

Audit and Risk Committee

# Annual Report

2020/21



Acknowledgment

City of Newcastle (CN) acknowledges that we operate on the grounds of the traditional country of the Awabakal and Worimi peoples.

We recognise and respect their cultural heritage, beliefs and continuing relationship with the land, and that they are the proud survivors of more than two hundred years of dispossession.

CN reiterates its commitment to address disadvantages and attain justice for Aboriginal and Torres Strait Islander peoples of this community.

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# 1. Foreword

The Audit and Risk Committee focuses on issues relating to financial reporting, and oversights external audit, internal audit, governance, risk management, internal control, and compliance matters within Council. Throughout 2021 pandemic outbreaks and restrictions continued to play a big part in the Committees monitoring of risk, unexpected expenditures, and subsequent Council response. We received COVID-19 recovery updates at intervals throughout the year.

Our approach has been to focus on matters of improvement along with emerging risks and this has included routine presentations on matters such as the Four-Year Delivery Program, Cyber Security improvements, Waste Management and Environmental Compliance improvements, implementation of improvement recommendations, and one-off presentations that allow for better understanding of key aspects of Council's operations (ICT, Health & Safety, Program Management).

We see great benefit in enhancing the value provided by the Committee through particularly focusing on our improvement mandate. Coupled with that we continue to widen our focus to include more routine areas of responsibility where we believe the Committee can add value. Things like, major projects and business initiatives, wider regulator/oversight activities (e.g., AONSW reports, OLG Reports, CCC reports), and local government

focus areas including open and transparent governance, improving legislative compliance and fraud and corruption frameworks and awareness.

Special thanks to all Committee members for their insights and contributions during and between meetings. Members' ability to ask questions, evaluate answers, and probe issues has enhanced our ability as a whole to think objectively and independently. Our annual review of performance allowed us to take stock, refresh our approach, and better engage. We work within a culture of openness and transparency, ready to accept and foster change.

Finally, our continued monitoring of the threat landscape provides Council with the necessary insights and tools to address these risks, safeguard community assets, and provide a real difference to the City of Newcastle community. I commend this Annual Audit and Risk Committee report to Council.

**Stephen Coates**  
Independent Chair  
Audit and Risk Committee

# 2. Background

This annual report documents the operation and activities of the Audit and Risk Committee for City of Newcastle (CN) from 1 July 2020 to 30 June 2021.

The Audit and Risk Committee (Committee) plays a pivotal role in overseeing CN's governance and risk framework and provides independent assurance and oversight of audit processes, including internal control activities.

The Committee was established on 19 May 2009 by a resolution of Council and is made up of three independent external members and two Councillor members. This membership is in accordance with the Office of Local Government Internal Audit Guidelines (September 2010) and the Audit and Risk Committee Charter (adopted by Council 27 February 2018). All Committee member profiles are included on pages 10-11 of this report.

The Committee operates under a charter adopted by the elected Council which contains the Committee's responsibilities. Broadly, these include oversight of CN's risk management control framework, legislative compliance and internal audit. The Committee also reviews the external audit opinion and recommendations and other aspects of financial governance and reporting.

CN's Internal audit function and the Committee support the Chief Executive Officer to oversee CN's governance and risk management and controls. Both functions are referenced in CN's Enterprise Risk Management Framework.



## 3. City of Newcastle

Newcastle is Australia's seventh largest city, managing an asset portfolio of \$1.9 billion, an operational budget of more than \$345 million and capital expenditure of \$102 million.

Our proactive and innovative organisation make a positive difference in our community through various services and initiatives to achieve the community strategic plan. We are focused on achieving our organisational goals while developing and inspiring our employees to reach their full potential and grow both professionally and personally. Our CREW values (Cooperation, Respect, Excellence and Wellbeing) underpin everything we do as well as how we expect all our staff to engage with one another and the community.

CN employs almost 1,300 staff across five directorates and is responsible for providing services and facilities to more than 160,000 people.



### Cooperation

We work together as an organisation, helping and supporting each other



### Respect

We respect diverse views and opinions and act with integrity



### Excellence

We strive for quality and improvement in everything we do



### Wellbeing







We develop a safe and supportive environment



Our organisation



Chief Executive Officer  
Jeremy Bath

| City Wide Services  | Information Technology  | Governance  | Infrastructure and Property   | People and Culture   | Strategy and Engagement   |
|---|---|---|---|--|---|
|  |  |  |  |  |  |
| Alissa Jones  | Ken Liddell (interim)   | David Clarke  | Joanne Rigby (interim)  | Fiona Leatham  | Kathleen Hyland (interim)   |
| Art Gallery   | Information Technology  | Finance   | Depot Operations  | Safety and Wellbeing   | Major Events and Corporate Affairs  |
| Museum  |   | Legal   | Assets and Projects   | Workforce Development  | Community, Strategy and Innovation  |
| Civic Services  |   | Regulatory, Planning and Assessment   | Civil Construction and Maintenance  | Strategic Partnering   | Customer Experience   |
| Libraries and Learning  |   | Transport and Compliance  | Property and Facilities   |  |   |
| Waste Services  |   |   |   |  |   |
| Parks and Recreation  |   |   |   |  |   |

4. City of Newcastle  
Audit and Risk Committee

The Committee is established to provide independent assurance on risk management, control, governance and external accountability. CN's Audit Coordinator reports to the Committee. The Committee's Charter requires the Committee to report at least annually to the elected Council on its affairs and the matters it has considered.

# 5. Audit and Risk Committee members



**Stephen Coates**  
Independent Committee Chair

*July 2017 – Current*

Stephen joined the Committee on 1 July 2017 and is Immediate Past President of the Institute of Internal Auditors – Australia, Vice President of the Asian Confederation of Institutes of Internal Auditors, and a member of the International Internal Audit Standards Board. He is an experienced Board and Audit Committee Chair and has extensive experience leading assurance and risk advisory teams in both the private and public sector. Stephen works with Board and Committees on managing risk culture and risk frameworks and delivers training events globally on risk and risk related topics.



**Greg McKenna**  
Independent Committee Member

*June 2018 – Current*

Greg joined the Committee on 25 June 2018 and was reappointed to the Independent member position in August 2021. Greg is currently the CEO of the Police Bank Limited, a Mutual Bank dedicated to serving its members and their families in the NSW Police Force, AFP, Tasmanian Police and Australian Border Force. Greg's career in Banking and Finance spans more than 30 years. He is also a member of the Australian Institute of Company Directors and holds a Bachelor of Business (Banking and Finance) from Monash University as well as a Master of Applied Finance from Macquarie University.



**Stephen Horne**  
Independent Committee Member

*January 2018 – August 2021*

Stephen joined the Committee on 1 January 2018 and has a broad portfolio of audit and risk committees spanning the Commonwealth, NSW State Government, and NSW and Victorian local government sectors. Stephen is a qualified Company Director (GAICD), Company Secretary (FGIA), certified internal auditor (PFIIA, CIA, CGAP), is certified in risk management assurance (CRMA), has a business degree and postgraduate qualifications in management, management communications and fraud control. Stephen has extensive experience in the fields of e-government, corporate governance, risk management, internal audit, fraud control, corruption prevention and performance reporting.



**Cr John Mackenzie**  
Committee Member

*September 2017 – December 2021\**

Cr Mackenzie was elected to Council in September 2017 and joined the Committee in September 2017. He additionally holds the title of Dr Mackenzie and is a policy research consultant with over fifteen years' experience in academic, government and consulting roles. Dr Mackenzie brings expertise in social research, impact assessment, community engagement and evaluation. He has worked around the country on policy initiatives that bring communities together to find solutions to complex, divisive and intractable natural resource management problems, such as water allocation in the Murray Darling Basin and Indigenous water rights in Cape York and the Kimberley.



**Cr Matthew Byrne**  
Committee Member

*March 2019 – August 2021*

Cr Byrne was elected to Council in September 2017 and joined the Committee in March 2019. Before resigning from Civic Office on 20 August 2021, he also held membership on CN's Disability Inclusion Committee and Strategy and Innovation Advisory Committees as well as external committees including the Hunter and Central Coast Joint Regional Planning Panel and Lower Hunter Councils Transport Group.

## Subsequent changes to the Committee since 30 June 2021



**Vivek Chopra**  
Independent Committee Member

*August 2021 – current*

Vivek joined the Committee on 31 August 2021 and is currently the Head of Internal Audit and Assurance at St. Vincent De Paul Society QLD. Vivek sits on other local government Councils within QLD and Victoria and is a Board Member of a reputed Not for Profit organisation in NSW. Vivek is also the Deputy Chair of Institute of Internal Auditors Australia, QLD Chapter. Vivek lectures about Financial Accounting and Audit and Assurance at reputed QLD universities, has completed his Bachelor of Commerce degree, Masters of Accounting degree and is a FCPA and GAICD. His areas of expertise are within Internal and external audit, risk management, compliance, quality management, governance and cyber security. Vivek aspires to provide a collaborative and integrated approach to delivering sustainable and cost effective solutions.



**Cr Carol Duncan**  
Committee Member

*August 2021 – December 2021\**

Cr Duncan was elected to Council in September 2017 and joined the Committee in August 2021. Cr Duncan is an experienced media professional with a broadcast career of 30 years, during which she has worked in many Australian capital cities. A resident of Newcastle since 1993, Cr Duncan served on the HMRI and Newcastle Art Gallery Foundations and is the founder of the Lost Newcastle community history group of over 55,000 members. Cr Duncan has been recognised by the Walkley Foundation, the NSW Premier's Office and the NSW Cancer Council for her work as a journalist. She is also a member of the Australian Institute of Company Directors.

\*Councillor Membership of the Committee will be appointed at the first Ordinary Council meeting subsequent to the Local Government Election to be held in December 2021.

# 6. Audit and Risk Committee attendance

In 2020/21 the Committee met five times to review internal audit reports, the internal audit program, and audited financial statements. Attendance at the 2020/21 meetings:

| Name              | Role        | Eligible | Attended |
|-------------------|-------------|----------|----------|
| Stephen Coates    | Chair       | 5        | 5        |
| Steven Horne      | Independent | 5        | 5        |
| Greg McKenna      | Independent | 5        | 5        |
| Cr John Mackenzie | Councillor  | 5        | 5        |
| Cr Matthew Byrne  | Councillor  | 5        | 4        |



# 7. Audit and Risk Committee report card

| Committee Charter                    | Compliance  |
|--------------------------------------|---|
| Committee meetings                   | A quorum was met at every meeting.  |
| Composition                          | 3 Independent members<br>2 Councillors  |
| Broad range of skills and experience | The Committee consists of a diverse range of extensive experience across risk management, internal audit, local government and commercial activities.   |
| Functional separation                | The Committee has no executive powers.  |
| Sufficient time allocated to tasks   | The Committee agenda facilitated adequate time to discuss all internal audit reviews, external audit reviews, update on the progress of the implementation of audit actions.  |
| Probity                              | Members declared conflicts of interest if they arose.   |
| Risk management                      | Risk management key activities are reported at each meeting of the Committee. The Committee maintains interest in the implementation status of CN's Enterprise Risk Management Framework and clarification of risk data to inform business planning and decision making, including the internal audit plan.   |
| Control framework                    | The Committee effectively reviewed the controls, policies and procedures through audit reports and high-level briefings received.   |
| Compliance                           | The Committee received and reviewed the annual calendar of Compliance and Reporting Requirements 2020/21.   |
| COVID-19 Pandemic                    | The Committee received a briefing on CN's response to the COVID-19 pandemic which included forming an Emergency Response Team, the development of business continuity plans and the establishment of a City Taskforce to oversee the recovery phases of the COVID-19 pandemic crisis.   |
| Fraud, corruption and control        | The Committee received and reviewed CN's Fraud and Corruption Control Plan.   |
| Internal audit                       | Reviewed and approved the internal audit coverage and CN's internal audit plan, ensuring it considered the risk management plan. Consideration was given to the identification of significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices. The Committee monitored the implementation of internal audit recommendations by management. |
| External audit                       | The Committee has continued to review CN's financial position and commitment towards achieving financial sustainability.<br><br>The Committee met on 19 October 2020 to receive briefings on the draft audit and CN's financial statements in respect of the year ended 30 June 2020. A management report of significant financial matters for the year ended 30 June 2020 was reviewed.  |
| External accountability              | The Committee acts as a forum for communication between the Council, the CEO, senior management, internal audit, external auditors and the Audit Office of NSW.   |
| Financial management                 | The Committee receives and reviews the Quarterly Budget Review report at each meeting.  |
| Self assessment                      | The Committee conducted a self-assessment to determine the extent to which it is achieving its overall objective to provide independent assurance and assistance to CN on risk management, control, governance, and legal and regulatory obligations; and assess the performance of CN's internal audit function. The self-assessment for 2020/21 was completed by the Committee and attendees in July 2021.                    |



# 8. Internal audit

CN outsources 45% of the internal audit function, with Centium being the outsourced Internal auditor for 2020/2021. Outsourcing facilitates an agile internal audit program and ensures a high level of independence and autonomy from CN's management and enables specialised knowledge and skills to be procured to conduct audits of those high-risk areas which could impact the achievement of CN's objectives.

Resources were allocated to complete eleven internal audits in the 2020/2021 internal audit program. The outsourced internal audits are supported by CN's Audit Coordinator who undertakes the balance of the internal audit program and provides support to the Committee.

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 Governance and Risk (Executive) Committee, the Executive Leadership Team and to the Committee on a quarterly basis.

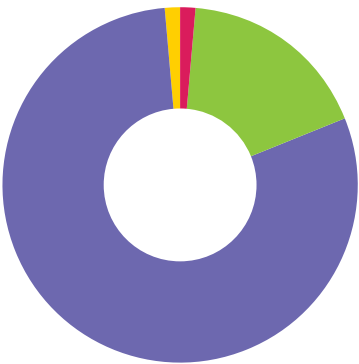
In the past 12 months, the internal audit function reviewed, provided assurances and recommended control and efficiency improvements across the following diverse operations:

| Audit |  | Completed by                   | Status      |
|-------|--|--------------------------------|-------------|
| 1     | RMS Drives 2019/2020   | CN                             | Complete    |
| 2     | Cash Handling  | CN                             | Complete    |
| 3     | Payment Card Industry Data Security Standard (PCI DSS) Compliance Review | CN                             | Complete    |
| 4     | National Heavy Vehicle Accreditation Scheme                              | CN                             | Complete    |
| 5     | Rates Management Audit   | Centium                        | Complete    |
| 6     | Treasury Investment Management Audit                                     | Centium                        | Complete    |
| 7     | Contract Compliance (x2)   | CN                             | Complete    |
| 8     | Overtime Assurance Audit   | Centium                        | Complete    |
| 9     | IT Governance and IT Strategy  | Technology Governance Services | Complete    |
| 10    | Fleet Management Review  | Centium                        | Complete    |
| 11    | Assurance Mapping Project  | CN                             | In progress |

## Snapshot of internal audit action progress

CN prepares an audit action progress report for each meeting which includes updates on all audit actions currently being implemented. Internal audit is currently monitoring the following audit actions as summarised:

Audit action overview



- Completed - 192
- 1st Implementation Date - 42
- 2nd Implementation Date - 4
- >3rd Implementation Date - 3

Audit actions by risk



- High - 16
- Medium - 20
- Low - 13

| Audit  | Year      | Total actions |        |     |       | Remaining actions |        |     |       | Completion rate |        |      |       |
|--|-----------|---------------|--------|-----|-------|-------------------|--------|-----|-------|-----------------|--------|------|-------|
|  |           | High          | Medium | Low | Total | High              | Medium | Low | Total | High            | Medium | Low  | Total |
| Leave Management                                 | 2017/2018 |               | 8      |     | 8     |                   |        |     | -     |                 | 100%   |      | 100%  |
| Delegations                                      | 2018/2019 | 6             | 3      |     | 9     |                   |        |     | -     | 100%            | 100%   |      | 100%  |
| External Audit 2018/2019 - Audit Office of NSW   | 2018/2019 | 4             | 8      | 5   | 17    |                   |        |     | -     | 100%            | 100%   | 100% | 100%  |
| Fraud, Corruption and Control                    | 2018/2019 | 5             | 5      | 5   | 15    |                   |        |     | -     | 100%            | 100%   | 100% | 100%  |
| National Heavy Vehicle Accreditation Scheme 2019 | 2018/2019 |               | 6      |     | 6     |                   |        |     | -     |                 | 100%   |      | 100%  |
| Procurement                                      | 2018/2019 | 8             | 8      | 5   | 21    |                   |        |     | -     | 100%            | 100%   | 100% | 100%  |
| Boarding House Regulatory Improvement Review     | 2019/2020 | 10            | 10     |     | 20    |                   |        |     | -     | 100%            | 100%   |      | 100%  |
| Records Management                               | 2019/2020 | 1             | 11     | 3   | 15    |                   |        |     | -     | 100%            | 100%   | 100% | 100%  |
| Cash Handling                                    | 2020/2021 |               | 3      |     | 3     |                   |        |     | -     |                 | 100%   |      | 100%  |
| National Heavy Vehicle Accreditation Scheme 2020 | 2020/2021 |               | 3      | 2   | 5     |                   |        |     | -     |                 | 100%   | 100% | 100%  |
| RMS Drives 2020                                  | 2020/2021 |               | 3      |     | 3     |                   |        |     | -     |                 | 100%   |      | 100%  |
| Treasury Investment Management                   | 2020/2021 |               |        | 3   | 3     |                   |        |     | -     |                 |        | 100% | 100%  |
| Customer Service Review                          | 2018/2019 | 1             | 8      | 5   | 14    |                   |        | 1   | 1     | 100%            | 100%   | 80%  | 93%   |
| Summerhill Environmental Compliance              | 2018/2019 |               | 16     | 4   | 20    |                   | 3      | 2   | 5     |                 | 81%    | 50%  | 75%   |
| Cyber Security                                   | 2019/2020 | 24            | 13     | 1   | 38    | 10                | 3      |     | 13    | 58%             | 77%    | 100% | 66%   |
| PCI DSS Compliance Review                        | 2020/2021 | 18            |        |     | 18    | 6                 |        |     | 6     | 67%             |        |      | 67%   |
| Rates Management                                 | 2020/2021 |               | 1      | 2   | 3     |                   |        | 1   | 1     |                 | 100%   | 50%  | 67%   |
| Overtime Assurance Review                        | 2020/2021 |               | 2      | 3   | 5     |                   | 2      | 3   | 5     |                 | -      | -    | -     |
| Fleet Management Review                          | 2020/2021 |               | 9      | 6   | 15    |                   | 9      | 6   | 15    |                 | -      | -    | -     |
| IT Governance and IT Strategy                    | 2020/2021 |               | 3      |     | 3     |                   | 3      |     | 3     |                 | -      |      | -     |
| Total  |           | 77            | 120    | 44  | 241   | 16                | 20     | 13  | 49    | 79%             | 83%    | 70%  | 80%   |



## 9. Risk management

Risk management is an integral part of CN and provides assurance to our employees and to the community that we are operating effectively and efficiently.

CN has a robust Enterprise Risk Management (ERM) Framework that is currently being matured with a continuous improvement focus. CN's ERM is the totality of systems, structures, policies, processes and people within CN that identify, measure, monitor, report and control or mitigate all internal and external sources of risk.

CN's ERM Framework promotes risk management at all levels of the organisation and in doing so further develops CN's strong risk culture. This supports delivery of CN's vision and purpose and meets our objective to ensure risk management is positively and seamlessly integrated into CN's culture, resulting in the continual and proactive application and assessment of risk.

Overall, CN's evolving ERM framework maturity has allowed CN to:

Align risk management with our strategic plan enabling clear visibility to achieve our vision, goals and objectives, assess the effectiveness of the internal control framework, and identify where new and enhanced internal controls are necessary

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Reduce the cost of risk monitoring and reporting

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Complete an assurance mapping process across the organisation focusing on key controls to assess the level of risk associated with key processes

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Embed a risk-aware and accountable culture throughout the organisation.

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CN is on an exciting risk management journey where true value-add and organisational efficiencies are realised, enabling CN to meet community expectations.



# 10. Governance

Good governance creates community confidence in CN. Our Governance Framework and Open and Transparent Governance Strategy are integral to good governance at CN.

CN's Governance Framework comprises our Code of Conduct, Public Interest Disclosures Policy, Corruption Prevention Framework, Enterprise Risk Management Framework, Delegations Management System and Policy Framework, ensuring that CN is well governed and that:

We achieve our intended purpose as a local government organisation

We are compliant with all relevant laws, codes and ethics

Our processes and behaviours ensure that we deliver and act in an ethical way

We meet community expectations of probity, accountability and transparency

# 11. COVID-19 pandemic

CN's response to COVID-19 was built on the following principles:

Safety: keep our workforce healthy, safe, compliant and virus-free

People first: strengthen and support wellbeing, culture and engagement

New normal: embed our learnings and new ways of working

Agreed organisational priorities: the ELT will set priority outcomes and initiatives

COVID-19 Safe Plans were developed as services resumed throughout June and July 2020 and an Employee Wellbeing Pack was originally launched in May 2020 and relaunched in June 2021 to reflect the ongoing impacts of COVID-19 on the health and wellbeing of our people.

## Service Changes

CN services and facilities were closed in March 2020 following Public Health Orders from the NSW Government, reopening with restrictions from July 2020. Many began to close again from August 2021 due to the Delta variant.







# 12. External audit

The Committee receives an annual report from the external auditor (Audit Office of New South Wales) on the status of CN's financial statements. Representatives from the Audit Office attend Committee meetings as advisors.

In October 2021, the Committee received a report from the Audit Office and the external auditor, RSM, and discussed the audited financial statements for the 2020/2021 financial year. The Committee also received and endorsed actions on control matters identified during the annual financial audit.



# 13. Self-assessment

In accordance with the Committee’s Charter, the Committee completed a self-assessment for 2019/20 which was designed to assess the Audit and Risk Committee’s performance for 2019/20 in the following areas:

**Audit and Risk Committee, Skills and Understanding**

|  |
|--|
| The Committee understands the CN’s business sufficiently to enable the Committee to fulfil its responsibilities under the Charter                            |
| The mix of skills on the Committee allows it to effectively perform its responsibilities   |
| The Committee’s overall financial literacy is adequate in light of the Committee’s responsibilities  |
| The Committee has responded appropriately and taken the required action where significant risks and/or control breakdowns have been brought to its attention |

**Audit and Risk Committee Members (External and Councillors) and Meetings**

|  |
|--|
| Committee members have attended meetings on a regular basis  |
| Meetings have been conducted in accordance with the agenda issued and allow sufficient time to discuss complex and critical issues                                     |
| Meeting agendas and supporting papers are of sufficient clarity and quality to make informed decisions   |
| Meetings have been conducted to allow Committee members to raise any issue they believe relevant and allow for open, frank and robust discussion of all matters raised |
| Committee minutes are appropriately maintained and are of good quality   |
| The Committee annual report to CN is of an appropriate quality and has been provided to us on a timely basis   |
| The Committee has received all information, presentations, or explanations it considers necessary to fulfil its responsibilities                                       |
| The Committee has reviewed and approved the annual business calendar   |

**External Audit – Audit and Risk Committee**

|   |
|---|
| The Committee is satisfied that CN’s annual financial reports comply with applicable legislation and Australian accounting standards and are supported by appropriate management sign-off on our financial statements |
| The Committee has reviewed the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments   |
| The Committee has considered contentious financial reporting matters in conjunction with CN’s management and external auditors  |
| The Committee reviewed the processes in place to ensure financial information included in the annual report is consistent with the signed financial statements  |

**Internal Audit Assessment**

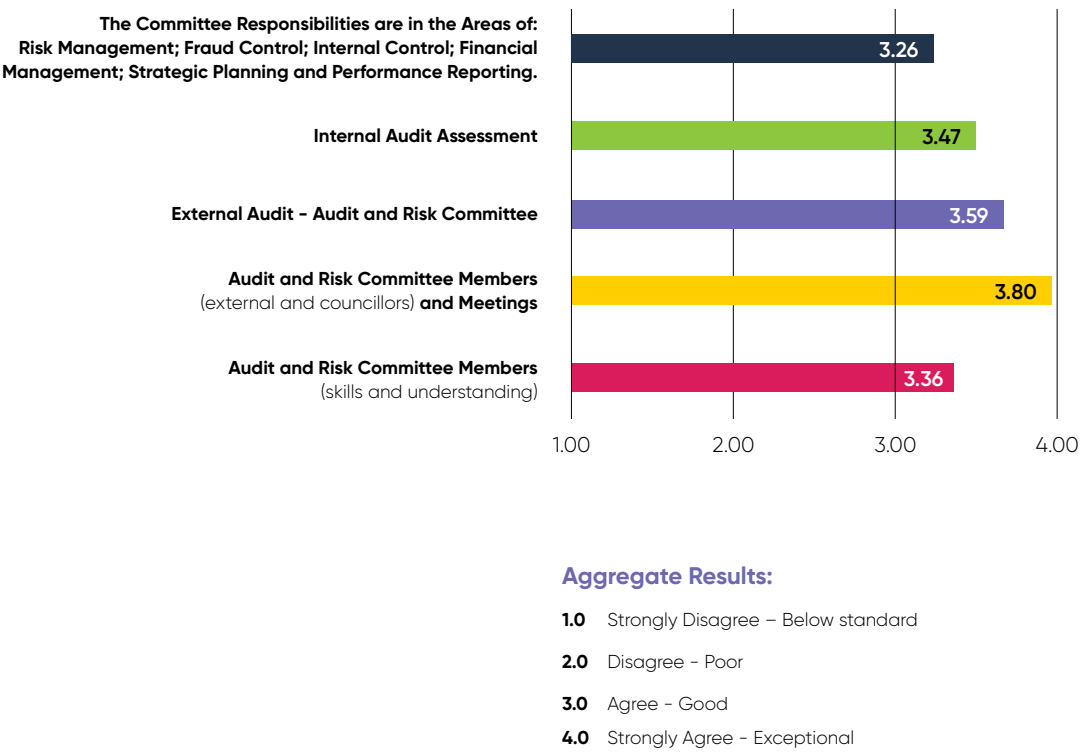
|  |
|--|
| The Committee has reviewed and approved the forward internal audit plan, ensuring it was developed in consultation with ELT and the Committee  |
| The Committee considers the internal audit resources were adequate for the completion of the internal audit program  |
| The Committee has monitored the implementation of internal audit recommendations and obtained all information and or explanations it considers relevant to the progress of implementation of audit recommendations |
| The Committee considers the audit reports provided as appropriate for the business needs of CN; and  |
| (i) The reports were structured, concise and constructive  |
| (ii) The recommendations provided were realistic and resulted in improvements to current procedures  |
| (iii) The conclusions reached were adequately supported by relevant evidence and reflected a realistic understanding of the area under review  |

**The Committee responsibilities are in the areas of: Risk Management; Fraud Control; Internal Control; Financial Management; Strategic Planning and Performance Reporting.**

|  |
|--|
| The Committee adequately understands and reviews CN’s financial reporting requirements   |
| The Committee reviews the effectiveness of the system for monitoring CN’s compliance with relevant laws and regulations  |
| The Committee adequately understands and reviews the entity’s risk management framework and whether an effective approach is being followed in managing CN’s major risks |
| The Committee understands and reviews management’s systems and arrangements for maintaining effective internal controls  |
| The Committee effectively addresses its responsibilities in respect of its review and consideration of audit plans, audit reports and identified issues                  |
| The Committee understands and reviews the effectiveness of CN’s Fraud Control framework including the Fraud and Corruption Control Plan                                  |
| The Committee understands and reviews the effectiveness of CN’s strategic plan and delivery program  |



Self Assessment Performance



Overall the Committee has achieved a good performance in achieving its objectives under the Committee Charter.

The self assessment further identified the following areas to be included in the internal audit program and/or agenda for the Committee meetings over the next two years:

- Focus on strategic risks and maturity of the ERM Framework
- Financial sustainability and business resilience
- Cyber security improvement
- Fraud and strategic management
- Senior staff succession planning and leave management and subsequent effect on service delivery
- Legislative compliance
- Outsourced management agreements

This feedback is being reviewed to be incorporated into future Committee agendas and the forward internal audit program as required.

# 14. Forward internal audit plan

CN takes a risk-based approach to formulate an annual internal audit program. The audit planning process requires management to periodically consider risk levels, strategic objectives, audit history and other factors to determine audit priorities.

CN is currently finalising the assurance mapping project on CN's control processes to assess the level of risk associated with each process and define CN's 'Audit Universe'. The overall audit universe is being assessed to produce an overall risk and priority rating for each potential audit taking into consideration the following factors:

- Overall risk rating linked back to the assurance map and CAMMs risk assessments
- Whether or not it has been audited in the past
- Whether there has been a history of audit issues
- Service Unit Managers priority rating to place the audit on the Internal Audit program
- Director priority rating to place the audit on the Internal Audit program
- Impact of the auditable area on CN's Strategic Objectives (CSP)
- Susceptibility to Fraud and Corruption

This process will result in the defining of an Audit Area List of Priority which will be utilised to determine the annual internal audit program.

The Forward Internal Audit Plan for 2021/2022 is included at **Appendix A**.

# Appendix A



## Forward Internal Audit Plan 2021/2022

| #  | Topic  | Resource                       | Timing | Scope  |
|----|--|--------------------------------|--------|--|
| 1  | RMS DRIVES<br><i>(completed)</i>                                 | Audit Coordinator              | Q1     | Compulsory Compliance Audit of the security, access and usage compliance of DRIVES data to provide an annual Compliance Audit Certificate to Roads and Maritime Services.  |
| 2  | Quality Assessment Internal Audit Function<br><i>(completed)</i> | Institute of Internal Auditors | Q1     | The scope of the Quality Assessment focused on Internal Audit, its operations, and its relationships with key stakeholders including the Audit and Risk Committee, Chief Executive Officer and Executive Management.   |
| 3  | Assurance mapping (S&E, P&C, CWS, I&P)<br><i>(completed)</i>     | Audit Coordinator              | Q1, Q2 | Prepare an assurance map for Council's high-level strategic objectives, noting alignment with newly available risk profile and identified controls.  |
| 4  | Debtor Management Summerhill                                     | Audit Coordinator              | Q2     | Evaluate the effectiveness of internal controls and debtor management of Summerhill.   |
| 5  | Reassessment PCI DSS Compliance                                  | Audit Coordinator              | Q2     | Reassess CN's compliance with the Payment Card Industry Data Security Standards requirements subsequent to the implementation of the 2021 action plan.   |
| 6  | Contract Compliance  | Audit Coordinator              | Q2, Q4 | CN is undertaking contract compliance audits in accordance with the revised Procurement Policy, Contract Management Procedure and Purchasing Procedure.  |
| 7  | Reserves Management  | Co-Sourced                     | Q3     | Assessment of CNs policy and implementation for the use and allocation of CNs restricted reserves.   |
| 8  | COVID Grants Administration                                      | Co-Sourced                     | Q3     | Compliance-based approach to review whether applications are being assessed and funds are being distributed in accordance with program objectives and guidelines.  |
| 9  | National Heavy Vehicle Accreditation Scheme                      | Audit Coordinator              | Q3     | An annual internal audit and bi-annual external audit are required to maintain heavy vehicle accreditation. The audit is limited to the Maintenance Management System. Compliance Audit.   |
| 10 | Project Management   | Co-Sourced                     | Q4     | Assess whether the practices, management principles, and processes across CN for managing capital and operational projects are consistent, transparent and enables optimal use of resources in delivering Council's strategic plans.   |
| 11 | Cloud Based System and Outsourced Management Agreements Review   | Co-Sourced                     | Q4     | Assessment of CN's use and management of Cloud Based Service Providers. Increasing on-line subscription to cloud-based software solutions poses risks of unbudgeted IT costs which may not represent best value, poor procurement practice, inconsistent treatment of corporate information, decentralisation from corporate IT resulting in lack of system visibility and under utilisation of approved and recognised corporate systems. |
| 12 | Employee Performance and Recruitment*                            | Co-Sourced                     | Q4     | The objective of this review is to assess the effectiveness of Council controls and processes to manage and oversee recruitment and performance. Review arrangements relevant to the approval, capture and tracking of EFT numbers to provide assurance about the design, effectiveness and implementation of these policies, processes and other controls.  |

\*Audit may be deferred to Q1 2022/2023 pending internal audit resourcing.



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