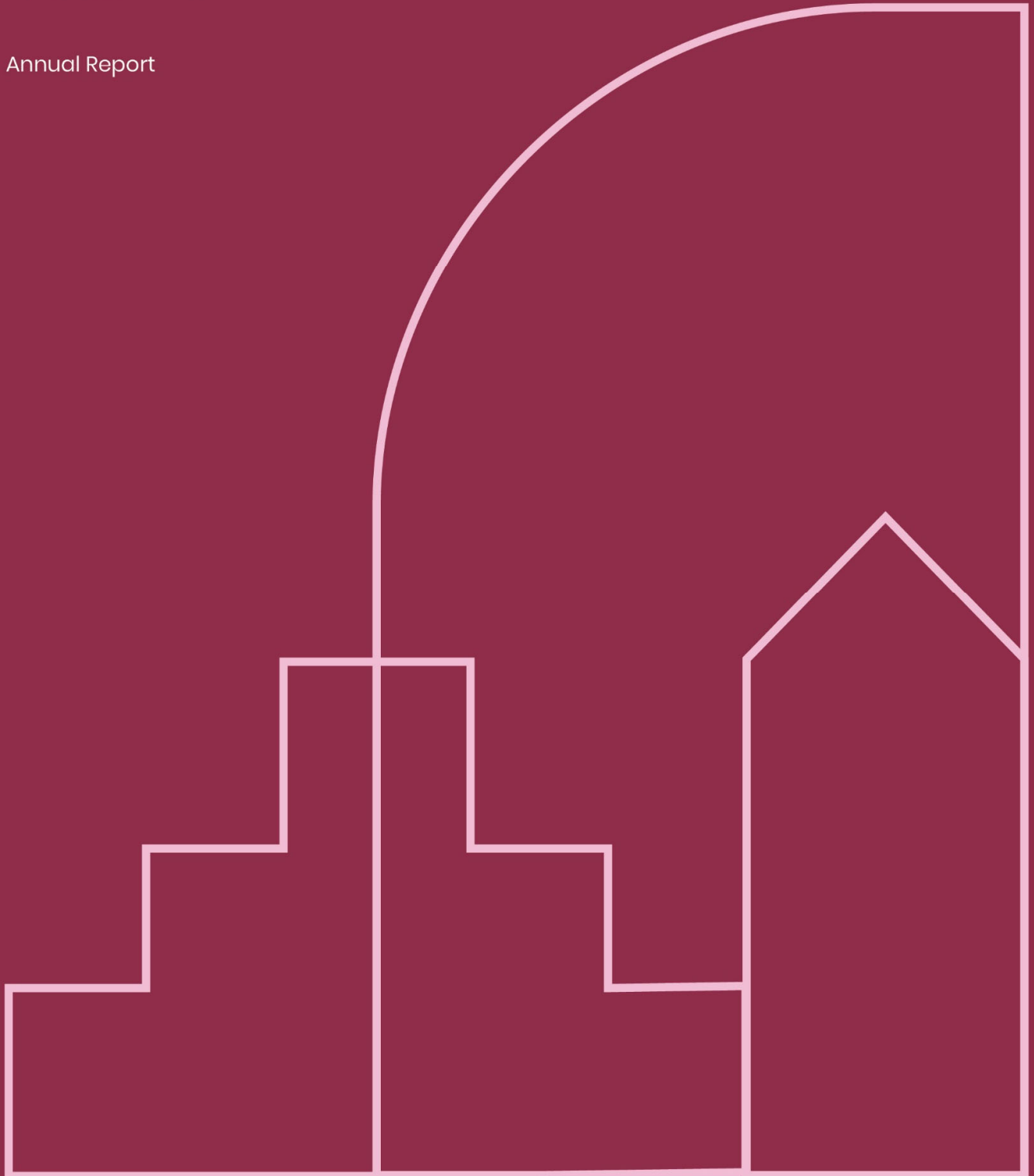




Audit, Risk
and Improvement
Committee

2023 - 24

Annual Report



Inner West Council acknowledges the Gadigal and Wangal peoples of the Eora nation, who are the traditional custodians of the lands in which the Inner West Local Government Area is situated





Audit, Risk and Improvement Committee

The Inner West Council (Council) Audit, Risk and Improvement Committee (ARIC) is a key supporting element of good corporate governance. Its establishment reflects the commitment of Council to industry better practice and high standards of accountability to the community it serves.

The ARIC has a key role in Council's governance framework by bringing a systematic and disciplined approach to examination of the effectiveness of audit, risk management, governance, and continuous improvement processes in Council.

The purpose of the ARIC is to provide independent assistance to Council by monitoring, reviewing and providing advice about Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

The ARIC works under Terms of Reference (TOR) which align with the Office of Local Government Guidelines and industry leading practice.

In accordance with the TOR, the ARIC presents an Annual Report on its activities to Council. The ARIC also provides minutes of its meetings to Council and these minutes are available on Council's website.

This report

This report is prepared in relation to the 2023-24 financial year. Previous ARIC annual reports have been on a calendar year basis.

This change has been made to enable ARIC to meet and align Committee reporting with new regulatory requirements which operate on a financial year basis from 1 July 2024.

Section 428A of the Local Government Act 1993

This section of the Act requires: (1) A Council to appoint an ARIC. (2) The ARIC must keep under review aspects of Council's operations, specifically: compliance, risk management, fraud control, financial management, governance, implementation of the strategic plan, delivery program and strategies, service reviews, collection of performance measurement data by the Council and any other matters prescribed by the regulations. (3) The ARIC is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

This report covers the activities of the ARIC in meeting its duties under section 428A (2) and (3) of the Local Government Act and its Terms of Reference for the period 1 July 2023 to 30 June 2024 (the 2023-24 financial year).

It also meets requirements on Council and its ARIC under Division 6A of the Local Government (General) Regulation 2021 (Regulations) in relation to Auditing and Audit, Risk and Improvement Committees and the Office of Local Government's November 2023 Guidelines for Risk Management and Internal Audit for Local Government (Guidelines), which are in effect from 1 July 2024.





THE CLOCK TOWER
DESIGNED BY ARCHITECT
MR. J. H. STUBBS
AND BUILT BY THE
MUNICIPALITY OF
MELBOURNE
1884-1885

Chair's message

It is with great pleasure that I continue to serve on the Audit Risk and Improvement Committee (Committee or ARIC), having joined as an Independent Member in February 2023 and as Chair since June 2024.

The Committee remains focused on the continual improvement to the risk management and governance processes of Council's operations. Key activities in the 2023-24 financial year (as required by the Terms of Reference) included:

- Reviewing the draft annual financial statements focusing on accounting policies and procedures and changes thereto; adjustment to the financial reports arising out of the audit process; and recommending adoption of the annual financial report to Council
- Reviewing and adopting the Internal Audit Charter and Internal Audit Universe and developing the adopting the Strategic and Annual Work Plans for the forward periods consistent with OLG Guidelines requirements which commence on 1 July 2024
- Reviewing the progress and achievement of the internal audit annual plan and considering the effectiveness of the function
- Reviewing Council's updated Risk Management Strategy, risk appetite and risk registers
- Conducting ARIC's Annual Performance Assessment
- Reviewing Council's insurance strategy and
- Reviewing reports of the Internal Audit Office and the extent to which Council and management react to matters raised by Internal Audit Office.

We are looking forward to building on the immense collaborative work done in 2023-24, as well as continuing to engage with both internal and external audit teams.

I would like to thank the other Members of the Committee and Management Team's support in ensuring the Inner West Council effectively discharges its responsibilities for financial reporting, risk management, internal controls, governance and internal and external audit.

Ilona Meyer

Chair Inner West Council
Audit Risk & Improvement Committee

General Manager's message

This has been a significant year for Council in many respects including in relation to its cultural journey, governance and risk policy framework implementation, and response to a changing regulatory landscape.

During the reporting period, Council launched the Australian Business Excellence Framework (Framework), as the next stage of Council's improvement journey. The launch occurred at Council's first Leader's Day for 2024, with over 200 staff in leadership roles in attendance. The event's theme was "Continuing with Excellence" and leaders were introduced to the Framework and the tools available to them to incorporate the Framework into operations. Council's continuous improvement focus was recognised with its Governance Uplift and Reinvigoration Project being chosen as a finalist in the Risk Management category of the Local Government Excellent Awards 2024.

Council also delivered a number of capital projects including the Leichhardt skate park and the Inner West Sustainability Hub. Significant ongoing projects include the Greenway project and the extension of food recycling to all homes throughout the Inner West in October through its Food Organics and Garden Organics (FOGO) project.

In April 2024, the Independent Commission Against Corruption (ICAC) delivered its report into Operation Hector. In response, Council has undertaken a significant amount of work to enhance its corruption prevention systems and is advanced in addressing the recommendations made by ICAC in its report.

During the reporting period, the regulatory requirements for, and expectations of, Council's ARIC changed significantly.

Councillors, the Chair, Committee members, and officers have collaborated closely to ensure compliance with these enhanced expectations of governance.

I thank them all for their efforts throughout the year and look forward to achieving even more during 2025.

Peter Gainsford

General Manager
Inner West Council

ARIC Governance

New regulatory settings

On 1 July 2024 the *Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023* (Regulations) commenced. The Regulations were supplemented by the Office of Local Government's Guidelines for Risk Management and Internal Audit for Local Government (Guidelines).

Council has undertaken a significant programme of work to ensure it meets the Regulation and Guideline requirements. This work encompasses all core requirements of the Regulation and all requirements of the Guideline in relation to the risk management, internal audit and ARIC related activities of Council.

Notably, ARIC and Council has adopted and implemented:

- an updated Risk Management policy and procedure consistent with the new requirements
- an Internal Audit Charter consistent with the model charter in the Guidelines.
- an updated ARIC Terms of Reference (TOR), with significant changes including to composition and underpinning strategic documentation governing the operations of the Committee.

Council has adopted measures within its TOR which exceed the minimum standards in the Model TOR. Council has also adopted requirements in the ARIC TOR which supplement the independence and eligibility criteria prescribed by the Regulation.

The TOR provide for the appointment of a Chair and three, rather than two, independent members. This is as a mechanism to ensure Council's ARIC has the requisite range of skills and expertise, and to ensure the ARIC's future capacity.

The TOR also impose maximum limits on an ARIC independent member's participation in other similar Committees. This restriction is designed to ensure that independent members have sufficient capacity, time, and focus to devote to the operations of Council's ARIC.

ARIC Annual Performance Assessment

The ARIC conducted an assessment of its and the Chair's performance, to ensure an effective, comprehensive and complete service is being provided.

A report on the review and continuous improvement initiatives was provided to the ARIC meeting on 20 March 2024.

Appointments of new Independent Members

Ilona Meyer was confirmed as the Acting Chair for Council's ARIC on 27 July 2023. Ms Meyer was subsequently appointed as the Chair of the ARIC at the Council meeting on 25 June 2024.

EOI processes were undertaken to fill independent member vacancies during the year. To ensure compliance with regulatory requirements, Council has appointed two independent members for the remainder of the 2024 calendar year.

A further EOI will be progressed during the 2024 calendar year to enable longer term appointments to be made for the second and third independent member roles.

Committee members

Independents



Ilona Meyer

*Acting Chair (from 27 July 2023) and
Chair (from 25 July 2024)*

Ilona brings over 25 years experience as a Non-Executive Director and General Counsel in the healthcare, defence and emerging technologies sectors.

She has held executive roles within private and public companies, gaining extensive experience in providing advice and managing legal & compliance teams through digital transformation, complex commercial transactions, mergers & acquisitions, implementation of risk management frameworks, as well as navigating high profile litigation and regulatory disputes.

Ilona is also a Non-Executive Director and Chair of the Audit & Risk Committee for Micro-X Limited (ASX:MXI); and Member of the Nominations Committee of the International Paralympic Committee (IPC).

Ilona is an admitted Solicitor and Barrister to the NSW Supreme Court and High Court of Australia, Associate Member of the Institute of Internal Auditors Australia and recognised as a Top 100 Brilliant Woman in AI Ethics 2024; and Top 100 Governance Professional in 2023 and 2024



Mark Sercombe

Independent Member

Mark is a technology, risk and assurance specialist with significant expertise in cyber security and systems gained from the private and public sectors – including local government – both in Australia and overseas.

He brings notable experience in auditing, finance, risk, governance and business improvement practices to the Committee. He has been a member of audit and risk committees since 2017 after establishing a boutique assurance and risk advisory firm in 2014.

Mark was formerly a Partner with Deloitte for seventeen years. Mark also lectures part time in accounting information systems at the University of Sydney's Business School.

Mark holds a Bachelor of Economics, is a Fellow Chartered Accountant and also has several credentials in internal audit (CIA, PFIIA) and information systems audit (CISA, ISO 27001 Lead Auditor).

Councillor



Philippa Scott

Councillor

Philippa Scott is a lifelong Inner West local, and an experienced governance, policy and management professional, committed to social justice.

In 2021, she was elected as a Labor Councillor for the Leichhardt Ward of the Inner West Council. Philippa is a Board Director of Metro Assist, a migrant resource centre serving the Inner West and Canterbury-Bankstown LGAs, and is President of Sydney Secondary College P&C.

Before politics, Philippa worked as a governance and policy manager in the university sector for ten years, and is currently on leave from her position as a senior manager at the University of Technology Sydney. Philippa holds a combined Bachelor of Arts/Bachelor of Laws degree from the Australian National University, a Master of Laws (Honours) degree from UTS and a Master of Education degree from the George Washington University in Washington D.C.

Committee members

Councillor



Liz Atkins

Councillor

Liz has been an Inner West Councillor since December 2021. They are a lawyer and former senior public servant who worked in government for more than 30 years, with a particular focus on law enforcement and national security policy, and administrative law.

A Deputy CEO at the Australian Government's anti-money laundering agency, AUSTRAC, from 2010 to 2016, Liz was responsible for policy, corporate services, project and risk management, security, IT and finance.

Liz has significant experience in governance and managing change across an organisation. Liz holds a combined Bachelor of Arts/Law from the University of Sydney.

Our thanks

Changes required to the ARIC Terms of Reference which commence on 1 July 2024 meant Councillor representation on ARICs change significantly.

Councillor members of the ARIC prior to 1 July 2024 participated in the ARIC as full voting members. From 1 July 2024, the Regulations provide that any Councillor appointed to the ARIC must not vote on a matter.

We offer our thanks to our two Councillor members of the ARIC, Councillor Philippa Scott and Councillor Liz Atkins, for their committed service to Council's ARIC since 2022.

We welcome Cllr Philippa Scott as the Councillor member on the ARIC under the terms of the OLG Guidelines for the new Council term.

Year in review

Five (5) meetings were held during the 2023-24 financial year. These included four (4) regular meetings and (1) Finance related special meeting, as follows:

- 16 August 2023
- 4 October 2023 (Financial)
- 22 November 2023
- 20 March 2024
- 29 May 2024

Attendance

Committee Member	Meeting Date				
	16 Aug	4 Oct	22 Nov	20 Mar	29 May
Ilona Meyer	•	•	•	•	•
Mark Sercombe	•	•	•	•	•
Councillor Philippa Scott		•	•	•	•
Councillor Liz Atkins	•	•	•	•	•

Other regular (non-voting) attendees to ARIC meeting include:

- General Manager
- Director Community
- Director Corporate
- Director Infrastructure
- Director Planning
- Senior Manager Governance & Risk
- Risk and Audit Manager
- Governance Manager
- Chief Financial Officer
- Chief Information Officer
- KPMG Engagement Partner (Internal Auditors)
- KPMG Associate Director (Internal Auditors)
- Internal Ombudsman Shared Service (IOSS)
- Director and Audit Leads, Audit Office of NSW.

Disclosures of Interests

Disclosures are recorded at the start of each meeting and annually for all ARIC members. Consistent with new requirements in the draft and now final Guidelines, Council also classifies external ARIC members as 'designated persons' who must complete and submit 'returns of interest'.

Audit of Financial Statements

The External Audit of the Financial Statements for the financial year ended 30 June 2024 was conducted by the Audit Office of NSW.

The ARIC considers the findings and recommendations of the Audit Office and assesses Council's performance implementing those findings and recommendations.

The ARIC considers and provides input and feedback on the draft Financial Statement to management and the Audit Office.

Internal Audit Charter

Council adopted a revised Internal Audit Charter on 9 April 2024 which is consistent with the model charter in the Guidelines. The Charter includes an analysis of Council's internal audit universe across its five core business directorates. The Charter is a living document and planning tool used by Council and its ARIC to ensure areas of potential risk across Council are adequately considered and factored into internal audit planning.

Internal Audit

Internal Audits at Council during the period were conducted by KPMG. KPMG's appointment resulted from a procurement process undertaken in the first half of the calendar year of 2023. The term of their appointment is for four years.

The KPMG Engagement Partner and Associate Director for Council attend each ARIC meeting, provide a status report against the agreed Internal Audit Plan, and audit findings. KPMG will also conduct independent reviews of Council's delivery of completed audit actions and performance reports to support the review of the effectiveness of the Internal Audit function, at the appropriate time.

During the financial year, KPMG conducted four internal audits scheduled under the ARIC forward calendar, concerning:

- Records Management
- Cyber Security
- TechOne and ICT project implementation
- Fraud and Corruption Control.

ICAC Operation Hector

During the period the Independent Commission Against Corruption handed down its findings in relation to its Public Inquiry regarding investigation into the awarding of Transport for NSW and Inner West Council contracts (Operation Hector).

The investigation was initiated following Council referring the matter to ICAC on becoming aware of concerns.

The findings and recommendations outlined in the ICAC report were reported to Council and the Audit, Risk and Improvement Committee.

Council has made various enhancements to relevant systems to improve corruption prevention. Council will implement all 7 recommendations of the report throughout 2024 to ensure that Council continues to strengthen its governance and procurement practices and controls.

Council's performance in implementing each action is reported to each ARIC meeting.

ARIC Recommendations and Audit Actions

The process to update and resolve outstanding ARIC Recommendations and Council wide Audit Actions with relevant departments will always be ongoing.

The resolution of ARIC recommendations and Audit Actions are relevant to Council's continuous improvement initiatives.

During the 2023-24 financial year, ARIC Recommendations remained actively tracked and completed promptly, with typically only one or two matters requiring completion beyond the ARIC meeting following the Recommendation being made (noting some recommendations are ongoing in nature).

Council examined the completion of 64 internal audit actions during the period. The Audit Office NSW confirmed the completion of 3 external Audit Actions during the period with 2 issues not yet due.

At financial year end, Governance and Risk has just over one hundred and thirty internal audit actions and 11 external audit Actions under monitoring (including new Actions raised during the period). During calendar year 2023, significant progress had been made to address longstanding actions. Council will continue to focus on these matters until they are fully resolved.

Presentations and Reports

Just under seventy reports were tabled to the ARIC over its five meetings during the 2023-24 financial year.

Reports and presentations covered:

- Council's Community Strategic Plan, Delivery Program, Operational Plan and Service Delivery Program
- Customer Service projects
- Budgetary and financial updates
- Council investments portfolio (Investments Reports and Investments Policy Updates)
- Major capital projects
- Procurement strategies, practices and controls
- Information technology including projects, IT security, data protection and privacy matters
- People and culture and Workplace Health and Safety performance and initiatives
- Risk management including matters such as business continuity, incident management, fraud and corruption prevention
- The policy harmonisation project and resulting new and updated policies and procedures
- Performance, trends, initiatives and recommendations of the IOSS
- Internal Audits, their progress, findings and any implementation plans arising
- Council's progress implementing OLG Guidelines requirements and matters requiring endorsement to meet those,
- Progress reports on ARIC Resolutions and findings and recommendations made by IOSS, the Internal and External Auditors.

Key Governance and Risk operations and projects

During the 2023-24 financial year, the Governance and Risk team continued to mature its processes. Significant projects and initiatives of the Governance and Risk team during the period include:

- Completion of the project to review Council's Delegations Framework and update all delegations across Council.
- Policy Harmonisation Project to review all current Council policies to ensure appropriate harmonisation has occurred post amalgamation, confirm appropriateness/accuracy of policies and to uplift the overall governance framework of Council.

- Thirty-eight policies or critical instruments were reviewed, redeveloped and formally adopted or rescinded during the 2023-24 financial year. The remaining 19 are scheduled to be reviewed and re-adopted in 2024-25.
- The Development of the new Risk Management, Procurement and Fraud and Corruption Control Frameworks.
- The Development of the new Policy Operational Management Standard and suite of Policy, Procedure, Report and Briefing Note templates specifically for policy development.

The Internal Ombudsman Shared Service

The Internal Ombudsman Shared Service (IOSS) for InnerWest, City of Parramatta and Cumberland City Councils commenced in September 2017. The IOSS consists of the Internal Ombudsman, Assistant Internal Ombudsman and Complaint Assessment and Administration Officer.

The activities of the IOSS encompass: prevention activities including providing probity advice, policy review and assistance with policy development, for example in relation to Child Protection Guidelines and Domestic and Family Violence Policy; education and training, for example in relation to complaint handling, public interest disclosures, probity in procurement and presentations to the Local Government NSW Good Governance Forum and the Australian Institute of Internal Auditors; and the investigation of complaints within the jurisdiction of the IOSS Governance Charter including in relation to delays and administrative conduct.

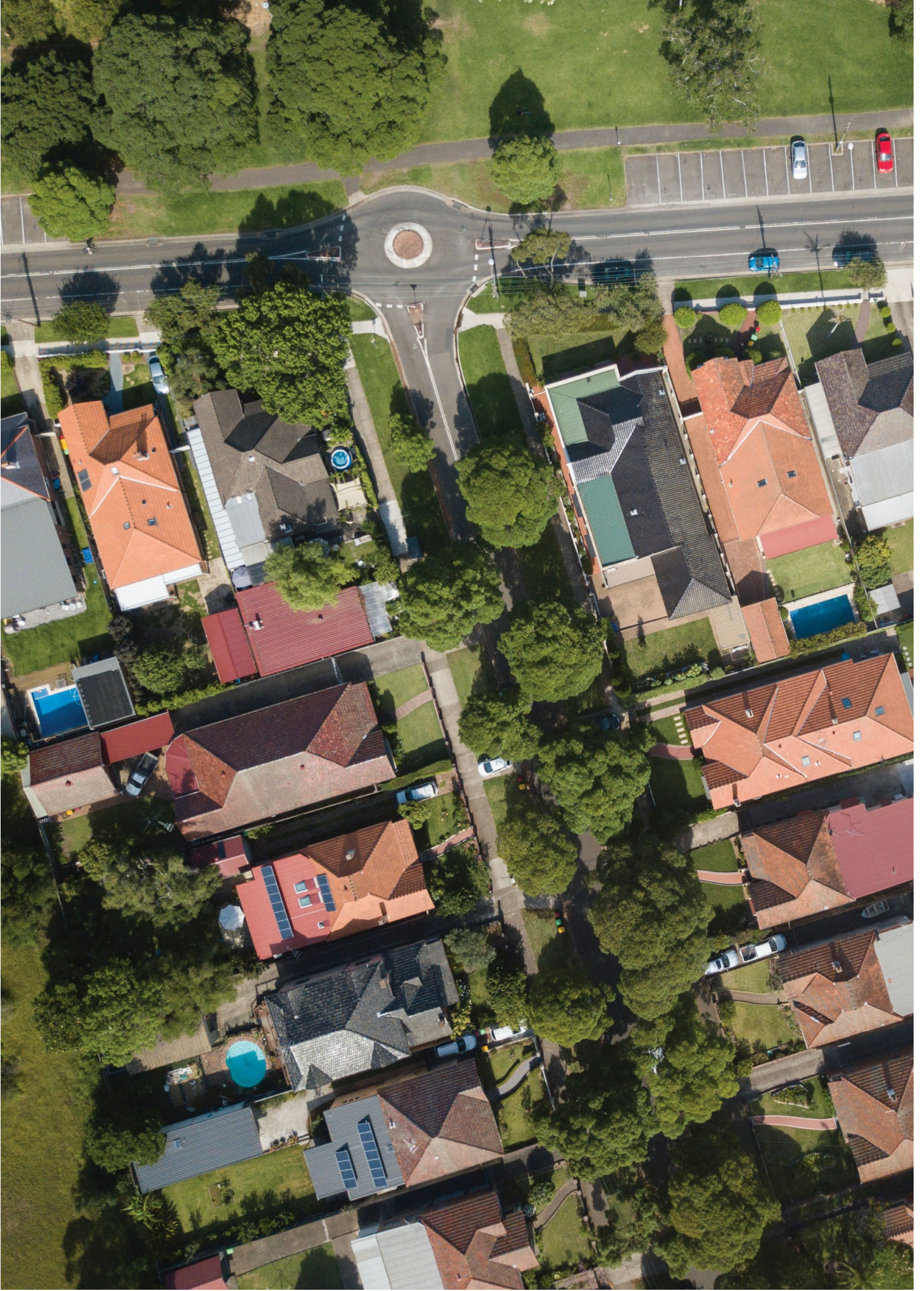
The work of the IOSS is reviewed by the IOSS Management Committee, consisting of the General Manager and the Chief Executive Officers of the member Councils.

The Internal Ombudsman attends every ARIC meeting for all the member Councils and provides a report at each meeting of its activities with the specific Council in addition to a summary of activities undertaken with the other Councils.

The IOSS also presents its Annual Report to each Council's ARIC and once the Annual Report is endorsed by the ARIC, it is provided to Councillors and then the community.

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HALL



Translation Service

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Dịch vụ Thông Phiên dịch

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Customer Service Centres

Petersham: 2-14 Fisher Street

Leichhardt: 7-15 Wetherill Street

Ashfield: 260 Liverpool Road

Phone (02) 9392 5000

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