

Committee Performance Review - period 2020-2021

PREPARED BY: BRIAN WILKINSON
(Independent Member – Chairperson, Audit, Risk and Improvement Committee)

Recommendation

That the Audit, Risk and Improvement Committee Performance Review for the period 2020-2021 be received and endorsed.

Purpose

To provide information in relation to the performance and role/activities of the Audit, Risk and Improvement Committee (the 'Committee').

Background

The Rous County Council ('Council') Audit, Risk and Improvement Committee Charter (the 'Charter') provides as follows:

“6.3 Assessment of Committee performance

The chairperson of the Committee and General Manager will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the chairperson of the Committee or Council), with appropriate input from management and any other relevant stakeholders, as determined by the chairperson of the Committee”.

A report on the Committee's performance for the 2019-2020 period was submitted to the Committee at its meeting on 27 July 2020. That report, which included information on the Committee's activities up to 30 June 2020, was subsequently reported to Council.

Over recent years the NSW Office of Local Government have been progressing Guidelines that will, once released, update and change the roles and reporting of Audit Risk and Improvement Committees. In consultation with Council Management, this 2021 Committee Performance report has been prepared to progress towards what is anticipated to be the future Committee reporting requirements under the proposed Guidelines (i.e. an ARIC Annual Assurance Report), and to meet the current provisions of the Committee's Charter by providing information on the role and activities of the Committee from July 2020 to June 2021.

Governance

The purpose, role and conduct of the Committee is guided by the Charter and the Internal Audit Charter (the 'IA Charter').

The Charter includes the following purpose for the Committee:

“1.2 Purpose

[...]

The role of the Committee is to report to Rous County Council and provide appropriate advice and recommendations on matters identified by this Charter. The Committee is independent and therefore operates independently of Council management.

[...]

The Committee has a legislated duty to keep under review the following aspects of Council's operations:

- 1. Compliance*
- 2. Risk management*
- 3. Fraud control*
- 4. Financial management*
- 5. Governance*
- 6. Implementation of the strategic plan, delivery program and strategies*
- 7. Service reviews*
- 8. Collection of performance measurement by Council*
- 9. Any other matters prescribed by regulations made under the Local Government Act 1993."*

Over the past 12 months the Committee has been mindful and aware of the amendments to the *Local Government Act 1993* that are aimed at further defining and embedding the roles and responsibilities of Audit Risk and Improvement Committees as part of the operations and functions of Local Government in NSW.

The Committee's activities and governance processes have, with the strong support and guidance of the Leadership Team at Council, been aiming to follow the intent of the relevant legislation and the proposed framework outlined in the discussion paper released in late 2019 (and subsequently updated). This approach will place Council in a strong position to meet the requirements included in the proposed Guidelines that will likely be introduced at some time over the next six months.

Note: there will be a phase in period for the new Guideline requirements.

During the period July 2020- June 2021 the Committee met five times. The Committee Members (Brian Wilkinson, David Yarnall (outgoing member) / Andrew McLeod (incoming member), and Councillor Darlene Cook) have attended all meetings either in person or via remote technology. In that regard, the Committee appreciates the efforts and arrangements made by Council staff to ensure meetings continued on schedule.

In December 2020, the Committee and Council were advised of the decision by David Yarnall to cease in his role as independent member on the Committee. The recruitment process undertaken by Council for a replacement was thorough and successful in attracting strong applicants. The process resulted in Andrew McLeod commencing as the independent member on the Committee in May 2021.

Committee activities

To guide the various meeting agendas and content during the year, a "Schedule of Reporting" was adopted. This resulted in regular reporting on required items; in that regard, the Committee was pleased with the content and presentation of reports. Also, the Committee appreciated that there was consistent attendance and involvement of Council staff at Committee meetings.

The Internal and External Audit Programs of Council have had appropriate reporting and links to the Committee role and meeting agendas. The current Committee Charter and IA Charter are considered appropriate and supportive of the role of the Committee.

The following comments and information provide the views of the Committee in relation to the operations of Council:

- Information and reporting has been provided to the Committee in respect of **Compliance Monitoring and Reporting**. e.g. the use of the NSW Office of Local Government calendar of compliance reporting, and the research and development of a technology solution to suit the size and complexity of councils' operations.

-
- Regular reporting has been provided on **Enterprise Risk Management**; this has included information on the Risk Register and actions being taken to mitigate risks. The Committee noted the increasing involvement of staff in risk management processes and the desire by Council to review and improve risk management across the organisation. Work Health and Safety has also been the subject of reporting to the Committee. It was pleasing to note that in the review of the staffing structure and the recruitment of personnel that emphasis is being placed on risk management and its associated processes.
 - Council has responded to External Audit reports and NSW Audit Office Reports in relation to Fraud Control. The Committee has received reports on actions being taken by staff on **Fraud Control**, including checklists, awareness and improved business systems.
 - During the 2020-21 financial year, the Committee has received reports and presentations relating to the **Financial Management** processes of Council. The External Auditors have engaged closely with the Committee in respect to annual financial statements, Management Letters and the Annual Audit Plan. In addition, the Committee has been kept informed via agenda items on budget preparation, quarterly budget reviews, and investment processes. As part of the External Audit Management Letters, there are recommended actions to improve Council's approach to various processes. The implementation of those actions is kept under review by the Committee.
 - As with all local government organisations, the **Governance** processes at Rous County Council are diverse and are subject to ongoing action. The Committee have received regular reports and information on governance practices and improvements, including:
 - Policy, Procedure and delegation reviews,
 - Internal Audit Reports and Actions,
 - Section 355 Committees,
 - Code of Conduct statistics, and
 - The development of the ICT Business Plan.

During the 2020-21 financial year the Committee received reports and monitored progress on the following internal audit items:

- Work Health and Safety,
- Asset Management, and
- Procure to Pay.

An important part of Internal Audit is to identify areas of operational improvement. Whilst in some instances the completion of recommended actions/ improvements takes some time, it is recognised that some actions link into other processes and as such need to be addressed thoroughly.

- An integral part of Local Government operations is the Strategic Planning processes and the actions taken to implement strategies. **The Implementation of the Strategic Plan, Delivery Program and Strategies** at Rous County Council are supported by comprehensive and understandable documentation. The Committee have received reports and presentations relating to those processes.
- **The collection of performance management data** by Council has been reported to the Committee (and the community) via the Annual Report and the Strategic Plan, Delivery Program and Operational Plan processes.
- In addition to the above, the Committee have been kept informed of **Other Matters** relevant to the role of an ARIC and Council's operations. This has included the Annual Internal Audit Plan, Internal Audit reports, Reports and Publications from the Independent Commission Against Corruption, Information and Privacy Commission of NSW, Performance Audits and Local Government Reports from the Audit Office of NSW.

-
- **The Internal Audit Program** of Council is undertaken via a third party and is monitored closely by the Committee; in that respect the Committee has input to the annual audit plan (based around identified risks of the Council and the Local Government industry), receives and considers reports from the Internal Auditor and also monitors progress made on recommendations in Internal Audit Reports. The scope of the Internal Audit Program can reach across the various operations of Council i.e. Compliance, Governance, Financial Management, Fraud Control, Risk management and Strategic Planning. Reference has been made earlier in this report to the items covered through Internal Audit by the Committee. The Internal Audit Program of Council is considered appropriate at this time.

Committee performance

The scope of the Committee activities identified in this Report supports the view that the Committee is undertaking its required functions in an appropriate manner.

As part of the preparation of this Performance Report consideration has been given to the content of the Charters that guide the role of the Committee. As Chairperson, I have been unable to identify any specific 'failings' of the Committee to meet their obligations and responsibilities. In addition, it is considered that there are no specific matters that need to be brought to the attention of the elected Council.

Financial

The Audit, Risk and Improvement Committee functions and associated actions are funded from existing budget and resource allocations.

Consultation

In providing this report for Committee consideration, the opportunity is available to Committee Members to review the draft Committee performance review and provide feedback and/or suggested amendments. In addition, the General Manager and staff are also requested to provide comments as part of the process of reporting the review to the Committee.

Conclusion

As Chairperson of the Rous County Council Audit, Risk and Improvement Committee, I consider that, as outlined above, the Committee has satisfactorily and appropriately undertaken and performed its role during the 2020-2021 period.

Brian Wilkinson
Chair