



FINANCE POLICY COMMITTEE

AGENDA

3 MARCH 2020

Notice is hereby given, in accordance with the provisions of the Local Government Act 1993 that a **FINANCE POLICY COMMITTEE MEETING of ORANGE CITY COUNCIL** will be held in the **GLENROI COMMUNITY CENTRE, GAREMA ROAD, ORANGE** on **Tuesday, 3 March 2020**.

David Waddell

CHIEF EXECUTIVE OFFICER

For apologies please contact Administration on 6393 8218.

AGENDA

1	INTRODUCTION.....	3
1.1	Declaration of pecuniary interests, significant non-pecuniary interests and less than significant non-pecuniary interests.....	3
2	COMMITTEE MINUTES.....	5
2.1	Audit and Risk Management Committee Meeting of 14 February 2020	5

1 INTRODUCTION

1.1 DECLARATION OF PECUNIARY INTERESTS, SIGNIFICANT NON-PECUNIARY INTERESTS AND LESS THAN SIGNIFICANT NON-PECUNIARY INTERESTS

The provisions of Chapter 14 of the Local Government Act, 1993 (the Act) regulate the way in which Councillors and designated staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public role.

The Act prescribes that where a member of Council (or a Committee of Council) has a direct or indirect financial (pecuniary) interest in a matter to be considered at a meeting of the Council (or Committee), that interest must be disclosed as soon as practicable after the start of the meeting and the reasons given for declaring such interest.

As members are aware, the provisions of the Local Government Act restrict any member who has declared a pecuniary interest in any matter from participating in the discussion or voting on that matter, and requires that member to vacate the Chamber.

Council's Code of Conduct provides that if members have a non-pecuniary conflict of interest, the nature of the conflict must be disclosed. The Code of Conduct also provides for a number of ways in which a member may manage non pecuniary conflicts of interest.

RECOMMENDATION

It is recommended that Committee Members now disclose any conflicts of interest in matters under consideration by the Finance Policy Committee at this meeting.

2 COMMITTEE MINUTES

2.1 AUDIT AND RISK MANAGEMENT COMMITTEE MEETING OF 14 FEBRUARY 2020

RECORD NUMBER: 2020/313

AUTHOR: Shephard Shambira, Internal Auditor

EXECUTIVE SUMMARY

The Audit and Risk Management Committee (ARMC) held its quarterly meeting on 14 February 2020. A copy of the minutes of the ARMC meeting of 14 February 2020, and the related Agenda and the ARMC Annual Report as at 31 December 2019 are attached.

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy “17.1 Collaborate - Provide representative, responsible and accountable community governance”.

FINANCIAL IMPLICATIONS

The findings of the audit of contaminated land noted potential issues which might require funding from Council or other sources. The extent of financial commitment is not fully determined at this stage.

POLICY AND GOVERNANCE IMPLICATIONS

The ARMC meeting considered updates to the Fraud and Corruption Prevention Policy which is now recommended for adoption by Council.

RECOMMENDATION

- 1 That Council acknowledge the reports presented to the Audit and Risk Management Committee at its meeting held on 14 February 2020.**
- 2 That the remainder of the minutes of the Audit and Risk Management Committee at its meeting held on 14 February 2020 be adopted.**
- 3 That Council acknowledge the Audit and Risk Management Committee Annual Report for the Year ended 31 December 2019.**

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation’s impact on Council’s service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

SUPPORTING INFORMATION

The Audit and Risk Management Committee (ARMC) held its quarterly meeting on 14 February 2020. The Committee received a verbal report from the Audit Office NSW Director of Financial Audit regarding the Council’s preparations for the 2020 financial audit.

2.1 Audit and Risk Management Committee Meeting of 14 February 2020

A selection of tasks included in a proposed 3 year internal audit plan was considered and adopted by the Committee subject to a further update of the 3 year plan to incorporate additional tasks based on results of a risk assessment which is expected to be completed later in this calendar year.

The Committee also considered a draft Fraud and Corruption Prevention Policy which has been reviewed by management and provided feedback to enhance the risk management framework.

Management reports regarding progress with process improvement initiatives and regular compliance reports were noted. The Committee requested for a further update on the Action List to be circulated out of session including certain sections of the report which were incomplete at the time of the meeting.

A confidential report following an audit of contaminated land owned or occupied by Council was discussed at length and progress with work to strengthen the risk management process was noted.

The Audit and Risk Management Committee Charter requires that the Committee should report to Council regarding the Committee's activities. Section 7.3.(g) of the Charter notes that the Committee shall *"Report annually to the Council, describing the committee's compositions, responsibilities and how they were discharged, and any other information required by law, including non-audit services."* The annual report outlining the Committee's achievements for the calendar year ended 31 December 2019 is at [Attachment 3](#).

A copy of the minutes of the ARMC meeting of 14 February 2020, and the related Agenda and the ARMC Annual Report as at 31 December 2019 are attached.

ATTACHMENTS

- 1 Minutes of the Meeting of the Audit and Risk Management Committee held on 14 February 2020
- 2 ARMC Agenda 14 February 2020, D20/6697 [↓](#)
- 3 ARMC Annual Report for the Year ended 31 December 2019, D20/9652 [↓](#)

ORANGE CITY COUNCIL

MINUTES OF THE

AUDIT AND RISK MANAGEMENT COMMITTEE

HELD IN THE COUNCILLORS WORKROOM, CIVIC CENTRE, BYNG STREET, ORANGE

ON 14 FEBRUARY 2020

COMMENCING AT 9:35AM

1 INTRODUCTION

ATTENDANCE

Voting Members: Mr P Burgett (Independent Chairperson), Mr B Gillooly AM (Independent Member), Cr R Kidd (Mayor), Cr J McRae

Non-Voting Members: Chief Executive Officer, Acting Director Corporate and Commercial Services, Manager Financial Services, Internal Auditor, Cr J Whitton

Invited: Audit Office (NSW) Mr Chris Harper via teleconference

1.1 Apologies and Leave of Absence

Nil

1.2 Acknowledgement of Country

1.3 Declaration of pecuniary interests, significant non-pecuniary interests and less than significant non-pecuniary interests

Nil

2 PREVIOUS MINUTES

RECOMMENDATION

Mr B Gillooly AM/Cr J McRae

That the Minutes of the Meeting of the Audit and Risk Management Committee held on 25 October 2019 (copies of which were circulated to all members) be and are hereby confirmed as a true and accurate record of the proceedings of the Audit and Risk Management Committee meeting held on 25 October 2019.

3 GENERAL REPORTS

3.0 VERBAL UPDATE FROM THE AUDITOR GENERAL NSW

VERBAL REPORT BY MR CHRIS HARPER – DIRECTOR FINANCIAL AUDIT: AUDIT OFFICE NSW

RECOMMENDATION**Mr B Gillooly AM/Cr J McRae**

That the verbal report regarding progress with preparations for the Council's 2020 financial statements be noted.

*** Mr Chris Harper left the meeting with the time being 9:45am ***

*** The Mayor Cr R Kidd joined the meeting with the time being 10:11am ***

3.1 PROPOSED INTERNAL AUDIT PROGRAMME - 2020 TO 2023

TRIM REFERENCE: 2020/112

RECOMMENDATION**Mr B Gillooly AM/Cr R Kidd**

- 1 That the proposed internal audit programme be approved.
- 2 That the paper on investments process be noted and that the Internal Auditor consider allocating time to a high level compliance review of controls in the investments process.
- 3 That the Committee confirm the work plan for the remainder of this financial year.
- 4 That the Internal Auditor be requested to redraft the remaining 3 years of the plan to programme in the unallocated hours and reflect changes in priorities proposed by the Committee.

3.2 FRAUD AND CORRUPTION PREVENTION POLICY REVIEW

TRIM REFERENCE: 2020/98

RECOMMENDATION**Mr B Gillooly AM/Cr R Kidd**

- 1 That the report be acknowledged.
- 2 That feedback be provided to the Internal Auditor by 21 February 2020.

3.3 PROCESS IMPROVEMENTS - 2019/20 FINANCIAL YEAR - UPDATE - SEPTEMBER 2019 TO JANUARY 2020

TRIM REFERENCE: 2020/176

RECOMMENDATION**Cr J McRae/Cr R Kidd**

That the update on process improvements be acknowledged.

3.4 COMPLIANCE ACTIVITIES - 2019/20 FINANCIAL YEAR - UPDATE - SEPTEMBER 2019 TO DECEMBER 2019

TRIM REFERENCE: 2020/177

RECOMMENDATION**Mr B Gillooly AM/Cr J McRae**

That the update on compliance activities be acknowledged.

3.5 ARMC ACTION LIST AS AT JANUARY 2020

TRIM REFERENCE: 2020/99

RECOMMENDATION**Mr B Gillooly AM/Cr R Kidd**

- 1 That the report by the Internal Auditor on ARMC Action List as at January 2020 be acknowledged.
- 2 That action items marked as completed (100%) be deleted from the ARMC Action List.
- 3 That an updated ARMC Action List be prepared and distributed to Committee members out of session within 21 days from the date of this meeting.
- 4 That the Committee noted that the ARMC Action List progress report appeared incomplete as at the date of the meeting.
- 5 That the Chief Executive Officer request the Information Services Manager to make a presentation to the next meeting outlining the Council's information technology strategy roadmap.

3.6 AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (IN-CAMERA DISCUSSION)

TRIM REFERENCE: 2020/185

RECOMMENDATIONS**Mr B Gillooly AM/Cr R Kidd**

- 1 That the report by the ARMC Chair be acknowledged.
- 2 That Committee members' feedback on the report be submitted to the Committee Chair.
- 3 That the report be submitted to the next Council meeting.

4 CLOSED MEETING

In accordance with the Local Government Act 1993, and the Local Government (General) Regulation 2005, in the opinion of the General Manager, the following business is of a kind as referred to in Section 10A(2) of the Act, and should be dealt with in a Confidential Session of the Audit and Risk Management Committee meeting closed to the press and public.

In response to a question from the Chairperson, the Chief Executive Officer advised that no written submissions had been received relating to any item listed for consideration by the Closed Meeting of Audit and Risk Management Committee.

The Chairperson extended an invitation to any member of the public present at the meeting to make a presentation to the Audit and Risk Management Committee as to whether the meeting should be closed for a particular item.

RECOMMENDATION**Cr R Kidd/Mr B Gillooly AM**

That Audit and Risk Management Committee adjourn into a Closed Meeting and members of the press and public be excluded from the Closed Meeting, and access to the correspondence and reports relating to the items considered during the course of the Closed Meeting be withheld unless declassified by separate resolution. This action is taken in accordance with Section 10A(2) of the Local Government Act, 1993 as the items listed come within the following provisions:

4.1 Internal Audit Review Report - Contaminated Land (Council Owned)

This item is classified CONFIDENTIAL under the provisions of Section 10A(2) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.

The Chairperson declared the open meeting of the Committee adjourned for the conduct of the closed meeting at 11:35am.

The Chairperson declared the open meeting of the Committee resumed at 12:10pm.

5 RESOLUTIONS FROM CLOSED MEETING

4.1 INTERNAL AUDIT REVIEW REPORT - CONTAMINATED LAND (COUNCIL OWNED)

TRIM REFERENCE: 2020/196

RECOMMENDATION**Cr R Kidd/Mr B Gillooly AM**

That the report by the Internal Auditor regarding contaminated land and related management comments and action plans be acknowledged.

THE MEETING CLOSED AT 12:12PM.



AUDIT AND RISK MANAGEMENT COMMITTEE

AGENDA

14 FEBRUARY 2020

Notice is hereby given, in accordance with the provisions of the Local Government Act 1993 that an **AUDIT AND RISK MANAGEMENT COMMITTEE MEETING of ORANGE CITY COUNCIL** will be held in the **COMMITTEE ROOM 3, CIVIC CENTRE, BYNG STREET, ORANGE** on **Friday, 14 February 2020** commencing at **9:30AM**.

David Waddell

CHIEF EXECUTIVE OFFICER

For apologies please contact Shephard Shambira on 02 6393 8048.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

AGENDA**EVACUATION PROCEDURE**

In the event of an emergency, the building may be evacuated. You will be required to vacate the building. The Committee Clerk will now identify the emergency muster point.

Under no circumstances is anyone permitted to re-enter the building until the all clear has been given and the area deemed safe by authorised personnel.

In the event of an evacuation, a member of Council staff will assist any member of the public with a disability to vacate the building.

1	INTRODUCTION.....	3
1.1	Apologies and Leave of Absence	3
1.2	Acknowledgement of Country	3
1.3	Declaration of pecuniary interests, significant non-pecuniary interests and less than significant non-pecuniary interests.....	3
2	PREVIOUS MINUTES	4
2.1	Minutes of the Meeting of the Audit and Risk Management Committee held on 25 October 2019	5
3	GENERAL REPORTS	11
3.1	Proposed Internal Audit Programme - 2020 to 2023	11
3.2	Fraud and Corruption Prevention Policy Review	31
3.3	Process Improvements - 2019/20 Financial Year - Update - September 2019 to January 2020.....	43
3.4	Compliance Activities - 2019/20 Financial Year - Update - September 2019 to December 2019	47
3.5	ARMC Action List as at January 2020.....	49
3.6	Audit and Risk Management Committee Annual Report for the Year Ended 31 December 2019.....	83
4	CLOSED MEETING – SEE CLOSED AGENDA	95
4.1	Internal Audit Review Report - Contaminated Land (Council Owned)	97
5	RESOLUTIONS FROM CLOSED MEETING	98

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

1 INTRODUCTION**MEMBERS**

Voting Members: Mr P Burgett (Independent Chairperson), Mr B Gillooly AM (Independent Member), Cr R Kidd (Mayor), Cr J McRae

Non-Voting Members: Chief Executive Officer, Acting Director Corporate and Commercial Services, Manager Financial Services, Internal Auditor

Invited: Audit Office (NSW)

1.1 APOLOGIES AND LEAVE OF ABSENCE**1.2 ACKNOWLEDGEMENT OF COUNTRY**

I would like to acknowledge the Wiradjuri people who are the Traditional Custodians of the Land. I would also like to pay respect to the Elders both past and present of the Wiradjuri Nation and extend that respect to other Aboriginal Australians who are present.

1.3 DECLARATION OF PECUNIARY INTERESTS, SIGNIFICANT NON-PECUNIARY INTERESTS AND LESS THAN SIGNIFICANT NON-PECUNIARY INTERESTS

The provisions of Chapter 14 of the Local Government Act, 1993 (the Act) regulate the way in which Councillors and designated staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public role.

The Act prescribes that where a member of Council (or a Committee of Council) has a direct or indirect financial (pecuniary) interest in a matter to be considered at a meeting of the Council (or Committee), that interest must be disclosed as soon as practicable after the start of the meeting and the reasons given for declaring such interest.

As members are aware, the provisions of the Local Government Act restrict any member who has declared a pecuniary interest in any matter from participating in the discussion or voting on that matter, and requires that member to vacate the Chamber.

Council's Code of Conduct provides that if members have a non-pecuniary conflict of interest, the nature of the conflict must be disclosed. The Code of Conduct also provides for a number of ways in which a member may manage non pecuniary conflicts of interest.

RECOMMENDATION

It is recommended that Committee Members now disclose any conflicts of interest in matters under consideration by the Audit and Risk Management Committee at this meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

2 PREVIOUS MINUTES**RECOMMENDATION**

That the Minutes of the Meeting of the Audit and Risk Management Committee held on 25 October 2019 (copies of which were circulated to all members) be and are hereby confirmed as a true and accurate records of the proceedings of the Audit and Risk Management Committee meeting held on 25 October 2019.

ATTACHMENTS

- 1 Minutes of the Meeting of the Audit and Risk Management Committee held on 25 October 2019

ORANGE CITY COUNCIL

MINUTES OF THE

AUDIT AND RISK MANAGEMENT COMMITTEE

HELD IN COMMITTEE ROOM 3, CIVIC CENTRE, BYNG STREET, ORANGE

ON 25 OCTOBER 2019

COMMENCING AT 9:30AM

1 INTRODUCTION

ATTENDANCE

Voting Members: Mr P Burgett (Independent Chairperson), Mr B Gillooly AM (Independent Member), Cr R Kidd (Mayor), Cr J McRae

Non-Voting Members: Chief Executive Officer, Acting Director Corporate and Commercial Services, Manager Financial Services, Internal Auditor, Cr J Whitton (Alternate Committee member)

Invited: Ms Karen Taylor, Director Financial Audit - Audit Office (NSW) by telephone, Director Community Recreation & Cultural Services

1.1 Apologies and Leave of Absence

RECOMMENDATION

That the apologies be accepted from nil for the Audit and Risk Management Committee meeting on 25 October 2019.

1.2 Acknowledgement of Country

1.3 Declaration of pecuniary interests, significant non-pecuniary interests and less than significant non-pecuniary interests

MINUTES OF AUDIT AND RISK MANAGEMENT COMMITTEE**25 OCTOBER 2019****2 PREVIOUS MINUTES****RECOMMENDATION****Mr B Gillooly AM/Cr J McRae**

That the Minutes of the Meeting of the Audit and Risk Management Committee held on 30 August 2019 (copies of which were circulated to all members) be and are hereby confirmed as a true and accurate record of the proceedings of the Audit and Risk Management Committee meeting held on 30 August 2019.

3 GENERAL REPORTS**3.1 MANAGEMENT LETTER ON THE INTERIM PHASE OF THE AUDIT FOR THE YEAR ENDING 30 JUNE 2019**

TRIM REFERENCE: 2019/2171

RECOMMENDATION**Cr R Kidd/Cr J McRae**

That the Auditor General Interim Audit Management Letter for the external audit for the year ended 30 June 2019 and related management responses be acknowledged.

3.2 INDEPENDENT APPLICATION FOR PAYMENT OF PENSIONER CONCESSION ORANGE CITY COUNCIL**REPORT:
SUBSIDY**

TRIM REFERENCE: 2019/2188

RECOMMENDATION**Cr J McRae/Mr B Gillooly AM**

- 1 That the report by the Auditor General NSW Director of Financial Audit regarding the audit of Council's Pensioner Concession Subsidy Claim for the period 20 September 2018 to 19 September 2019 be acknowledged.
- 2 That the Manager Financial Services be requested to provide an explanation to members out of session regarding the variance in the concession on water and sewer between the 2018 and 2019 financial years.

MINUTES OF AUDIT AND RISK MANAGEMENT COMMITTEE**25 OCTOBER 2019****3.3 VERBAL UPDATE ON THE AUDIT OF COUNCIL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

TRIM REFERENCE: 2019/2289

RECOMMENDATION**Cr R Kidd/ Mr B Gillooly AM**

- 1 That the Auditor General's Engagement Closing Report and verbal report by the Director Financial Audit regarding progress on the audit of Council's financial statements for the year ended 30 June 2019 be noted.
- 2 The Committee commended the appropriate and professional relationship between the Auditor General's Office and the Orange City Council, and acknowledged the good work by Council staff involved with the preparation and audit of the financial statements.

Ms K Taylor left the meeting at 09:57 am.

3.4 INTERNAL AUDIT MANUAL

TRIM REFERENCE: 2019/2169

RECOMMENDATION**Cr R Kidd/Mr B Gillooly AM**

- 1 That the report by the Internal Auditor on Internal Audit Manual be acknowledged.
- 2 That the Council adopt the Internal Audit Manual subject to amendments noted at the meeting regarding the clauses referencing to Dubbo Regional Council and the access to internal audit working papers by the External Auditor.

3.5 A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL COUNCILS IN NSW – DISCUSSION PAPER

TRIM REFERENCE: 2019/2283

RECOMMENDATION**Cr R Kidd/Mr B Gillooly AM**

- 1 That the report by the Internal Auditor on a New Risk Management and Internal Audit Framework for Local Councils in NSW Discussion Paper be acknowledged.
- 2 The Committee acknowledged the work put into the project by the Internal Auditor.
- 3 That further feedback be provided to the Internal Auditor out of session, with the Internal Auditor distributing an updated submission document out of session to members.
- 4 That the updated document be submitted to the November 2019 Council meeting.
- 5 That a copy of this updated document be shared with Local Government NSW following adoption by Council.

Cr R Kidd left the meeting at 10:40 am.

3.6 INTERNAL AUDIT PROGRAMME STATUS REPORT AS AT OCTOBER 2019

Page 7

MINUTES OF AUDIT AND RISK MANAGEMENT COMMITTEE**25 OCTOBER 2019**

TRIM REFERENCE: 2019/2236

RECOMMENDATION**Mr B Gillooly AM/Cr J McRae**

- 1 That the report by the Internal Auditor dated 8 October 2019 regarding the Internal Audit Programme Status Report be acknowledged.
- 2 That the Internal Auditor be requested to distribute an updated 4 year strategic internal audit plan out of session following finalisation of the risk registers review process.

3.7 COMPLIANCE ACTIVITIES - 2019/20 FINANCIAL YEAR - UPDATE - JULY 2019 TO AUGUST 2019

TRIM REFERENCE: 2019/2275

RECOMMENDATION**Cr J McRae/Mr B Gillooly AM**

That the update on compliance activities be acknowledged.

3.8 PROCESS IMPROVEMENTS - 2019/20 FINANCIAL YEAR - UPDATE - JULY 2019 TO AUGUST 2019

TRIM REFERENCE: 2019/2274

RECOMMENDATION**Mr B Gillooly AM/Cr J McRae**

That the update on process improvements be acknowledged.

3.9 ARMC ACTION LIST AS AT OCTOBER 2019

TRIM REFERENCE: 2019/2286

RECOMMENDATION**Mr B Gillooly AM/Cr J McRae**

- 1 That the report by the Internal Auditor on ARMC Action List as at October 2019 be acknowledged.
- 2 That action items marked as completed (100%) be deleted from the ARMC Action List.
- 3 That the updates to target completion dates and further progress updates provided at the meeting be noted.
- 4 The Internal Auditor referred to responses provided to the Chair on his observations for continuing enhancement of this report which were circulated and endorsed by the Committee.

4 CLOSED MEETING

MINUTES OF AUDIT AND RISK MANAGEMENT COMMITTEE**25 OCTOBER 2019**

In accordance with the Local Government Act 1993, and the Local Government (General) Regulation 2005, in the opinion of the Chief Executive Officer, the following business is of a kind as referred to in Section 10A(2) of the Act, and should be dealt with in a Confidential Session of the Audit and Risk Management Committee meeting closed to the press and public.

In response to a question from the Chairperson, the Chief Executive Officer advised that no written submissions had been received relating to any item listed for consideration by the Closed Meeting of Audit and Risk Management Committee.

The Chairperson extended an invitation to any member of the public present at the meeting to make a presentation to the Audit and Risk Management Committee as to whether the meeting should be closed for a particular item.

RECOMMENDATION

That Audit and Risk Management Committee adjourn into a Closed Meeting and members of the press and public be excluded from the Closed Meeting, and access to the correspondence and reports relating to the items considered during the course of the Closed Meeting be withheld unless declassified by separate resolution. This action is taken in accordance with Section 10A(2) of the Local Government Act, 1993 as the items listed come within the following provisions:

4.1 Internal Audit Review Plan - Contaminated Land

This item is classified CONFIDENTIAL under the provisions of Section 10A(2) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business, (d)i commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it and (d)ii information that would, if disclosed, confer a commercial advantage on a competitor of the council.

The Chairperson declared the open meeting of the Committee adjourned for the conduct of the closed meeting at 10:30 am.

The Chairperson declared the open meeting of the Committee resumed at 10:40 am.

5 RESOLUTIONS FROM CLOSED MEETING**4.1 INTERNAL AUDIT REVIEW PLAN - CONTAMINATED LAND**

TRIM REFERENCE: 2019/2258

RECOMMENDATION**Cr R Kidd/Mr B Gillooly AM**

- 1 That the Internal Audit Review Plan – Contaminated Land be approved.
- 2 That a confidential report on the findings be submitted to the next meeting.

MINUTES OF AUDIT AND RISK MANAGEMENT COMMITTEE**25 OCTOBER 2019**

The Committee noted that at the conclusion of the meeting a presentation will be made by the Director Technical Services regarding the Council's water security risk management processes and current status of related strategic issues.

THE MEETING CLOSED AT 11:10 AM.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

3 GENERAL REPORTS**3.1 PROPOSED INTERNAL AUDIT PROGRAMME - 2020 TO 2023**

RECORD NUMBER: 2020/112

AUTHOR: Shephard Shambira, Internal Auditor

EXECUTIVE SUMMARY

The internal audit programme is prepared based on a number of considerations. The Chief Executive Officer and Directors are consulted to identify areas of interest where they may require internal audit input. This can be based on planned future changes to processes and procedures or other strategic changes to the Council's strategic objectives. The CEO and Directors may be aware of ongoing issues with some of the processes under their control, as such, they may require the comfort of an internal audit assessment of identified processes and or transactions.

The internal auditor also carries out an assessment of the Council risks registers and consults with the Governance Team and relevant managers.

The Internal Auditor consulted with the Chief Executive Officer and Council Directors to identify audit areas which the executive required to be included in the internal audit programme based on their requirements and future strategic plans. This process highlighted various topics which the Internal Auditor evaluated and proposed an outline of potential internal audit assessments which can be carried out to provide advice and assurance to the executive as required. These tasks and related work breakdown structure has been reviewed and approved by the Chief Executive Officer and Directors as representing a correct position regarding their requirements. The reviews on these topics will focus on addressing specific areas of concern to the executive in addition to any other internal audit evaluation as deemed appropriate at the time of audit.

A further list of tasks is also include on the internal audit programme based on an assessment of the Council's corporate risks register. The corporate risks register highlights Council's inherent risk, residual risk and a target risk rating based on the Council risk appetite. Tasks included on the proposed internal audit plan focused more on areas where there is an elevated residual risk. In other scenarios, a complex analysis of other background information was carried out to inform a judgement on the corporate risks with a low or negligible residual risk and a significantly elevated inherent risk rating.

The Council has engaged a consultant to review the risks register and related framework. It is expected that the internal audit programme will be updated to reflect the outcome of this review where appropriate.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020****3.1 Proposed Internal Audit Programme - 2020 to 2023**

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy "17.1 Collaborate - Provide representative, responsible and accountable community governance".

FINANCIAL IMPLICATIONS

The Internal Audit function is included in the existing Governance budget votes. In some instances technical internal audit tasks may require outsourcing to specialist subject matter experts. This will be assessed on an ad hoc basis. The potential cost of such assessments cannot be determined at this stage as this will depend on unknown future variables.

POLICY AND GOVERNANCE IMPLICATIONS

Internal Audit assessments and resulting reports can recommend Governance/Policy changes or provide commentary and feedback on existing policies.

RECOMMENDATION

That the proposed internal audit programme be approved.

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation's impact on Council's service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

SUPPORTING INFORMATION

The consultation with Directors and the Chief Executive Officer highlighted a number of topics. The Internal Auditor carried out a preliminary evaluation of the risk management framework around the identified areas in order to form an opinion on the potential for process improvement. The tasks suggested by the Directors have been included in the programme.

This preliminary internal audit assessment concluded that the existing assurance framework on the Council's investment portfolio is comprehensive and therefore, it is not likely that there will be any substantial opportunities for improvement to the process arising from an internal audit of the transactions and policy framework. A previous internal audit assessment noted that there is a robust framework in place based on Council policies and procedures and the Ministerial Guidelines. This framework includes a monthly evaluation of the portfolio status by the Council in relation to key investment mandate benchmarks and parameters. The investment portfolio is governed by a range of policies and procedures which include an investment mandate designed by an external consultant based on the existing regulatory framework. The lines of defence in place include an annual review by the Auditor General which is expected to provide assurance regarding key risk factors on the investment portfolio. A copy of the details of advice provided to the Directors and the Chief Executive Officer regarding this recommendation is at [attachment 1](#).

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020****3.1 Proposed Internal Audit Programme - 2020 to 2023**

Another audit area identified by Directors relates to the policy framework and governance considerations around council policy formulation. The preliminary internal audit assessment indicated that there is potential for process improvement and efficiency gains which could be achieved through an internal audit of the policy making process and an evaluation of the existing policies. This task was therefore included in the proposed internal audit programme.

A detailed description of the process followed in setting the internal audit programme is at **attachment 3**.

The proposed internal audit plan for the period 2020 to 2023 is at **attachment 4**.

ATTACHMENTS

- 1 Attachment 1 - Internal Audit Programme 2020-2023 - Memo to CEO on investment portfolio assurance framework, D19/70222
- 2 Attachment 2A - World Economic Forum Global Risks Report 2019, D20/4295
- 3 Attachment 3 - Internal Audit Programme - 2020-2023 Process for Developing Internal Audit Plan, D20/4296
- 4 Attachment 3A - Internal Audit Programme 2020-2023 How the plan was developed, D20/4218
- 5 Attachment 4 - Proposed Internal Audit Programme 2020-2023, D20/6319

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Internal Audit Programme 2020-2023 - Memo to CEO
investment portfolio assurance framework

D19/70222

MEMO TO ACTING DIRECTOR CORPORATE & COMMERCIAL SERVICES**FROM INTERNAL AUDITOR****DATE 20 NOVEMBER 2019****ON PROPOSED INTERNAL AUDIT PROGRAMME – INVESTMENT PORTFOLIO
F599****Terms of reference**

In preparing a proposed internal audit programme for the period 2019 to 2023 the Internal Auditor consulted with the Directors and Chief Executive Officer. At a meeting with Directors it was suggested that the Council investment portfolio and related policy framework may be a possible item to be included in the proposed internal audit programme.

This memorandum seeks to provide insight on the assurance framework around the investment of council excess funds. The report recommends that an assessment of these processes under the current internal audit programme is probably not the most efficient way to allocate limited internal audit resources at this stage based on the perceived residual risk profile of the function.

Key Risk Considerations

The key risk event questions regarding the Council's investment portfolio mainly arise from the following:

1. Does the investment asset exist? This is a question as to whether an investment asset reported actually exists and whether related movements with respect to such assets actually occurred as reported.
2. Completeness of the list of investment assets reported. When a report on the investment portfolio is published, the list of investment assets listed should be complete and accurate.
3. Is the investment portfolio properly valued and transactions allocated to the appropriate accounts? Some investment assets can be valued in more than one way and the most appropriate valuation methodology should be used to determine the value of an asset.
4. Are the Council's rights and obligations properly safeguarded? The Council's ownership of investment assets should be properly established to ensure that there is no potential loss of an investment. It should be clearly verified that the council's claim to ownership of an investment is appropriately established.
5. Presentation and disclosure of investment assets in Council financial statements must be appropriate. Particular components of the investment portfolio should be properly measured and classified, and adequately described and disclosed as required under the relevant financial reporting standards."

The Assurance Framework in place at Orange City Council

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1 - Internal Audit Programme 2020-2023 - Memo to CEO on investment portfolio assurance framework

1. The Council is required to comply with the Ministerial Investment Order. These guidelines determine the class of assets which Council is allowed to invest in. This limits the risk of default by restricting investment activities to conservative assets. This Ministerial direction acts as a broad investment policy in so far as it determines the types of assets allowable and limits for institutional exposure and limits on asset class exposure.

The risk of an investment asset failing can be due to one of the following factors:

- The counterparty with which council invests funds is distressed or unable to continue trading.
 - The asset in which Council has invested is extinguished by market forces or other reasons. Some investment assets are not guaranteed or may be guaranteed by a weak security.
 - Speculative assets such as futures, derivatives and shares by their nature fluctuate in value.
 - An investment amount exceeding the deposit protection limit may become unrecoverable in the event of the counterparty going into distress. Deposit protection insurance cover per institution is limited to a certain amount. As such where it is possible to maintain a balance which is below the protected amount, there is comfort in knowing that in the event of the deposit taking institution failing, Council is protected by the deposit insurance scheme.
 - Liquidity of an investment asset/portfolio can adversely impact Council's cashflow requirements. It should be possible to redeem an investment as required for cashflow management. Investment tenure and asset characteristics should be in line with cash flow requirements.
- ✓ *The Ministerial Investment Order and Council policy guidelines on how Council should invest its excess funds appear to mitigate the above risks to a great extent.*

2. The Council process for approval of investment transactions requires that only delegated officials can process and approve transactions. These delegation arrangements provide a level of assurance that investment transactions will be scrutinised and assessed by more than one official as determined by the Chief Executive Officer from time to time.
3. The Council Policy *ST042 – Investment of Council Funds*, and related procedures provide a detailed outline of how Council should manage its investment portfolio. This policy and related procedures provide assurance regarding the risk management framework required to safeguard Council investment portfolio. Council Policy ST042 articulates the Council investment strategy.
4. The Council Investment Policy includes a requirement for Council to utilise the services of a third party professional investment advisor. This procedure provides an additional layer of assurance over the integrity of the Council investment portfolio.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Internal Audit Programme 2020-2023 - Memo to CEO on investment portfolio assurance framework

5. The Auditor General NSW as Council's external auditor also carries out procedures to review transactions and processes around Council's investment portfolio. This process normally addresses the 5 key risk considerations identified above. Council's investment activities account for a substantial sum of money which is most likely to be deemed material to the activities of Council. Therefore, in accordance with auditing standards, it is reasonable to expect that the Auditor General NSW provides some reasonable assurance regarding the integrity of the Council investment portfolio and related processes.

Limitations of existing assurance framework

The assurance framework in place is limited to the extent that the external audit procedures are carried out once a year only. Should Council require assurance on a more regular basis, an audit of the investment portfolio may be carried out at other times during the financial year.

While the Council policy and procedures provide for the segregation of duties between staff who process and staff who approve investment transactions, it is likely that the process may be less effective due to different levels of technical knowledge regarding complexity and risk profile of investment instruments and trading counterparties.

Recommendation

In view of the foregoing, an internal audit of the Council's investment portfolio and related framework is not being proposed for inclusion in the 2019-2023 strategic internal audit programme. This view will be reconsidered if the risk environment changes. Management can trigger a request for internal audit input if there are any significant changes in the risk environment.

Shephard Shambira
INTERNAL AUDITOR

AUDIT AND RISK MANAGEMENT COMMITTEE

Attachment 2 Attachment 2A - World Economic Forum Global Risks Report 2019

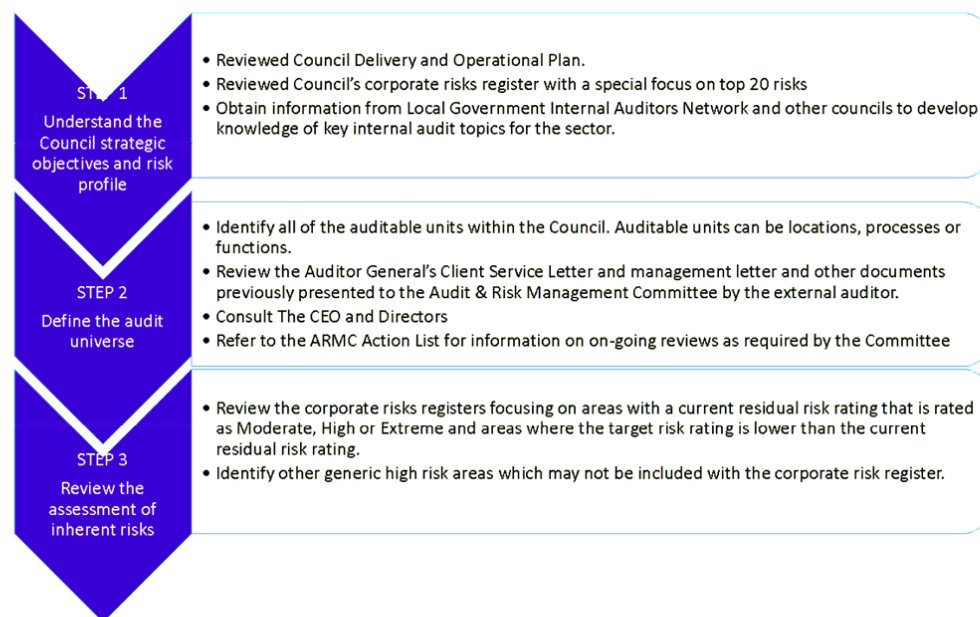
14 FEBRUARY 2020



AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

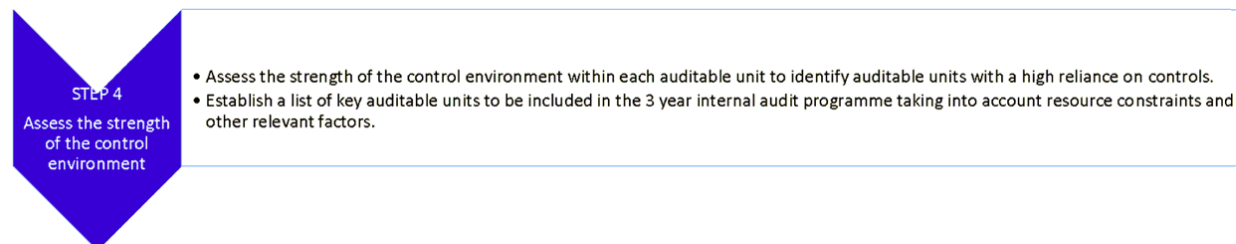
Attachment 3 Attachment 3 - Internal Audit Programme - 2020-2023 Process for Developing Internal Audit Plan

Attachment 3: Detailed process for developing the internal audit programme

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 3 Attachment 3 - Internal Audit Programme - 2020-2023 Process for Developing Internal Audit Plan



Internal control is a process—effected by those charged with governance, management, and other personnel—designed to provide reasonable assurance about the achievement of the entity's objectives with regard to:

- ✓ reliability of financial reporting,
- ✓ effectiveness and efficiency of operations, and
- ✓ compliance with applicable laws and regulations.
- ✓ internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives.

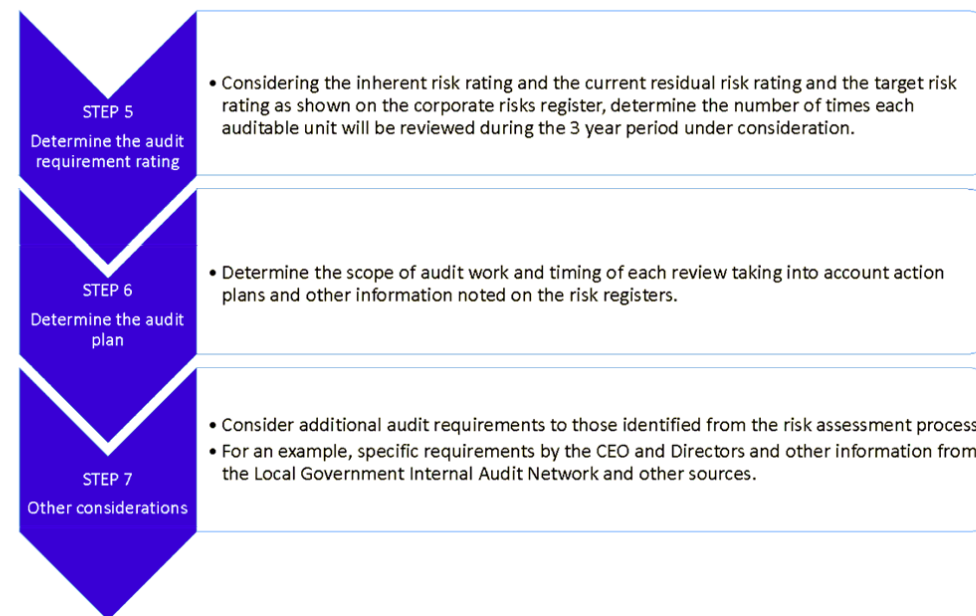
Internal control consists of five interrelated components:

- 1) **Control environment** sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- 2) **Entity's risk assessment** is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
- 3) **Information and communication systems** support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- 4) **Control activities** are the policies and procedures that help ensure that management directives are carried out.
- 5) **Monitoring** is a process that assesses the quality of internal control performance over time.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 3 Attachment 3 - Internal Audit Programme - 2020-2023 Process for Developing Internal Audit Plan



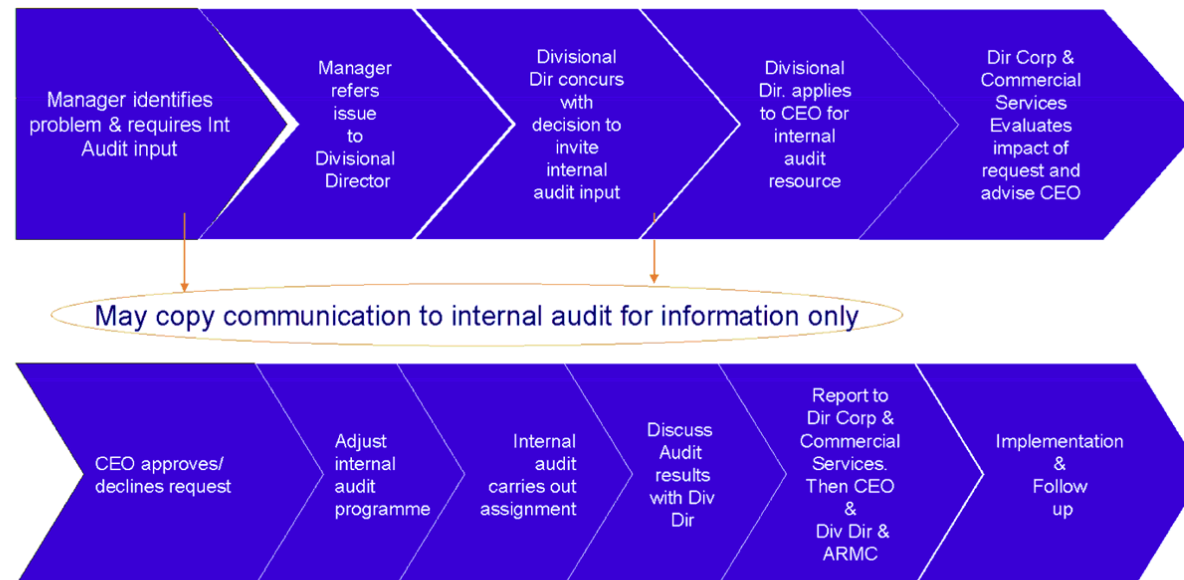
Submit draft internal audit programme for approval by the Directors, CEO and The Audit & Risk Management Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 3 Attachment 3 - Internal Audit Programme - 2020-2023 Process for Developing Internal Audit Plan

The Internal Audit Process - Ad Hoc Requests

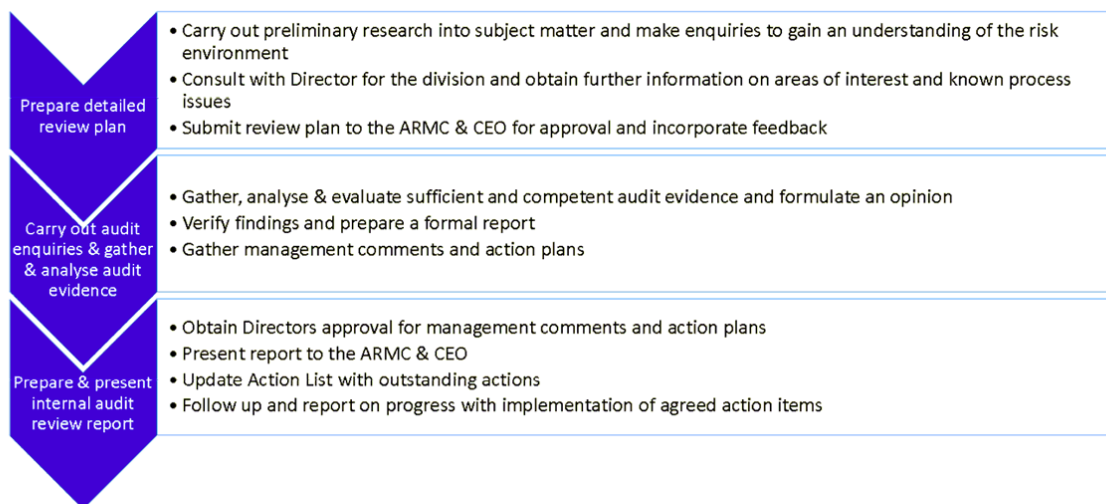


AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 3 Attachment 3 - Internal Audit Programme - 2020-2023 Process for Developing Internal Audit Plan

Report of Findings and Recommendations



AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

Attachment 4 Attachment 3A - Internal Audit Programme 2020-2023 How the plan was developed

Attachment 3A**The Internal Audit Function at Orange City Council****The role of internal audit**

The Institute of Internal Auditors – Australia (IIA) defines internal auditing as *“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.”*

The governance framework

The Council's internal audit function is governed by a management policy (The Internal Audit Activity Charter) approved by the Chief Executive Officer on advice from the Audit & Risk Management Committee (ARMC). This Charter is in line with a template recommended by the Office of Local Government and the Institute of Internal Auditors. The internal audit function reports to the Chief Executive Officer and the ARMC as provided by a Council Policy – The ARMC Charter.

Internal audit scope of work

The scope of work for the Council's internal audit function is defined in the Internal Audit Activity Charter. The scope of work may include any of the following:

- Assessing the risk management framework and providing assurance regarding the Council's enterprise-wide risk management processes.
- Provide assurance regarding systems of internal control
 - Over financial processes and transactions and/or
 - Information technology processes and procedures
- Operational auditing covering any other areas of Council besides financial services operations.
- An evaluation of the Council's project management processes.
- Special purpose consultancy reviews and investigations as required by the Chief Executive Officer.

Internal Audit Resources Available

The Council's internal audit function is shared between Orange City Council and Bathurst regional Council. The total time available to Orange City Council is 95 days. In addition, there are other internal audit activities which are carried out by management and external consultants as required and as determined by the Chief Executive Officer from time to time. For an example, the audit of Work health and Safety processes is often outsourced to various agencies as a routine process. The accreditation for various branches of Council such as Childcare services is also outsourced to regulatory and other agencies as part of the licensing requirements. The Council risk registers reflect aspects of the assurance map which highlights a range of other internal audit activities which are not necessarily carried out by the Internal Auditor.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

Attachment 4 Attachment 3A - Internal Audit Programme 2020-2023 How the plan was developed

Item Description	Grand Total #of days	#of days per Council
Working days per month	22	11
Working days per annum	264	132
sick/carers leave average say 1 day per month	12	6
training average 2 days per quarter	8	4
Annual & Long Service Leave	20	10
Xmas party & Workers Union Picnic day	2	1
ARMC support, including annual report etc. 2 days/quarter		8
ARMC & Management meetings average 2 days per quarter		8
Audit work days available per annum		95
An audit will take an average of 16 days to complete. Therefore it is estimated that 6 audits will be completed annually. The duration of an audit depends on the scope of coverage required by the CEO/ARMC.		

How this audit plan was developed

The proposed internal audit programme was developed following an assessment of the Council's corporate risks register informed with results of an assessment of various Council reports and documents, and general risk assessment reports from the industry. In addition, some tasks were identified based on consultations with the CEO and Directors regarding potential process changes and known process issues. The Auditor General's Client Service Engagement letter and management letters were also assessed as part of the process of gaining an understanding about the risk environment and related assurance services.

A detailed description of the process followed in preparing the strategic internal audit plan is at **attachment 3**.

A copy of the World Economic Forum Global Risks Report for 2019 is at **attachment 2A**. This report highlights internationally recognised risks which can also impact the Council's operations. Previous predictions on key global risk events have indicated that the World Economic Forum prediction is generally reliable.

The Internal Auditor considered issues identified in the current version of the corporate risks register in light of his experience working in the Local Government sector and at Orange City Council. Committee members should note that the current version of the corporate risks register requires to be updated to reflect better risk descriptions and residual risk ratings. In addition, certain aspects of the current version of the corporate risks register relate to ongoing tasks which should be re-classified as compliance tasks. A consultant will be assisting Council with resolving these issues and a clean corporate risks register will be presented to the Committee in due course.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

Attachment 4 Attachment 3A - Internal Audit Programme 2020-2023 How the plan was developed

The Council's current version of the corporate risks register risk ratings are summarised in the table below.

	Inherent Risk Rating			Current Risk rating				
	Severe	Major	Moderate	Severe	Major	Moderate	Minor	Negligible
No. of risks	19	14	8	2	6	6	4	23

The corporate risks register risks with a residual rating of severe, major, moderate or minor, were deemed to be the top 18 corporate risks.

Out of the 19 risks rated as severe, 2 have a residual risk rating of severe and 4 are rated as major, 2 are rated as minor and the remaining 7 are rated as negligible.

Out of the 14 risks rated as having an inherent risk rating of major, 2 have a major residual risk rating; 2 are rated as minor and 1 is rated as moderate while the remaining 9 are rated as negligible.

One out of the 8 risks with an inherent risk rating of moderate has a residual risk rating of Moderate and the remaining 7 risks are rated as negligible.

Ad hoc Tasks

This internal audit programme provides for *ad hoc* unpredictable internal audit consultancy engagements which may be commissioned by the Chief Executive Officer from time to time to address emerging issues and risks which are not known at the time of preparing the 3 year programme.

The assurance map

The Council's corporate risks register and operational risks registers were prepared by the Manager Corporate Governance in consultation with management from across the whole Council. These risk registers identify all assurance activities of the Council; both internal and external, as they apply to each of the corporate risks. In recommending items for inclusion in the internal audit programme, the Internal Auditor formed a professional judgement regarding the adequacy and likely effectiveness of the assurance activities listed against each of the corporate risks. Potential assurance gaps and duplicate coverage areas informed the Internal Auditor's judgement on items included in the audit plan.

The ARMC Action List

For internal audit to be as effective as possible, its recommendations need to be implemented. The Audit & Risk Management Committee (ARMC) Action List is a report which submitted to each and every meeting of the Committee. This report shows the status of all internal audit recommendations pending implementation and related progress updates. Items listed on this report are deleted only after a report has been submitted to the Committee confirm that the matters raised have been fully resolved. The ARMC Action List also

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

Attachment 4 Attachment 3A - Internal Audit Programme 2020-2023 How the plan was developed

includes tasks requested by the ARMC and related progress updates on such tasks.

The Reporting Framework

At the commencement of each and every internal audit task on the approved internal audit programme, the Internal Auditor will circulate a detailed scoping document to members of the Committee for their input and information. Internal audit review reports will be submitted to the quarterly meetings of the ARMC. Each review report will include responses and comments from management regarding the audit observations and recommendations. The Directors of each division will generally sign off on any such recommendations to ensure that the action plans are aligned with all the relevant priorities. An annual report on activities of the Council ARMC and internal audit function will be prepared by the Committee Chair and submitted to the Council after being considered by the ARMC at its March meeting.

Strategic Internal Audit Programme 2020 - 2023

The proposed strategic internal audit plan for the period 2020 to 2023 is at **attachment 4**.

S Shambira

INTERNAL AUDITOR

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 5 Attachment 4 - Proposed Internal Audit Programme 2020-2023

Internal Audit program

018/70117



Internal Auditor - Audit program						Corporate risk register alignment				2019/20				2020/21				2021/22				2022/23			
Task	Indicative number of days	Corp risk register ID	Inherent risk rating	Residual risk rating	Within tolerance	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Contaminated lands policy implementation	14	10701	Severe	Major	No			14																	
Policy Framework Review	14		Various governance risks							14															
Council Vehicle Procurement Process review	20	3956	Major	Negligible	Yes				20																
Corporate and Commercial Services Division Client Services Review (internal audit consultancy review)	10		Several governance risks					10																	
Records system	16		Various technology & governance risks									16													
Information Technology Security	10	4130	Severe	Negligible	Yes									10											
Property/Land acquisition process	14	3956	Major	Negligible	Yes					14															
Property and Facilities Management project management process	20		Various governance & financial risks													20									
Climate change adaptation (Impact of climate change on Council)	14	5420	Moderate	Minor	Yes																	20			
Work Health Safety compliance review	6	8077	Severe	Moderate	No																	6			14
Business Continuity Plans Review	14	4146	Severe	Severe	No													14							
Ad hoc projects - to be advised by GM on an ad hoc basis to address emerging significant risks	8																								
TOTAL DAYS - Internal Auditor Audit Program (inc ad hoc days)						As scheduled - assume 8 pa				As scheduled - assume 8 pa				As scheduled - assume 8 pa				As scheduled - assume 8 pa				As scheduled - assume 8 pa			
						52				52				52				48							
IA repeat reports/tasks						2019/20				2020/21				2021/22				2022/23							
Risk Management Committee - one meeting per quarter (2 hours) plus 1 day per quarter on risk matters						1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26
Compliance annual report - a random check of evidence of compliance over 2 days (reviewing report prepared by the Div Admin Officer)								2				2				2				2					
Divisional meetings - one per month for an hour						0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Divisional management meetings - one per week for an hour						1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
						15				15				15				15							
Grand Total of days						67				67				67				63				32			
Remaining number of days to be allocated to tasks identified following updates to the										28				42											

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 5 Attachment 4 - Proposed Internal Audit Programme 2020-2023

Proposed Internal Audit Plan 2020 - 2023 Work Breakdown Structure		D19/70117	
Task description	Estimated number of days***	Timing?	
Property/Land acquisition process			
1(a) review compulsory land acquisition transactions for easements to identify controls over integrity of the process and test effectiveness of controls over the integrity of compulsory land acquisition transactions	14		
the audit review should consider negotiation process, land valuation approval process, application of unique requirements on unencumbered versus encumbered land			
evaluate the application of different valuation methodologies and related factors on unencumbered versus encumbered land			
review the procedural and policy framework around acquisition and holding of land for trading, operational purpose or for long term strategic purposes.			
1(b) establish whether the process includes an appropriate capital rationing evaluation			
establish whether there are predetermined investment hurdles in place to drive land investment decisions			
1(c) Property and Facilities Management	20		
Review the risk management framework around the following areas for Council's property management function and identify area for further assessment with a view to strengthen the risk management framework and operational efficiency.			
1) Property asset management - review framework supporting decisionmaking on acquisition and disposal			
2) Functional and economic performance of asset - review framework in place to inform council regarding the performance of property assets			
3) Maintenance and refurbishment implications - review framework in place to inform council decisions on maintenance and refurbishment of property owned by council			
4) Life cycle costing and cost benefit analysis - establish whether there is a policy and procedures in place regarding property lifecycle costing and cost benefit analysis.			
5) Energy conservation - assess whether there are opportunities for cost savings based on alternative and more efficient energy utilisation strategies. Utilise subject matter expertise from other Councils and Local Government Internal Auditors network, or a third party consultant.			
6) Lease and tenant management - evaluate risk management framework in place and determine whether there is a potential benefit in carrying out a comprehensive assessment of transactions.			
7) Accounting and budgeting - review risk management framework in place and determine whether there are opportunities for improvement especially in view of results of internal audit enquiries based on points (2), (3) and (4) above.			
8) Risk and insurance - review insurance policy document terms of insurance and consult with subject matter experts regarding opportunities for improvement to risk coverage			

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 5 Attachment 4 - Proposed Internal Audit Programme 2020-2023

	9) Rental reviews - review risk management framework and determine whether there is a potential benefit in carrying out more comprehensive enquires regarding individual transactions. Materiality of the transaction will also be a significant factor in determining the extent of audit enquiries.		
	10) Review the allocation of responsibility across Council divisions in respect of the (9) areas identified above and form a view regarding appropriateness of the segregation of incompatible duties and operational efficiency.		
2	Climate change adaptation (Impact of climate change on Council)	14	April - June 2023
	Review effectiveness of controls identified in the risk register.		
	Risk register risk #5420 & #4951 references to a report by Echelon. Verify that all recommendations in this consultancy report have been implemented. Establish the status of identified future plans and provide appropriate commentary. Council record reference #IC14/13929		
3	Policy Framework Review	14	April - June 2020
	facilitate the review of Council's policy framework utilising an external consultant		
	Review policy framework against Office of Local Government Directory of Policy Advice		
	Evaluate Policy framework and identify opportunities for improvement		
4	Council Vehicle Procurement Process review	20	Jan - March 2020
	Review Council vehicle procurement procedures		
	Evaluate decisionmaking processes at each stage of the cycle:		
	plant acquisition decisions		
	plant operational decisions		
	Plant maintenance decisions		
	plant disposal decisions		
	consider implications of changing plant fleet to electric		
5	project management process	20	
	identify a sample of project management transactions for review		
	evaluate Council's project management processes based on the sample of transactions		
	identify opportunities for improvement to governance and efficiency systems.		
6	Records system	16	Jan - March 2021
	review how this has been implemented		
	review processes around how Council records and utilises third party information such as videos		
	evaluate the circumstances around multiple files for individual properties; with a view to streamline process		
7	Corporate and Commercial Services Division Client Services Review (internal audit consultancy review)	10	Jan - March 2020
	evaluate the service delivery model for the Corporate and Commercial Services Division with a view to streamline processes and		

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 5 Attachment 4 - Proposed Internal Audit Programme 2020-2023

	identify core services and recommend options for re-aligning services to internal and external customers requirements and expectations		
8	Work Health and Safety	6	
	Coordinate with the Council WHS Coordinator to identify and prepare scope of audit to be carried out by an external consultant		
	ensure that review process is aligned with Council requirements and facilitate establishment of an action plan where required.		
9	Information Technology Security	10	Jan- March 2021
	Facilitate an Information technology security risk assessment utilising an external consultant		
10	Business Continuity Plans	14	Apr-Jun 2022
	Review how the business continuity plans have been developed		
	Review the business continuity plan testing procedures, training and ongoing updating process		

158 *

*** The time available to Council is estimated to be 96 days per annum. The proposed strategic internal audit programme covers a 3.5 year period from January 2020 to July 2023

* The remainder of the internal audit time available will be allocated to tasks identified following completion of updates to the risks register

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

3.2 FRAUD AND CORRUPTION PREVENTATION POLICY REVIEW

RECORD NUMBER: 2020/98

AUTHOR: Janessa Constantine, Governance Coordinator

EXECUTIVE SUMMARY

The Council Strategic Policy - ST088 - Fraud and Corruption Prevention is aimed at providing a framework for the prevention, detection, investigation and correction of corrupt and fraudulent conduct.

The policy is due to be presented to the Council Meeting of 3 March 2020 for review and placement on public exhibition, followed by adoption by Council at a further meeting. This report seeks to invite Audit and Risk management Committee feedback on potential opportunities for improvement.

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy "17.1 Collaborate - Provide representative, responsible and accountable community governance".

FINANCIAL IMPLICATIONS

Nil

POLICY AND GOVERNANCE IMPLICATIONS

This report seeks input on the review of Council's Fraud and Corruption Prevention Policy. Committee members' feedback may result in updates to the policy to be included in the draft to be submitted to Council for placement on public exhibition or by way of further representations to be included after the exhibition period in a further report to Council before adoption occurs.

RECOMMENDATION

- 1 That the report be acknowledged**
- 2 That feedback be provided to the Internal Auditor by 21 February 2020.**

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation's impact on Council's service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020****3.2 Fraud and Corruption Prevention Policy Review**

SUPPORTING INFORMATION

The ARMC Charter section 7.3.(b) notes that the Committee's responsibility includes the following aspects of Risk Management:

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

The Council's fraud and corruption prevention risk management framework also includes a comprehensive risk register which identifies specific fraud and corruption risks and related systems of internal control. An internal audit review report on this risk register was presented to the Committee during the 2019 calendar year.

The Fraud and Corruption Prevention Policy will be submitted to Council for review and placement on public exhibition at its meeting of 3 March 2020. The Audit and Risk Management Committee feedback on this policy will be incorporated into the updated draft where possible to be submitted to Council. Feedback should be provided to the Internal Auditor no later than 21 February 2020, however this does not exclude members from making representations during the public exhibition period.

ATTACHMENTS

- 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention, D20/3317

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention



All policies can be reviewed or revoked by a resolution of Council, at any time.

FRAUD AND CORRUPTION PREVENTION

ST088

F22

OBJECTIVES

To provide a framework for the prevention, detection, investigation and correction of corrupt and fraudulent activity.

APPLICABILITY

This policy applies to all Council delegates - Councillors, Council employees (including temporary work experience placements), contractors, consultants, suppliers, volunteers, committee members and other delegates.

GENERAL

Council promotes an organisational culture that will not tolerate any actual or attempted act of fraud or corruption. The associated Fraud and Corruption Prevention Plan is designed to put this principle into practice.

Fraud and corruption can be distinguished from other forms of unethical behaviour. Council applies the following definitions which are based on those contained in the Australian Standard for Fraud and Corruption Control (AS 8001-2008).

Corruption – dishonest activity where a Council delegate acts contrary to the interests of Council and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept 'corruption' within the standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interest of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.

Fraud – dishonest activity, by a Council delegate or external person, causing actual or potential financial loss to Council, including the theft of money or other property. This includes the deliberate falsification, concealment, destruction or improper use of documentation used or intended for use for normal business purposes or the improper use of other information or position for personal financial benefit.

PROCEDURE

Council has developed and published policies and processes to facilitate the reporting of suspicions of corrupt conduct, mal-administration, or serious and substantial waste of public money. This guidance material, including the Public Interest Disclosures & Internal Reporting Policy (ST059), helps staff make protected disclosures in accordance with the Public Interest Disclosures Act 2012 and sets out procedures for making disclosures to Council and disclosures to appropriate external agencies including provisions for disclosures to be properly investigated and dealt with.

Council's Fraud and Corruption Prevention Plan outlines the process for dealing with fraud and corruption risks.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention



All policies can be reviewed or revoked by a resolution of Council, at any time.

RELATED POLICIES/DOCUMENTS

Australian Standard Fraud and Corruption Control AS8001:2008

Audit Office of NSW – Fraud Control Improvement Kit 2015

Crimes Act 1900 – section 156 & 157

Independent Commission Against Corruption Act 1998 – Part 3

Local Government Act 1993

Public Interest Disclosures Act 1994

State Records Act 1998

Strategic Policy – ST010 – Code of Conduct for Staff

Strategic Policy – ST110 – Code of Conduct for Councillors

Strategic Policy – ST021 – Customer Service Obligation

Strategic Policy – ST056 – Enterprise Risk Management

Strategic Policy – ST039 – Gifts & Benefits

Strategic Policy – ST059 – Public Interest Disclosures & Internal Reporting

Strategic Policy – ST109 – Purchasing Policy

Strategic Policy – ST016 – Complaint Management

Statement of Business Ethics

Responsible Area – Corporate and Commercial Services

REVISION					
	DATE	RESOLUTION		DATE	RESOLUTION
1	January 2009	09/453	6		
2	3 Dec 2013	13/649	7		
3	Dec 2014	15/024	8		
4	7 August 2018	18/354	9		
5					

All policies can be reviewed or revoked by resolution of Council, at any time.

SUMMARY OF AMENDMENTS

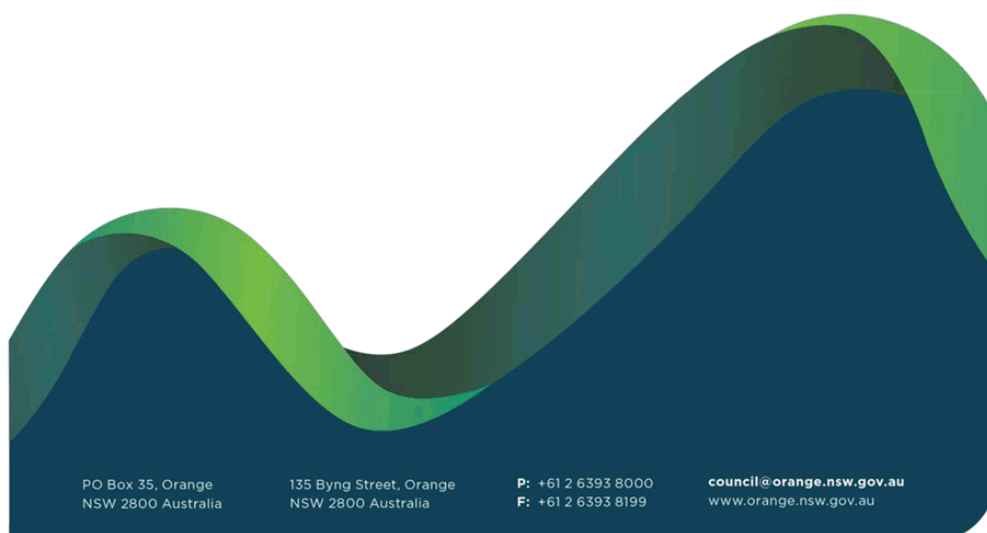
Amendment Date	Section/Reference and Amendment
February 2020	
May 2018	Amended objective. Applicability of Policy extended to consultants and suppliers. Expansion of definition of corruption. Updated related policies and documents. Update References.
December 2014	Clarification of "Council delegate" to include work experience participants. Updates to Public Interest Disclosures information. Removal of information relating to conflicts of interest as these considerations are set in the Code of Conduct.
October 2013	Inclusion of reference to the Australian Standard AS8001-2008 Fraud and Corruption Control, and to the ICAC "Corruption Prevention Strategy" May 2013. Inclusion of Enterprise Risk Management risk assessment process. Inclusion of reference to Public Interest Disclosure Contact Officers.



Strategic Policy

Fraud and Corruption Prevention

DRAFT



AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention

**Contents**

Introduction	5
Definitions of Fraud and Corruption.....	6
Areas within Council where Fraud and Corruption May Occur	6
Roles and Responsibilities.....	7
Conflicts of Interest.....	9
Risk Management	9
Internal Audit Strategy.....	10
Procedures for Reporting Fraud and Corruption.....	10
Procedures for Fraud and Corruption Investigation.....	10

DRAFT

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention

**Introduction****Overview**

This Fraud and Corruption Prevention Plan sets out the fraud and corruption prevention policies and procedures followed by Orange City Council. It details Council's approach to the prevention, detection, reporting and investigation of fraud and corruption. The Plan is based on the standards, principles and strategies set out in Australian Standard AS 8001-2008 – *Fraud and Corruption Control* and guidance from the Independent Commission Against Corruption publications.

Effective implementation of this strategy will help ensure that public confidence in the integrity of Council is maintained and Council's ability to achieve the best possible outcomes for the community will be enhanced.

Principles

Council promotes an organisational culture that does not and will not tolerate any actual or attempted act of fraud or corruption by Councillors, Council employees, contractors, volunteers, stakeholders, customers, committee members, and other delegates. This Fraud and Corruption Prevention Plan is designed to put this principle into practice.

Council is committed to:

- minimising opportunities for corrupt conduct
- detecting, investigating and disciplining corrupt conduct
- reporting corrupt conduct to ICAC and where appropriate NSW Police
- taking a risk management approach to the identification and management of corruption risk.

All Council delegates - Councillors, Council employees, contractors, consultants, suppliers, volunteers, stakeholders, customers and committee members, and other delegates must be above fraud and corruption, and further, conduct themselves in a manner so as not to be perceived to be involved in such activities.

Council will deal fairly with all parties in the course of investigating allegations of fraud or corruption. However, if fraud or corruption is proven, Council will apply appropriate sanctions in accordance with the Code of Conduct or Disciplinary Policy (relating to staff). Matters referred to the Independent Commission Against Corruption (ICAC) or NSW Police may lead to criminal proceedings.

All staff members are required to act ethically and professionally in accordance with Council's *Code of Conduct* and *Statement of Business Ethics*. The *Code of Conduct* is published on Council's website at www.orange.nsw.gov.au

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention

***Relationship with other Council Policies and Plans***

In addition to the Code of Conduct, this strategy has a close relationship with the following policies, plans and documents, each of which can be located on Council's website:

- Customer Service Obligation Policy
- Enterprise Risk Management Plan
- Gifts & Benefits Policy
- Public Interest & Internal Reporting Policy
- Purchasing Policy
- Statement of Business Ethics

Definitions of Fraud and Corruption

Council applies the following definitions, as defined by the Australian Standard for Fraud and Corruption Control (AS 8001-2008).

Corruption

Dishonest activity in which a Director, Executive, Manager, Employee or Contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept of 'corruption' within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly

Fraud

Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit. The theft of property belonging to an entity by a person or persons internal to the entity but where deception is not used is also considered 'fraud'.

Areas within Council where Fraud and Corruption May Occur

Fraud may be categorised as 'internal' or 'external' fraud. Internal fraud, sometimes called 'workplace fraud', refers to fraud that is committed by Council delegates in the workplace. External fraud refers to fraud against Council by non-delegates, such as customers, suppliers etc.

Areas identified as having high risk ratings for fraud and corruption in the public sector include:

- **Managing people** – delegations, recruitment, supervision of staff, secondary employment
- **Managing external relationships** – conflicts of interest, procurement, commercial activities, joint ventures, sponsorship

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention



- **Managing services and products** – client relationships, community affiliations, regulatory functions, and resource allocation
- **Managing money** – accounts management, cash handling, credit cards, grants and program funding, payroll, ticket vending
- **Managing information** – confidential information, electronic transactions, IT systems
- **Managing assets** – disposal of goods and property, intellectual property, management of resources, use of resources.

Some examples of fraud and corruption include:

- **Theft** (from Council or its customers) of assets, such as equipment, consumables, supplies, cash, information
- **Unauthorised or illegal use of assets, information or services for private purposes** including: vehicles, human resource support, computers (including email and internet), confidential information, equipment (including photocopiers, telephones, fax), Council logo or stationary
- **Abuse of position and power for personal gain** for example obtaining gifts or benefits in exchange for favourable treatment, nepotism in staff appointments, non-compliance with procurement processes by favouring one tenderer over another
- **Manipulation or misuse of accounting**, such as ordering equipment for personal use, over-ordering for private use, favouring suppliers whose costs are not as competitive as other suppliers, deliberate miscoding or transfer of financial transactions to achieve favourable reported budget outcomes
- **Falsification of records or services**, including timesheets, travel claims, purchase orders, petty cash vouchers, allowing contractors to under-deliver on goods or services below their contracted arrangements
- **Conflict of interest** eg: where a councillor or employee acts in their own self-interest rather than the interests of Council.

Roles and Responsibilities

Council considers and approves the Strategic Policy.

Chief Executive Officer considers all policies and procedures relating to the control and investigation of fraud and corruption. The Chief Executive Officer is responsible for:

- reporting to the Independent Commission Against Corruption (ICAC) any matter that he/she suspects on reasonable grounds involves or may involve corrupt conduct
- assigning responsibilities in relation to fraud and corruption risk management
- ensuring managers and staff receive support, training and resources to fulfil their responsibilities.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention



Director Corporate and Commercial Services is responsible for:

- producing fraud and corruption policies, procedures and training programs
- liaising with internal and external investigators
- assuring the quality of investigation processes and reports
- providing advice to staff affected by internal investigations.

Public Interest Disclosures Coordinator

All reasonable suspicions of fraud or corruption are reported to the Public Interest Disclosures Coordinator who decides what action should be initiated to assess the concerns raised. All fraud and corruption investigation reports are referred back to the Chief Executive Officer to determine what action is to be taken to address the investigation findings.

The Manager Corporate Governance is Council's nominated Public Interest Disclosures Coordinator.

Public Interest Disclosure Officers

In addition to the Chief Executive Officer, the following staff are appointed as Public Interest Disclosure Officers:

- Manager Corporate Governance
- Manager Community Services
- Manager Depot, Airport and Emergency Services
- Manager Development Assessments
- Manager Works
- Manager Corporate and Community Relations
- Executive Support Manager
- Governance Coordinator

Audit and Risk Management Committee

The Audit and Risk Management Committee has been established and assists in reviewing the effectiveness of Council's fraud and corruption control strategies and plans.

Directors must ensure that the Fraud and Corruption Prevention Plan and related Council Policies and Plans are fully and effectively implemented in their Divisions.

Line Managers are responsible for:

- implementing the Code of Conduct and relevant Policies and Plans, including ensuring staff are aware of principles and procedures
- monitoring their workplaces to identify and address situations that are likely to raise ethical dilemmas (eg. by establishing good procedural guidance for decision-making, particularly the exercise of discretion)
- ensuring that staff are not placed in potentially difficult or compromising situations (eg. by working alone in the field where they may face compromising situations, or potentially being exposed to relational selling)
- being available and supportive to staff who require guidance on ethical dilemmas;
- fostering a work environment free of harassment, discrimination, victimisation, corruption, maladministration and waste

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention



- supporting and protecting staff who report, in good faith, instances of potentially unethical or corrupt practices
- ensuring that staff are treated fairly, equitably and in accordance with legislation and policy (eg. access to training and other development possibilities).

All Council Staff have a duty to:

- act ethically, lawfully and in accordance with the principles contained in the Code of Conduct
- comply with this and all other Council policies
- report potentially unethical or corrupt practices via the established mechanisms.

Conflicts of Interest

A conflict of interest exists when a staff member could be influenced, or perceived to be influenced, by a personal interest when carrying out their duties. Council's Code of Conduct provides detailed guidance regarding conflicts of interest.

It is corrupt behaviour to knowingly make a decision influenced by a conflict of interest.

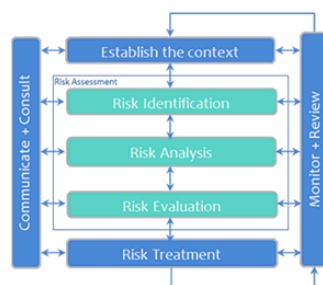
Risk Management

An important part of fraud and corruption prevention is understanding where the areas of risk are in Council. With this in mind, Council aims for the risk management process to result in meaningful action that eliminates or, at least, improves mitigation of fraud and corruption risks. The complete elimination of fraud and corruption is the desired state to be achieved, and while striving to achieve this level of control, a higher level of fraud and corruption risk mitigation will be achieved.

Risk management is:

- the responsibility of all employees
- integrated into all business activities and systems
- based around the overall process of risk identification, risk analysis, risk evaluation and risk treatment.

This plan is to be cross-referenced to Council's Enterprise Risk Management Plan, in particular its risk management process. The following diagram summarises that process.



AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 DRAFT - Strategic Policy - ST088 - Fraud and Corruption Prevention

**Internal Audit Strategy**

Council's internal audit strategy allocates significant resources to fraud and corruption prevention, in providing in-depth auditing of functions and activities considered to be of high risk, and in identifying and testing all aspects of the controls applied to address risks.

Council undertakes regular reviews of internal controls, policies and procedures and part of this Plan will include Line Managers conducting self-audits using the checklists provided by the NSW Audit Office's Better Practice Guide.

Procedures for Reporting Fraud and Corruption

Council has developed the Public Interest Disclosures & Internal Report Policy (ST059) which facilitates reporting in accordance with the Public Interest Disclosures Act 1994. This policy sets out:

- procedures for making disclosures to Council
- procedures for making disclosures to appropriate external agencies
- procedures for dealing with anonymous reports
- protection for people making protected disclosures from reprisals that might otherwise be inflicted on them because of their disclosures
- provisions for disclosures to be properly investigated and dealt with.

The Public Interest Disclosures Policy and the Public Interest Disclosure Reporting System complement existing communication channels between supervisors and staff. **Staff are encouraged to continue to raise appropriate matters at any time with their managers, but as an alternative they have the option of making a public interest disclosure.**

Procedures for Fraud and Corruption Investigation**Internal Investigations**

Council's Policy and approach for managing external complaints and allegations (Complaints Management Policy ST016) provides rigorous and detailed systems and procedures for conducting internal investigations and notifying appropriate external agencies.

Council documents all processes and findings of probity investigations. These documents are managed and stored securely to protect confidentiality.

External Investigative Resources

Council engages specialist external investigation and audit services to investigate probity allegations where appropriate, to provide an additional level of 'arm's length' independence to establish the facts.

The Chief Executive Officer has a statutory duty to report to ICAC any matters that he suspects, on reasonable grounds, may involve corrupt conduct, including fraud. Council notifies NSW Police in circumstances where criminal offences are suspected.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

3.3 PROCESS IMPROVEMENTS - 2019/20 FINANCIAL YEAR - UPDATE - SEPTEMBER 2019 TO JANUARY 2020

RECORD NUMBER: 2020/176

AUTHOR: Linda McFadden, Divisional Administrative Officer - Corporate and Commercial Services

EXECUTIVE SUMMARY

The purpose of this report is to record updates on process improvements for various Council areas. The process improvement tasks are identified by the Director Corporate and Commercial Services. The list grows as other opportunities are identified.

Council seeks to continuously enhance its business processes and procedures in order to achieve the following:

- Increasing efficiency and effectiveness – i.e., improving the way we work to achieve set objectives. This can be through cost reduction, automation of some activities, introduction of better methods of processing etc.
- Ensuring that Council achieves value for money – i.e., ensuring that the return on a dollar spent is worthwhile.
- Ensuring that Council's risk management framework is strengthened – i.e. improving the way risks are identified, mitigated and monitored.

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy "1.3 Our City - Ensure a robust framework that supports the community's and Council's current and evolving activities, services and functions".

FINANCIAL IMPLICATIONS

Nil

POLICY AND GOVERNANCE IMPLICATIONS

Nil

RECOMMENDATION

That the update on process improvements be acknowledged.

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation's impact on Council's service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

SUPPORTING INFORMATION

Awaiting future direction when Council has a new Director Corporate and Commercial Services.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

3.3 Process Improvements - 2019/20 Financial Year - Update - September 2019 to January 2020

ATTACHMENTS

1 Process Improvements - September 2019 to January 2020 Update, D20/5455



Quarterly Review - Audit and Risk Process Improvements

September 2019 to January 2020 - 2019/20 Financial Year

D20/5455

Action Status Type	Display Colour
Not Updated	Not Updated
Not Progressing	Not Progressing
Completed	Completed
Progressing	Progressing
Not Due To Start	Not Due To Start

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Process Improvements - September 2019 to January 2020 Update

1B: ARMC - Process Improvements

1B1: Process Improvements - Governance						
Ref	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1B1.1	Governance Coordinator	Enterprise Risk Management System - effectiveness. (Review if the ERM is implemented at appropriate levels and delivering performance enhancement.)	Ongoing updating and review of Enterprise Risk Management System (ERM) system. ERM report due in next quarter along with engagement of consultant to assist with review and update of current registers.	Ongoing	25%	●

1B2: Process Improvements - Finance

Nil

1B3: Process Improvements - Other						
Ref	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1B3.3	Manager Information Technology	Information systems - health checks. (Regular checks by software supplier and identification of process-improvement opportunities.)	<p>The Name and Address Register (NAR) has been the focus over the last 6 months. First step of reviewing who has update/add status has been completed. Naming format standards have also been completed. Creation of NAR Officer function in Customer Services and in-house training on standards has been completed with ongoing reporting and maintenance processes established. Scope and design work with Civica has begun to remove duplicate NAR entries and update existing entries into proper standardised format current in development.</p> <p>The streamlining work and the reassessment of Authority security and roles is largely completed with new best practice access restrictions in place to minimise risk.</p>	Ongoing	75%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

3.4 COMPLIANCE ACTIVITIES - 2019/20 FINANCIAL YEAR - UPDATE - SEPTEMBER 2019 TO DECEMBER 2019

RECORD NUMBER: 2020/177

AUTHOR: Linda McFadden, Divisional Administrative Officer - Corporate and Commercial Services

EXECUTIVE SUMMARY

This report records the sighting of evidence that Council has completed its compliance activities. The compliance activities are sourced from the Office of Local Government's Calendar of Compliance and Reporting for the related financial year, required accreditations for subject staff and subject areas of Council and from Federal and NSW legislation and regulations.

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy "1.3 Our City - Ensure a robust framework that supports the community's and Council's current and evolving activities, services and functions".

FINANCIAL IMPLICATIONS

Nil

POLICY AND GOVERNANCE IMPLICATIONS

Nil

RECOMMENDATION

That the update on compliance activities be acknowledged.

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation's impact on Council's service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

SUPPORTING INFORMATION

Compliance Reporting Area	No in Sept to Dec	No Completed	Comment
Finance	8	8	Satisfactory.
Governance	10	10	Satisfactory.
Companion Animals	8	8	Satisfactory.
Staff	2	2	Satisfactory.
Other	9	9	Satisfactory.
Contributions Plans	2	2	Satisfactory.

The complete Compliance Activities reports are sent monthly to the Executive Leadership Team (formerly the Directors' Meeting).

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

3.5 ARMC ACTION LIST AS AT JANUARY 2020

RECORD NUMBER: 2020/99

AUTHOR: Shephard Shambira, Internal Auditor

EXECUTIVE SUMMARY

The Audit and Risk Management Committee (ARMC) requested that a list of issues pending implementation be maintained and reported to the Committee at each meeting. The action list is divided into 3 sections:

- (i) A list of standing items which will be reported to the Committee on a regular basis with no end date
- (ii) Reports/tasks/updates requested by the Committee which will be deleted from the list once resolved
- (iii) Internal audit recommendations pending implementation. These will be deleted from the list after implementation.

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy “1.3 Our City - Ensure a robust framework that supports the community’s and Council’s current and evolving activities, services and functions”.

FINANCIAL IMPLICATIONS

Nil

POLICY AND GOVERNANCE IMPLICATIONS

Nil

RECOMMENDATION

- 1 That the report by the Internal Auditor on ARMC Action List as at January 2020 be acknowledged.
- 2 That action items marked as completed (100%) be deleted from the ARMC Action List.

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation’s impact on Council’s service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

SUPPORTING INFORMATION

The ARMC Action List shows the Committee’s resolutions and actions taken. It highlights the issue, recommendation and officer responsible for the outstanding action and a brief progress update.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020****3.5 ARMC Action List as at January 2020**

There are two types of action items on the list: action items arising from requests from the Committee and action items arising from recommendations in Internal Audit reports. Target completion dates in respect of some items have been deferred. It is important to note that this deferral does not negatively impact on progress with completion of tasks under the approved internal audit program for Orange City Council.

Target completion dates are set by management based on their judgement on how long it will take to fully implement the agreed action plan. This decision depends on availability of resources and ranking the task with competing priorities.

Action items with a reference number starting with the number 1A1.* have no end date. They relate to items on which the Committee requires on-going updates. Items with a reference number starting with 1A1.* will not be deleted from the Action list. All other action items have an end date, and once the agreed action plan has been implemented, the item is deleted from the list. The responsible Council officials shown against each action item provide the progress updates stated under the comments column. The Detailed ARMC Action List is at [Attachment 1](#).

ATTACHMENTS

- 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020, D20/5645



Quarterly Review - Audit and Risk ARMC Action List

Quarter 3 - September 2019 to January 2020

D20/5465

Action Status Type	Display Colour
Not Updated	Not Updated
Not Progressing	Not Progressing
Completed	Completed
Progressing	Progressing
Not Due To Start	Not Due To Start

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A: ARMC - Action List


1A1: Action/Information/Reports requested by ARMC - standing requirements							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A1.1	17/02/2012	Internal Auditor	Site inspections - ARMC carry out site-inspection visits to various strategic Council facilities as a way of enhancing their understanding of Council operations. Committee members and management to identify site visits of interest. (ongoing)	Other possible sites to visit: - Water Treatment Works - Scout Camp Re-development Project		90%	●
1A1.3	24/01/2014	Internal Auditor	Meeting dates - to be established on a financial-year basis (March annually)	2020 Meeting dates are as follows: - 14 February 2020 - 29 May 2020 - 28 August 2020 - 23 October 2020		100%	●
1A1.4	20/03/2013	Manager Financial Services	Financial statements - external audit timetable (March annually)	No update submitted.		0%	●
1A1.5	11/06/2014	Internal Auditor	That the three-year internal audit program be updated to reflect changes in the Corporate Risks Register, with all tasks clearly linked to specific residual risks (March annually).	A proposed internal audit plan for the period 2020-2023 has been submitted to this meeting. Further updates to the programme will be completed after an update of the risks register.		50%	●
1A1.7	17/03/2014	Manager Corporate Governance	Enterprise Risk Management (ERM) Module (Pulse): (i) that a further update on progress with the ERM project including a	Request for quotations issued and responses evaluated. Supplier identified. Process stalled due to unexpected higher cost of the proposed consultancy and extended		20%	●

Page 53

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A1: Action/Information/Reports requested by ARMC - standing requirements							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>copy of the corporate risks register be provided to the Committee.</p> <p>(ii) That future copies of the risk register provided to the Committee include a glossary of abbreviations to explain any acronyms used in the document.</p> <p>(iii) That the annual review provide independent assurance that the ERM framework is implemented at appropriate level and delivering performance enhancement.</p> <p>(iv) That the Committee be provided with independent assurance that risk mitigation strategies identified in the risk register are actually in place and working properly.</p> <p>(March annually)</p>	<p>timeline requested by the respondents.</p>			
1A1.10	11/06/2014	Internal Auditor	<p>Charter - annual review of the ARMC Charter, including signing of updated copies by the Chief Executive Officer & ARMC Chair. (March annually)</p> <p>Current Tasks</p> <p>(i) Consider updating charter to include minimum CPE hours for Committee members</p> <p>(ii) Internal Audit Charter - Reflect Changes in Practice Framework</p>	<p>The Office of Local Government is expected to publish updated Internal Audit Guidelines before the end of this calendar year. Council's Charter will be updated following receipt of the updated Guidelines.</p>		30%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020





Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A1: Action/Information/Reports requested by ARMC - standing requirements							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>Recommendation 3.1(a) – The internal audit charter should be enhanced to reflect changes to the “International Professional Practice Framework” Standard 1010.</p> <p>The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognized in the Internal Audit Charter.</p> <p>RESPONSE</p> <p>The Charter will be updated at the next scheduled review as per the ARMC Action List.</p> <p>(iii) Internal Audit Charter - Statement on Quality Assurance and Improvement Program</p> <p>Recommendation 3.1(d) - The Charter should include a statement regarding the Quality Assurance and Improvement Program</p> <p>RESPONSE</p> <p>Noted. The Charter will be updated with this information.</p>				
1A1.11		Internal Auditor	ARMC Annual Report (March annually).	Completed as per record reference # D20/190. Draft report submitted to this meeting.		100%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020



Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A1: Action/Information/Reports requested by ARMC - standing requirements							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A1.12	06/03/2015	Internal Auditor	Internal audit reports - where appropriate, internal audit reports should incorporate information regarding risks reversed or mitigated by the implementation of internal audit recommendations (quarterly)	This is an on-going process. The impact of internal audit recommendations is reflected in reports as appropriate.		90%	
1A1.13	05/06/2015	Manager Corporate Governance	Compliance systems - inclusions in Internal Audit program, major exceptions to be reported to the Committee (quarterly)	Updates provided.		100%	
1A1.14	20/07/2018	Manager Corporate Governance	Auditor General's Performance Benchmarking Reports on the Local Government Industry - document relevant recommendations from Auditor General reports each year and then undertake a review of Council practices against these recommendations and prepare an action report (the ARMC to be updated with the results of such assessments as, and when, they are completed)	Internal auditor to provide insight to management on topical issues as they arise. Where appropriate, the internal audit programme will be informed with results of the Auditor General's reviews.		80%	
1A1.15	20/07/2018	Senior Human Resources Officer (Temporary Part-Time)	Business Continuity Testing Events - that future business continuity testing events reports be circulated to the Committee highlighting any significant risk issues identified and related action plans	Tests in schedule		60%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020


Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A2.4a1	12/03/2018	Manager Corporate Governance	<p>Corporate Risks Register - Risk No 5421 - Mine Subsidence</p> <p>That a report be submitted to ARMC highlighting an assessment of the risks, related risk mitigation strategies and the status of scheduled tasks:</p> <p>* risk number 5421 - regarding legacy issues arising from mine subsidence including the risk of contamination of creeks and impact of re-zoning of land by Council.</p> <p>(September 2018)</p>		31/03/2019	0%	
1A2.14	23/11/2018	Financial Accountant	<p>Notwithstanding the lodgement of the financial statements, the Committee noted the following disclosures with a view to seeking amendments and/or notation for the preparation of the 2018-'19 Financial Statements:</p> <ul style="list-style-type: none"> In Note 24 the list of Councillors July – September 2017 should include all Councillors for that period and the spelling of Cr Hamling should be corrected. Management consider adding dot points to provide more information about the general nature of transactions under the functions outlined in Note 2 of the financial statements. 	All completed	31/12/2018	100%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<ul style="list-style-type: none"> Note 9(a) regarding the Rural Fire Service be corrected to reflect a definitive position on Council's chosen course of action. The words "will/will not" do not indicate a clear course of action. 				
1A2.20	22/02/2019	Governance Coordinator	<p>Corporate Risks Register - the annual and on-going tasks be timetabled into the Compliance Activities schedule reported to each meeting of the Audit and Risk Management Committee (September 2018). (i) That the risk register be refined by identifying compliance tasks which should be moved to the compliance reporting schedule and that some risk descriptions be updated to better describe the nature of risks and related risk treatment strategies in place and timelines for future actions. (ii) Fraud and Corruption Risks Register review. That a report be submitted to the next meeting, outlining proposed changes to the risks register regarding the updating of fraud and corruption risks to include IT fraud and corruption risks. (iii) D18/60441 - Internal Audit Review Report - Airport Security</p> <p>Comments</p> <p>The Internal Auditor sighted a Council report showing results of a study carried out to establish the potential</p>	<p>The Risk Register is being maintained on an ongoing basis - overhaul of the register is required to ensure functionality and accessibility are made easier. Further discussion to be held with the Acting Director Corporate and Commercial and Civic Risk to discuss options.</p> <p>Council's training officer has developed an eLearning Module on Privacy. This will be rolled out to staff once complete.</p> <p>Public Interest Disclosure training was provided to designated and interested staff by the NSW Ombudsman's Office and occurred on 22 May 2019.</p> <p>The PID Policy has been updated and adopted by Council on 6 August 2019 (D19/32666).</p> <p>Code of Conduct Training has been rolled out to all staff as an eLearning module which includes gifts and benefits. Ongoing compliance training every 2 years.</p>	30/04/2019	100%	

Page 58

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>contamination impact of the old fire retardant chemicals. Further enquiries with the Airport Manager indicated that as at the time of audit (7 November, 2018), work was in progress to obtain further guidance from the New South Wales Environment Protection Authority (EPA) regarding the results of the study and any remedial action required if at all necessary.</p> <p>Recommendation</p> <p>Update the risk register in the Pulse Software System to reflect the current status of the risk mitigation plan, including an updated expected completion date.</p> <p>Management Comments and Action Plan</p> <p>Agreed. The risk register will be updated. Results of the study showed a localised area of low level contamination that appears to be contained naturally within the airport boundaries. (iv) Risk ID reference number 3952. Process for requesting Deed of Separation for critical staff to be reviewed. New staff to sign when they start. The Manager Human Resources advised that this task related to creating a template deed of release and template letter of offer to</p>				

Page 59

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>include confidentiality requirements. These tasks were completed per Council record number D1658347 and D16/30849. That this task did not require any further action once the templates were in place.</p> <p>The risk register notes that Council was to "Provide training for staff in privacy and access to information." The Internal Auditor did not sight evidence of this training for current staff members.</p> <p>Recommendation: Review the requirement to implement training on privacy and take appropriate action and update the risk register accordingly.</p> <p>Management Comments and Agreed Management Action Plans:</p> <p>Agree with internal audit observations. Training to be sourced and conducted. (v) Fraud and Corruption Risks Register Review - Risk ID reference number 3958. Evidence of staff training on Protected Interest Disclosure not sighted. No information came to the attention of the Internal Auditor indicating that there has been a recent training of staff on Protected Interest Disclosures. Evidence of training sighted relates to employees who are</p>				

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>no longer working for the Council.</p> <p>Recommendation: Consider assessing the training needs of relevant staff and take appropriate action as necessary.</p> <p>Management Comments and Agreed Management Action Plans:</p> <p>Agree with internal audit observations. Training to be sourced and conducted.</p> <p>(vi) Fraud and Corruption Risks Register - Risk ID reference numbers: 3951; 3946; 3948; 3952; 3959; 3961 and 4008. The risk register notes that annual training on the code of conduct will be carried out. No information came to the attention of the Internal Auditor indicating that this annual training has occurred since the last session held in October 2014.</p> <p>Enquiries with the Human Resources department indicated that the Council provides training to all new staff on commencement. An online training module has also been developed to rollout later this year with the new Code of Conduct for all staff.</p> <p>Recommendation: Consider structuring the proposed training program to include an electronic record of the date staff completed the training and issue automatic reminders for staff to complete training as</p>				

Page 61

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			necessary. Management Comments and Agreed Management Action Plans: Agree with internal audit observations, although reminders have been provided to staff on a yearly basis on individual elements of the Code of Conduct such as gifts and benefits and appropriate behaviours. Task to be updated to training every second year. All staff will receive training on the updated Code of Conduct this year either online or face to face.				
1A2.31	01/06/2019	Manager Information Technology	Cyber security - Compliance with Signals Directorate standards - The Committee also noted the verbal report by the Audit Office regarding cyber security audits and results of a probity audit carried out on State agencies. The Acting Director Corporate & Commercial Services' description of Council's current initiatives aimed at complying with the Signals Directorate standards on cyber security was commended, noting that a report on the project would be provided to a future meeting of the Committee.	Currently reviewing Maturity Level in Council for each of the eight essential components of the Signals Directorate Model.	19/07/2019	10%	●
1A2.32	30/08/2019	Manager Building Services	1. That management review and assess the adequacy of the CCTV monitoring protocols over Council		01/10/2019	0%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020





Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			owned properties including the Civic Centre precinct. 2. That management should consider updating the land and property register with a view to recording whether alarms or CCTV is in place and if not, include a risk assessment to support the status quo or determine if it is necessary to install an alarm system or CCTV on each of the properties listed.				
1A2.33	30/08/2019	Assets/Infrastructure Systems Engineer	1 That the Committee approve the removal of the audit of asset management planning processes from the approved internal audit program. 2 That a report be provided to be to the Committee outlining outcomes of the external consultant's assessment of Council's asset management planning processes.	NAMAF is still planned to be completed within the timeframe allocated (30/03/2020)	31/03/2020	20%	●
1A2.34	30/08/2019	Internal Auditor	2 That the Internal Audit Plan for 2019-20 be updated to reflect the changes agreed (Items 3.5 and 3.6 above) and the additional available capacity following the departure of Dubbo Regional Council from joint arrangements, to document how the time available to Council will be utilised.	Draft program with updates submitted to the February 2020 ARMC meeting.	01/10/2019	100%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A2.36	25/10/2019	Manager Financial Services	Pension concession rebate audit: That the Manager Financial Services be requested to provide an explanation to members out of session regarding the variance in the concession on water and sewer between the 2018 and 2019 financial years.		31/12/2019	0%	
1A2.37	25/10/2019	Internal Auditor	Internal Audit Manual 2 That the Council adopt the Internal Audit Manual subject to amendments noted at the meeting regarding the clauses referencing to Dubbo Regional Council and the access to internal audit working papers by the External Auditor.	Manual updated with changes as required. D19/58838	31/12/2019	100%	
1A2.38	25/10/2019	Manager Corporate Governance	A New Risk Management and Internal Audit Framework for Local Councils - Discussion Paper: 1) That further feedback be provided to the Internal Auditor out of session, with the Internal Auditor distributing an updated submission document out of session to members. 2) That the updated document be submitted to the November 2019 Council meeting. 3) That a copy of this updated document be shared with Local Government NSW following adoption by Council.	Report approved by Council at its meeting of 3 December 2019. Subsequently submitted to the Office of Local Government on 18/12/2019 - Council record reference# D19/75957 and to LG NSW on 23/12/2019 - Council record reference# D19/76826.	16/12/2019	100%	
1A2.39	25/10/2019	Internal Auditor	Internal Audit Program Status Report:	Partly complete. Draft internal audit	31/12/2019	60%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A2: Action/Information/Reports requested by ARMC - fixed completion date							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			That the Internal Auditor be requested to distribute an updated 4 year strategic internal audit plan out of session following finalisation of the risk registers review process.	program submitted to February 2020 meeting. Risk registers review project not yet complete. It is expected that the risk registers project will be completed during the second quarter of the 2020 calendar year with an updated internal audit program being submitted to the August 2020 meeting of the Committee. The incomplete program developed covers areas of interest to management.			
1A2.40	25/10/2019	Internal Auditor	Internal Audit Review Plan - Contaminated Land: That a confidential report on the findings be submitted to the next meeting.	Review completed and report submitted to this meeting.	31/01/2020	100%	●

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A3.2	24/03/2017	Chief Executive Officer	Asbestos Management Plan Implementation - progress update on implementation of agreed recommendations		30/09/2018	0%	●
1A3.5	20/07/2018	Manager Human Resources	Payroll Transactions - Governance Framework for the Council Final Salary Scheme Priority Rating: HIGH Recommendations	Letter to be sent to LG Super advising that following presentation of annual results, actuarial assumptions and changes to legislation/regulation on past service liabilities/vested benefits ratio and further consideration	31/12/2018	60%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>1. Consider establishing a framework whereby the Council or its nominated professional representative is consulted regarding significant fund investment decisions.</p> <p>2. Consider establishing an arrangement whereby the Council and other Councils interested in the fund's performance engage an independent actuary (specialised in investments and general superannuation portfolio risk management) to provide a triennial evaluation of the fund and provide advice on suitability of investment mandate and significant actuarial assumptions supporting the fund manager's regular reports to member Councils.</p> <p>Agreed Management Action Plans</p> <p>Council is working with Centroc to request actuarial reports and a copy of investment status to review contribution requirements. Pending receipt of documentation Council will explore collaboration on review of actuarial data and status with other councils.</p> <p>30 August 2019 Update</p> <p>That the update by the Manager Financial Services regarding the meeting on defined benefit super fund funding deficits be noted, with the issue being</p>	Council will reinstate the payment contributions to the level requested by LGS for the 2019/20 financial year, including any arrears. Ongoing annual presentation to be requested. Task proposed to be finalized with annual monitoring. Engagement of an independent actuary not recommended.			

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020



Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			diarised for a further update to the committee in 2021.				
1A3.7	28/09/2018	Manager Information Technology	Payroll Transactions - the status of the issue regarding the computer system rounding error be marked as "open"	This item is in the hands of the Developer and the priority is set by them as to when they will investigate/address the issue.	30/09/2018	20%	●
1A3.8	28/09/2018	Manager Corporate Governance	Developer Contributions - a subsequent report to clarify the general control framework around deferral, waiver and discounting of developer contributions be submitted to the next meeting	Audit underway	30/11/2018	80%	●
1A3.9	28/09/2018	Manager Financial Services	Developer Contributions - a report on Section 7.11 of the Environmental Planning and Assessment Act 1979 (NSW) developer contributions compliance monitoring be submitted to the next meeting		30/11/2018	0%	●
1A3.10	28/09/2018	Manager Corporate Governance	Compliance Activities - an rationalised version of the report be distributed out of session showing updated due dates and actions		31/10/2018	0%	●
1A3.11	28/09/2018	Manager Corporate Governance	Process Improvements - a further review of this report be undertaken to transfer compliance activities to the Compliance Activities Report and provide a specific focus on process improvement initiatives including Council's commercial activities and the timeframe within which those activities will be undertaken	This task is now awaiting appointment of a new Director Corporate & Commercial Services.		20%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A3.15	22/02/2019	Manager Financial Services	<p>Fraud and Corruption Risks Register Review - Risk ID reference number 3951.</p> <p>Tasks listed have been partly completed. Work to enhance the project management framework to support controls around over-ordering still remain incomplete.</p> <p>Recommendations:</p> <p>(i) Complete the outstanding task on controls around over-ordering of goods of a type which is delivered directly to job sites.</p> <p>(ii) Consider establishing a central policy around project management with a suite of templates including risk assessment templates.</p> <p>Management Comments and Agreed Management Action Plans:</p> <p>Refer to Clause 3.15 Goods Received of operational policy OP047 which can be found on the Intranet which addresses receipt of goods to job sites. Central policy for project management and risk assessment templates is currently being worked on by purchasing committee.</p>		28/02/2020	0%	
1A3.16	22/02/2019	Manager Human Resources	<p>Fraud and Corruption Risks Register Review</p> <p>Risk ID reference number 3946 and 3948. No information came to the attention of</p>	ICAC running Probity in Procurement session on 10 March 2020	30/06/2019	65%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>the Internal Auditor indicating that a list of staff identified for special training on how to deal with relational selling has been established. Therefore, it could not be verified that training of such staff has occurred as required under the risk register.</p> <p>Recommendation: Establish a new target completion date for the task</p> <p>Management Comments and Agreed Management Action Plans:</p> <p>Agree with internal audit observations. Training to be sourced and conducted.</p>				
1A3.23	22/02/2019	Manager Financial Services	<p>(i) Fraud and Corruption Risks Register Review - Risk ID reference number 3956.</p> <p>The task listed on the risk register regarding the review of purchasing procedures was completed through the updating of Council's Purchasing Procedures (OP047, reviewed February 2015).</p> <p>Observation: No information came to the attention of the Internal Auditor indicating that the staff training on Purchasing Procedures was carried out.</p> <p>Recommendation: Implement training program as planned.</p> <p>Management Comments and Agreed Management Action Plans:</p>		31/03/2020	0%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>Staff to be provided with training on updated purchasing procedures including how to access the right templates for contracts. (ii) Council Purchasing Policy and Procedures</p> <p>Recommendation:</p> <p>Ensure that the Purchasing Policy and Purchasing Procedures are reviewed as soon as possible. Last review date as at time of audit was December 2015 and February 2015.</p> <p>Agreed Management Action Plans:</p> <p>The first step was to review the strategic purchasing policy. This has been completed and was adopted by Council on 3 July 2018. The operational purchasing policy and procedures is the next step and will form part of a broad review of high value procurement that is due for completion by the end of 2018.</p>				
1A3.24	22/02/2019	Manager Financial Services	<p>(i) Fraud and Corruption Risks Register Review - Risk ID reference numbers 3993. Risk description: Misuse of Council credit cards. Task: Ensure staff are aware of new Credit Card Policy requirements and complying.</p> <p>Issue: The current policy does not require that all staff issued with credit cards must be issued with a copy of the policy and be required to sign off an</p>		31/12/2019	0%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020


Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>acknowledgement that they will comply with the policy requirements.</p> <p>Recommendations:</p> <p>Consider updating the credit card policy to include a clause requiring that those issued with a Council credit card should be issued with a copy of the policy and formally sign off to acknowledge receipt. Alternatively, this could be added to the Purchasing Procedures. Purchasing Procedures acknowledgements are automatically managed through the Pulse system. So, where a staff member has acknowledged receipt of the purchasing procedures, they are deemed to have read and understood the reference to credit card policy contained therein.</p> <p>Management Comments and Agreed Management Action Plans:</p> <p>Reminder email of policy requirements sent to all cardholders and their supervisors on 21/11/2018. Credit card limits are approved only up to individual delegations. Credit card policy will be reviewed in 2019 in conjunction with Audit Office review taking place as part of annual financial statements audit. (ii) Credit Card Procedures Policy</p> <p>Recommendation: Review Credit Card Procedures Policy.</p>				

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			Agreed Management Action Plans: Council will review credit card policy and accompanying procedures will be amended as required after that review.				
1A3.25	22/02/2019	Manager Financial Services	<p>Fraud and Corruption Risks register review - Risk ID reference number 4016.</p> <p>The once off tasks associated with this risk were completed. A project management framework template is in place D14/20544. Recent projects where the framework was applied showed that the clauses stated in the risk register were being utilised. (Council records D18/15497 and D18/44554). It was noted that the Purchasing Committee is scheduled to implement a staff training process to raise awareness about the procedures in place. This training will be completed by 30 June 2019. It should however be noted that as indicated elsewhere in this report, it appears that the project management framework does not appear to have been consistently applied to all projects in 2017, 2018 and 2019.</p> <p>Recommendations</p> <p>(i) Ensure that the project management framework template is applied consistently to all projects as appropriate.</p>		31/03/2019	0%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>(ii) The Purchasing Committee program of reviewing procurement processes and policies should also consider the merit of centralising the training process and creating an audit trail of how all staff across the council are inducted on key procurement procedures.</p> <p>Management Comments and Agreed Management Action Plans:</p> <p>Under review by purchasing committee</p>				
1A3.27	01/06/2019	Manager Financial Services	<p>Risk ID reference #3993</p> <ol style="list-style-type: none"> 1. Review the record of sub-delegations and ensure that the limits reflected in the OCCARS_OLR system are consistent with the Pulse system and the actual letter of delegation from the Chief Executive Officer. 2. Ensure that the Rural Fire Service credit cardholders are formally included under the sub-delegation instrument from the Chief Executive Officer. 3. Ensure that all credit card limits are consistent with the Chief Executive Officer's sub-delegation to cardholders. 4. Finalise updating of the Credit Card Policy and ensure that all cardholders sign off a declaration acknowledging 		31/12/2019	0%	●

Page 73

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>a commitment to comply with the Policy.</p> <p>5. These recommendations and any other comments arising from the 2018 financial year external audit process will be addressed by December 2019.</p>				
1A3.28	01/06/2019	Manager Financial Services	<p>Risk ID reference #4015 - Review the following recommendations as part of the Purchasing Committee Process.</p> <p>1. Consider carrying out a comprehensive audit of schedule of rates contracts to confirm that amounts charged are consistent with the approved rates.</p> <p>2. Review the risk management framework around compliance with schedule of rates contracts based on results of the audit suggested in recommendation (1) above.</p> <p>3. Consider reviewing the risk management framework around the approval process for contract variations; with a view to ensure that timing of the approval is effective at the appropriate time.</p>		30/06/2020	0%	●
1A3.30	01/06/2019	Manager Information Technology	<p>Security of Council assets - Information technology inventory</p> <p>System to be developed to enable inventory reconciliation annually in June,</p>		30/06/2020	0%	●

Page 74

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020


1A3: Internal audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			commencing June 2020. 1. Carry out a regular count of IT inventory and reconcile results of such inventory count to the list of assets as recorded in the Dell Kace system and to the general ledger. 2. Consider utilising no cost resources such as work experience students to assist with regular plant inventory counts, and reconciliation with the general Ledger.				

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
1A4.3	20/07/2018	Manager Information Technology	Information Technology - No formal IT Security Policy Recommendations The Council should implement a formal IT Security policy covering all critical IT processes. The policy should be: <ul style="list-style-type: none">available to all relevant users and be subject to periodic update and review (including when significant system or process changes occur);supplemented by additional standards and guidelines as necessary.	Computer Security Policy reviewed/updated in July 2019. In the process of implementing the changes contained within the policy.	30/09/2018	50%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020


Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>Agreed Management Action Plans</p> <p>Security is addressed in the:</p> <ul style="list-style-type: none"> Internet, email and computer use policy (adopted in 2014); and Computer logon; usernames and passwords procedures. <p>It is agreed that Council should review these policies and develop a separate formal IT Security Policy to address the Council's security requirements for digital information.</p>				
1A4.8	20/07/2018	Manager Financial Services	<p>Manual journal's - Control Procedures Recommendation</p> <p>Although there is evidence of controls in place, they are not being applied consistently.</p> <p>Management should review their process regarding General Ledger journals and determine whether operating controls are sufficient and within Council's tolerable risk threshold.</p> <p>Assessment of Action Taken</p> <p>During our last interim visit, we tested a sample of seventeen (17) control account and manual journals.</p> <p>We have split our findings into:</p> <ul style="list-style-type: none"> Journals raised by finance (which 			0%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>don't require a voucher, but do require evidence of review),</p> <ul style="list-style-type: none"> Those that were raised outside finance (which do require a voucher and evidence of review). <p>Our findings are as follows:</p> <p>From this sample we noted the following issues:</p> <ul style="list-style-type: none"> Thirteen (13) journals had been raised by finance and had not been evidenced as reviewed. Without the signing of the supporting documentation it is not possible for us to retrospectively check the appropriate reviews were undertaken prior to the posting of the journal; Four (4) journals were raised outside of finance, of these four (4), one (1) did not have a journal voucher completed or filed and an additional one (1) had not been signed by the 'authorised by' or 'keyed by' persons. 				
1A4.12	20/09/2018	Manager Corporate Governance	<p>Internal Audit - Review Reporting Arrangements</p> <p>Recommendation 3.1(e) - Reporting arrangements for Internal Audit should be reviewed</p> <p>RESPONSE</p> <p>The Council Administration strongly</p>			0%	

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			supported the principle of substantive independence of the Internal Audit function. To address this, the Director Corporate and Commercial Services is undertaking an organisational review and has proposed to refine the charter for the Office of Corporate Governance to focus on being an independent advisory and oversight function, and the Internal Auditor will function within the Office of Corporate Governance reporting to the Manager Corporate Governance in future.				
1A4.16	01/06/2019	Financial Accountant	Reconciliation of assets held for sale A more comprehensive checklist and timetable will be developed internally to ensure the completeness of the statements prior to the audit.	This is a dynamic document and will continue to evolve each year	31/07/2019	100%	●
1A4.17	01/06/2019	Financial Accountant	IP & E External Valuation - Council will establish a formal procedure covering the annual asset revaluations that will incorporate an earlier timeline and consultation with the Audit Office on revaluation tenders before they are issued. This process will be incorporated into Council's compliance plan that has oversight from Corporate Governance.	Well under way for the 2020 Financial year for the Roads revaluation, should be completed by March 2020	30/06/2019	100%	●
1A4.18	01/04/2019	Financial Accountant	Impact of new accounting standards not yet effective An assessment of the impacts of these new standards will be completed prior to	Will continue to monitor and assess the impact of the new accounting standards	30/04/2019	100%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			year end in consultation with the OLG. A formal procedure covering an assessment of the impact of any upcoming changes to accounting standards will be implemented as part of end of year preparations. This process will be incorporated into Council's compliance plan that has oversight from Corporate Governance.				
1A4.19	01/06/2019	Financial Accountant	Recognition and recording of Crown Land Crown Land portfolio is being confirmed as part of negotiations with Government. Council has initiated a project to establish a single authoritative register of all land and property assets which is expected to be completed by December 2019. This will incorporate all Crown Land holdings following implementation of the outcomes of the Crown Land negotiations.	Completed and review by external auditors, shall be continual maintained as required	31/12/2019	100%	●
1A4.20	01/06/2019	Financial Accountant	Cash - Bank signatories 1. 2 former employees still listed as signatories to Council bank accounts 2. A formal procedure will be established incorporating a review of all bank signatories and authorised officers on an annual basis or where there is a change in staffing for current signatories. This process will be incorporated into Council's compliance plan that has oversight	All investment institutions have been provided with amendments to the authorised signatories.	30/06/2019	100%	●

Page 79

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			from Corporate Governance.				
1A4.21	01/06/2019	Financial Accountant	Allocation of payments to accounts payables A formal procedure will be established incorporating a quarterly reconciliation of the creditors control account that ensures all payments received are correctly and allocated against the original invoice. This process will be incorporated into Council's compliance plan that has oversight from Corporate Governance.	Again an ongoing improvement program	30/06/2019	100%	●
1A4.21	01/06/2019	Financial Accountant	Un-invoiced creditors account A formal procedure will be established incorporating a quarterly reconciliation of the un-invoiced creditors control account that ensures the account only has un-invoiced amounts in it. This process will be incorporated into Council's compliance plan that has oversight from Corporate Governance.	Ongoing project to develop and finalise this procedure, the account is reviewed monthly and reviewed by the Seniors Creditors Clerk, and further reviewed by the Financial Accountant. This is a live report, in that it changes constantly with any data entry completed by Creditors	30/06/2019	80%	●
1A4.22	01/06/2019	Financial Accountant	Presentation of financial statements There were several issues that were not addressed in the 30 June 2018 financial statements. These have been identified as follows: <ul style="list-style-type: none">When there are disposals of infrastructure, it is expected that there will be a transfer between the asset revaluation reserve and retained	Completed for the 2019 Financial year, ongoing continual improvement process for 2020	30/06/2019	100%	●

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1: ARMC Action List - Quarter 3 Review - September 2019 to January 2020

1A4: External audit recommendations - pending implementation							
Ref	Start Date	Responsible Officer	Action	Comment on Action	Due Date	Progress	Status
			<p>earnings for the portion in the revaluation reserve attributable to those assets disposed.</p> <ul style="list-style-type: none"> Sewer access charges are not split out into Note 3(a). All balances currently sit under Note 3(b) User fees and charges. To improve accuracy of the financial report we would suggest these charges be split out; Note 7: The level of disaggregation in this note is extensive and we question whether this is required, or useful. Our view is that material items need to be separately disclosed, but many of these could be combined. 				

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

**3.6 AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL REPORT FOR THE YEAR
ENDED 31 DECEMBER 2019**

RECORD NUMBER: 2020/185

AUTHOR: Shephard Shambira, Internal Auditor

EXECUTIVE SUMMARY

The Audit and Risk Management Committee Charter requires that the Committee should report to Council regarding the Committee's activities. Section 7.3.(g) of the Charter notes that the Committee shall *"Report annually to the Council, describing the committee's compositions, responsibilities and how they were discharged, and any other information required by law, including non-audit services."*

A draft report to Council prepared by the Audit and Risk Management Committee Chair is at **attachment 1**. Committee members' feedback and comments on this draft report should be submitted to the Chair.

LINK TO DELIVERY/OPERATIONAL PLAN

The recommendation in this report relates to the Delivery/Operational Plan strategy "17.1 Collaborate - Provide representative, responsible and accountable community governance".

FINANCIAL IMPLICATIONS

The ARMC Chair's draft report highlights a recommendation that Council should consider allocating more resources to the internal audit function especially in the area of specialist information technology audits. The potential cost of this recommendation has not yet been determined.

POLICY AND GOVERNANCE IMPLICATIONS

This report comments on the general policy and governance framework at Council. The report also discusses the proposed New Risk and Internal Audit Framework being prepared by the Office of Local Government. This proposed framework will have a significant impact on Council governance and risk management operations. The extent of such change is yet to be determined as the new legislation is being finalised.

RECOMMENDATIONS

- 1 That the report by the ARMC Chair be acknowledged.**
- 2 That Committee members' feedback on the report be submitted to the Committee Chair.**

FURTHER CONSIDERATIONS

Consideration has been given to the recommendation's impact on Council's service delivery; image and reputation; political; environmental; health and safety; employees; stakeholders and project management; and no further implications or risks have been identified.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

3.6 Audit and Risk Management Committee Annual Report for the Year Ended 31 December 2019

SUPPORTING INFORMATION

The Draft ARMC Annual report for the year ended 31 December 2019 prepared by the Committee Chair is at attachment 1.

ATTACHMENTS

- 1 Attachment 1 - Audit and Risk Management Committee Annual Report For The Year Ended 31 December 2019, D19/76898

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

ORANGE CITY COUNCIL
AUDIT AND RISK MANAGEMENT COMMITTEE
Annual Report
For Year Ended 31 December 2019

AUDIT AND RISK MANAGEMENT COMMITTEE **14 FEBRUARY 2020**
Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

CONTENTS

1.0 Introduction.....	3
2.0 ARMC Purpose.....	3
3.0 Membership and Meetings.....	4
3.1 Management Meetings.....	4
3.2 ARMC Meeting Attendance	4
4.0 ARMC Charter and Internal Audit Activity Charter.....	5
5.0 Internal Audit	5
5.1 Internal Audit Appointment.....	5
5.2 Internal Audit Performance	5
5.3 Internal Audit Plan	6
5.4 Internal Audit Assignments.....	6
5.5 Limitations on Internal Audit	7
5.6 Management Responses to Internal Audit Review Findings	7
5.7 Internal Audit Resource Distribution	8
6.0 Other Reports and Presentations Considered by the ARMC.....	8
6.1 Other Reports.....	8
7.0 External Audit	9
8.0 Risk Management.....	9
9.0 Conclusion.....	10

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

1.0 Introduction

Orange City Council and Bathurst Regional Council share the services of an Internal Auditor (Shephard Shambira) who is employed by Orange City Council. The time available is shared equally between the two Councils.

Each Council has an Audit and Risk Management Committee (ARMC) and this report covers the period 1 January 2019 to 31 December 2019 for Orange City Council.

One of the benefits of sharing an Internal Audit function is that it allows the two (2) Councils to share "best practice" experience and knowledge. This has been further enhanced with the ARMC of the two (2) Councils having a shared independent member that provides an exchange of ideas and experience at a senior level.

2.0 ARMC Purpose

The ARMC is an independent advisory Committee appointed by Council to assist Council in fulfilling its governance and oversight responsibilities. The primary duties and responsibilities of the ARMC are to assist the Council to discharge its responsibilities relating to:

- Financial reporting process
- Business ethics, policies and practices
- Management and internal controls
- The integrity of the Council's financial reporting practices and finance and accounting compliance
- Council's internal control framework, corporate risks and all internal and external audit related matters
- Encouraging continuous improvement of Council's systems and practices
- Adoption of the Internal Audit Plan
- The Council's process for monitoring compliance with policies, laws and regulations and the Council code of conduct.

The framework governing the terms of reference for audit and risk committees in the local government sector were introduced in 2017. However, at the time of preparing this report the sector was still awaiting promulgation of detailed Internal Audit Guidelines by the Office of Local Government. These Regulations are expected to provide further clarification on certain major changes to the structure and purpose of audit and risk committees in local government. Essentially, the new legislation has indicated that the Audit, Risk and Improvement Committees will be responsible for a wider range of governance and compliance objectives including a strong emphasis on process improvement. While the current practice has been that the Audit and Risk Management Committee provides input on process improvement initiatives, the extent of the proposed legislative requirements in this area is not yet clear. A Discussion Paper on the proposed New Risk and Internal Audit Framework was published by the Office of Local Government during the third quarter of the year under review. Council submitted a number of recommendations on the Discussion Paper and it is expected that a final position on the New Framework will be announced in 2020. Implementation of the New Framework is expected to be with effect from 2021 but early adoption is recommended. The Orange City Council Audit and

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**

Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

Risks Management Policy framework and procedures are substantially in line with the proposed framework as stated in the Discussion Paper.

Orange City Council has fortunately already taken a path of expanding the scope of interest for the ARMC by having management report on the broader process improvement program of Council. Council's Internal Auditor is used in the process improvement program to advise on internal control and risk management aspects of process development.

3.0 Membership and Meetings

The Council appointed the current independent members of the ARMC on 7 November 2017 following an expression of interest process. The Independent Chair had previously been a member of the ARMC from 11 June 2014 until the end of the previous Council's term on 9 September 2017. The table below shows the list of Committee Members (Voting) and Council Officers (Non-Voting) attendance at ARMC meetings held during the 2019 year.

3.1 Management Meetings

The ARMC Chair met with the Chief Executive Officer, Acting Director Corporate and Commercial Services and Manager Corporate Governance as required during the year to discuss the operation of the ARMC, the internal audit function and risk management framework.

3.2 ARMC Meeting Attendance

The table below shows the attendance of voting and non-voting members at each meeting scheduled by Council for the year.

Voting Members	Name	Meetings		Appointed
Councillor Members		Attended	Held	
Mayor	Cr Reg Kidd	3	4	21/11/17
Councillor (Alternate member)	Cr Jeff Whitton	2	4	21/11/17
Councillor	Cr Joanne McRae	4	4	21/11/17
Independent External Members				
Chair	Phillip Burgett	4	4	7/11/'17
Independent Member	Bill Gillooly AM	4	4	7/11/'17
Non-Voting Attendees				
General Manager	Gary Styles	1	4	
Acting General Manager / Chief Executive Officer	David Waddell	3	4	
Acting Director Corporate & Commercial Services	Samantha Freeman	3	4	
Internal Auditor	Shephard Shambira	4	4	
Invitees				
Director Community, Recreation	Scott Maunder	2		

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

and Cultural Services				
Manager Financial Services	Jason Cooke	4		
External Auditor – Audit Office NSW	Karen Taylor	4		

The Committee held its meetings on 22/2/2019; 31/5/2019; 30/08/2019 and 25/10/2019.

4.0 ARMC Charter and Internal Audit Activity Charter

The ARMC Charter was initially adopted by Orange City Council on 3 July 2009.

The Charter is reviewed annually and where necessary changes are recommended to Council for a resolution. The ARMC resolved at its meeting on 30 September 2016 that a review of the ARMC Charter and Internal Audit Activity Charter be deferred until after the Office of Local Government (OLG) has promulgated updated guidelines to implement amendments to the Local Government Act (1993) (NSW) relating to internal audit and business improvement.

The External Quality Assessment of the Council's Internal Audit Unit Report in 2018 provided recommendations to amend the Charter which will be included in the amendments in the next review of the Charter. The OLG indicated that the new regulatory framework for audit, risk and improvement committees (ARIC) requirements will be published in 2020 for implementation with effect from 2021. Accordingly, the ARMC Charter will be updated in 2020 to reflect the ARIC regulatory framework.

5.0 Internal Audit**5.1 Internal Audit Appointment**

Mr Shephard Shambira (CPA) was appointed to the position of Internal Auditor for the BOD Alliance on 20 April 2009. This appointment was for an initial term of 3 years, which has been extended. The current contract extension will expire in September 2020.

5.2 Internal Audit Performance

The ARMC approves the annual and three (3) year audit plan and oversees Internal Audit's role in the governance activities of Council.

The Internal Auditor has built strong relationships with staff based on the manner of the reviews and the recommendations made in internal audit reports presented to date.

On this basis the ARMC believes that the Council's management team is satisfied with conduct of the internal audit program and it is providing valuable feedback on the implementation of existing policies and procedures as well as recommendations for improvement.

The ARMC is committed to continuous improvement in the performance of the Internal Auditor and the Internal Audit Program of Council which is reflected in the following observations:

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

- The Chair of the ARMC continued to provide 'out of session' guidance to the Internal Auditor in 2019 on framing the scope and planned approaches to internal audit reviews and the compilation of reports on the outcomes of those reviews to improve clarity and a better understanding of the level of assurance provided by the internal audit program.
- The resource allocation outlined in Section 5.7 of this report and the number of completed internal audit reports presented to the ARMC in 2019 referred to in Section 5.4 reflects the fact that in 2019 the Internal Auditor undertook specific projects including the development of an Internal Audit Manual (recommended by the independent review in 2018), an analysis of the impact of the Discussion Paper on the New Risk Management internal Audit Framework in NSW and drafting a submission on behalf of Council as well as assisting the internal committee working on the revisions to the Corporate Risk Register. The ARMC anticipates less of this 'non-review' work in 2020 and believes there is capacity in the Internal Auditor's available time to undertake a more extensive internal audit program of at least five (5) significant internal audit reviews in a financial year which should be achieved over the balance of the 2019/'20 financial year leading into the 2020/'21 financial year.

5.3 Internal Audit Plan

The ARMC is responsible to approve the internal audit plan and amendments including the scope of work covered in each specific review undertaken during the period. The internal audit plan is aligned with Council's corporate risk register. The ARMC at its October 2019 Meeting requested the Internal Auditor to distribute an updated four (4) year strategic internal audit plan out of session following finalisation of the risk registers review process.

This updated strategic internal audit programme which was expected to be completed during the third quarter remained incomplete as at the end of the year.

5.4 Internal Audit Assignments

The ARMC also requires the scope of work for each internal audit review to be prepared by the Internal Auditor and agreed by the ARMC. This ensures that the work undertaken is in accordance with the approved annual work plan which should focus on the significant activities and risk exposures of Council over the multi-year cycle and addresses the specific needs of Council and management.

Each meeting of the ARMC received status reports on the Rolling 3 Year Internal Audit Programme.

The table below shows the status of various assignments carried out by internal audit during the year under review.

Audit Task	Status	Comments
Internal Audit Review Report - Security of Council Assets and Staff	Completed	Tabled at ARMC meeting – May 2019
Internal Audit review Report -	Completed	Tabled at ARMC meeting – February

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

Fraud and Corruption Risks		2019 with incomplete risk reviews reported to 31 May ARMC meeting
Internal Audit Review Report - Security of Council Owned Buildings and Documentation	Completed	Tabled at ARMC meeting – 30 August 2019
Internal Audit Review Plan – Contaminated Land	Work in progress as at 31 December 2019	

The Internal Audit Plan for 2019-'20 included a review of the policy framework around Related Party Transactions with Council but acting on the advice of the Internal Auditor, the ARMC concluded that as this is subject to review by the External Auditor it was appropriate to delete this review from the Internal Audit Plan.

The Internal Audit Plan for 2019-'20 included a review of Council's Asset Management Plans but acting on the advice of the Internal Auditor, the ARMC concluded that as Council had engaged an independent consultant to assess Council's Asset Management Plans it was appropriate to delete this review from the Internal Audit Plan.

5.5 Limitations on Internal Audit

The ARMC is not aware of any restrictions placed on the work of the Internal Auditor.

In a broader sense, the ARMC notes that Council's financial budget for internal audit work is set on the basis of 50% of the total employment costs of the Internal Auditor which limits the opportunity to expand the internal audit programme to areas requiring specialist skills which may not exist in the existing internal audit structure.

As Council's activities increasingly rely on broader technology platforms, the need to incorporate this activity into future the internal audit plans is essential, and in reality is but one aspect of Council's operating processes which may require specific high level skills for an effective internal audit program.

The imminent imposition of a more prescriptive new risk management and internal audit framework in local government highlights the importance of Council considering its investment in internal audit during 2020 to ensure balance between Council's financial capacity, risk exposures and the risk appetite Council is willing to accept.

5.6 Management Responses to Internal Audit Review Findings

The ARMC has reviewed all reports prepared by the Internal Auditor and has satisfied itself that management's responses to audit findings and recommendations are constructive, responsible and timely. All issues arising have been dealt with or are being dealt with within agreed timeframes.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019**5.7 Internal Audit Resource Distribution**

The two (2) Bathurst Orange Alliance member Councils are each allocated 50% of the available internal audit time which in practical terms provides ninety-five (95) days for internal audit work in Orange City Council.

6.0 Other Reports and Presentations Considered by the ARMC**6.1 Other Reports**

The ARMC has adopted standing agenda item for each meeting that provide status reports on the following activities for which the ARMC has oversight responsibilities:

- Current Year's Internal Audit Plan
- Compliance Activities
- Process Improvement Initiatives
- Outstanding Items Action List

Status reports on each of these were presented to each meeting held during the year.

The ARMC has been working with the Manager Corporate Governance to develop efficiencies in the compilation and reporting of activity in Compliance and Process Improvement during 2019 which has focussed on using existing automated information streams used by Council to monitor compliance as the basis of reporting to the ARMC. This remains a work in progress but has already delivered more succinct and meaningful reporting to the ARMC. A summary of other specific reports considered by the ARMC during the year are outlined in the table below:

Report	Date presented to the Committee
Audit Office Client Service Plan 2018/19	Tabled at ARMC meeting – May 2019
External Audit Final Management Letter 2017/2018	Tabled at ARMC meeting – May 2019
ARMC Annual Report for the year ended December 2018	Tabled at ARMC meeting – February 2019
Management Letter on the interim phase of the audit for the year ended 30 June 2019	Tabled at ARMC meeting – October 2019
Report by the Auditor General NSW regarding the audit of Council's Pensioner Concession Subsidy Claim for the period 20 September 2018 to 19 September 2019	Tabled at ARMC meeting – October 2019
Internal Audit Manual	Tabled at ARMC meeting – October 2019
A report by the Internal Auditor on a New Risk Management and Internal Audit Framework for Local Councils in NSW Discussion Paper	Tabled at ARMC meeting – October 2019
Auditor General NSW Engagement Closing Report for the Audit of Financial Statements for the year ended 30 June 2019.	Tabled at ARMC meeting – October 2019

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

7.0 External Audit

The Audit Office of New South Wales (AO) has been appointed as External Auditor to all Councils in New South Wales including Orange City Council. In the 2017/18 financial year the AO undertook their work through an agent (Intentus) but for the 2018/19 financial year and the current financial year the AO has undertaken the audit using their own resources as part of an ongoing rotation of engagements in the sector.

The ARMC has not independently assessed the performance of the External Auditor for the year but has reviewed the AO Client Service Plan and in consultation with the Engagement Director (Karen Taylor) has satisfied itself that all key milestones have been achieved.

The ARMC is not aware of any non-audit services provided or any other circumstances which would pose a threat to the independence of the External Auditor.

The AO's interim and final management letters were presented to the ARMC during the year and the ARMC is satisfied with management's action plans and responses to issues raised and will continue to monitor implementation of agreed actions.

The ARMC was satisfied with the AO's audit report on Council's Financial Statements for the 2018/19 financial year.

The ARMC acknowledges the constructive contributions made to each meeting by the Engagement Director (Karen Taylor) on the conduct of the external audit and insights into the specific areas of focus for the AO in the local government sector.

8.0 Risk Management

The restructure of Corporate and Commercial Services in 2018, giving rise to the appointment of a Corporate Governance Manager, presented the opportunity in 2019 for a review of the structure, content and effectiveness of the Corporate Risk Register as a platform for managing risks in Council and embedding a risk culture in the organisation.

Funding was received from Council's insurer to support the engagement of a consultant to assist with training, review and re-structuring of the risk registers and related risk management framework by identifying compliance tasks which should be moved to the compliance reporting schedule and updating risk descriptions to better describe the nature of risks and related risk treatment strategies in place and timelines for future required actions.

Whilst the ARMC has not been involved in this project, an internal committee which included the Internal Auditor was established to work with the external consultant.

The ARMC anticipates that the outcome of this project will better inform internal audit planning but more importantly provide Council with an effective risk management framework that is understood and actively managed by Councillors, Executive Management and all operational staff in Council.

AUDIT AND RISK MANAGEMENT COMMITTEE**14 FEBRUARY 2020**Attachment 1 Attachment 1 - Audit and Risk Management Committee Annual Report
For The Year Ended 31 December 2019

As a consequence of this review of the Corporate Risk Register the ARMC has not received regular reporting on the status of the identified risks in 2019.

9.0 Conclusion

The ARMC confirms that based on the information provided to the ARMC from management, internal audit and external audit, it is satisfied with the progress of Council's arrangements for governance, risk management, internal control and regulatory compliance.

The areas of responsibility of the ARMC set out in Clause 7 of the Audit and Risk Management Committee Charter are managed in consultation with the Manager Corporate Governance and Internal Auditor and supported by the internal audit and external audit plans executed during the year.

PP Burgett
Chairman

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

4 CLOSED MEETING – SEE CLOSED AGENDA

The Chief Executive Officer will advise the Audit and Risk Management Committee if any written submissions have been received relating to any item advertised for consideration by a closed meeting of Audit and Risk Management Committee.

The Chairperson will extend an invitation to any member of the public present at the meeting to make a representation to Audit and Risk Management Committee as to whether the meeting should be closed for a particular item.

In accordance with the Local Government Act 1993, and the Local Government (General) Regulation 2005, in the opinion of the Chief Executive Officer, the following business is of a kind as referred to in Section 10A(2) of the Act, and should be dealt with in a Confidential Session of the Audit and Risk Management Committee meeting closed to the press and public.

RECOMMENDATION

That Audit and Risk Management Committee adjourn into a Closed Meeting and members of the press and public be excluded from the Closed Meeting, and access to the correspondence and reports relating to the items considered during the course of the Closed Meeting be withheld unless declassified by separate resolution. This action is taken in accordance with Section 10A(2) of the Local Government Act, 1993 as the items listed come within the following provisions:

4.1 Internal Audit Review Report - Contaminated Land (Council Owned)

This item is classified CONFIDENTIAL under the provisions of Section 10A(2) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

4.1 INTERNAL AUDIT REVIEW REPORT - CONTAMINATED LAND (COUNCIL OWNED)

RECORD NUMBER: 2020/196

AUTHOR: Shephard Shambira, Internal Auditor

REASON FOR CONFIDENTIALITY

This item is classified CONFIDENTIAL under the provisions of Section 10A(2) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.

AUDIT AND RISK MANAGEMENT COMMITTEE

14 FEBRUARY 2020

5 RESOLUTIONS FROM CLOSED MEETING

D20/9405

ORANGE CITY COUNCIL
AUDIT AND RISK MANAGEMENT COMMITTEE
Annual Report
For Year Ended 31 December 2019

D20/9405

CONTENTS

1.0 Introduction.....	3
2.0 ARMC Purpose.....	3
3.0 Membership and Meetings.....	4
3.1 Management Meetings.....	4
3.2 ARMC Meeting Attendance	4
4.0 ARMC Charter and Internal Audit Activity Charter.....	5
5.0 Internal Audit	5
5.1 Internal Audit Appointment.....	5
5.2 Internal Audit Performance	5
5.3 Internal Audit Plan	6
5.4 Internal Audit Assignments.....	6
5.5 Limitations on Internal Audit	7
5.6 Management Responses to Internal Audit Review Findings	7
5.7 Internal Audit Resource Distribution	8
6.0 Other Reports and Presentations Considered by the ARMC.....	8
6.1 Other Reports	8
7.0 External Audit	9
8.0 Risk Management.....	9
9.0 Conclusion.....	10

D20/9405

1.0 Introduction

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Each Council has an Audit and Risk Management Committee (ARMC) and this report covers the period 1 January 2019 to 31 December 2019 for Orange City Council.

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2.0 ARMC Purpose

The ARMC is an independent advisory Committee appointed by Council to assist Council in fulfilling its governance and oversight responsibilities. The primary duties and responsibilities of the ARMC are to assist the Council to discharge its responsibilities relating to:

- Financial reporting process
- Business ethics, policies and practices
- Management and internal controls
- The integrity of the Council’s financial reporting practices and finance and accounting compliance
- Council’s internal control framework, corporate risks and all internal and external audit related matters
- Encouraging continuous improvement of Council’s systems and practices
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- The Council’s process for monitoring compliance with policies, laws and regulations and the Council code of conduct.

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D20/9405

Policy framework and procedures are substantially in line with the proposed framework as stated in the Discussion Paper.

Orange City Council has fortunately already taken a path of expanding the scope of interest for the ARMC by having management report on the broader process improvement program of Council. Council's Internal Auditor is used in the process improvement program to advise on internal control and risk management aspects of process development.

3.0 Membership and Meetings

The Council appointed the current independent members of the ARMC on 7 November 2017 following an expression of interest process. The Independent Chair had previously been a member of the ARMC from 11 June 2014 until the end of the previous Council's term on 9 September 2017. The table below shows the list of Committee Members (Voting) and Council Officers (Non-Voting) attendance at ARMC meetings held during the 2019 year.

3.1 Management Meetings

The ARMC Chair met with the Chief Executive Officer, Acting Director Corporate and Commercial Services and Manager Corporate Governance as required during the year to discuss the operation of the ARMC, the internal audit function and risk management framework.

3.2 ARMC Meeting Attendance

The table below shows the attendance of voting and non-voting members at each meeting scheduled by Council for the year.

Voting Members	Name	Meetings		Appointed
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Councillor	Cr Joanne McRae	4	4	21/11/17
<i>Independent External Members</i>				
Chair	Phillip Burgett	4	4	7/11/17
Independent Member	Bill Gillooly AM	4	4	7/11/17
Non-Voting Attendees				
General Manager	Gary Styles	1	4	
Acting General Manager / Chief Executive Officer	David Waddell	3	4	
Acting Director Corporate & Commercial Services	Samantha Freeman	3	4	
Internal Auditor	Shephard Shambira	4	4	
Invitees				
Director Community, Recreation and Cultural Services	Scott Maunder	2		

D20/9405

Manager Financial Services	Jason Cooke	4	
External Auditor – Audit Office NSW	Karen Taylor	4	

The Committee held its meetings on 22/2/2019; 31/5/2019; 30/08/2019 and 25/10/2019.

4.0 ARMC Charter and Internal Audit Activity Charter

The ARMC Charter was initially adopted by Orange City Council on 3 July 2009.

The Charter is reviewed annually and where necessary changes are recommended to Council for a resolution. The ARMC resolved at its meeting on 30 September 2016 that a review of the ARMC Charter and Internal Audit Activity Charter be deferred until after the Office of Local Government (OLG) has promulgated updated guidelines to implement amendments to the Local Government Act (1993) (NSW) relating to internal audit and business improvement.

The External Quality Assessment of the Council's Internal Audit Unit Report in 2018 provided recommendations to amend the Charter which will be included in the amendments in the next review of the Charter. The OLG indicated that the new regulatory framework for audit, risk and improvement committees (ARIC) requirements will be published in 2020 for implementation with effect from 2021. Accordingly, the ARMC Charter will be updated in 2020 to reflect the ARIC regulatory framework.

5.0 Internal Audit

5.1 Internal Audit Appointment

Mr Shephard Shambira (CPA) was appointed to the position of Internal Auditor for the BOD Alliance on 20 April 2009. This appointment was for an initial term of 3 years, which has been extended. The current contract extension will expire in September 2020.

5.2 Internal Audit Performance

The ARMC approves the annual and three (3) year audit plan and oversees Internal Audit's role in the governance activities of Council.

The Internal Auditor has built strong relationships with staff based on the manner of the reviews and the recommendations made in internal audit reports presented to date.

On this basis the ARMC believes that the Council's management team is satisfied with conduct of the internal audit program and it is providing valuable feedback on the implementation of existing policies and procedures as well as recommendations for improvement.

The ARMC is committed to continuous improvement in the performance of the Internal Auditor and the Internal Audit Program of Council which is reflected in the following observations:

- The Chair of the ARMC continued to provide 'out of session' guidance to the Internal Auditor in 2019 on framing the scope and planned approaches to internal audit reviews

D20/9405

and the compilation of reports on the outcomes of those reviews to improve clarity and a better understanding of the level of assurance provided by the internal audit program.

- The resource allocation outlined in Section 5.7 of this report and the number of completed internal audit reports presented to the ARMC in 2019 referred to in Section 5.4 reflects the fact that in 2019 the Internal Auditor undertook specific projects including the development of an Internal Audit Manual (recommended by the independent review in 2018), an analysis of the impact of the Discussion Paper on the New Risk Management internal Audit Framework in NSW and drafting a submission on behalf of Council as well as assisting the internal committee working on the revisions to the Corporate Risk Register. The ARMC anticipates less of this 'non-review' work in 2020 and believes there is capacity in the Internal Auditor's available time to undertake a more extensive internal audit program of at least five (5) significant internal audit reviews in a financial year which should be achieved over the balance of the 2019/'20 financial year leading into the 2020/'21 financial year.

5.3 Internal Audit Plan

The ARMC is responsible to approve the internal audit plan and amendments including the scope of work covered in each specific review undertaken during the period. The internal audit plan is aligned with Council's corporate risk register. The ARMC at its October 2019 Meeting requested the Internal Auditor to distribute an updated four (4) year strategic internal audit plan out of session following finalisation of the risk registers review process.

This updated strategic internal audit programme which was expected to be completed during the third quarter remained incomplete as at the end of the year.

5.4 Internal Audit Assignments

The ARMC also requires the scope of work for each internal audit review to be prepared by the Internal Auditor and agreed by the ARMC. This ensures that the work undertaken is in accordance with the approved annual work plan which should focus on the significant activities and risk exposures of Council over the multi-year cycle and addresses the specific needs of Council and management.

Each meeting of the ARMC received status reports on the Rolling 3 Year Internal Audit Programme.

The table below shows the status of various assignments carried out by internal audit during the year under review.

Audit Task	Status	Comments
Internal Audit Review Report - Security of Council Assets and Staff	Completed	Tabled at ARMC meeting – May 2019
Internal Audit review Report - Fraud and Corruption Risks	Completed	Tabled at ARMC meeting – February 2019 with incomplete risk reviews reported to 31 May ARMC meeting

D20/9405

Internal Audit Review Report - Security of Council Owned Buildings and Documentation	Completed	Tabled at ARMC meeting – 30 August 2019
Internal Audit Review Plan – Contaminated Land	Work in progress as at 31 December 2019	Report tabled at 14 February 2020 ARMC Meeting

The Internal Audit Plan for 2019-'20 included a review of the policy framework around Related Party Transactions with Council but acting on the advice of the Internal Auditor, the ARMC concluded that as this is subject to review by the External Auditor it was appropriate to delete this review from the Internal Audit Plan.

The Internal Audit Plan for 2019-'20 included a review of Council's Asset Management Plans but acting on the advice of the Internal Auditor, the ARMC concluded that as Council had engaged an independent consultant to assess Council's Asset Management Plans it was appropriate to delete this review from the Internal Audit Plan.

5.5 Limitations on Internal Audit

The ARMC is not aware of any restrictions placed on the work of the Internal Auditor. In a broader sense, the ARMC notes that Council's financial budget for internal audit work is set on the basis of 50% of the total employment costs of the Internal Auditor which limits the opportunity to expand the internal audit programme to areas requiring specialist skills which may not exist in the existing internal audit structure.

As Council's activities increasingly rely on broader technology platforms, the need to incorporate this activity into future internal audit plans is essential, and in reality is but one aspect of Council's operating processes which may require specific high level skills for an effective internal audit program.

The imminent imposition of a more prescriptive new risk management and internal audit framework in local government highlights the importance of Council considering its investment in internal audit during 2020 to ensure balance between Council's financial capacity, risk exposures and the risk appetite Council is willing to accept.

5.6 Management Responses to Internal Audit Review Findings

The ARMC has reviewed all reports prepared by the Internal Auditor and has satisfied itself that management's responses to audit findings and recommendations are constructive, responsible and timely. All issues arising have been dealt with or are being dealt with within agreed timeframes.

D20/9405

5.7 Internal Audit Resource Distribution

The two (2) Bathurst Orange Alliance member Councils are each allocated 50% of the available internal audit time which in practical terms provides ninety-five (95) days for internal audit work in Orange City Council.

6.0 Other Reports and Presentations Considered by the ARMC**6.1 Other Reports**

The ARMC has adopted standing agenda item for each meeting that provide status reports on the following activities for which the ARMC has oversight responsibilities:

- Current Year's Internal Audit Plan
- Compliance Activities
- Process Improvement Initiatives
- Outstanding Items Action List

Status reports on each of these were presented to each meeting held during the year.

The ARMC has been working with the Manager Corporate Governance to develop efficiencies in the compilation and reporting of activity in Compliance and Process Improvement during 2019 which has focussed on using existing automated information streams used by Council to monitor compliance as the basis of reporting to the ARMC. This remains a work in progress but has already delivered more succinct and meaningful reporting to the ARMC. A summary of other specific reports considered by the ARMC during the year are outlined in the table below:

Report	Date presented to the Committee
Audit Office Client Service Plan 2018/19	Tabled at ARMC meeting – May 2019
External Audit Final Management Letter 2017/2018	Tabled at ARMC meeting – May 2019
ARMC Annual Report for the year ended December 2018	Tabled at ARMC meeting – February 2019
Management Letter on the interim phase of the audit for the year ended 30 June 2019	Tabled at ARMC meeting – October 2019
Report by the Auditor General NSW regarding the audit of Council's Pensioner Concession Subsidy Claim for the period 20 September 2018 to 19 September 2019	Tabled at ARMC meeting – October 2019
Internal Audit Manual	Tabled at ARMC meeting – October 2019
A report by the Internal Auditor on a New Risk Management and Internal Audit Framework for Local Councils in NSW Discussion Paper	Tabled at ARMC meeting – October 2019
Auditor General NSW Engagement Closing Report for the Audit of Financial Statements for the year ended 30 June 2019.	Tabled at ARMC meeting – October 2019

D20/9405

7.0 External Audit

The Audit Office of New South Wales (AO) has been appointed as External Auditor to all Councils in New South Wales including Orange City Council. In the 2017/18 financial year the AO undertook their work through an agent (Intentus) but for the 2018/19 financial year and the current financial year the AO has undertaken the audit using their own resources as part of an ongoing rotation of engagements in the sector.

The ARMC has not independently assessed the performance of the External Auditor for the year but has reviewed the AO Client Service Plan and in consultation with the Engagement Director (Karen Taylor) has satisfied itself that all key milestones have been achieved.

The ARMC is not aware of any non-audit services provided or any other circumstances which would pose a threat to the independence of the External Auditor.

The AO's interim and final management letters were presented to the ARMC during the year and the ARMC is satisfied with management's action plans and responses to issues raised and will continue to monitor implementation of agreed actions.

The ARMC was satisfied with the AO's audit report on Council's Financial Statements for the 2018/19 financial year.

The ARMC acknowledges the constructive contributions made to each meeting by the Engagement Director (Karen Taylor) on the conduct of the external audit and insights into the specific areas of focus for the AO in the local government sector.

8.0 Risk Management

The restructure of Corporate and Commercial Services in 2018, giving rise to the appointment of a Corporate Governance Manager, presented the opportunity in 2019 for a review of the structure, content and effectiveness of the Corporate Risk Register as a platform for managing risks in Council and embedding a risk culture in the organisation.

Funding was received from Council's insurer to support the engagement of a consultant to assist with training, review and re-structuring of the risk registers and related risk management framework by identifying compliance tasks which should be moved to the compliance reporting schedule and updating risk descriptions to better describe the nature of risks and related risk treatment strategies in place and timelines for future required actions.

Whilst the ARMC has not been involved in this project, an internal committee which included the Internal Auditor was established to work with the external consultant.

The ARMC anticipates that the outcome of this project will better inform internal audit planning but more importantly provide Council with an effective risk management framework that is understood and actively managed by Councillors, Executive Management and all operational staff in Council.

D20/9405

As a consequence of this review of the Corporate Risk Register the ARMC has not received regular reporting on the status of the identified risks in 2019.

9.0 Conclusion

The ARMC confirms that based on the information provided to the ARMC from management, internal audit and external audit, it is satisfied with the progress of Council's arrangements for governance, risk management, internal control and regulatory compliance.

The areas of responsibility of the ARMC set out in Clause 7 of the Audit and Risk Management Committee Charter are managed in consultation with the Manager Corporate Governance and Internal Auditor and supported by the internal audit and external audit plans executed during the year.

PP Burgett
Chairman