

Audit, Risk and Improvement Committee

The logo for Central Coast Council, consisting of a dark blue circle with the text "Central Coast Council" in white, stacked vertically.

Central
Coast
Council

A photograph of a white lighthouse on a cliffside at sunset. The sky is a mix of orange, pink, and blue. The ocean is visible in the background, and a small boat is on the horizon. In the foreground, there are some trees and a white fence.

Annual Report 2023

Audit, Risk and Improvement Committee Annual Report 2023



About the report

This annual report documents the operation and activities of the Audit, Risk and Improvement Committee for Central Coast Council during the 2023 calendar year.

The Central Coast Council Audit, Risk and Improvement Committee

Central Coast Council (Council) is committed to open and transparent governance that meets community expectations. To enhance its governance framework, Council established an Audit, Risk and Improvement Committee (ARIC) in 2017.

The ARIC has an important role in the governance framework of Council by providing Council with independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures, and performance improvement activities.

The establishment of the ARIC via Council Resolution on 26 April 2017 places Council in an excellent position in the pursuit of good corporate governance, which in turn promotes effective and efficient delivery services to the Central Coast community with transparency, honesty and integrity. During 2023, ARIC took steps to commence compliance with incoming Guidelines for Risk Management and Internal Audit, released by the Office of Local Government, and which will prescribe the activities, membership, and outputs, of ARICs in NSW from 1 July 2024.

The ARIC also assists Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Committee consists of three independent members, with the Administrator fulfilling the intended Councillor roles during the ongoing period of Administration of Council.

All Committee member profiles are featured on pages four to five of this report.

Audit, Risk and Improvement Committee Annual Report 2023

Central Coast Council

Central Coast Council is responsible for the sixth largest urban area in Australia. The Council area is 1681 square kilometres, which makes it geographically larger than Canberra.

The Central Coast NSW population is forecast to grow to 414,615 by 2036. Planning for growth and maintaining the lifestyle that our community enjoys is important for Council.

Council Structure

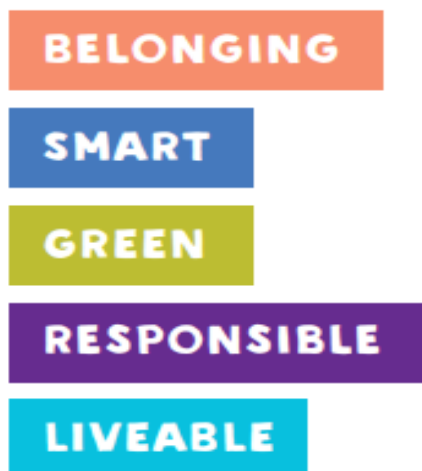
In 2023, Central Coast Council's organisation was led by the Chief Executive Officer, David Farmer, and comprised of the following Directorates: Community and Recreation, Corporate Services, Environment and Planning, Infrastructure Services, and Water and Sewer.

The directors of these five Directorates, along with the CEO form the Executive Leadership Team (ELT), which is tasked with making day-to-day decisions on operational matters that comply with Council's policies and procedures.

Community Vision

We are *One Central Coast*. A smart, green and liveable region with a shared sense of belonging and responsibility. [One Central Coast](#) is the Community Strategic Plan (CSP) for the Central Coast Local Government Area. It defines the Community's vision and is Council's roadmap for the future.

[One Central Coast](#) brings together extensive community feedback to set key directions and priorities and has been built around five key themes that reflect the need and values of the people who live in our region:



Audit, Risk and Improvement Committee Annual Report 2023



Independent member profiles

Mr Arthur Butler



Mr Butler has held Executive Management and Chief Financial Officer positions with Sydney Water and Electricity Commission of New South Wales and was part of the corporatisation and commercialisation of these entities. Has served on several State Government Advisory Committees. A past non-Executive Director of the NSW State Rail Authority, Rail Infrastructure NSW and Railcorp NSW and also of several private sector companies. A past Chair and Member of and currently serving on the Audit and Risk Committees of a number of NSW Government Cluster Departments, leading Government Agencies and local Government Entities.

Mr Carl Millington (Chair)



Mr Millington is a Chartered Accountant with over 40 years' experience in providing business advisory, auditing and accounting advice to NSW Local Government, Council Audit Committees, Not-for-Profit organisations including government and community-based organisations, and state and local sporting organisations. His professional roles include Managing Partner of Pitcher Partners Sydney, senior partner in the Business Advisory and Assurance Group, member of the firm's Advisory Board, Chair of the firm's Risk Committee and member of the Pitcher Partners National Risk and Quality Committee.

Audit, Risk and Improvement Committee Annual Report 2023

Mr Peter McLean



Mr McLean has two decades' of experience in the Not-for-profit, Association and Government sectors and has worked extensively in business development, operational improvement, policy and compliance and organisational analysis. He brings functional experience in senior management, financial management, governance, public relations, strategic management and stakeholder engagement to ARIC. Mr McLean exhibits strong corporate social responsibility and sustainable business expertise through an undergraduate environmental management degree and an MBA majoring in public relations and business law.

Councillor representatives

The Administrator performed the Councillor role on the Committee during 2023.

Mr Rik Hart



Mr Hart was appointed as Administrator for Central Coast Council by the Minister for Local Government, the Hon Shelley Hancock MP, following an announcement on 26 April 2021 of a formal Public Inquiry into Central Coast Council.

Mr Hart's term will continue until the NSW Local Government elections on 14 September 2024.

Other Regular Attendees

Non-Committee members who regularly attend meetings include the Audit Office of NSW, Centium – Internal Audit Partner, relevant ELT members, Chief Financial Officer, and Unit Manager Governance, Risk and Legal.

In 2023 the Central Coast Council Audit, Risk and Improvement Committee convened four times to fulfil its Charter obligations, and provide oversight and guidance over Council's Audit, Risk Management, and Improvement activities. It convened on a fifth occasion to review and endorse Council's financial statements.

Audit, Risk and Improvement Committee Annual Report 2023

Committee performance

Committee meeting dates and members' participation in 2023

- Wednesday 8 March 2023 (Ordinary Meeting)
- Wednesday 7 June 2023 (Ordinary Meeting)
- Wednesday 13 September 2023 (Extraordinary Financial Statements Meeting)
- Tuesday 21 November 2023 (Ordinary Meeting)
- Wednesday 6 December 2023 (Ordinary Meeting)

Attendance details

Name	Role	Meetings Attended
Carl Millington	Chair (Independent)	5
Arthur Butler	Independent	5
Peter McLean	Independent	5
Rik Hart	Administrator (Councillor Representative)	4

On 6 December 2023, the Committee held an “in-camera” meeting with representatives from the NSW Audit Office, without the presence of management, to discuss the external audit of the Council’s financial statements.

Committee report card

Committee Charter	Compliance
Committee Meetings	A quorum was maintained at every meeting.
Composition	Three Independent Members and the Administrator performing the Councillor role.
Broad range of skills and experience	A diverse Committee with strong local government and commercial experience.
Sufficient time allocated to tasks	The Committee agenda and timing of meetings allowed sufficient time to consider all agenda items thoroughly.
Risk Management	Monitored and provided oversight with the development of Council’s Enterprise Risk Management Framework (ERMF), risk register, and a Data Breach Policy and Procedure.

Audit, Risk and Improvement Committee Annual Report 2023



Committee Charter	Compliance
Financial Management	Provided review and oversight of the preparation of Council's annual financial statements in accordance with legislated timeframes for the first time in Central Coast Council's history. Continued to provide input and insight into Council's Long Term Financial sustainability.
Control Framework	Reviewed internal controls and policies and procedures through internal audit reports and high-level briefings. Provided input and oversight in the development of a comprehensive Performance Dashboard
Legislative Compliance	Reviewed and advised on the development of a comprehensive register of legislative compliance requirements.
Internal Audit	Reviewed and approved the Strategic Internal Audit Plan and annual programs; reviewed internal audit findings; monitored implementation of Internal Audit recommendations; held in-camera meeting with Internal Audit Manager.
External Audit	Discussed external audit planning, progress with the audit of Council's annual financial statements, compliance with local government regulatory requirements and resolution of audit findings. NSW Audit Office officially invited to attend all meetings. In-camera meeting with External Auditors as per clause 40(e).
Responsibilities of Members	All Committee Members have remained aware of their responsibilities under the ARIC Charter, including changing operational and regulatory requirements through receipt of regular briefings on Council developments.

Agenda items

The following highlights the formal matters consider by the Audit, Risk and Improvement Committee at meetings throughout 2023.

8 March 2023

Report Title	Report purpose
<i>External Audit Report</i>	The NSW Audit Office provided an update on their progress in delivering the interim audit and draft financial statements.
<i>General Financial Statements FY2021-22</i>	The Committee received the audited financial statements prepared by the Finance team and audited by the Audit Office.
<i>Enterprise Risk Management Report</i>	To review the current state of Council's risk profile.
<i>Enterprise Risk Management function review</i>	To report on an external review of the effectiveness and maturity of Council's enterprise risk management practices.

Audit, Risk and Improvement Committee Annual Report 2023



Report Title	Report purpose
<i>Internal Audit final reports</i>	To provide the Committee with finalised Internal Audit reports.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

7 June 2023

Report Title	Report purpose
<i>Audit Office Final Management Letter 2022</i>	To provide the Committee with the Management Letter issued to Council by the Audit Office to close the engagement for Financial Year 2021/22.
<i>Audit Office Engagement Plan 2023</i>	To provide the Committee with the Audit Office's Engagement Plan for Financial Year 2022/23.
<i>Financial Update</i>	To provide the Committee with current financial reports.
<i>Enterprise Risk Management Report</i>	To review the current state of Council's risk profile.
<i>IT and Cyber Security Update</i>	To provide the Committee with information regarding Council's preparedness for Cyber attacks and relevant prevention measures.
<i>Infrastructure Services Report</i>	To provide the Committee with detailed insights into a specific Directorate's risks.
<i>Internal Audit Final Reports</i>	To provide the Committee with the finalised Internal Audit reports.
<i>IA Operational Plan 2023 to 2025</i>	To present the updated IA Operational Plan 2023 to 2025 to the Audit, Risk and Improvement Committee for consideration and approval.
<i>Governance activities update</i>	To provide the Committee with an update on key Governance activities.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

13 September 2023

Report Title	Report purpose
<i>Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply</i>	To provide the Committee with draft 2022/23 Financial Statements and related Audit for the period 1 July 2022 to 30 June 2023, for referral to Council.

Audit, Risk and Improvement Committee Annual Report 2023



Report Title	Report purpose
<i>Authority for the period 1 July 2022 to 30 June 2023</i>	

21 November 2023

Report Title	Report purpose
<i>Financial Report</i>	To present the most recent monthly financial reports for Central Coast Council to the Committee.
<i>Financial Statements for the period 1 July 2022 to 30 June 2023</i>	To present the final 2022/23 consolidated financial statements for Central Coast Council to the Committee.
<i>Enterprise Risk Management Report – August 2023</i>	To provide the Committee with an update on Central Coast Council's risks and associated controls.
<i>Governance Activities Update</i>	To provide the Committee with an update on key Governance activities.
<i>Water & Sewer Year 1 IPART Report</i>	To provide the Committee with a report on the Water & Sewer Directorate's progress on implementation of regulatory requirements.
<i>Community & Recreation Services Report</i>	To provide the Committee with information relating to risk management in the Community & Recreation Services Directorate.

6 December 2023

Report Title	Report purpose
<i>General Finance Update</i>	To present to the Committee the summary position of Council's Financial position for the financial year-to-date.
<i>Enterprise Risk Management Review Report</i>	To present to the Committee the report from the external review into Council's enterprise risk management maturity and effectiveness.
<i>IT Update December 2023</i>	To provide an update to the Committee on controls to manage IT projects considering the impacts on IT, update on cyber security management of corporate data and how IT identifies and is managing this risk.
<i>Internal Audit Final Reports</i>	To provide the Committee with finalised internal audit reports and close the engagement of Centium.
<i>ARIC Work Plan</i>	To provide the Committee with an update on the progression towards compliance with incoming Guidelines for Risk Management and Internal Audit

Audit, Risk and Improvement Committee Annual Report 2023



Report Title	Report purpose
<i>Service Optimisation Program Report</i>	To provide an overview of service reviews conducted.
<i>Work, Health & Safety Report</i>	To provide the Committee with report on Council's management of worker safety.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

Internal Audit

Internal Audit plays a key role in helping Council to achieve its objectives by testing how effectively management controls are operating across specific systems, processes and activities to manage the associated risks. In September 2023, the engagement of Council's outsourced Internal Audit provider, Centium, ceased. A procurement process led to the appointment of KPMG as the Internal Audit provider from November 2023.

Internal Audit is responsible for conducting risk-based business assurance and consultancy reviews across Council's operations in accordance with a pre-approved work program to provide assurance to Council (via the Audit, Risk and Improvement Committee) and the Chief Executive Officer on the effectiveness of controls. The Audit, Risk and Improvement Committee review and approve the IA work program each June.

Internal Audit can also provide advice, training and education on various governance, risk and compliance matters to assist business improvement.

All finalised IA reports are provided to the Audit, Risk and Improvement Committee members. Centium also provided a summary of the findings and recommendations from each report to the ARIC.

To monitor the effectiveness of the control environment, ARIC also reviews management's progress to fix any control weaknesses identified by IA reviews, through a quarterly report on management's implementation of recommendations.

External Audit

The Committee reviews and comments on the annual engagement of the External Auditor (Audit Office of New South Wales), and provides input into the preparation and referral of financial statements to External Audit and, ultimately, Council.

The Committee receives an annual report from the External Auditor on the status of our financial statements. Representatives from the Audit Office attended Committee meetings as observers and advisors with regard to the external audit process.

Audit, Risk and Improvement Committee Annual Report 2023



Chair's summary

The ARIC continued to support the management team and the Council as it transitioned from a state of financial crisis to one seeking ongoing financial stability. I have been pleased with Council's disciplined efforts in that regard.

Council should look forward to the return of democratically-elected representatives in September 2024, and I am confident that the work undertaken in 2023 (with ARIC's input and supervision) has placed Council's administration in good standing for this change.

Of particular note in 2023, was the delivery of audited financial statements in compliance with the timeline detailed in the *Local Government Act*, for the first time in Central Coast Council's history. The efforts of the finance team and the CFO in particular should be acknowledged in this regard.

All councils in NSW are subject to systemic challenges in sustainable funding, particularly at present and likely into the next 5 or more years. Central Coast Council's experience during the financial crisis has undoubtedly strengthened its resilience. However, to navigate the challenging external environment, the Council must take advantage of the progress made to date and remain vigilant in several key areas:

1. **Sound financial management:** Ensuring prudent financial practices, efficient resource allocation, and effective budgeting are essential.
2. **Proactive risk identification and management:** Whether it's changes in funding models, economic fluctuations, or unforeseen events, the Council must be prepared for change by assessing potential threats and planning accordingly.
3. **Legislative compliance:** To ensure that Council effectively manages its responsibilities to comply with increasing, and evolving, legislative obligations; and to do so effectively and efficiently.
4. **Workforce protection:** The Council's workforce plays a pivotal role in service delivery. Prioritising employee well-being, job security, and skill development contributes to long-term stability.
5. **Community value:** Responsible fiscal decisions should align with delivering value to the community.

It was pleasing to see Council's attentiveness to improving its risk management function in 2023, and I look forward to seeing greater development in this space in 2024.

Conclusion

During 2023 ARIC has achieved its objective to provide independent assurance and assistance to the Council on key aspects of its operations by fulfilling all its responsibilities under the Charter.

Audit, Risk and Improvement Committee Annual Report 2023



Members of the committee have worked well together and with Council's management team, and I thank them, and council's internal and external auditors for their efforts, cooperation, and recommendations throughout the 2023 year.

A handwritten signature in black ink that reads "Carl Millington".

Carl Millington

ARIC Chair