

LIVERPOOL CITY COUNCIL AUDIT, RISK AND IMPROVEMENT COMMITTEE ANNUAL REPORT 1 JULY 2018 - 30 JUNE 2019

LIVERPOOL
CITY
COUNCIL



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1. Introduction

The Audit, Risk and Improvement Committee's Annual report is designed to provide the Elected Representatives and the community with a summary of its responsibilities, work, operations and deliberations during the period at question.

The report is also designed to inform Council of any significant relevant issues and/or matters which were addressed or are currently being addressed by the Committee. The Committee is a governance function composing of a majority independent membership, which assists Council to fulfil its corporate governance and oversight responsibilities. Its main role is to provide advice and assurance regarding a range of activities outlined in this report.

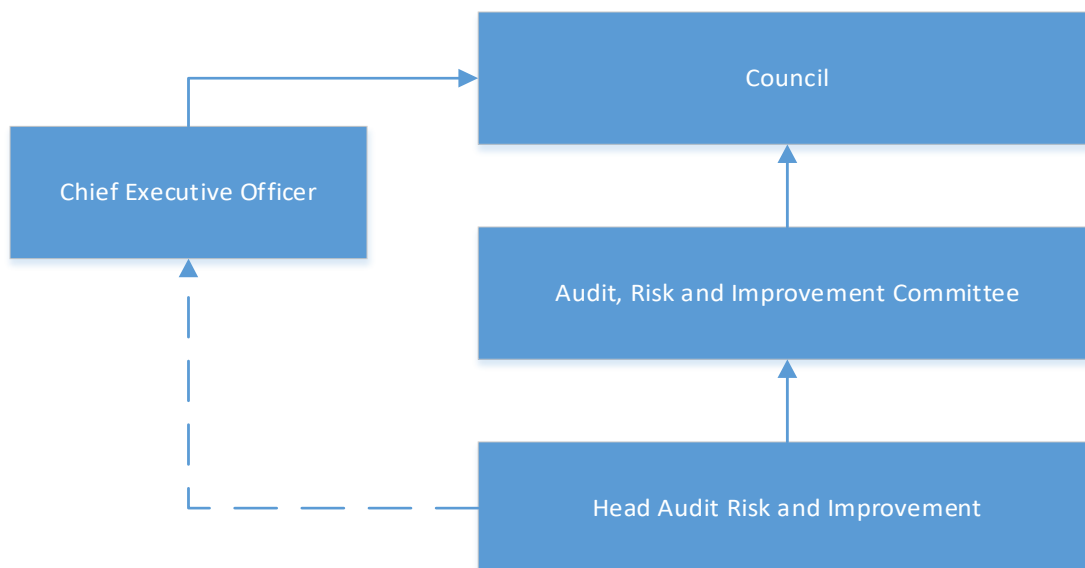
This is the second Annual ARIC report and covers the financial reporting period 1 July 2018 to 30 June 2019.

2. Purpose of this report

The ARIC work plan and better practice requires the Chairperson of the ARIC to submit a formal annual report on the committee's performance to Council. The report outlines key achievements, issues identified and other relevant matters.

3. Profile of the committee

The ARIC of Liverpool City Council commenced with its current independent committee membership in October 2017. The Committee includes voting membership with a majority of independent members and has an expanded scope of oversight. In addition, to strengthen the Committee's independence, certain Council staff can attend (as prescribed in the Charter) however they have no voting rights. The reporting line is reflected in the table below.



4. Audit, Risk and Improvement Committee member profile

The Composition of the Committee includes three independent members and two Councillors (being the Deputy Mayor and a nominated Councillor). The independents are engaged on a

four-year tenure with the Councillors being voted in annually. Below are the profiles of the Liverpool City Council Independent members who were appointed on 26 July 2017 upon the approval of Council.

Independent voting Members



Andrew McLeod (Chair)

Extensive experience in executive roles in local government and the private sector. Andrew McLeod's re-appointment has assisted in providing stability and continuity to the work and functioning of the ARIC.



Stephen Horne

Qualified internal auditor, director and company secretary. Former Assistant Auditor-General, Past President of Institute of Internal Auditors Australia (2013-2015), former CEO of NSW Internal Audit Bureau (nine years), member of nine NSW Council audit committees.



John Gordon

Former Senior Audit/Assurance Partner with PWC, Chair and Independent Member on 14 Audit Committees in local and State Government; qualified as a chartered accountant, chartered secretary and Certified Practising Accountant with more than 36 years' experience in local government.

Non-Independent voting Members

Name	Membership dates
Councillor Peter Harle Councillor Tina Ayyad	October 2017 - September 2018
Councillor Geoff Shelton Councillor Ali Karnib	October 2018 - Current

5. ARIC's role and scope of oversight

The committee provides independent assistance on risk management, control, governance and external accountability. Council's internal audit section reports to the committee.

The Local Government Act was amended in 2016 to require the independent assurance of Council's activities through the establishment of an Audit, Risk and Improvement Committee. The intention of establishing the Committee in this format was to reflect the new Local Government (Planning and Governance) Amendment Act 2016 which mandates the requirement for an Audit, Risk and Improvement Committee and specifies its responsibilities.

Section 428A of the Local Government Act (when proclaimed) will require each council to establish an Audit, Risk and Improvement Committee to continuously review and provide independent advice to the general manager and the governing body of Council about:

- whether it is complying with all necessary legislation;
- the adequacy and effectiveness of Council's risk management framework, internal audit activities and controls, fraud and corruption prevention activities, financial management processes, as well as Council's financial position and performance;
- Council's governance arrangements;
- the achievement of the goals set out in Council's community strategic plan, delivery program, operational plan and other strategies;
- how Council delivers local services and how to improve the performance of its functions more generally;
- the collection of performance measurement data by the Council; and
- any other matters prescribed by the Local Government Regulation.

While the legislation does not take effect until 2021, Liverpool City Council took a proactive position to further support a sound governance framework and to provide greater assurance around Council's activities.

The Committee operates under the auspices of the Audit, Risk and Improvement Committee Charter which was adopted by Council on 30 August 2017.

The primary role of the Committee is to advise Council on Audit, Governance, Risk Management and Business Improvement, policy and strategies and other areas as prescribed in the Charter.

The Charter contains a number of administrative requirements but also establishes the main responsibilities of the Committee into categories consisted with S428A. These are oversight of;

- a. Compliance;
- b. Risk management;
- c. Fraud control;
- d. Financial management;
- e. Governance;
- f. Implementation of Council's strategic plan, delivery program and strategies;
- g. Service reviews;
- h. Collection of performance measurement data by Council;
- i. Provision of information to Council for the purpose of improving Council's performance of its functions; and

- j. External accountability.

6. ARIC summary of outcomes

6.1 Details of meetings held during the year

The Committee held four ordinary meetings during the year. At one of these meetings the Committee reviewed and endorsed Councils 2019 Audited Annual Financial Statements (18 October 2019).

Attendance/meeting date (July 2018-June 2019)				
27 July 2018 (postponed and rescheduled to 24 August 2018)	19 October 2018 (In – camera with External Audit (Audit Office NSW relating to 17/18 accounts)	19 October 2018 (including review and endorsement of 17-18 Fin-Stats)	8 February 2019	3 May 2019 (including review and endorsement of Fin-Stats)
Independents				
Andrew McLeod	Andrew McLeod	Andrew McLeod	Andrew McLeod	Andrew McLeod
John Gordon	John Gordon		John Gordon	John Gordon
Stephen Horne	Stephen Horne	Stephen Horne	Stephen Horne	Stephen Horne
Councillors (Voting Non-independents)				
Councillor Harle	N/A	Councillor Harle	Councillor Shelton	Councillor Shelton
		Councillor Karnib		
Other key attendees				
NSW Audit Office Director Audit				
NSW Audit Office Audit Leader				

6.2 Achievements of the committee to discharge its functions and responsibilities during the year

Some of the ARIC's achievements include:

- adoption of a risk-based Audit Plan 2017-2019;
- endorsement of 2019 ARIC risk plan;
- adoption of the detailed ARIC work plan;
- more robust and targeted meeting agendas;
- endorsement of the Audited 2017/18 Annual Financial Statements in October 2018;
- coverage of all responsibility requirements across the 2018 year;
- presentations by relevant staff at Committee meetings included waste collection risks, Civic Place procurement and implementation approach and ongoing development of City Deals;
- a Director presentation covering four directorates which had a background about service being delivered and a risk profile;
- oversight of Council improvements in the areas of risk management, audit planning,

- financial management and the implementation service reviews; and
- an in-camera meeting with Council's external and internal auditors.

6.3 Committee assessment of key responsibility areas

The Committee has assessed the key responsibility areas as outlined in the Liverpool Audit, Risk and Improvement Committee Charter as follows:

Responsibility	Assessment
Financial management and external accountability	The Committee is again pleased to advise that the Council's financial statements were provided with an unmodified audit opinion. The Committee have reviewed the items on this year's interim management letter and will continue to monitor Council's approach to addressing these items. There have been a number of discussions at the Committee in relation to how to address these items so they do not appear in future years.
Audit and risk management	<p>Over the reporting period, the Committee has endorsed an annual Internal Audit plan and a Risk Management Plan.</p> <p>Council is making steady progress with its risk management maturity. Council has performed a re-review of its enterprise risks (both strategic, operational and compliance risks) which have been reviewed by the Committee. Council is scheduled to finalise the development of a risk appetite statement which will be used as a reference point in the development of risk treatment plan.</p> <p>In respect to the implementation of Internal Audit's recommendations Council has devised an improved approach to better monitor and report on management actions both overdue and within due date.</p>
Governance, compliance and fraud control	<p>Overall, Council has a strong governance framework in place.</p> <p>Council has a corruption and prevention policy, however the Committee has suggested that management consider the merits of developing a Fraud and Corruption Prevention Plan in order to pin point and focus on specific activity areas which will assist in its maturity</p> <p>The Committee has noted that the policy register had a number of policies which were overdue. Management are now working on a way to reduce the amount of policies and streamline policy review processes to make these more manageable.</p>
Implementation of Council's strategic plan, delivery program and Strategies	Council has had oversight of improvement for less than 3 years. As such, the way in which strategic plans and strategies are reported to the Committee is still evolving. The ARIC reviewed the operational and delivery plan for 2018/19. The ARIC also reviewed and commended the quality of Council's Asset Management plan.
Service reviews and collection of performance measurement data by Council	The Committee notes that service reviews have not been conducted previously at Council and will be monitoring the outcomes of the reviews periodically. Management have not yet commenced this activity as it is still in the planning phase.
Other functions	A Committee self-assessment has been completed in September 2019. This reviewed the performance of the Committee, its level of oversight

	and the performance of the Chair. Overall the scoring was very positive. Over the coming year the Committee will be monitoring the low scoring areas closely to ensure that these are appropriately addressed.
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7. Committee responsibilities break down

In May 2019, the Committee adopted a detailed work plan that ensures coverage of these responsibility areas over a 12-month period. The work plan breaks down the broad core requirements identified in the Charter into detailed tasks.

Ref	Task/s	ARIC Action/s
1	<i>External Audit Plan</i>	Review the External Auditors Plan (Client Service Plan) and ensure it has considered all key risks arising from Council's Risk Register, and endorse the Plan.
2	<i>Related party disclosures (RPDs)</i>	Monitor related party disclosures and review Council policy.
3	<i>Annual Financial Statements</i>	Review pro - forma (early close) and draft Annual Financial Statements to ensure compliance with relevant accounting standards, appropriate disclosures are made and valuations are realistic, prior to adoption by Council.
4	<i>Financial Sustainability and Performance Ratios</i>	Review the Annual Performance Indicator Ratios and the ratio trends year on year
5	<i>Interim management letter review</i>	Review the external auditor's interim management letter to ensure key issues are addressed by management.
6	<i>Final management letter review</i>	Review the external auditor's final management letter to ensure key issues are addressed by management.
7	<i>Implementation of external audit recommendations</i>	Review the implementation of external audit recommendations.
8	<i>In-camera meeting with External Audit</i>	In-camera meeting between the ARIC and external auditors without the presence of management.
9	<i>Investment certification</i>	Review outcomes from independent verification of investment balances and issue confirmation certificate.
10	<i>Risk management framework</i>	Review Council's risk management framework and annual plan.
11	<i>Enterprise Risks</i>	Review Council's top strategic, operational and compliance risks
12	<i>Enterprise risk management program</i>	Monitor the progress of Council's consolidated risk management program as identified in Council's annual risk plan
13	<i>High-risk projects /activities</i>	Receive updates on high-risk projects or activities as requested by the ARIC, to ensure a sound and effective approach has been taken to identify and manage the risks

Ref	Task/s	ARIC Action/s
14	<i>Insurance arrangements</i>	Review an annual update report on Council's insurance and the impact of the risk management framework on Council's control environment.
15	<i>Business continuity planning</i>	Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.
16	<i>Disaster Recovery Planning</i>	Review whether there is a sound and effective approach in place to respond to a disaster or other shock events that affects information systems and minimise its effect on operations
17	<i>Annual and Strategic Internal Audit Plan</i>	Review the Annual and strategic Internal Audit Plan, ensure it has considered all key risks arising from Council's Risk Register and approve it.
18	<i>Audit reports</i>	Review outcomes of audit reports and consider significant issues identified in audit reports and action taken on issues raised.
19	<i>Implementation of audit recommendations</i>	Review audit recommendations, progress their implementation and consider the ageing of overdue action items.
20	<i>Assurance map and issues register</i>	Review assurance map and issues register.
21	<i>Internal Audit Quality Assurance</i>	Review the performance of Internal Audit through Internal Audit's Quality Assurance program.
22	<i>Independent Quality Assurance Review</i>	Internal Audit will be subject to an independent review at least every five years. The next review is due by 6/2022.
23	<i>Legal and regulatory matters</i>	Review reports on legal and regulatory matters
24	<i>Council policies and procedures</i>	Review the Policy and Procedure Register to ensure these are periodically reviewed and updated.
25	<i>Information requests</i>	Monitor the number and nature of information requests made to Council, including any process challenges.
26	<i>Compliance monitoring</i>	Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.
27	<i>Governance registers</i>	Review the number of conflicts of interest forms, gifts and benefits forms, secondary employment forms, section 449 returns and higher duties forms submitted to Council.
28	<i>Public interest disclosures (PIDs)</i>	Review whether a sound and effective approach has been followed in dealing with public interest disclosures and the process of internal reporting within Council.

Ref	Task/s	ARIC Action/s
29	<i>Privacy complaints and compliance</i>	Review whether a sound and effective approach has been followed in dealing with privacy complaints and privacy compliance by Council.
30	<i>Code of Conduct complaints</i>	Review whether a sound and effective approach has been followed in dealing with Code of Conduct complaints (as reported by Council to the Office of Local Government).
31	<i>Complaints handling</i>	Review whether a sound and effective approach has been followed in dealing with complaints by members of the public, Council staff and the Internal Ombudsman.
32	<i>Fraud and corruption prevention</i>	Review whether there is a sound and effective approach towards the prevention, detection and response of fraud and corruption.
33	<i>Delegations and authorisations</i>	Review the number of Council delegation instruments and authorisations reviewed and created.
34	<i>Probity</i>	Review whether a sound approach has been taken when dealing with strategic planning and growth initiatives, high risk projects and procurement to ensure probity principles are maintained
35	<i>Integrated planning and reporting framework</i>	Monitor the performance progress of Council's Delivery and Operational Plan through six-monthly reports
36	<i>Employee Performance Management Framework</i>	Satisfy whether there is a performance management framework linked to the Delivery Program and Operational Plan.
37	<i>Service reviews</i>	Monitor Council's approach towards the documenting, improving, measuring and monitoring of services
38	<i>Process improvement</i>	Monitor process improvement activities and cost saving opportunities, including use of Promapp and IPlan.
39	<i>Other Assurance reviews</i>	Review summary of outcomes from assurance reviews conducted across Council that referenced in Council's assurance map or otherwise
40	<i>Procurement</i>	Review high level statistics of Council procurement performance, trends and risks
41	<i>Work Health and Safety (WHS)</i>	Review the nature of WHS actions and the implementation of WHS action items and recommendations.
42	<i>External Performance Audits and Investigations (AONSW, ICAC etc.)</i>	Review Council's position benchmarked against relevant external report's recommendations
43	<i>Customer service requests</i>	Monitor and report on the progress of Pathways requests and TRIM actioned items.

Ref	Task/s	ARIC Action/s
44	<i>In-Camera meeting with Internal Audit</i>	An in-camera meeting between the ARIC and Internal Auditors without the presence of management.
45	<i>Annual ARIC report</i>	Annual ARIC report to Council.
46	<i>Council request to ARIC</i>	Review or monitor adhoc requested by Council.
47	<i>Audit, Risk and Improvement Committee Charter</i>	Review and seek ARIC endorsement of the ARIC Charter for adoption by Council.
48	<i>Minute circulation</i>	Circulate ARIC agenda to Council
49	<i>Agenda circulation</i>	Circulate Minutes of ARIC meetings including ARIC recommendations to Council for endorsement
50	<i>Audit, Risk and Improvement Committee Work Plan (Checklist)</i>	Review and endorse the annual ARIC work plan and agenda items.
51	<i>Secretarial support</i>	Review the effectiveness and performance of the ARIC secretarial support.
52	<i>Audit, Risk and Improvement Committee performance</i>	ARIC voting members to complete the self-assessment checklist annually to review performance.
53	<i>Training for ARIC members</i>	Provide ARIC induction and assess ongoing ARIC training needs.

8. Audit and risk outcomes

8.1 Areas dealt with by the Committee

The areas dealt with by the committee during 2019 were:

- oversight of the development of Risk Management, Compliance & Governance Frameworks;
- audit of Annual Financial Statements (Oct 19);
- embedding a more structured and formalised Committee Agenda and work plan;
- endorsement of the independent validation of Council's Investment balances against third party documentation on a quarterly basis;
- review of external and internal benchmarking/performance reviews and recommendations made in regards to the appropriateness of management action;
- monitor of key developments across Council, such as the risks associated with waste collection and the development of Council's Civic place;
- review of issues raised in External Audit Management Letters;
- oversight and recommendations in relation to the approach towards service reviews;
- review of the performance of the Committee via a self-assessment questionnaire;
- monitor of key risks quarterly as identified through Director presentations; and
- monitor of the implementation of Internal and External Audit recommendations.

8.2 Key dealings of the Committee

Liverpool Civic Place

The Director Property & Commercial Development gave a presentation to the Committee, detailing the procurement process of the Civic Place project. It was also noted that at all stages during this process, all tenders and submissions, together with the process followed, had been subject to independent legal and probity advice, and had been determined to be compliant in all respects.

The Committee expressed that it is important to be satisfied within reasonable probity limits that the process has integrity and can withstand external scrutiny. The Committee noted that Council always faces the possibility of unsuccessful tenderers challenging Council's selection outcome.

In relation to if Council needs to go back tender, the Director City Corporate advised that the legal advice provided indicated that the scope of the project was considered sufficiently similar to the original project. To give additional comfort, the advice will be updated prior to any revised Project Development Agreement being signed, to ensure no further market testing is required.

The Committee advised that the process will need to be transparent for the records when Council engages in the discussion with the project scale changes clearly mentioned to be prepared.

The Committee advised from a probity perspective, between the initial release of the tender through to the current stage that probity has been followed, and he is comfortable on the ambiguity with the scale changes, provided it is made apparent to Council for them to pinpoint any material, ethical or process failure.

Overall, the Committee reached a consensus that they were reassured, provided Council is appraised with the risks associated with scale variations, what that means and the options available

A report was provided to Council, with a summary of the ARIC conversations, to ensure they were fully briefed prior to voting on the way forward for Civic Place at Council meeting.

The Committee will be provided standing reports during all phases of the Civic Place project.

Developer contributions

Section 7.11 of the Environmental Planning and Assessment Act, 1979 gives Council the power to levy contributions from developers for public services and public amenities required as a consequence of their development. For Council to levy contributions there must be a clear nexus between the proposed development and the need for the public service or public amenity for which the levy is required. These funds are held separately to Council's general income and can only be applied to the provision of services and amenities identified in Council's Contributions Plan.

In February 2019 the Committee were briefed by the Manager Infrastructure Contributions and the Director City Economy on all the challenges and risks associated with S7.11. The Manager of Infrastructure briefed the Committee on what initiatives are being worked on to manage these risks and challenges. The Committee congratulated the team for the progress made to date.

Project 24

Project 24 is an initiative whereby five participating Councils (including Liverpool Council) are planning a joint procurement process for waste disposal and/or processing services from 1 July 2024.

The Councils currently generate a range of waste streams to be managed including:

- household mixed waste;
- commingled recycling;
- garden organics;
- bulky household clean up waste; and
- commercial waste, street and public place litter etc.

Services will be sought to receive and process all of these waste streams – currently totalling more than 230,000 tonnes per annum with projections over the next 20 years growing to exceed 450,000 tonnes per annum.

It was discussed that there were two primary objectives being securing price certainty and disposal security by 2024, when Council's current contract will expire. It was explained that the report provides the current project status and milestones achieved to date and also includes an attachment of inherent risks that have been determined from the Project 24-Initial Risk Workshop.

The Committee expressed support of Project 24 and advised that there is no advocacy strategy for waste management in Australia overall and that this issue was formed at the State Government level, with the costs shifted to Local Government.

The Committee encouraged Council to pursue aggressive advocacy for co-responsibility of financial support with the State Government, and that this significant risk should not be handled by Council alone.

The Committee encouraged for Council to engage with probity advisors early in the process as the risk to reputation and fairness occurs very early in discussions with the market. The Manager Waste & Cleansing advised that this is a work in progress.

The Committee will take a keen interest on the project given its significant value, complexity and risk to Council.

Waste recycling solution

In February 2019 Due to China's ban on importing recyclables, the Committee was advised that the most likely risk to Council is the increased cost for future contracts when renegotiating recycling processing. It was noted that despite these changes, Council will continue to commit to provide recycling services to its residents. In order to minimise the impacts, the NSW

government is looking to implement a taskforce for a circular economy in Australia whereby recyclable material is used locally.

The Committee queried how Council would be managing community perception as a result of the impact of less effective recycling. The Manager Waste and Cleansing advised that Council's team is educating the community on the correct items that can be recycled, and that the contract with Visy is still current

The Committee queried the level of impact this policy will have on Council. The Manager Waste and Cleansing advised the contract with Visy has been extended, and that no financial impact was received in terms of contract conditions.

8.3 Key dealings in relation to the financial statements and the audit office

2018/19 financial statements

The Council's operating result for the year was a surplus of \$96.5 million, which was \$20.4 million lower compared with the previous year. This was mainly due to an increase in operating expenses by \$16.8 million and a reduction in total income by \$3.7 million. The Council budgeted for an operating surplus of \$101.4 million.

The Council's net operating result before capital grants and contributions was a surplus of \$1.8 million, which was \$1 million higher than the 2017–18 net operating result. The movement is mainly attributable to the following factors:

- an increase of \$5.4 million in rates and annual charges (4.3 per cent) consistent with the 2.3 per cent rate peg increase and the rise in the total number of rateable properties
- an increase of \$10.1 million in other revenue from the receipt of \$5.4 million ex-gratia rate
- payment by Moorebank International Company and \$2.7 million reversal of prior year
- impairment on the valuation of land under roads
- an increase of \$9.2 million in employee benefits and on-costs (14.5 per cent) mainly as a result of an increase in number of full-time equivalent employees from 743 to 773 and increase in award rates and leave entitlement expense
- an increase of \$2 million in materials and contracts expenditure mainly attributable to additional contract work undertaken by the Council. Grants and contributions revenue decreased by \$18.1 million (13.6 per cent) in 2018-19, mainly due to a reduction in cash contributions by \$16.7 million.

Audit fee and dealings with the Audit Office

Committee members noted that their predecessors had conversations with the Audit Office in relation to Liverpool City Council's audit fee. The fee had doubled and clear commitments were provided in the first year that this fee would be reduced, however following on the fees have continued to increase. Concerns were expressed that the audit plan was created to a budget as opposed to the needs of the organisation.

The Committee advised that previously when the audits were conducted independently, a fixed rate was charged to Council which was on a needs basis, while at present, Council is potentially subjected to a program of additional work that is built into the budget, as opposed to a needs based program.

Subsequent to this, the Committee requested that a senior person of the Audit Office attend a Committee meeting to address these concerns. The Audit Office Assistant Auditor General, subsequently attended and briefed Council on its processes to establish the scope of work, how the fee structure is developed and what factors result in an increase in an Audit fee. The Audit Office Assistant Auditor General conceded that he is not expecting that the Audit fee will be reduced and apologised that that expectation was provided.

The Committee heavily emphasised that notwithstanding the above the Director for Financial Audit Services and the Audit Leader have been performing an excellent job with quality, and that the concerns raised are unrelated to their performance.

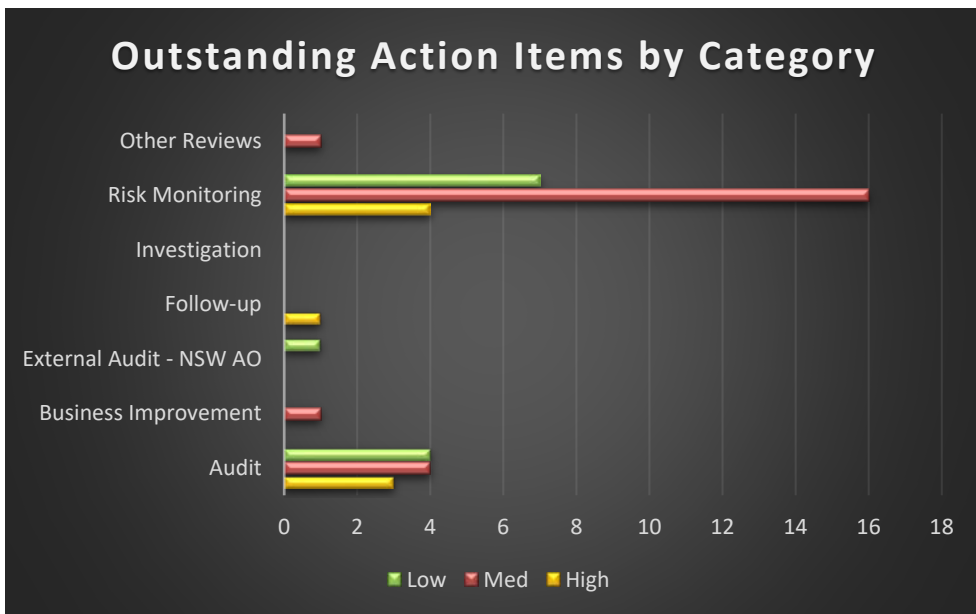
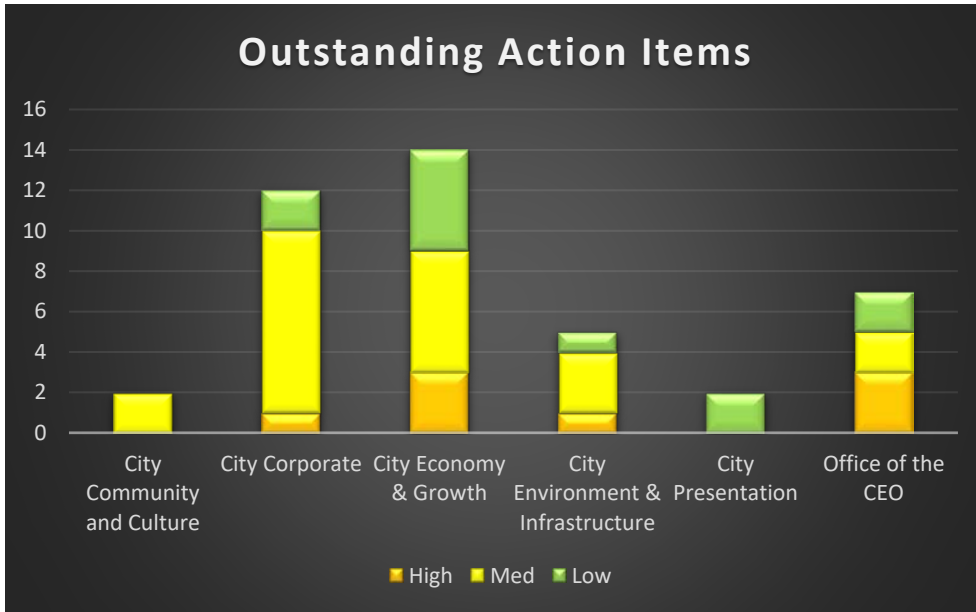
8.4 Strategic Audit Plan

The Head of Audit, Risk and Improvement (Head of ARI) provided an overview of the Strategic Internal Audit Plan over the following three years and how this was produced. It was advised the plan is based on multiple variables on a weighted average methodology. Some of the factors considered included the performance excellence program, cross Council benchmarking and external reviews to assess the risks in the industry. In doing this a list was produced on the top auditable areas for the next three years.

- i. The Committee noted that it is imperative that as part of the development process, there is collaboration between Council and the NSW Audit Office.
- ii. The Committee expressed his concerns that cyber security was not included in the first year of the overall three-year audit program, but included in the second year. Council's Manager Information Technology advised that there was significant work performed within the IT cyber security space for the 2019/20 period and hence the reasoning that the Cyber Security Audit was deferred to year 2 of the plan.
- iii. Council sought to ascertain whether the Cyber Security residual risk as outlined in the risk register should be "significant" or whether this was overstated. The Chairperson assured the committee that due to his knowledge of Council's IT infrastructure, this would be likely an overstatement as opposed to a true reflection, and requested that this be reviewed. It was noted that this risk was subsequently downgraded to "High"

8.5 Outstanding Audit Actions

There are 42 outstanding audit actions as at 30 June 2019. Twenty-two of the outstanding items are still within due date. The Committee continues to monitor the overdue and high risk outstanding items.



8.6 Enterprise Risk Management

As at 30 June 2019, Council has 21 strategic, 38 compliance and 134 operational risks. The following table represents a summary of all Council's risks. Council has an established risk appetite statement, and have committed to reducing these risks by establishing the appropriate controls (risk treatments) for those risks above Council's risk appetite level. The Committee will continue to monitor the progress of these treatments.

Portfolio	Extreme	High	Medium	Low	Total
City Corporate	0	1	28	41	70
City Presentation	0	1	2	13	16
City Community & Culture	0	1	10	27	38

Portfolio	Extreme	High	Medium	Low	Total
City Infrastructure & Environment		1	7	13	21
City Economy & Growth		1	10	21	32
Office of the CEO	2	2	7	5	16
Total	2	7	64	120	193

9. ARIC Self-Assessment

In September 2018, two assessment questionnaires were completed. The first assessment questionnaire (Q1) was circulated to all Committee members and attendees. The questions were more broadly focused with questions relating to the performance of the Chair, performance of the Committee, administrative functioning of the ARIC and the relationship between the Committee and management.

The Second self-assessment questionnaire (Q2) was circulated to independent voting members only. The questions focused predominately on the extent that the Committee discharge its obligations against each facet of Council's ARIC Charter.

The questionnaire prompted the responders to assign a rating to each question. Both questionnaire outcomes resulted in an overall rating score between "very good and excellent". All feedback and specific questions which scored lower were hi-lighted to the Committee with an approach devised to address these areas.

10. Forward looking and future requirements affecting Internal Audit and Audit, Risk and Improvement Committees

OLG Discussion Paper (Framework)

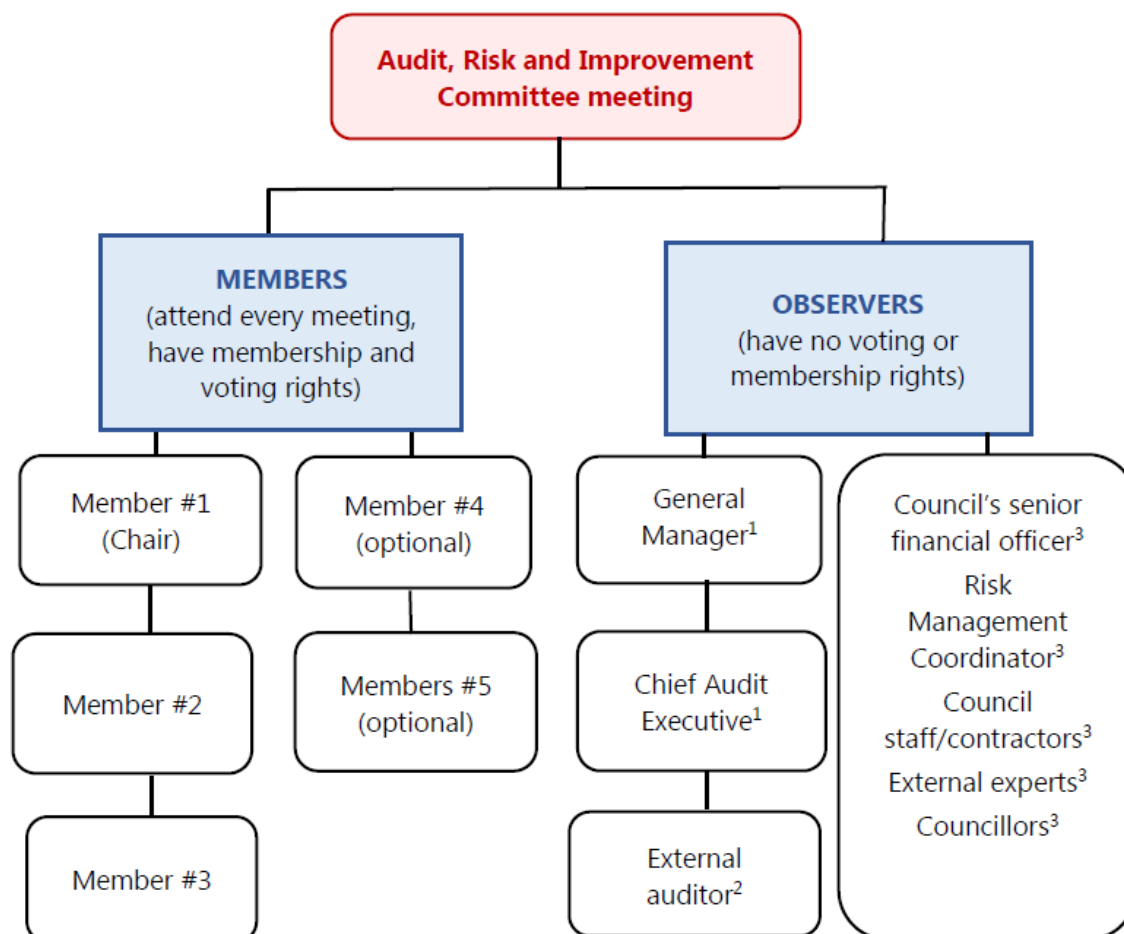
In 2016, the NSW Government made it a requirement under the Local Government Act that each Council have an Audit, Risk and Improvement Committee. This requirement will take effect from March 2021 i.e. 6 months after the next ordinary election.

In order to provide detailed guidance on how to implement the new requirements to be stipulated in the Act, over the last 12 months Government has been working with key stakeholders and industry experts to develop the regulatory framework that will support the operation of ARICs, and the establishment of a risk management and internal audit function in each council. There will be nine core requirements that councils will be required to comply with when establishing their Audit, Risk and Improvement Committees, risk management framework and internal audit functions. These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have already implemented risk management and internal audit.

In anticipation of these future requirements, Liverpool City Council established an Audit, Risk and Improvement Committee (ARIC) in October 2017. Given Liverpool Council's mature Audit and Risk function and an ARIC which is already aligned to the legislation, Council is well positioned to transition to the core requirements set out in the proposed framework. Given

Council’s maturity in this space, it is expected that a full transition will be made well before the deadline set out by the Government.

The below graph shows the proposed composition structure of Audit, Risk and Improvement Committees (as per the OLG draft discussion paper).



¹ Attends each meeting except where excluded by the Committee

² Open invitation to attend every meeting as an independent advisor

³ When invited by the Committee to attend/give information

The Government is consulting on the proposed regulatory framework that will support the operation of these committees, and the establishment of a risk management framework and internal audit function in each council.

11. Conclusion

The Audit, Risk and Improvement Committee has fulfilled its responsibilities under the Audit, Risk and Improvement Committee Charter for this period. The Committee has operated cooperatively to provide feedback and assurance to management and Council.

The Internal Audit function has implemented a number of changes during the period in preparation for the future requirements of the Office of Local Government and NSW Audit Office. The function has also assisted the Committee is providing a more disciplined and robust approach to coverage of responsibilities.

I would like to take this opportunity to thank my fellow Committee members, management and staff for their forthrightness and cooperation in the operation and outcomes of the Committee during this period.

A handwritten signature in black ink, appearing to read 'Andrew McLeod', written in a cursive style.

Andrew McLeod (Chair)
Audit, Risk and Improvement Committee
Liverpool City Council