

ITEM 13

2020-21 ANNUAL REPORT ON ACTIVITIES OF THE AUDIT, RISK AND IMPROVEMENT COMMITTEE

In accordance with its Charter, the Audit, Risk and Improvement Committee (ARIC) is required to report at least annually to Council on its activities, with a copy of the report included in Council's annual report. Attached is the report for the 2020-21 financial year prepared by the ARIC Chairperson, and endorsed by the ARIC, for noting by Council.

RECOMMENDATION

Council note the 2020-21 Annual Report on the Activities of the Audit, Risk and Improvement Committee.

REPORT AUTHORISATIONS

Report of: Todd Hopwood, Manager Governance and Customer Service
Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Annual Report on Activities 2020-21 - Audit Risk and Improvement Committee

BACKGROUND

The Annual Report on activities provides an update to the Council and the community on the activities of the ARIC during the year. This report discusses activities during the year related to:

- Compliance and Governance Processes
- Risk Management and Fraud Control
- Financial Management
- Internal Audit, and
- External Audit

Management and the ARIC members are committed to remaining up to date with developments in the local government sector as well as ensuring current processes in audit, risk, finance and governance are challenged to ensure Council continues to develop best practice in its business models whilst maintaining robust internal controls.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2028 goal "We are a connected and engaged community". It specifically delivers on core business activities as detailed in the Governance and Customer Service, Service Plan 2021-22.

CONCLUSION

The ARIC Chairperson has prepared the Annual Report on activities in accordance with the ARIC Charter. The report highlights that Wollongong City Council has a sound and transparent governance and reporting framework in place.



AUDIT, RISK AND IMPROVEMENT COMMITTEE ANNUAL REPORT 2020-2021

BACKGROUND

This report covers the activities of the Audit, Risk and Improvement Committee (ARIC) for the period from 1 July 2020 to 30 June 2021.

The ARIC is a key component of Council's governance framework. The objective of the ARIC is to provide independent assistance and advice to the General Manager and Council by overseeing and monitoring Council's governance, risk and control frameworks, and its fulfilment of external accountability requirements.

MEMBERSHIP AND CONDUCT

There was a quorum for each of the meetings held in 2020/21.

Quarterly meetings were held on 17 September 2020, 15 December 2020, 2 March 2021 and 16 June 2021.

There were two extraordinary meeting of the ARIC in 2020/21 – on 6 October 2020 to consider the audited financial statements, and on 9 March 2021 to allow for timely discussion on the outcomes of an internal audit.

Wollongong Council's ARIC comprises a total of five members – three Independent members and two Councillor delegates.

All members have completed written conflict of interest declarations and confidentiality agreements.

The ARIC membership and meeting attendance for the 2020/21 financial year was:

Member	Role	Term Ends	Meetings Attended/ Eligible to Attend
Terry Clout	Independent Chair	30 September 2020	2/2
Donna Rygate	Independent Chair	31 October 2023	4/4
Stephen Horne	Independent member	30 September 2022	5/6
Catherine Hudson	Independent member	30 September 2021	6/6
Cr Mithra Cox	Councillor delegate	3 September 2021	4/6
Cr Dom Figliomeni	Councillor delegate	3 September 2021	6/6

All independent members have extensive experience in corporate governance in addition to recent and relevant financial experience. Councillor members have appropriate qualifications and experience to allow them to undertake their roles.

RECOGNITION OF COUNCIL ACHIEVEMENTS

Council continued to respond to considerable challenges in 2020/21 especially in relation to the COVID-19 pandemic. Despite this, Council's key achievements from a governance, risk and financial perspective include the following:

- Financial Statements were audited and submitted to OLG within the required timeframe.
- An outstanding result in The Audit Office of NSW's performance audit of procurement management in local government.
- Ongoing progress in governance education throughout the organisation.

SUMMARY OF ARIC's ROLE AND ACTIVITIES

The responsibilities and functions of the ARIC are to monitor aspects of Council's operations such as its compliance and governance processes; risk management and fraud control frameworks; strategic plan implementation; delivery program and strategies; performance measurement systems; outcomes of service reviews and business improvement initiatives; financial management; and internal and external audit.

These arrangements have operated soundly during 2020/21.

Compliance and Governance processes

Key ARIC activities included:

- Bi-annual review of the Gifts and Benefits Register.
- Reviewing implementation of Council's Governance Improvement Plan and Fraud and Corruption Prevention Improvement Plan.
- Consideration of strategic risks facing Council and monitoring risk treatment plans established to reduce or mitigate those risks.
- Receiving a report on Council's desktop review of all current Council and Management Policies for the Corporate Services Directorate.



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Risk management and fraud control

The Enterprise Risk Management Framework continued to evolve and improve during the year.

The ARIC monitors Council's topmost corporate risks to ensure that a comprehensive risk management framework is in place and that management is implementing a program to manage all significant risks by identification, prioritisation, and implementation of mitigation strategies.

In 2020/21 key ARIC activities included:

- Receiving and reviewing reports on risk management and strategic risks.
- Considering strategic risks facing Council and monitoring risk treatment plans established to reduce or mitigate those risks.
- Considering significant emerging risks or legislative changes impacting Council.
- Consideration of a report on Council's Fraud Survey.

The Committee received presentations in relation to the following:

- Pandemic Planning and Response to COVID-19.
- West Dapto Governance Structure.
- Fire Safety Compliance Project.
- Employee Care Plans.

The ARIC sought to ensure that Council has adequate fraud prevention strategies in place. It continues to receive reports on the findings of matters investigated by Council's Professional Conduct Coordinator in relation to:

- Fraud;
- corrupt conduct;
- maladministration; and
- serious and substantial waste of public money.

Internal Audit

The Internal Auditors have reported at each quarterly ARIC meeting on the status of the internal audit plan. In 2020/21 the ARIC has reviewed the following Internal Audit Reports:

- Inventory management.
- Development applications and assessment.
- Overtime management.
- Plant and equipment utilisation.
- Insurance management.
- Cyber security.

O'Connor Marsden (OCM) was selected through a competitive tender process in late 2018/19 to provide internal audit services to Council. OCM works closely with Council's Governance and Risk Manager to deliver Internal Audits to Council.

Key ARIC activities in relation to Internal Audit included:

- Reviewing and endorsing the annual internal audit plan and monitoring its progress.
- Reviewing internal audit reports, the practicality of any recommendations and the adequacy of management responses.
- Monitoring the implementation by management of recommendations arising from audit reports.
- Monitoring, through the results of internal and external audits, the adequacy and effectiveness of the Council's internal control structure.
- Holding 'in camera' meetings with the internal audit service provider.

External Audit

The Audit Office of NSW is the mandated External Audit provider for Wollongong City Council under the *Local Government Act 1993*.

Key ARIC activities included:

- Supporting the work associated with preparing and finalising the financial statements.
- Reviewing the annual Engagement Plan.
- Reviewing the management letter with a view to ensuring corrective action was planned and implemented as necessary.
- Holding 'in camera' meetings with the External Auditors.
- Reviewing a report on Council's performance against the results of The Audit Office's performance audit on credit card management in local government.

Progress continues in implementing recommendations from both Internal and External Auditors and various other independent reviews. ARIC continues to monitor and review the progress in implementing recommendations, with particular focus on high priority issues. The ARIC reviews regular progress reports at each meeting.

Financial Management

Key activities for the ARIC this year included:

- Reviewing monthly and quarterly management, financial, investment and performance reports.
- Reviewing the annual financial statements for completeness and consistency with the Committee's knowledge of operations and application of accounting policies and principles.
- Reviewing Council's financial performance against the Budget as approved by Council (both operating and capital budgets).
- Reviewing strategies of management to achieve budget balance.
- Reviewing long-term financial strategies developed by management.
- Receiving briefings on significant accounting and legislative matters with the potential to affect the financial position of Council.
- Considering and advising on the General Manager's financial delegations, to bring them into line with industry practice.



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OUTLOOK FOR 2021/22

The Internal Audit Plan for 2021/22 was approved at the June 2021 ARIC meeting taking into consideration Council's strategic risks as well as issues currently faced by Council. Council, in conjunction with the ARIC, will continue to review the internal audit plan so it takes into consideration the changing environment and key aspects of Council's operations.

Further development of the Risk Management Framework will continue in 2021/22.

Management and the ARIC members are committed to remaining up to date with developments in the local government sector as well as ensuring current processes in audit, risk, finance and governance are challenged to ensure Council continues to develop best practice in its business models whilst maintaining robust internal controls.

ACKNOWLEDGMENTS

I would like to thank the Committee members, management and staff, the internal auditors and the external auditors for their contributions.

Donna Rygate
Chairperson
Audit, Risk and Improvement Committee
30 June 2021



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