



Central Coast Council

Audit, Risk and Improvement Committee  
Meeting

Held Online via Teams/Wyong Committee Room

07 December 2022

## MINUTES

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### Present

Carl Millington (Chairperson)  
Arthur Butler  
Peter McLean  
Rik Hart

Independent member  
Independent member  
Independent member  
Administrator

### In Attendance

David Farmer  
Marissa Racomelara  
Paul Mewing  
Jamie Beal  
Edward Hock  
Stephen Bignill  
Caroline Karakatsanis  
Rochele Antolin  
Penelope Corkill  
  
Rachel Callachor  
Carolyn Patelis

Chief Executive Officer  
Director Corporate Services  
Work Health Safety Lead Specialist  
Unit Manager Information and Technology  
Unit Manager Governance, Risk and Legal  
Enterprise Risk Manager  
Director, Financial Audit, Audit Office of NSW  
Audit Leader, Financial Audit, Audit Office of NSW  
Director Risk and Assurance, Centium, Internal Audit  
Partner  
Meeting Support Officer  
Civic Support Officer

## **1 INTRODUCTION**

### **1.1 Welcome, Acknowledgement of Country and Apologies**

The Chairperson, Carl Millington, opened the meeting, welcomed attendees and completed an Acknowledgement of Country.

It was noted that the meeting was being recorded for minute taking purposes. By attending the meeting, speakers consented to an audio record of the meeting. Recording of the proceedings of this Committee meeting are not permitted without prior approval of the Council. The meeting recording will be deleted once the meeting minutes are finalised.

Apologies received:

Dr Alice Howe – Director Environment and Planning

Peter Correy – Group Financial Controller

Lilly Mojsin – Senior Internal Ombudsman

Boris Bolgoff – Director Infrastructure Services

Jamie Loader – Director Water and Sewer

Krystie Bryant – Unit Manager People and Culture

Melanie Smith – Director Community and Recreation Services

Jade Maskiewicz – Assistant Internal Ombudsman

### **1.2 Disclosures of Interest**

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The Committee Members made the following additional disclosures:

- Peter McLean had a correction to his standing disclosure in that he is ARIC Chair of Shoalhaven City Council and Goldenfields Water Council but is an ARIC Independent Member of Federation Council.
- Carl Millington is a member of the Penrith City Council Audit Risk and Improvement Committee.

### **Resolution**

**214/22 (ARIC)** *That the Committee note the standing declarations of current Committee members outlined in the table below.*

**215/22 (ARIC)** *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*

**216/22 (ARIC)** *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

### **1.3 Confirmation of Minutes of Previous Meeting**

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The Chair confirmed and accepted the Minutes with changes to be made to correct standing disclosure for Peter McLean.

#### **Resolution**

**217/22 (ARIC)** *That the Committee confirm the minutes of the previous meeting held on 14 September 2022.*

**218/22 (ARIC)** *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

### **1.4 Outstanding Action Items**

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The Chair raised two outstanding action items to clarify status:

- Action item 22/2021(ARIC) can be marked as completed on the basis that information has been published online.
- Action item 107/2021(ARIC) regarding framework in regard to restrictions could be changed from ongoing to a standing item, however Unit Manager Governance, Risk and Legal would address outside of meeting

#### **Resolution**

**219/22 (ARIC)** *That the Committee note the report on Outstanding Action Items.*

**220/22 (ARIC)** *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

### **1.5 Council's current status – CEO David Farmer**

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The CEO, David Farmer, provided the following verbal update:

- Council has appointed a new Chief Financial Officer, Emma Galea . Emma will commence Monday 12<sup>th</sup> December and has very broad experience. Emma's background is as CFO and acting director roles at various councils, and as a consultant to the Local Government sector.
- Financial position continues to stabilise and improve to a point where Council has established a financial strategy to report on a monthly basis. This is to set up a situation that makes it easier and accessible for when elected representatives return.
- Unrestricted cash in general fund is now quite substantial and so Council has resolved to set aside \$50 million of that unrestricted cash into a restricted asset to repay part of the emergency loans when they reset in December 2023. The \$100 million loan taken out in December 2020 that resets and will be refinanced in December 2023. Council is hopeful to be able to pay the \$50 million down and with some additional asset sales, potentially completely retire what would be \$82 million outstanding at that point in time.
- Council continues to focus on gradual improvement in a range of areas of our performance. Capital works is still not delivering to benchmark. Civil area is doing well, however challenges in IT, Plant and Fleet, Water and Sewer projects.
- Received the third Council staff survey, with significant improvement in staff morale, although still far below a positive result.

In response to enquiries from the Committee the following information was provided:

- Not all emergency debt will be retired before the next Council election – two loans. \$50 million will reset in December 2025, \$100 million resets in December 2023 at that point in time, hoping to retire all of \$100 million. This would free up \$7.5 million in recurrent annual cash flow to redirect into the business.
- Likely to borrow funds for upcoming major projects to provide intergenerational improvement, but not for everyday running of business.
- Storm and flood damage impact on infrastructure will mostly be covered by government Rational Disaster Relief. General degradation from 9 months of rain is a gradual process of road repair.
- Council working with government to make sure most of their funded programs have been through a renewal with grant funding linked to asset management principles i.e. not building new assets but replacing assets. Next phase is to not have to put cash into repaying debt, but can generate savings to direct to the needs of the organisation.
- Community survey in September 2022 had poor results, possibly due to damage to reputation combined with prolonged bad weather. Results have improved from survey conducted in February 2022 regarding with SRV. Council continues to focus on customer service and correspondence. With normal weather patters we should see more improvement.

## **Resolution**

**221/22 (ARIC)** *The Committee noted the verbal update on Council's current status provided by the Chief Executive Officer.*

## **2 EXTERNAL AUDIT**

### **2.1 Quarterly External Audit Report – update on progress with audit of 2022 financial statement**

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The Director, Financial Audit, NSW Audit Office, Caroline Karakatsanis provided an update to the Committee on the Financial Statement audit:

Caroline would like to thank and acknowledge Peter Correy and the team on this challenging project.

- Apart from clearing the opening balance adjustments over the assets that were subject to qualification in 2021, the rest of the audit is substantially complete.
- Weekly meetings with Management updating on progress and outstanding items, still some testing over the fixed assets where the work is still ongoing.
- Reconciling between the technical register and matching to the fixed asset register involved a huge amount of work and collaboration between Finance, Assets and the data team.
- High level of confidence in matching 98% however some still not matched. Management are identifying the reasons for why they are unmatched.
- Encourage Management to seek further extension, possibly to February 2023.
- Interim Management letter to be submitted to Council by 15<sup>th</sup> December.

In response to enquiries from the Committee, the Director, Financial Audit, NSW Audit Office, Caroline Karakatsanis provided the following information:

- Good working relationship with Council with a full working team of auditors and full resources. A good back and forth process with Council.
- Regarding maintaining two registers, technical and fixed asset, this would be a matter for Management

## **Resolution**

**222/22 (ARIC)** *The Committee noted the verbal update provided by the The Director, Financial Audit, NSW Audit Office.*

### 3 FINANCE

#### **3.1 General Finance Update (standing item)**

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The Director Corporate Services, Marissa Racomelara, spoke to the report, which was taken as read by the Committee.

#### **Resolution**

**223/22 (ARIC)** *That the Committee note the report on General Finance Update.*

**224/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

### 4 RISK MANAGEMENT

Stephen Bignill joined the meeting for items 4.1-4.3 and left at the conclusion of these items.

#### **4.1 Enterprise Risk Management Report - December 2022 – 3.02pm**

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Enterprise Risk Manager, Stephen Bignill, spoke to the report provided, which was taken as read by the Committee.

In response to enquiries from the Committee, the following information was provided:

- Risk Maturity - Council is sharing best practice activities outside of Council and is moving towards a risk-based plan, encouraging staff to speak up, including training for management and staff, to raise awareness for them to raise gaps and any risks they encounter.

#### **Resolution**

**225/22 (ARIC)** *That the Committee note the report on Enterprise Risk Management Report - December 2022.*

**226/22 (ARIC)** *That the Committee recommend that this report is not made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council,*

*Council Officials and Council property.*

#### **4.2 Risk Maturity Assessment**

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Enterprise Risk Manager, Stephen Bignill, spoke to the report provided, which was taken as read by the Committee.

##### **Resolution**

**227/22 (ARIC)** *That the Committee note Risk Management Maturity Assessment report.*

**228/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as, on balance, it would not be in the public interest to release this information to the public on the basis of ensuring the efficacy of investigation and auditing functions, some of which are raised in these reports.*

#### **4.3 Business Continuity Exercise Outcomes**

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Enterprise Risk Manager, Stephen Bignill, spoke to the report provided, which was taken as read by the Committee.

##### **Resolution**

**229/22 (ARIC)** *That the Committee note the report on Business Continuity Exercise.*

**230/22 (ARIC)** *That the Committee recommend that this report is not made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council, Council Officials and Council property.*

Jamie Beal joined the meeting for item 4.4 and left at the conclusion of this item.

#### **4.4 IT Update - Management of Technological Risks and Cyber Security**

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Jamie Beal, Unit Manager Information and Technology provided the Committee with a presentation including the following key items:

- Update on management of technological risks and cyber security
- The update is presented through a risk perspective and based on information both

within the Enterprise Risk Register and information obtained from external agencies such as the Australian Cyber Security Centre and Cyber NSW.

- In 2022, two additional risk categories were introduced to the Enterprise Risk Register. They are – Organisational Performance and Information security.

The Committee discussed generally, strategies for any ransom attacks, the need for adequate insurance and liaison with police.

### **Resolution**

**231/22 (ARIC)** *That the Committee note the IT update on the management of technological risks and cyber security.*

**232/22 (ARIC)** *That the Committee recommend that this report is not made publicly available, pursuant to Clause 78f of the Audit, Risk And Improvement Committee Charter – Matters affecting the security of Council, Council Officials and Council property.*

## **5 QUARTERLY INTERNAL AUDIT**

### **5.1 Agreed Management Actions Tracker – 4.05pm**

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The Unit Manager Governance, Risk and Legal, Ed Hock provided the Committee with an update including:

- Consolidated tracker subject to review in April 2023.
- Populated with reports from September and about to receive, goes to ELT, and can view through Smartsheet.
- Tracker encourages setting realistic time frames, checking in on monthly basis and as deadlines are approaching.

### **Resolution**

**233/22 (ARIC)** *That the Committee note the report on Agreed Management Actions Tracker.*

**234/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as, on balance, it would not be in the public interest to release this information to the public on the basis of ensuring the efficacy of investigation and auditing functions, some of which are raised in these reports.*



## **5.2-5.4 Internal Audit Final Reports**

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The Director Risk and Assurance, Centium, Penelope Corkill, Internal Audit Partner spoke to these reports.

The Committee received the reports and noted their contents

In response to enquiries from the Committee the following information was provided:.

- Three audit reports have been finalised since last meeting
- Claims management audit is largely completed
- Fieldwork underway for compliance framework audit
- Planning

Feedback from the Committee regarding timing of Audits to be conducted after staff performance reviews would be beneficial to these processes.

The Committee encouraged management to ensure that High risk findings were addressed as a matter of urgency, and that ambitious but realistically achievable timelines were set for those improvements.

### **Resolution**

**235/22 (ARIC)** *That the Committee note the report by Centium Child Protection Compliance Audit.*

**236/22 (ARIC)** *That the Committee note the report by Centium National Heavy Vehicle Accreditation Scheme.*

**237/22 (ARIC)** *That the Committee note the report by Centium Performance and People.*

**238/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as, on balance, it would not be in the public interest to release this information to the public on the basis of ensuring the efficacy of investigation and auditing functions, some of which are raised in these reports.*

## **6 GOVERNANCE**

### **6.1 Governance Lighthouse Report as at 30 September 2022 – 4.35pm**

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The Committee noted the Report as read.

The Unit Manager Governance, Risk and Legal provided the Committee highlights:

- Welcome to Marissa Racomelara, new Director of Corporate Services who commenced with Council on 21 November 2021.
- Now fully staffed in the Governance Risk and Legal Unit is a pleasing development that will enable Council to supercharge governance activities over the next year and beyond.

In response to enquiries from the following information was provided:

- A process change earlier in the year caused a surge in informal information requests for the Unit, however this process has now returned to the Development Assessment Administration team alleviating some workload from the Governance team.

The Chair recognised the number of compliments received and noted in the report and highlighted this.

### **Resolution**

**239/22 (ARIC)** *That the Committee note the Governance Lighthouse Report as at 30 September 2022.*

**240/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

## **6.2 Council's Insurance Arrangements (34/2022)**

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The Unit Manager Governance, Risk and Legal, Ed Hock provided the Committee with a verbal update : regarding Council's Insurance Arrangements.

In response to enquiries from the Committee the following information was provided:

- Insurance renewal due 30 June 2023, some scope to improve our position, however a full review is to be completed
- Insurance portfolio, which includes cyber security, is currently being reviewed with report to be presented to ELT prior to renewal next year, with a view to taking a strategic approach to the control.

### **Resolution**

**241/22 (ARIC)** *The Committee noted the verbal update on Council Insurance Arrangements provided by the Unit Manager Governance, Risk and Legal.*

## **CONFIDENTIAL ITEMS**

### **6.3 Update on Legal Matters – 4.43pm**

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#### **Resolution**

**242/22 (ARIC)** *That the Committee note the report.*

**243/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that would, if disclosed, prejudice the maintenance of law; and advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.*

## **7 CONTROL FRAMEWORK**

### **7.1 Report from the Office of the Internal Ombudsman – 4.48pm**

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Senior Internal Ombudsman and Assistant Internal Ombudsman were both apologies for the meeting, however report was noted by the Committee.

#### **Resolution**

**244/22 (ARIC)** *That the Committee note the report on Report from the Office of the Internal Ombudsman.*

**245/22 (ARIC)** *That the Committee make a recommendation that this report not be made publicly available, pursuant to Clause 78(a) of the Audit, Risk and Improvement Committee Charter, as it contains personnel matters concerning particular individuals.*

## **8 PERFORMANCE AND CONTINUOUS IMPROVEMENT**

Paul Mewing joined the meeting for item 8.1 and left at the conclusion of this item.

### **8.1 Work, Health and Safety Report – 4. 55pm**

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Work Health Safety Lead Specialist, Paul Mewing provided the committee with an update on Work, Health and Safety which included:

- Increase in incidents with 20 Lost Time Injuries year to date, 7 being in the last month which is higher than last few years
- Injuries are largely muscular skeletal, so are investigating in engaging an external provider to target high risk areas and provide functional strategies to help, particularly with the aging workforce

In response to enquiries from the Committee, the following information was provided:

- Aging workforce 30-40% of WHS claims, so long term controls worth investing in
- There is strong reporting of near misses and notifications through the safety hotline and these numbers can be provided
- In future reports to the Committee, a table will be provided to show 'accidents by cause'.

### **Resolution**

**246/22 (ARIC)** *That the Committee note the report on Work Health and Safety.*

**247/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is confidential and unsuitable to be published.*

## **9 GENERAL BUSINESS**

### **9.1 Meeting Dates for 2023 – 4.59pm**

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Committee discussed incorporating the Risk Briefing into the main ARIC meeting. However if there is any issue that comes up, that requires more thought and effort, then retain the availability for an *in camera* Risk Briefing prior to the meeting on an as needed, rather than standing basis.

### **Resolution**

**248/22 (ARIC)** *That the Committee set the meeting dates for 2023 as set out in this report.*

**249/22 (ARIC)** *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

### **9.2 Audit, Risk and Improvement Committee Self-Assessment Survey Summary Report**

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The Unit Manager Governance, Risk and Legal, Ed Hock provided the Committee with an update including:

- Critical feedback from the Independent members was Executive Leadership Team (ELT) attendance and presence and developing a meaningful plan for delivery of information of the other areas of Council.

- Greater alignment between enterprise risk management and internal audit.
- Councillor return preparation is major deliverable for next financial year, need to ramp up activity and engagement with each Independent member.
- Percentage of majority of agreement and strong agreement jumped from the previous self-assessment from 67% to 88%.
- Propose to run another self-assessment next year rather than two year cycle – September and December 2023.

Discussion in response to the update:

- Chair would like a member of ELT to present at each ARIC meeting. This would give ARIC an opportunity to understand the areas of work and build their relationships with the members of the ELT.
- Director Corporate Services, Marissa Racomelara confirmed that ELT have already agreed to this approach

### **Resolution**

**250/22 (ARIC)** *That the Committee note the Audit, Risk and Improvement Committee Self-Assessment Survey Summary Report that is Attachment 1 to this Report.*

**251/22 (ARIC)** *That the Committee identify the key points it considers should be included in a draft ARIC Action Plan to address common themes and issues identified in the Self-Assessment Survey.*

**252/22 (ARIC)** *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

**The Meeting** closed at 5.09pm.

**Next Meeting** 2023, Wednesday 8 March 2pm-5pm

