

ITEM 16 2023 - 2024 ANNUAL REPORT ON THE 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 2023-24 financial year prepared by the ARIC Chairperson.

RECOMMENDATION

Council note the 2023-24 Annual Report on the Activities of the Audit, Risk and Improvement Committee to be published in the 2023-2024 Council Annual Report.

REPORT AUTHORISATIONS

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

ATTACHMENTS

- 1 2023-2024 Annual Report on the Activities of the 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

The ARIC Terms of Reference requires the Committee to provide an annual assessment to the Council each year on the Committee's work. This report contributes to the delivery of Our Wollongong 2032 goal "We are a connected and engaged community". It specifically delivers on core business activities as detailed in the Customer and Business Integrity Service Plan 2023-24.

CONCLUSION

The ARIC Chairperson has prepared the Annual Report in consultation with the independent Committee members 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 2023-2024**

BACKGROUND

This report covers the activities of the Audit, Risk and Improvement Committee (ARIC) for the period from 1 July 2023 to 30 June 2024.

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 2023/24.

Meetings were held on 22 August 2023, 5 September 2023, 13 October 2023, 5 December 2023, 12 March 2024 and 4 June 2024.

Two of these meetings (August and October) were extraordinary meetings to consider the financial statements.

Wollongong City Council’s ARIC comprised a total of five members in 2023/24 – three independent members and two Councillor delegates.

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

The ARIC membership and meeting attendance for the 2023/24 financial year was:

Member	Role	Term Ends	Meetings Attended/ Eligible to Attend
Donna Rygate	Ind. Chair	31 Oct 2027	6/6
Carl Murphy	Ind. member	31 Oct 2025	6/6
Robert Lagaida	Ind. member	31 Oct 2026	5/6
Cr Dom Figliomeni	Councillor delegate	30 June 2024	5/6
Cr T Brown	Councillor delegate	30 June 2024	6/6

All independent members have extensive experience in corporate governance and/or risk management 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

While Council continued to respond to challenges in 2023/24, particularly in relation to long term financial sustainability and the impact of natural disasters, its key achievements from a governance, risk and financial perspective include the following:

- Implementation of a fresh approach to the identification and mitigation of strategic risks

- Continued vigilance around cyber security
- Ongoing work to improve asset management
- Introduction of a Service Optimisation Program

SUMMARY OF ARIC’s ROLE AND ACTIVITIES

The responsibilities and functions of the ARIC are to monitor and seek assurance on 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 2023/24. As a result of activities undertaken during 2023/24 (as outlined below), the ARIC is satisfied that management responses and actions in relation to the above Council operations have been effective.

Compliance and Governance processes

Key ARIC activities included:

- Bi-annual review of the Gifts and Benefits Register, Conflicts of Interest Register and Secondary Employment Registers
- Reviewing ARIC’s Terms of Reference, strategic risks, risk mitigation, and code of conduct reports
- Monthly review of Executive KPIs
- Monitoring Councillor Expenses



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Risk management and fraud control

The ARIC monitors Council's Strategic 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 2023/24 ARIC considered reports on topics including:

- OLG's Risk Management and Internal Audit Guidelines
- Building Information Certificates
- Human Resources and Payroll (HRP) System Implementation
- Fraud and Corruption Prevention
- Development of 24/25 Delivery Program and Budget
- Asbestos Management
- Planning Risks
- Council Level Policies
- Internal Control Checklist and Results
- Code of Conduct Registers
- Natural Disasters
- Cyber Incident
- Telstra Outage
- Update on Business Continuity Process

The ARIC also seeks to ensure that Council has adequate fraud prevention strategies in place. It receives and discusses reports on the findings of any matters investigated by Council's Professional Conduct Coordinator in relation to:

- fraud
- corrupt conduct
- maladministration
- serious and substantial waste of public money.
- serious misconduct issues

Internal Audit

The Internal Auditors have reported at each quarterly ARIC meeting on the status of the internal audit plan. In 2023/24 the ARIC has reviewed the following Internal Audit Reports, as well as the practicality of recommendations and the adequacy of management responses:

- Revocation of Dangerous and Menacing Dogs Declarations
- Management and Maintenance of Leisure Centres
- Fire Safety Regulatory Role
- Environmental Pollution and Incident Response
- Integrated Planning and Reporting
- Art Gallery Collections
- Light Fleet Vehicle Management
- Workers Compensation and Return to Work

Key ARIC activities in relation to Internal Audit included:

- Reviewing and endorsing the annual internal audit plan and monitoring its progress
- 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 has engaged EY as the External Audit provider for Wollongong City Council under the *Local Government Act 1993*. Key ARIC activities included:

- 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

Progress continues in implementing recommendations from both Internal and External Auditors and other relevant reviews. ARIC continues to monitor and review the progress in implementing recommendations, with particular focus on high priority issues. The ARIC reviews 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 matters with the potential to affect the financial position of Council
- Considering briefings on Council's investment strategy

Innovation and Improvement

Key activities for the ARIC this year included:

- Updates on Council's Service Optimisation Program and reviews undertaken
- Receiving briefings on Council's Asset Management Plan Approach and Program



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OUTLOOK FOR 2024/25

Council's Internal Audit Plan takes 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.

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.

2024/25 will see the first full year of ARIC's operation under the Office of Local Government's long delayed reforms. The Committee looks forward to ongoing Councillor involvement, despite OLG mandating that they must now be observers rather than voting members.

ACKNOWLEDGMENTS

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

Donna Rygate Chairperson
Audit, Risk and Improvement Committee
30 June 2024