



Audit, Risk & Improvement Committee

Annual Report for year ended December 2020

Contents

Background	4
Committee Meetings and Membership	5
Audit, Risk & Improvement Committee Report Card	6
Internal Audit	7
Internal Audit Plan 2020	8
Snapshot of Internal Audit Recommendations	9
Legislative Compliance	10
Control Framework	10
Major Projects	10
Financial Management and External Audit	11
Risk Management	12
Enterprise Risk Management (ERM)	12
Workers Compensation and Public Liability	12
Work, Health & Safety	13
Covid 19 Pandemic Activities	13
Business Continuity Management (BCM)	13
Self-Assessment	14



Background

This annual report documents the operation and activities of the ARIC for the 2020 calendar year. Ku-ring-gai Council has an Audit, Risk & Improvement Committee (ARIC) that has been in place since 2009. The ARIC currently operates in accordance with the Office of Local Government Internal Audit Guidelines of September 2010 and the Charter adopted in June 2019 by the elected Council.

The objective of the ARIC is to provide independent assurance and assistance to Ku-ring-gai Council on internal audit, external audit, risk management, control framework, legislative compliance and external accountability. The reviews completed under each of these categories are provided in the following sections of the report.

The Committee's charter requires the Chair to provide an annual report to Council with the details of the reviews conducted. It is considered that the scope and approach of these activities have fulfilled the Committee's responsibilities.

I'd like to extend my thanks to all members and management representatives for their contribution during 2020.

Stephen Coates

Ku-ring-gai Council ARIC Chair
March 2021

Committee Meetings and Membership

The ARIC comprises two independent external members and two Councillors

Stephen Coates (Chairperson) appointed for a term of two years until April 2021.

Brian Hrnjak – Re-appointed in 2020 for a further term of two years until 2022.

They are joined by the following Councillors to make the total membership to four.

Councillor Sam Ngai

Councillor Martin Smith

The schedule of meetings attended by members during 2020 is as follows:

Name	Role	Eligible	Attended
Stephen Coates	Chair	5	5
Brian Hrnjak	Independent	5	5
Sam Ngai	Councillor	5	5
Martin Smith	Councillor	5	5

In addition to the voting members, other non-voting attendees include the Mayor, General Manager, Head of Internal Audit and other staff as requested by the General Manager. These staff include the Director Corporate Services, Manager Finance, Manager Governance, Group Lead Major Projects, Manager People & Culture, Team Leader Risk Advisory. Invitations are also extended to the External Auditor from the Audit Office NSW and their agent, Crowe Australasia.



Audit, Risk & Improvement Committee Report Card

Committee Charter	Compliance
<i>Composition</i>	2 independent members 2 Councillors
<i>Committee Meetings</i>	A quorum was met at every meeting.
<i>Broad range of skills and experience</i>	Committee members possess extensive experience and a diverse range of skills across risk management, internal audit, local government and commercial activities.
<i>Functional Separation</i>	The Committee has no executive powers.
<i>Sufficient time allocated to tasks</i>	The Committee agenda facilitates adequate time to discuss internal audits, external audits, governance, risk management and financial management activities as well updates on the completion of actions.
<i>Probity</i>	Members declared conflicts of interest if they arose.
<i>Risk Management</i>	Risk management activities are reported to every meeting on the implementation of Council's Enterprise Risk management framework, and status reports of work health and safety, public liability and workers compensation analyses.
<i>Control Framework</i>	The Committee regularly reviewed the controls, policies and procedures through reports and high level briefings received.
<i>Legislative Compliance</i>	The Committee received and reviewed reports on complaints and Compliments, compliance and reporting requirements set out by the Office of Local Government, GIPAA, PPIPA and HRIPA Statistics and summaries of relevant circulars and legislative updates.
<i>Fraud, corruption and control</i>	The Committee has reviewed the development of the draft Fraud and Corruption Control Policy and draft Fraud and Corruption Control Strategy. The fraud and corruption control plan will be reviewed once the framework has been established.
<i>Internal Audit</i>	The Committee reviewed and approved the internal audit plan, ensuring it took into account those risks already populated within the risk register. Consideration was given to the identification of significant issues identified in audit reports and action taken on issues raised, including dissemination of better practices. The Committee monitored the implementation of action plans arising from internal audit recommendations at every meeting.
<i>External Audit</i>	The Committee met on 10 September 2020 to receive briefings on the external audit and financial statements for the year ended 30 June 2020 Financial statements. The management letter was reviewed for compliance with local government regulatory requirements.
<i>External Accountability</i>	The Committee provides input and feedback on the financial statements and control issues identified by the external auditor.
<i>Financial Management</i>	The committee received and reviewed reports at least twice a year. A management report of significant financial matters for the year ended 30 June 2020 was received.
<i>Self-Assessment</i>	The Committee conducted a self-assessment in April 2020 to determine the extent to which it is achieving its overall objective to provide independent assurance and assistance to Ku-ring-gai Council on risk management, control, governance and regulatory obligations. An assessment of the performance of the performance of the internal audit function was also completed.

Internal Audit

The internal audit charter outlines the purpose, authority and responsibility of management and the internal audit team. Audits are completed in accordance with the International Standards for the Professional Practice of Internal Auditing Standards issued by the Institute of Internal Auditors.

Ku-ring-gai Council's internal audit function is provided under a shared service arrangement. Ku-ring-gai took over from Willoughby Council in July 2018 to host the is shared service on behalf of North Sydney, Lane Cove, Mosman, Strathfield and Hunters Hill Councils.

It was resolved in May 2020 to continue the shared service arrangement for a further period of two years with Ku-ring-gai to remain as host Council.

A consolidated internal audit plan has been developed in order for Council to take advantage of not only efficiencies in operations but also shared learnings arising from work completed at each of the six councils.

Resourcing

The internal audit team is positioned within People and Culture of the Corporate Services department. The internal audit team in early 2020 comprised 2.6 (full-time equivalent) employees including one Head of Internal Audit, one full-time and one part time (0.6) Internal Auditor.

Upon resignation of the part time auditor in February 2020, the position was reviewed and increased to a full time position, bringing the total staff to 3 full time. A full time internal auditor was recruited in September 2020.

The shared service and Ku-ring-gai operated on two resources for a period of seven months which impacted upon the ability to meet the approved internal audit plans. Some internal audits were outsourced during this period, particularly that of Development Applications across four Councils to take advantage of external expertise and for consistency in approach and identification of common risks and opportunities.



Internal Audit Plan 2020

The internal audit plan is shared with the external auditors in order to avoid potential duplication of coverage and for them to be aware of work being completed during the year.

The Covid19 pandemic initially slowed some activities but the work of internal audit remained essentially business as usual albeit with a reduced resource. The staff that were involved in audits were co-operative and fieldwork was managed through Zoom meetings, sharing documents on screen and emailing documentation.

The following table outlines the status of the 2020 internal audit plan: Three of the six audits scheduled were completed:

1. Contract Management
2. Development Applications
3. Grants and Sponsorships
4. An additional high level review of Covid 19 considerations against the ICAC report was conducted in April 2020.

The following internal audits have been deferred:

- The privacy and information awareness risk assessment was not completed across the shared service due to a lack of internal audit resources. Further, with social distancing restrictions it was decided to defer a workshop approach until 2021.
- An internal audit of food inspections will be carried forward into 2021 across the shared service.
- Payments (high volume, low value transactions), a management request, was not completed and has been included in the 2021 plan.

Internal Audit Plan 2020

Auditable Area	Type ¹	Commence	Report To ARIC Due	Status
DA processing and compliance	Limited	June 2020	Oct 2020	●
Contract Management	Limited	June 2020	Oct 2020	●
Covid-19 Review/ Gap Analysis	Health Check	May 2020	Jun 2020	●
Grants Administration & Sponsorships	Full	Nov 2020	Mar 2021	● Completed Feb 2021
Food Inspections	Full	TBA		●
Purchasing	Limited			●
Privacy & Information	Risk Assessment			●
Validations of Past Recommendations	Health Check	Ongoing	Dec 2020	●
ARIC Reporting (5 pa)				○

● Complete ● In Progress ● Slipped/Deferred ○ Planned- not yet commenced

¹Types of Internal Audit Coverage

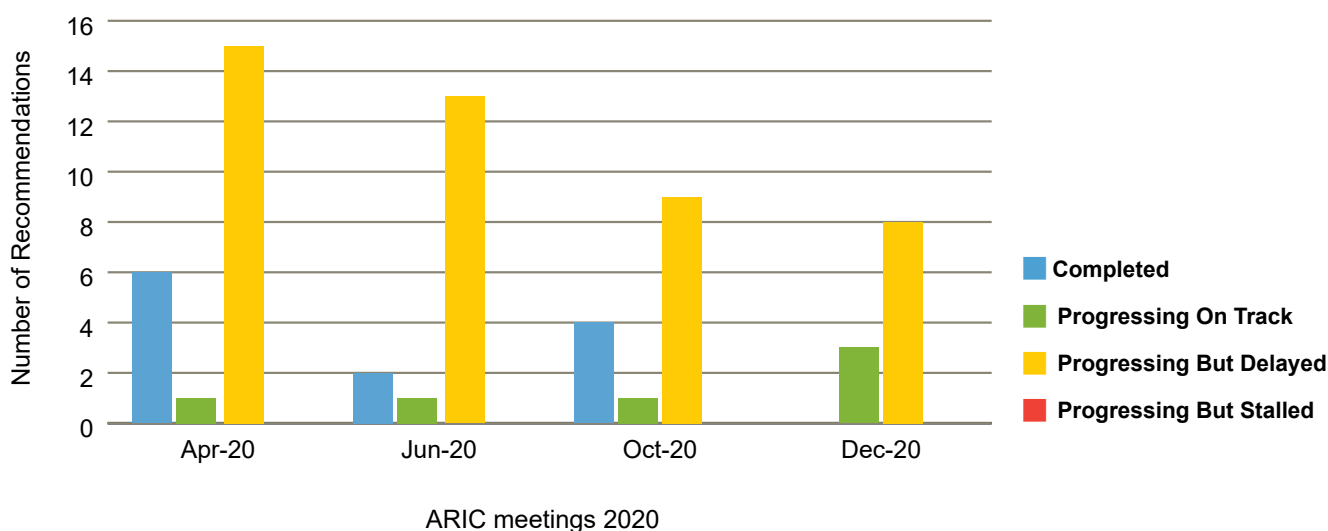
Full scope	Complete coverage of a process/processes or business unit	Average 12-15 days
Limited	Narrower scope limited to 2-3 business processes or concentrates on the highest risks	Average 10 days
Health Check	High level assurance activities focusing on one specific risk/process to provide is a snapshot of risks and controls Validation of past audit recommendations made	Average 2 days
Risk Assessment	Validation of risks and controls and treatment plans –usually conducted jointly with the second line of defence such as a Risk Manager	Average 5 days



Snapshot of Internal Audit Recommendations

The ARIC reviews all internal audit reports and presentations on the audit findings. Management and directors are also invited to discuss identified improvement opportunities. The implementation of management actions arising from the internal audit reports is a critical element of an effective internal control framework and is tracked and reported on at every meeting. Throughout 2020, the status of the completion and remaining management actions was reported as follows:

Implementation of Action Plans Ku-ring-gai Council



Legislative Compliance

At each ARIC meeting, the Manager Governance provides reports on:

- Compliance and reporting requirements set out by the Office of Local Government.
- GIPAA, PPIPA and HRIPA Statistics that includes a brief description and outcome from each request.
- A summary of relevant circulars, legislative updates are tabulated with a response to what Council is required to do in order to meet the requirements where relevant.
- Complaints and Compliments (annually).



Control Framework

The Committee is provided with information that assists them with obtaining assurance that controls were working effectively and that there policies and procedures in place. Directors and responsible Managers regularly attend meetings to provide updates including the status of audit recommendations.

In 2020 the Committee received the following reports:

- In response to the findings and improvement areas identified from the Internal Audit of the fraud and corruption risk assessment in late 2019, People and Culture revised and developed the following documents that have been provided to the Committee:
 - Fraud and Corruption Control Policy (approved November 2020)
 - Draft Fraud and Corruption Control Strategy
- IT Penetration testing outcomes
- Complaint and compliment annual analysis
- Contract management framework internal audit report
- Development applications annual report
- Covid 19 – controls review against ICAC better practice recommendations

Major Projects

At each meeting, the Group Lead Major Projects provides the Committee with a risk-based progress update on the Lindfield Village Hub Project.



Financial Management and External Audit

The committee receives an annual report from the external auditor (Audit Office of New South Wales) on the status of our financial statements. Representatives from the Audit Office and Crowe Australasia (the Auditor's nominated agent) attended Committee meetings to discuss the engagement plan, prior to commencing work in 2020. The interim management letter for the year ended 30 June 2020 was presented to the ARIC with one medium and three low risk issues raised.

In September 2020, the Committee considered a report from the Audit Office and discussed the audited financial statements and audit coverage. The committee also received and endorsed actions on control matters identified during the annual financial audit.

The Finance Manager also provides the ARIC with an overview of the Council's financial performance and investment portfolio.



Risk Management

In 2020, the Risk Advisory function established the IDDDS (Identify-Diagnose-Design-Deliver-Sustain) service model to help to track developmental milestones of key projects/activities under Enterprise Risk Management, Worker's Compensation, Public Liability, and Work, Health and Safety. A summary of the activities completed during 2020 follows:

Enterprise Risk Management (ERM)

Council is currently at the designing phase for the development of the Risk Management Policy, ERM Strategy and Risk Appetite Statement which set the overarching direction for Council's risk management approach and risk-taking boundaries. Activities to support this included:

- Upskilling and engaging the Leadership Team through a range of risk refresher training and one-on-one or group workshops.

- Enhancing overall organisation risk culture and awareness.
- Improving staff engagement through embedding a risk management mindset in business processes.

Following a comprehensive review on its risk management methodology, there are now a total of 130 risks (125 operational risks and 5 strategic risks) contained within the risk register which represents a significant reduction from the previous total of 680. A more detailed review and further refinement of Strategic and Operational Risk Registers against the parameters contained within the risk matrix will be undertaken.

Workers Compensation and Public Liability

Since January 2020, Council has been reviewing and calibrating its general insurance performance to align with industry best practice and to ensure compliance

with the legislative framework with a focus on loss mitigation to safeguard Council's insurance premium.

The Workers Compensation insurance portfolio is managed under an injury management and claims management program. The two programs are measured by distinct metrics to achieve the best possible return to work and loss minimisation outcomes. The current metrics used to assess the efficacy of the programs are

- Early intervention, average/ median costs of premium impacting claims and finalisation rate in the claims management program
- Injury management duration and wage loss as a result of incapacity in the injury management program
- Data to business, relying data from claims and injury management program to Work Health & Safety (WHS) for potential refinement in current loss prevention strategies / programs

For Council's Public Liability Insurance, the loss mitigation focus has been on data capture from internal systems and external sources (i.e. insurer's online reports). There has been improvement in monitoring Council's under-excess claims (i.e. claim quantum under \$10,000.00) performance, from establishing claim settlement ratio to utilising statistical method, i.e. moving average technique to forecast claims volume based on historical data for workflow management and identifying "hot spots" for improvement.

Work, Health & Safety

Since 2019/2020, Council has been reviewing its current WHS process and procedures for continuous performance improvement and integrating the WHS Management System that interacts with WC and PL portfolios under the ERM framework.

WHS Indicators to track the severity and frequency of WHS events and to track the potential of them materialising into work-related injuries or public liability claims have been established. Council has broadened its scope of conventional incident management into further classification of internal incidents, external incidents, near-miss and hazards. This allows WHS strategies to be tailored according to the nature and severity of different types of WHS events and for further analysis on emerging trends, formation of specific rectification actions and development of WHS key initiatives.

Covid 19 Pandemic Activities

To support management and staff during COVID-19 pandemic activities under its WHS program, included:

- Review of the WHS Policy.
- WHS reporting indicators and dashboards.
- Supporting the leadership of the Crisis Management Team.
- Advising staff on the ongoing monitoring of the health and wellbeing of the workforce through flu shots and skin screening
- Supporting staff through Employee Assistance Program
- Providing regular communications to staff via noticeboards, Newsletters, COVID-19 risk alerts and email updates, including Public Health Orders.
- Supporting staff under Flexible Working Arrangements and Working from Home.
- Developing tools and guidance to assist staff with transitioning back to the workplace.

Business Continuity Management (BCM)

Council engaged risk consultants, InConsult in early 2020 to partner with to develop a BCM Policy and Framework. The following progress has been made:

- Development of the draft BCM Policy and Framework.
- Completion of a Business Impact Analysis (BIA) for the two major site of the Council Chambers and Depot.
- Completion of Business Contingency Plans for Council Chambers and the Depot.
- Completion of Business Continuity Management training and scenario testing.

In 2021, The BCM Policy and Framework and related Business Contingency Plans will be at the finalisation stage with Senior Management and related work groups.

Self-Assessment

In accordance with the ARIC Charter, the Committee completed a self-assessment which was designed to assess their performance in the following areas:

Running an Effective Committee

- Committee members have attended on a regular basis
- Meetings have been conducted in accordance with the Agenda issued
- Meeting agendas and supporting papers have been well structured and written
- Meetings have been conducted to allow full participation by all members
- Meetings have allowed members to raise any issue they believe relevant
- Meetings have been conducted to allow for open, frank and robust discussion of all matters
- Committee members have an adequate mix of skills and knowledge
- Reviewed the adequacy of the ARIC Charter

ARIC Monitoring on the systems and activities identified in the Charter

- Reviewed the accountability of corporate governance arrangements
- Reviewed effectiveness of internal control systems
- Made recommendations to control deficiencies
- Reviewed effectiveness of management information including financial controls
- Reviewed the appropriate application of accounting policies
- Reviewed the developments and changes to rules, regulations and laws including compliance with applicable laws and regulations
- Reviewed standards of corporate governance
- Maintenance and fostering of an ethical environment
- Has received whatever information, presentations or explanations considered necessary to fulfil responsibilities
- Reviewed and approved the ARIC annual plan

Risk Management

- Gained a level of assurance that systems are in place to identify high risks
- Scheduled audit reviews in accordance with risk assessments
- Measures to provide early warning of issues including potential fraud risk
- The level and effectiveness of Business Continuity and Disaster Recovery Planning

Internal and External Audit

- Reviewed the performance of internal audit
- Reviewed internal audit reports
- Considered the adequacy of internal audit resources
- Provided a structured reporting line for internal and external audit
- Annually approved the internal audit plan
- Reviewed the adequacy of the Internal Audit Charter
- Sought in-camera sessions with both internal and external audit during the year
- Reviewed the external audit reports and management letters
- Fostered the effectiveness and efficiency of the external audit function

Overall the six respondents to the survey agreed that the Committee achieved a good level of performance with no ratings lower than a mid-point rating of "agree" received, based on a five point rating scale across all categories.

