

Audit, Risk and Improvement Committee

Annual Report 2022/2023



clarence
VALLEY COUNCIL

ENQUIRIES

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ACKNOWLEDGMENT

We acknowledge the Bundjalung, Gumbaynggirr and Yaegl people as the Traditional Owners of the land on which we live and work. We honour the First Nations peoples culture and connection to land, sea and community. We pay our respects to their Elders past, present and emerging.



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Forward.



It is with pleasure that I submit this 2022-2023 Annual Report of the Audit Risk and Improvement Committee on behalf of the Committee.

I am delighted to have been appointed by Council as the Independent Chair of the Committee on and from 28 February 2022.

I express my appreciation to the members of the Committee being the other two independent Committee members Christine Tyler and Barry Ford as well as Councillor Peter Johnstone as the Councillor Committee member.

I also thank Internal Audit Officer Kallet Ward for her support provided to our Committee during the year as well as General Manager Laura Black and Council Directors for providing the requested information as required by the Committee and in attending our Committee meetings.

Our Committee work has been greatly supported by the External Auditors Thomas Noble and Russell and our external Internal Auditors Centium.

As a Committee I note that we have achieved a lot in our formative year and I am proud of our outcomes as you will see highlighted in this Annual Report.

I commend the Report to you.

Neville Parsons

Neville Parsons, Chair



Scenic bushland drive to Angourie Greenpoint. Credit: Destination NSW

Overview.

This annual report documents the operation and activities of the Audit, Risk and Improvement Committee (ARIC) for the Clarence Valley Council from 1 July 2022 to 30 June 2023.



ABOUT THE CLARENCE

Located in the Northern Rivers region in NSW, the Clarence Valley covers an area of 10,441 square kilometres. Our major centres are Grafton, Maclean and Yamba.



Our Population

Total population: **54,580**

Projected population by 2041: **64,121**

Our Area



3 towns
60 villages



2,068
kilometres of roads



8 rivers
36 beaches
100 kilometres
of coastline



2,262
square kilometres of
National Parks, State
Forest & Reserves



26,069
dwellings

Our People



49 median age
2.3 people per average
household (26,069 dwellings)



71.4% residents aged
over 18 and eligible to vote



8.1% of our population
identify as Aboriginal or Torres
Strait Islander

Our Economy



\$2.62 billion gross regional
product in June 2022, growing
7.8% since the previous year



4,254
local businesses

Source: id profile, 2021 Census, NIEIR

OUR ORGANISATION

General Manager

Laura Black



**Director
Environment
and Planning**
Adam Cameron



**Director Works
& Civil**
Jamie Fleeting



**Director
Corporate &
Community**
Alex Moar



**Internal Audit
Officer**
Kallet Ward

Clarence Valley Council **Audit, Risk, and Improvement Committee (ARIC).**

The committee was established in May 2022 by a resolution of Council and is made up of three independent external members and one Councillor member. This membership is in accordance with the Office of Local Government Risk Management and Internal Audit Guidelines in NSW.



Objective

The objective of this Committee is to provide independent assurance, oversight, and assistance to Council on risk management, control, governance, internal audit, organisational performance and external responsibilities in an advisory capacity.

Its establishment reflect the commitment of the Clarence Valley Council to industry better practice and high standards of accountability to the community it serves.

The Committee works under a charter that is prepared in accordance with Office of Local Government guidelines and industry best practice, that specifies its scope, responsibilities, authority and relationships with other Council activities and of course its independence.

The ARIC also provides minutes of its meetings and they are available on Council's website.

The ARIC provides information to Council for the purpose of improving the Council's performance of its functions. The Committee aims to review and provide advice on Council's operations, such as:



COMPLIANCE



RISK MANAGEMENT



FRAUD CONTROL



FINANCIAL MANAGEMENT



GOVERNANCE

The Committee also reviews the implementation of the strategic plan, delivery program and strategies including service reviews, collection of performance measurement data by council and any other matters prescribed by the regulations.

Members

The committee members bring a unique range of skills and experience to matters considered by the Committee and has worked together as a cohesive team. It is considered that the Committee has provided valuable advice and recommendations to Council and Executives on a wide range of challenges.

The committee therefore currently comprises:

- Neville Parsons – Chairperson, Independent Member
- Christine Tyler – Independent Member
- Barry Ford – Independent Member
- Councillor Peter Johnstone – Clarence Valley Council



INDEPENDENT COMMITTEE MEMBERS



Chairperson

Neville Parsons

Neville Parsons has a Bachelor of Economics and Law and majored in Accounting in Economics from Sydney University. He commenced working as a Solicitor in July 1981 and then in 1983 started work as the Legal Officer with Hastings Credit Union Ltd, (later known as Holiday Coast Credit Union Ltd) before becoming the General Manager in 1988 and then retired as a CEO, when the Credit Union merged with Regional Australia Bank on 1 July 2019. He currently continues as a director of the Regional Australian Bank.

From September 2019 to October 2021 Neville was an Owner principal in the Law Practice Donovan Oates & Hannaford Port Macquarie and retired to concentrate on his Rotary commitments and Board positions.

In addition, Neville Parsons has demonstrated extensive experience in strategic planning, corporate governance, management and financial accounting, credit union and community development, risk management as well as legal and compliance.



Christine Tyler

Christine Tyler has extensive industry experience in Finance, Business Accounting, Human Resources, Financial Planning, Banking, Business Management (small to medium size), Finance and Mortgage Broking, Credit Management, Property Sales, Tourism, Construction, Risk Management and Business Audits.

She is currently the President of Maclean Business Chamber since July 2021 and prior she was the secretary since 2018.

Other roles include:

- Member of CVC Round Table
- Committee Clarence Business Excellence Awards
- Managing Director -Finance Works Australia Pty Ltd
- Managing Director- Tailored Investment Solutions Qld
- Managing Director- Consolidated Credit Services Pty Ltd
- Credit Manager (Finance) - Finance Group Australia
- Credit Manager- Quantum Strategies Australia
- Accounting and Administration Manager- PowerCo Pty Ltd
- Business Accounting & Payroll – Collison Finance & Investments



Barry Ford

Barry Ford has a Bachelor of Business (Accounting) with a Master of Business Administration and a Post Graduate Diploma in Strategic Management. He is a Chartered Accountant and Graduate Member of the Australian Institute of Company Directors.

He has over thirty year's experience as a Board member in for profit and not for profit organisations dealing with all aspects of operations, strategic planning, financial and annual reporting.

In addition, Barry has over 8 years experience as an ARIC committee member. He is currently an ARIC member on other local Councils, and he has been the Chair of the Coffs Harbour City Council ARIC for 8 years.

Other roles include:

- Member of the Nambucca Valley and Bellingen Shire Council Audit and Risk Committees
- Member of the Board of the Trustee overseeing the management and development of a significant Crown Land Reserve-Coffs Harbour Showground Crown Land

COUNCILLOR COMMITTEE MEMBER



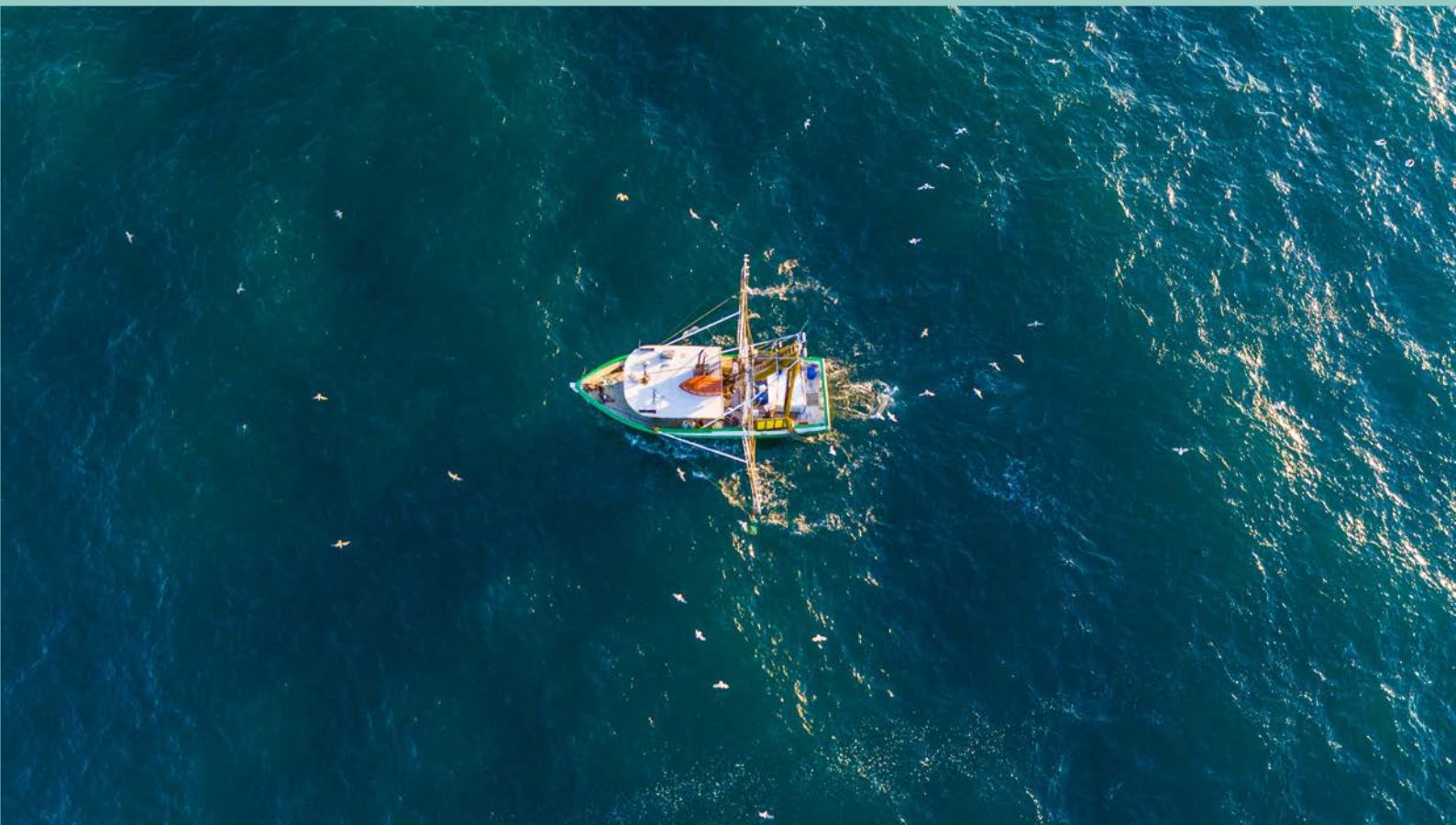
Councillor

Peter Johnstone

My family moved to Australia from the UK 10 years ago and we have lived in the Clarence Valley ever since. I have been a maths teacher for 28 years and during that time have taught in Old South Wales, England and now New South Wales. Over the last few years, I have grown increasingly frustrated with the tedious and pointless paperwork in teaching so two years ago I resigned from my permanent teaching position and now do casual teaching in between my council duties. My last permanent teaching post was at South Grafton High School where I was also responsible for attendance, gifted and talented students and staff training in addition to Maths teaching.

My original degree was in Aeronautical Engineering which I studied in Bristol in the UK. My intention was to become a Royal Air Force Engineering officer and I was a member of the RAF for 4 years including time at university. I learned to fly before I could drive. After failing my RAF training, I went on to become a teacher. I have also gained an MA in Educational Management. More recently I have studied and gained qualifications in IT Security, IT hardware and blockchain.

Audit, Risk, and Improvement Committee (ARIC) Year in Review.



Meetings

The following meetings were held as follow from the formation of the ARIC:

Previous year 2022: (2)

- 7 April 2022
- 23 June 2022

In 2022-2023 the committee met 4 times to review internal audit reports, the internal audit plan and audited financial statements. In addition, the chair attended a councillor’s workshop to provide an update of the committee’s performance.

- 22 July 2022 (Councillor’s workshop - ARIC’s update by chairperson)
- 8 December 2022
- 14 February 2023
- 27 March 2023 (Special meeting - Annual Financial Statements)
- 4 May 2023

COMMITTEE ATTENDANCE

Attendance at the 2022/2023 meetings:

| COMMITTEE MEMBER | ROLE | MEETING DATE | | | | |
|------------------|-------------|--------------|---------|--------|--------|-------|
| | | 22 Jul | 8 Dec | 14 Feb | 27 Mar | 4 May |
| Neville Parsons | Chair | X | X | X | X | X |
| Christine Tyler | Independent | N/A | X | X | X | X |
| Barry Ford | Independent | N/A | X | | X | X |
| Peter Johnstone | Councillor | X | Apology | X | X | X |



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

- General Manager
- Director Civil Services
- Director Development and Planning
- Director Corporate and Community
- Director Environment and Planning
- Manager Finance and Systems
- Manager Water Cycle
- Manager Environment and Regulatory Services
- Manager Development and Land Use Planning
- Manager Strategic Infrastructure
- Manager Civil Services
- Fleet Coordinator
- ARIC Councillor
- Internal Audit Officer
- Coordinator Safety and Risk
- TNR Chartered Accountants
- Audit Leader- Financial Audit- Audit NSW
- Director, Risk and Assurance - Centium

Disclosure of Interests

Disclosures are recorded at the start of each meeting. Annual Declarations of Interest are provided by ARIC members.



Internal Audit

Internal audits are conducted by Centium (Council's internal audit service provider), who are into their first year of a three year contract. Centium attend each ARIC meeting to provide audit findings and recommendations including an action plan outlining agreed management actions and timeframes.

The committee reviews audit reports and endorses recommendations as appropriate. Audit actions are tracked, and the current status of audit action items are reported to the Risk team (Safety & Risk Coordinator), the Executive Team and to the committee on a quarterly basis.

The following Internal Audits were conducted in the 2022-2023 financial year by Centium:

| AUDIT | COMPLETED BY | WHEN |
|--|----------------------------|-----------|
| Environmental Management System | Centium | Quarter 2 |
| Work Health & Safety Management System | Centium | Quarter3 |
| Payroll / HR Reporting | Centium | Quarter 3 |
| Budget Planning and Preparation | To be conducted by Centium | Underway |

OTHER INTERNAL REVIEWS

The following internal reviews have been conducting in the current financial year 2022/2023:

- Legislative Compliance Process
- Policy Management Process
- State Archives Process
- Service Reviews
- Fraud and Corruption controls
- Continuous Improvement Pathway – Self assessment (Roads, Signs as Remote Supervision and Fire Management - Waste Facilities)

Special Presentations

The following special presentations were made to the ARIC during the 2022-2023 financial year:

- Council's overview presentation - organisational structure, values, Council's assets, Integrated Planning and Reporting (IP&R)
- ARIC's Roles and Responsibilities presentation (Risk Management and Internal Audit Framework for local councils in NSW)
- Integrated Planning and Reporting (IP&R) overview presentation (Community Strategic Plan, Delivery Program and Operational Plan)
- Quarterly Internal Audit Plan 2018-2021 - progress update presentations
- Enterprise Risk Management and Business Continuity Plan presentation
- Director's Main Risks and Challenges presentation
- Annual Engagement Plan presentation - 2022
- Final Management Letter - 2022
- Staff Engagement Survey Results - September 2021
- Workplace Health & Safety (WH&S) Audit and Environmental Audit - key findings presentation
- Code of Conduct Refresher Training
- Fraud and Corruption Policy and Plan update
- Quarterly Internal Audit Plan recommendations tracking

Financial Management

- The annual financial statements for the year ended 30 June 2022 were reviewed by the ARIC. The reports provided statements by management that the financial reports complied with applicable Australian Accounting Standards.
- The ARIC indicated that adequate internal controls were in place and that the financial reports accurately reported the financial performance and financial position of Council for the period.

Key Achievements 2022/2023

The Committee reviewed the following updated policies, procedures and plans:

- Fraud and Corruption Control Policy and Plan
 - Enterprise Risk Management Policy, Plan and Procedure
 - Strategic Risk Register
 - Business Continuity Manual and Procedure
 - Internal Audit Policy
 - Policy review Process
 - Legislative Compliance Procedure and Register
 - Annual Internal Audit Plan 2022-2023
 - Strategic Internal Audit Plan 2022-2025
-
- Internal Audit Framework - implemented Terms of Reference and Internal Audit Charter
 - Work Health & Safety Management System Audit - completed
 - Environmental Management System Audit - completed
 - Payroll / Human Resources Reporting Audit - completed

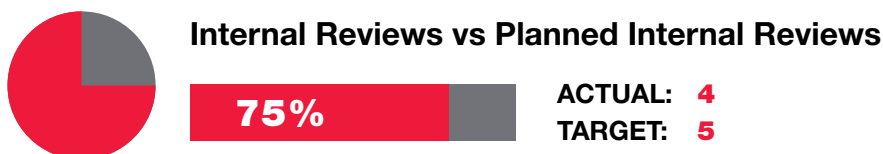
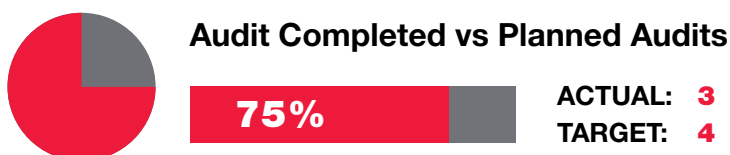


Measures of success

Key Performance Indicators (KPI)

The Committee has endorsed a number of key performance indicators (KPIs) to provide measures of the progress of completion and the effectiveness of the internal audit function. These indicators are as follows.

These KPIs have been established to monitor the performance of the internal audit function and measure its effectiveness and efficiency:



100%

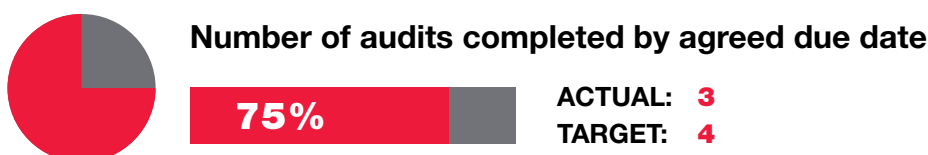
Percentage of audit recommendations were accepted

100%

Percentage of auditees believe performance audits help improve the performance of the audited activity

75%

Percentage of the audit plan aligned to strategic risks



Cost of audits completed against budget allocated (%)

ACTUAL: 50,457 (1.12 %) | TARGET: 45,000

Audit, Risk, and Improvement Committee (ARIC) Summary.

The Committee is confident that it is progressively addressing its role and responsibilities as defined in the Charter and has been effective in providing advice and assistance to Council and Executives in order to improve the governance of Council and its capacity to deliver on its objectives for service provision to the community.

Focus Areas for 2023-2024

The ARIC will continue its oversight functions and will address the following:

- Review new changes of the Risk Management and Internal Audit framework and comply with the new guidelines
- Continue to monitor progress with the Strategic Internal Audit Plan and the implementation of internal controls and recommendations
- Monitor the status of the outstanding actions and the progress report from the 2018-2021 Internal Audit Plan
- Provide bi-annual briefings to Council
- Support the Executive team to establish a robust risk management, fraud and corruption controls, compliance, and governance systems
- Continue to monitor council's response to emerging risks
- Monitor the long-term financial sustainability of Council
- Support the service review program
- Monitor the status of the actions from the 2022-2023 Internal Audit Plan

Forward Internal Audit Plan

Clarence Valley Council takes a risk-based approach to formulate a three year, rolling forward Internal Audit Plan. The audit planning process requires the leadership and the Executive team to periodically consider risk levels, strategic objectives, audit history and other factors to determine audit priorities.

An extract from the 2022/2024 forward Internal Audit Plan is included at Appendix A.

Appendix A.



FORWARD INTERNAL AUDIT PLAN 2022-2024

| INTERNAL AUDIT REVIEW | REVIEW TIMING | INDICATIVE SCOPE | RESIDUAL RISK RATING | 2022-2023 | 2023-2024 | 2024-2025 | AUDIT APPROACH |
|--|---------------|--|----------------------|-----------|-----------|-----------|----------------|
| Review of Environmental Management | 1st Quarter | - Environmental policy, procedures, strategies - Environmental systems - Plans, audits, reviews, roles and responsibilities | | ✓ | | | Outsourced |
| Review of Work Health and Safety Management | 2nd Quarter | - WH&S Management Plan - WH&S policies and procedures - WH&S roles and responsibilities - WH&S Training and education programs - WH&S reviews and auditing | | ✓ | | | Outsourced |
| Payroll / HR Reporting | 3rd Quarter | - Reporting Framework - Reporting process / Executive reports | N/A | ✓ | | | Outsourced |
| Review of Budget Preparation / Budget planning / Budget Management | 4th Quarter | - Budget Planning Process - Budget Management Meetings - Budget Management Variation process | | ✓ | | | Outsourced |
| On-Site Sewerage Management System | 1st Quarter | - To review compliance with the On-Site Sewerage Management Strategy | N/A | | ✓ | | Outsourced |
| Business Continuity Plan | 2nd Quarter | - Natural Disaster Claim Process - Property and work insurance - Emergency response process (staff availability) and assets repairs process | | | ✓ | | Outsourced |
| Review of Asset Management | 3rd Quarter | - Asset Management Plan - Short term asset management plan - Long term asset management plan | | | ✓ | | Outsourced |
| Review Hazardous Materials | 4th Quarter | - Hazardous Material Management Process - Hazardous Material system | | | ✓ | | Outsourced |
| Lease and licence Agreements | 2nd Quarter | - To review management of the tenure of Council owned or managed land for compliance with legislation and market relativity | N/A | | | ✓ | Outsourced |

| INTERNAL AUDIT REVIEW | REVIEW TIMING | INDICATIVE SCOPE | RESIDUAL RISK RATING | 2022-2023 | 2023-2024 | 2024-2025 | AUDIT APPROACH |
|--|---------------|--|----------------------|-----------|-----------|-----------|--------------------|
| Review of Financial Management | 3rd Quarter | - Financial Policies and Procedures - Long term Financial Plan - Financial Audit Process - Financial and budgetary monitoring and reporting | | | | ✓ | Outsourced |
| Review of workforce management | 4th Quarter | - Policy and Procedures (e.g. Attraction and Retention, recruitment) - Workforce Management Plans - Recruitment and selection process | | | | ✓ | Outsourced |
| Policy Review Process | Current | - Policy process, framework, and registers | | ✓ | | | In-house |
| Legislative Compliance | Current | - Governance Framework - Legislative Compliance Register | | ✓ | | | In-house |
| Cemetery Review (part of Service Review) | Current | - To consider options and feasibility of those options for outsourcing and efficiency gains | N/A | ✓ | | | In-house |
| State Archive Process Review | Current | - Review agreed actions from State Archive audit | N/A | ✓ | | | NSW State Archives |
| Holiday Parks Management | Current | - Review current management practices | N/A | ✓ | | | Outsourced |
| Review of Risk Management Process | Current | - Enterprise Risk Management Framework (policy, plan, procedure, risk appetite statement, registers) | | ✓ | ✓ | | In-house |
| Internal controls Process Review | | - Review the effectiveness of Council's internal controls as per the Strategic Risk Register | | | ✓ | | In-house |
| PID Process Review | | - Review the implementation of the PID process based on the new Act that is coming in October/2023 | | | ✓ | | In-house |

RESIDUAL RISK RATING KEY:



LOW



MODERATE



HIGH



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