	26	23	28	25	23	27	24	22	26	

**WAVERLEY AUDIT, RISK AND IMPROVEMENT COMMITTEE
ANNUAL WORK PROGRAM 2020-21**

AREA OF RESPONSIBILITY	MEETING				
(as set out in s7 of the Committee Charter)	M1	M2	M3	M4	M5
COMPLIANCE					
Review legal compliance framework					
Review systems for considering legal and compliance risks					
RISK MANAGEMENT					
Review risk management framework					
Strategic Risk Management Plan					
Business continuity planning					
Review risk mitigation strategies					
FRAUD AND CORRUPTION PREVENTION					
Code of Conduct compliance					
Public interest disclosures, complaints and investigations monitoring					
Review fraud and corruption risk management strategies					
MANAGEMENT CONTROL FRAMEWORK					
Policy and procedure review					
Policy compliance					
Review of Delegations					
EXTERNAL AUDIT					
Annual Financial Statements					
Audit Management Letter					
Client Services Plan					
Meet with External Auditor to discuss any issues of concern					
INTERNAL AUDIT					
Internal Audit Charter review					
Four Year Audit Plan					
Annual Audit Plan					
Internal Audit Annual Report					
Internal Audit reports					
Review Register of Management Actions					
EXTERNAL ACCOUNTABILITY					
IP&R framework					
Review financial information in Council's Annual Report					
CONTINUOUS IMPROVEMENT					
Monitor improvement initiatives, program and projects					
Review annual performance of Council					
Identifying areas for review					
COMMITTEE PERFORMANCE					
Annual Report to Council					
Self-assessment of performance					
Committee annual work plan					
ARIC Charter review (initial review then every two years)					