



Central Coast Council
Audit, Risk and Improvement Committee
Meeting

Committee room, 2 Hely Street, Wyong

27 March 2024

MINUTES

Present

Carl Millington (Chairperson)
Arthur Butler
Peter McLean
Rik Hart

Independent member
Independent member
Independent member
Administrator

In Attendance

David Farmer
Marissa Racomelara
Teresa Chadwick
Emma Galea
Michelle Best
Edward Hock
Rachel Gibson
Briony Stiles
Paul Mewing
Caroline Karakatsanis
Adriana Marques
Aisling Kilgannon

Chief Executive Officer
Director Corporate Services
Unit Manager Governance Risk and Legal
Chief Financial Officer
Financial Accounting and Assets
Manager Enterprise Risk Project
Civic Support
Civic Support
Work, Health Safety Lead Specialist
Director, Financial Audit, Audit Office of NSW
KPMG
KPMG

PROCEDURAL ITEMS

1.1 Acknowledgement of Country, Apologies and Welcome

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

We acknowledge the Traditional Custodians of the land on which we live, work and play. We pay our respects to Darkinjung country, and Elders past and present. We recognise the continued connection to these lands and waterways and extend this acknowledgement to the homelands and stories of those who also call this place home. We recognise our future leaders and the shared responsibility to care for and protect our place and people.

Apologies received: Nil

1.2 Disclosures of Interest

Disclosures received by Carl Millington and noted as less than significant non pecuniary for item 1.2

Resolution

- 1 That the Committee note the standing declarations of current Committee members outlined in the table below.**
- 2 That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.**
- 3 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

Minutes Confirmed

Peter's name was misspelt in the previous minutes and how been corrected. It is noted that the correct spelling is McLean.

Resolution

- 1 That the Committee confirm the minutes of the previous Meeting held on**

6 December 2023.

- 2 That the Committee recommend 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

Item	Meeting Date	Action	Responsible Officer	Status
ARIC107/202	14/09/2021	The Committee requested that in regard to Issue 2 – Framework and documentation outlining the Council’s understanding of restrictions, that the policy document and tracking spreadsheet be presented to the next ARIC meeting after they are available.	Chief Financial Officer	ONGOING/ standing item. The policy document and tracking spreadsheet be presented to the next ARIC meeting after they are available. 6 December 2023 meeting - Changed to a standing item for Finance. Current as at 27 March 2024
N/A	8/06/2022 and 08/03/2023	Work, Health, and Safety report to be provided to each quarterly ARIC meeting. The Committee added the following notes and recommendations: <ul style="list-style-type: none"> • Would like to see more of a graph of near misses and if there is a trend happening and what is being done. • Engagement of Exercise Physiologist with ageing 	Unit Manager People and Culture	ONGOING/Standing item. Noted for all future meetings and included on agenda for 6 December 2023 meeting

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 27 March 2024
contd**

		<p>workforce to ensure a preventative approach.</p> <ul style="list-style-type: none"> Implement a chart from previous Pulse surveys to do a comparison. 		
ARIC22/23	08/03/2023	<p>Service Reviews</p> <p>The Committee provided the following information to Council:</p> <ul style="list-style-type: none"> Currently likes the selection process framework, but recommend initial reviews be selected to verify the framework. <p>Council to consider having it regularly reported to ARIC Committee to provide extra level of assurance and so the Committee can support the process.</p>	Unit Manager Strategic Planning	<p>ONGOING/Standing item.</p> <p>Noted for future meetings and included on agenda for 6 December 2023 meeting.</p>
ARIC Item 2.6	06/12/2023	The internal audit report will be ready for the 27 March 2024 ARIC meeting.	Edward Hock	<p>Delivered 27 March 24 meeting</p> <p>27 March 2024 Ed stated that internal audit report coming.</p>
ARIC Item 2.7	06/12/2023	Review overdue items on the Agreed management actions tracker tool and respond back to ARIC at 27 March 2024 meeting	Edward Hock	27 March 2024 Inconsistency in reports that was caused by old report supplied.

Resolution

- 1** *That the Committee note the report on Outstanding Action Items.*
- 2** *That the Committee recommend 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 - Verbal Report

Verbal report given by David Farmer CEO.

David Farmer noted that Council did not appear in the Auditor General's report on local government to Parliament 26 March 2024 for the first time in many years.

Finalizing budget that is going up for exhibition at the end of April 2024.

Discussion held around different regulatory regimes between IPART for Water & Sewer, and Office of Local Government for general accounts. David Farmer is hopeful for a resolution that economises the regulatory burden on Council.

Caroline Karakatsanis Director, Financial Audit, Audit Office of NSW, Suggested that Council continues its consultation and advocacy with OLG.

REPORTS

2.1 Internal Audit Work Program 2024/25

Edward Hock- Manager Enterprise Risk Project spoke to the report. Provided introduction of the KPMG audit partners Aisling Kilgannon Adriana Marques . Also introduced Teresa Chadwick Unit Manager Governance Risk and Legal.

Aisling Kilgannon provided a presentation

KMPG have drafted an internal work plan working with Teresa Chadwick and Edward Hock
Highlights

- Transport for NSW
- Accounts payable and procurement
- Systems health check and payroll.

Teresa Chadwick Unit Manager Governance Risk and Legal – stated that the Internal Audit Workplan was reviewed with ELT last week and WHS compliance system will be reviewed however systems health check and payroll will be reviewed at a later date to accommodate national heavy vehicle accreditation scheme as it is mandated.

Early financial year 2024/2025 the that audit plan will come to ARIC.

Question asked by Arthur Butler, will there be a forward plan and what is the timing?

Answer by Aisling Kilgannon KPMG and Edward Hock Manager Enterprise Risk Project - Financial year 2025 and will be putting together a forward detailed plan and ensuring they are tracked.

Compliance with legislation has been reviewed and is something that can be done and will be added to the Workplan.

Edward Hock Manager Enterprise Risk Project stated that Legislative compliance review was completed 22-23.

Question asked by Carl Millington, Come September 2024 election we will need to develop an internal strategic plan. Is Council using the time now to develop this plan and the answer was given by Edward Hock Manager Enterprise Risk Project of yes that is correct.

Question asked by Carl Millington, Is it linked to strategic objectives of Council?

Answered by Aisling Kilgannon we are putting together a strategic universe and it will show the linkage back to the Strategic plan.

The Strategic pillars will be used and linked to both risk and strategy.

Carl Millington stated that the ARIC would be looking to ensure the plan is focused on Councils key responsibilities.

Aisling Kilgannon stated they will bring a couple of approaches to the ARIC to review.

Resolution

1 That the Committee endorse the updated Internal Audit Work Plan 2024/25.

2.2 NSW Audit Office Final Management Letter for Year Ended 30 June 2023

Caroline Karakatsanis Director, Financial Audit, Audit Office of NSW
Final Management letter taken as read.

Split up the letter prior year showing partial 4 and 3 repeat issues.

In terms of risk rating all repeat issues are moderate with 1 low repeat issue.

Current year matters reported totalling 6.

Question from Peter McLean, Is there a focus on the matters that management disagrees.

Answered by Caroline Karakatsanis Director, Financial Audit, Audit Office of NSW -Not concerned considering the risk rating about the disagreed items as it was potentially a timing

matter. The action has since been implemented.

April 2024, 2-week interim in order to bring audit back into regular audit cycle.

Question from Arthur Butler, management pointed out that to update the revaluation and have a valuation 30 June is not worth the effort and if management has that view then what is the plan.

Answered by Caroline Karakatsanis Director, Financial Audit, Audit Office of NSW – We cannot move away from the accounting standard requirements that you still need to assess for any material movements and fair value as at 30 June. There is value in doing early in March each year and reassessing 30 June. We have to be consistent and apply the standard.

Emma Galea, Chief Financial Officer added that this is not a Central Coast Council issue. We have to follow the standards.

Resolution

That:

- 1 *The Committee note the Final Management Letter for Year Ended 30 June 2023 as per Attachment 1 to this report, as issued by the NSW Audit Office.***

- 2 *The Committee recommend that this report and the attachment to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as:***
 - a) they contain information about matters affecting the security of Council, Council Officials and/or Council property; and***

 - b) as on balance it would not be in the public interest to make this information available as Council does not disclose to the public any information from the NSW Audit Office to ensure the efficacy of its investigating, auditing, or reporting functions.***

2.3 NSW Audit Office Engagement Letter - 2023/2024 Audit

Report taken as read.

Update given by Caroline Karakatsanis Director, Financial Audit, Audit Office of NSW.

Key issues in section 2. Show key items and risks that are highlighted.

Fair value assessment this year. Recommendation is to continuing to improve and assessing impact of any significant transactions early and indexation early.

- Cyber security as it may impact financial statements.
- Asset remediation provision and methodology along with capital expenditure and

how it is accounted for and complete.

Audit timetable includes provision for ARIC to review the draft financials before they go to Audit.

Feedback is that Council staff are responsive and accommodating.

Question from Peter McLean, Audit is the same price as last year and knowing there are no comprehensive evaluation, will the fee go down?

Answered by Caroline Karakatsanis Director, Financial Audit, Audit Office of NSW - It is being looked at and they will continue to monitor actual cost. Will assess at the end of the review, any savings will be passed onto Council.

Resolution

That:

- 1 The Committee note the NSW Audit Office Annual Engagement Plan for Year Ended 30 June 2024 as per Attachment 1 to this report.**
- 2 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**
 - a) they contain information about matters affecting the security of Council, Council Officials and/or Council property; and**
 - b) as on balance it would not be in the public interest to make this information available as Council does not disclose to the public any information from the NSW Audit Office to ensure the efficacy of its investigating, auditing, or reporting functions.**

2.4 General Finance Update

Emma Galea gave high level summary. Report taken as read.

Trajectory at the moment, surplus is ahead of budget.

Information contained in the report to advise the community that we are going into a March quarter review. We started the year with a 5.6 million surplus after the December review, detailed in the paper.

Question from Arthur Butler, The Interest adjustments we have increased our outcome by 8m. What is assumption for interest rates next year?

Answer by Emma Galea CFO, It's not that we underestimated. We look at the environment at the time and what we think is going to happen. We do need to be a bit more conservative

because if it's not there, it's not there. At the time the original budget was appropriate for the time it was done, it was an area where we were going to want have to monitor.

Question from Peter McLean, Noticed fines are up was that estimated.

Answer by Emma Galea- It is my understanding that processes have been reviewed and a baseline set. Looking at the base value.

Question from Peter McLean, any unforeseen circumstances that may impact?

Answered by Emma Galea, we review variances and nothing standing out as a big risk in the next few months.

Question from Carl Millington, how would ARIC expect issues to impact?- IPART (current determination runs out 2026).

Answered by David Farmer, IPART set our fees. We can only account under the way we are required to account at the moment.

If not resolved by election we have time before the current determination runs out in 2026.

Resolution

That:

- 1 The Committee note the report on General Finance Update.***
- 2 The Committee recommend that this report and the attachments to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.***

2.5 Guidelines for Risk Management and Internal Audit and ARIC Work Program 2024

Edward Hock – Report taken as read.

New guidelines came into legislative effect in November 2023. Practical commencement is 1 July 2024.

Attachment 3 of report pulled each compliance item to make this a standing report and each ARIC meeting.

- Identify the numerated reference in those updated guidelines.
- Allocate some responsibility, a management owner and then forward plan how the committee is going to address those obligations.
- The proposal is to make this a standing report at each quarterly ARIC meeting.
- In time, develop this into a 5 year roll, sorry. Five quarter rolling schedule.

We can continue to populate this in a more comprehensive way and we're seeking feedback

from the committee today on.

Looking for committee feedback on the workplan.

Peter McLean stated that the font is too small to read otherwise happy with the format. Arthur Butler stated that they will need to make sure each year that program is rolling to ensure they are covered.

Edward Hock responded the plan will ensure Strategic Plan will be tied in the cover all goals set out.

Carl Millington commented great start and gives guidance. Vision for this and other Councils that there's a complete approach across all of Council. Ensuring all components work together. Some extensions in guidelines that will be amended.

Arthur Butler stated that he would reach out to Edward Hock with feedback.

Comments from Edward Hock regarding ARIC membership

As of 1 July: As a serving counsellor of Camden, Peter McLean would be ineligible to be a member on this on this ARIC.

The guidelines are clear that recruitment for independent members should only be conducted once every 12 months if possible.

We have Peter becoming ineligible after the 30th of June. Arthur's term expiring in April of next year, and Carl's term expiring in April the next year.

Arthur has kindly agreed, subject to council endorsement, to continue for another 12 months. We will need to run 2 expressions of interest campaigns for an independent chair and an independent member.

Question from Carl Millington, Guidelines state that councils can only appoint 1 Councillor to be a non-voting member of ARIC, and they have made it very clear that that person cannot be the Mayor.

Answered by Edward Hock, Mayor or councillor can join to observe. Terms will be updated as at 1 July to follow new guidelines. New Councillors will appoint non-voting member of ARIC.

Resolution

- 1 That the Committee provide feedback on the Draft Annual Workplan (Attachment 1 – under separate cover) for adoption in June 2024.**
- 2 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.**

2.6 Update on Election Preparation and Organisational Readiness for Councillor Return

Report taken as read.

Teresa Chadwick provided a presentation on the screen for Start Smart Program.

ELT have endorsed the program.

Question from Peter McLean, comprehensive program, asked if there will be external trainer for things like code of conduct. Teresa Chadwick stated that yes we will be using some external training.

Question from Peter McLean, might be some change once Councillors are elected that they may change some policy. He has seen councils engage ARIC in orientation/induction for Councillors. Training Councillors more in financial matters to have an individualized professional development schedule.

Answered by Teresa Chadwick, we are required to provide a comprehensive induction training and a professional development training plan for each councillor. Council is required to report on training provided to Councillors in its annual report. OLG put out guidelines that requires Council to provide suitable training and report on Councillor attendance. One of the training courses that will be provided is the Company Directors training and a workshop on finance, Integrated Planning and Reporting as well and Asset Management.

Question from Arthur Butler, will risk register be a part of the induction? Asked about the referendum.

Answered by Teresa Chadwick, we have external communication and education. This is also addressed in the becoming a Councillor session. We have a new comms officer starting in a couple of weeks to assist with external communications on the election and referendum, and internal communications and change management to prepare the staff to work with Councillors again.

Carl Millington asked Rik his perspective on the plan- Rik stated the internal plan is thorough.

Carl Millington stated that he was impressed with the paper and its well thought out.

Recommendation

1 That the Committee note the report.

2.7 Work, Health and Safety Report

Paul Mewing – Work, Health Safety Lead Specialist, presented in person to the report.

Working to modify the report to capture into 1 standard report for end of quarter reporting.

Question from Arthur Butler- hours lost tables by directorate that longest are due to psychological in Corp services.

Asked about main cause, answered by Paul Mewing that survey has gone out to staff to determine what causes psychological hours lost.

Question from Peter McLean, aggressive abuse where does that come from.
Answered by Paul Mewing, not internal staff but external. Paul Mewing stated that due to uptick in aggressive abuse there was a study completed to determine root cause.

Question from Peter McLean, assessment done on reduction in injuries what caused this?
Answered by Paul Mewing- advanced training and relates to aging workforce.

Question Peter McLean, investigating vehicle damage and looking beyond that is it a symptoms on the edge of something more serious?

Answered by Paul Mewing, working with plant and fleet to review data. Successful in reporting minor incidents.

Question from Carl Millington, to David Farmer how would you assess?

Answered by David Farmer, more diagnostic work still need to be done.

Outcomes are average from his experience and we have a lot of work to do with our systems and processes.

Recommendation

- 1 That the Committee note the report on Work Health and Safety.**
- 2 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.**

2.8 Annual Report 2023

Report taken as read

Commentary from Edward Hock

Report is a reflection of the activity undertaken in calendar year 2023. Likely to be the final calendar year based annual report from ARIC.

The guidelines provide for an annual attestation by the Chair and general manager to be included in council's overall annual report.

I think the future chair of this committee will have licence to contribute a written report as well.

But really this is this is the final stand alone. ARIC annual report in this form.

Comments from Arthur Butler – made suggestions for additions to the Annual report.

- First report card it would have been useful to add in financial performance and management as it was a big focus of 2023.
- Internal audit/external audit section needs expanding.
- Last page 4 focus areas would be a useful start and add compliance internal controls and governance framework.

The Annual report will go to the April Council meeting.

Recommendation

- 1 *That the Committee endorse the Audit, Risk and Improvement Committee Annual Report 2023 for publication.***
- 2 *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.***

2.9 General Business

Arthur Butler asked how the audit issues trackers is progressing. Arthur asked that it be made available at each meeting 5 June 2024.

Ed Hock stated it is available. He will provide a link to the committee.

The Meeting closed at 4:32pm.

Next Meeting 5 June 2024