



# **AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING**

**01 October 2019**

## Meeting Notice

**The Audit Risk and Improvement Committee Meeting  
of Central Coast Council  
will be held in the Committee Room,  
49 Mann Street, Gosford on  
Tuesday 1 October 2019**

for the transaction of the business listed below:

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Gary Murphy  
Chief Executive Officer

**Item No:** 1.2  
**Title:** Disclosures of Interest  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13613171

## **Report Purpose**

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the Councillors and relevant staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public functions.

Section 451 of the LG Act states in part that:

- (1) *A councillor or a member of a council committee who has a pecuniary interest in any matter with which the council is concerned and who is present at a meeting of the council or committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.*
- (2) *The councillor or member must not be present at, or in sight of, the meeting of the council or committee:*
  - (a) *at any time during which the matter is being considered or discussed by the council or committee, or*
  - (b) *at any time during which the council or committee is voting on any question in relation to the matter.*
- (3) *For the removal of doubt, a councillor or a member of a council committee is not prevented by this section from being present at and taking part in a meeting at which a matter is being considered, or from voting on the matter, merely because the Councillor or member has an interest in the matter of a kind referred to in section 448.*

Further, the [Code of Conduct](#) adopted by Council applies to all Councillors and Staff. The Code relevantly provides that if a Councillor or Staff member has a non-pecuniary conflict of interest, the nature of the conflict must be disclosed as well as providing for a number of ways in which a non-pecuniary conflict of interests might be managed.

## **Recommendation**

- 1** *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*

## 1.2 Disclosures of Interest (contd)

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- 2 ***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 6.4 of the Audit, Risk and Improvement Committee Charter.***

### **Attachments**

*Nil*



**Item No:** 1.3  
**Title:** Confirmation of Minutes of Previous Meetings  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13667891

Author: Kelly Drover, Advisory Group Support Officer

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Dr Liz Develin, Director Governance

## **Summary**

Confirmation of minutes of the previous Audit, Risk and Improvement Committee meeting held on *19 June 2019*.

These minutes were circulated to all Audit, Risk and Improvement Committee members by email on 4 July 2019.

Council's *Audit Risk and Improvement Committee Charter* states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 6.4 of the Charter and release to the public be approved.

## **Recommendation**

- 1** *That the Committee confirm the minutes of the previous meeting held on 19 June 2019.*
- 2** *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 6.4 of the Audit, Risk and Improvement Committee Charter.*

## **Attachments**

- 1** ARIC Minutes - 19 June 2019      D13667878



**Central Coast Council**

Minutes of the  
**AUDIT RISK AND IMPROVEMENT COMMITTEE  
MEETING**

Held in the Committee Room, 2 Hely Street, Wyong  
on 19 June 2019

**Present**

Dr Colin Gellatly (Chairperson)  
Carl Millington  
John Gordon  
Councillor Louise Greenaway

**In Attendance**

Evan Hutchings	Director Governance
Craig Norman	Chief Financial Officer
Boris Bolgoff	Director Roads Transport Drainage and Waste (left 2.40pm)
James Taylor	Section Manager Governance
Tina Baker	Chief Internal Auditor
Gordon Plath	General Counsel (arrived 3.38pm, left 3.53pm)
Kelly Drover	Advisory Group Support Officer
Aaron Green	Assistant Auditor-General, Audit Office of NSW
Cassie Malone	Audit Leader, Audit Office of NSW

**Apologies**

Councillor Doug Vincent  
Gary Murphy Chief Executive Officer

The Chairperson, Colin Gellatly, undertook an Acknowledgement of Country.

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 19 June 2019  
contd

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**GENERAL REPORTS**

**1.1 Disclosures of Interest**

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There were no disclosures of interest.

**Resolution**

- 1 That the Committee receive the report on Disclosures of Interest.**
- 2 That the Committee recommends that the report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

**1.2 Confirmation of Minutes of Previous Meetings**

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**Resolution**

- 1 That the minutes of the Audit, Risk and Improvement Committee meeting held on 5 March 2019 be confirmed.**
- 2 That the Committee recommends that the report and 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 6.4 of the Audit, Risk and Improvement Committee Charter.**

**1.3 Outstanding Action Items**

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In regard to Action Item GB2/19 – CCGT presentation to Councillors, this item had been marked as completed.

It was noted by ARIC that Councillor Greenaway indicated that whilst the action had been completed, she considered that the briefing was not satisfactory and she still had number of unanswered questions.

**Resolution**

- 1 That the Committee notes the report.**
- 2 That the Committee recommends that the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**
- 3 That John Gordon liaise with the Senior Internal Ombudsman in regard to Outstanding Action Item 2.1 from 4 December 2018, to clarify exactly what the Committee is seeking in regard to a presentation on best practice.**

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 19 June 2019  
contd

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- 4** *That a report be provided to the Committee at the October meeting on GIPA applications discussing how many refusals have been referred to NCAT and the outcomes of these.*

**1.4** **Development of the IA Work Program**

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Tina Baker, Chief Internal Auditor provided a presentation on IA: The Audit Planning Process.

**Resolution**

- 1** *That the Audit, Risk and Improvement Committee receive the presentation.*
- 2** *That the Committee recommends that the cover report be made publicly available, as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

**1.5** **Chief Internal Auditor's Quarterly Progress Report**

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**Resolution**

- 1** *That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Report.*
- 2** *That the Committee recommends that the report be made publicly available, as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

**1.6** **Implementation of Management Actions Arising From IA Reviews**

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**Resolution**

- 1** *That the Audit, Risk and Improvement Committee receive the report on the implementation of management actions arising from IA reviews.*
- 2** *The Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, a 'confidential' privacy marking be assigned to Appendix 1 to this report for the reasons that it contains information that could compromise the security of Council, Council Officials and Council property.*

Councillor Greenaway left the room at 3.03pm, returned 3.08pm

**1.7** **Deferred Management Actions, Risks and Solutions**

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**Resolution**

- 1** *That the Audit, Risk and Improvement Committee receive this report on Deferred Actions, Risks and Solutions.*



MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 19 June 2019  
contd

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- 2 That the Audit, Risk and Improvement Committee agree to the process proposed in the report.**
- 3 That the Committee recommends that the report be made publicly available, as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**
- 4 That a presentation be provided at the 1<sup>st</sup> October 2019 ARIC meeting on Council's:**
  - a. Risk Management Framework and Risk Register;**
  - b. Fraud and Corruption Controls; and**
  - c. Business Continuity Plan.**

#### **1.8 Comparison of allowable Councillor Expenses**

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##### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the report.**
- 2 That the Committee recommends that the report and supporting papers be made publicly available, as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

#### **1.9 Policy for Investment Report**

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##### **Resolution**

- 1 That the Committee note the Policy for Investment Management and provide comments and recommendations for consideration and for inclusion in a report to Council.**
- 2 That the Committee recommends that the report and supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

#### **1.10 Presentation on Asset Management**

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Boris Bolgoff provided a presentation on Asset Management. The Asset Management Strategy will be circulated to Committee members.

#### **1.11 Co-Source Internal Audit Model**

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Evan Hutchings provided the Committee with an update on the Co-Source Model arrangements. It was noted that John Gordon offered his assistance to Council in the tender process given his experience in this space.

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 19 June 2019  
contd

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**Resolution**

***That Council undertake a tender process via the Local Government Procurement pre-approved list for the co-source model for the internal audit function.***

**1.12 Update on the Gosford Cultural Precinct**

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Evan Hutchings provided the Committee with an update on the Gosford Cultural Precinct including project overview, probity matters and development of Terms of Reference. John Gordon indicated he could if requested provide contact details for two other NSW councils which were embarking on similarly complex projects. These councils had developed comprehensive probity and project management controls.

**1.13 Funding Agreement between Central Coast Council and CCGT**

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It was noted that the funding agreement being referred to is between Central Coast Council (via the former Wyong Shire Council) and Central Coast Group Training (CCGT).

Evan Hutchings provided the Committee with an update on the funding agreement between Central Coast Council and CCGT.

**CONFIDENTIAL ITEMS**

**2.1 Report from Audit Office of NSW**

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Aaron Green and Cassie Malone provided the Committee with an update on the Annual Engagement Plan and the Auditor General's report to Parliament.

**Resolution**

- 1** ***That the Committee receive the Annual Engagement Plan for the audit of Central Coast Council's financial statements for the year ending 30 June 2019 that is Attachment 1 to this report.***
- 2** ***The Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter this report and supporting papers not be made publicly available and be kept "confidential" as these documents:***
  - a. May contain confidential information about matters affecting the security of Council, Council Officials and/or Council property; and***
  - b. Further, 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.***

MINUTES OF THE Audit Risk and Improvement Committee Meeting OF COUNCIL 19 June 2019  
contd

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**2.2 Update on Legal Matters**

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Gordon Plath provided the Committee with an overview of Legal Services.

**Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the report on Update on Legal Matters.**
- 2 The Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter this report and supporting papers not be made publicly available and be kept confidential as these documents:**
  - a. May contain confidential advice or confidential communications concerning litigation or legal matters that may otherwise be privileged from production on the grounds of legal professional privilege.**
  - b. Further, on balance, it would not be in the public interest to make this information available as it may compromise Council's ability to ensure the optimum outcome for the community.**

**GENERAL BUSINESS**

**GB5/19 Use of Roundup Weed Killer**

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The Committee discussed recent articles regarding Councils using Roundup weed killer, including Work Health and Safety concerns and whether there is Risk Mitigation in place.

**Resolution**

***The Committee request an update on the use of Roundup weed killer in Council's operations at a future meeting.***

**GB6/19 Warnervale Airport**

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Councillor Greenaway raised concerns about various administrative actions undertaken by staff in relation to Warnervale Airport.

**The Meeting closed at 3.58pm**

**Next Meeting:** Ordinary Meeting  
Tuesday 1 October 2019  
2pm – 5pm  
Gosford Committee Room



**Item No:** 1.4  
**Title:** Outstanding Action Items  
**Department:** Governance

1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13668137

Author: Kelly Drover, Advisory Group Support Officer

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Dr Liz Develin, Director Governance

## Report Purpose

A review of the Outstanding Action Items from previous meetings.

## Recommendation

- 1 That the Committee notes the report.***
- 2 That the Committee makes a recommendation that the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.***

ARIC ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	STATUS
2.1 4 December 2018	That the Senior Internal Ombudsman provides a report at the next meeting outlining general observations on best practice.	Senior Internal Ombudsman	John Gordon to provide a verbal update at 1 October 2019 meeting.
1.8 (Resolution 2) 5 March 2019	That a presentation on the proposed Chain of Responsibility be provided to the Committee	Executive Manager People and Culture	A presentation will be provided to 1 October 2019 meeting.

ARIC ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	STATUS
1.8 (Resolution 3) 5 March 2019	That a report be brought back to Committee on Council's legislative compliance	Director, Governance	A Legislative Compliance Reporting tool has been developed for implementation from July 2019. A report is included in the business paper for the 1 October 2019 meeting.
1.3 (Resolution 3) 19 June 2019	That John Gordon liaise with the Senior Internal Ombudsman in regard to Outstanding Action Item 2.1 from 4 December 2018, to clarify exactly what the Committee is seeking in regard to a presentation on best practice.	John Gordon / Senior Internal Ombudsman	Verbal report will be provided at 1 October 2019 meeting.
1.3 (Resolution 4) 19 June 2019	That a report be provided to the Committee at the October meeting on GIPA applications discussing how many refusals have been referred to NCAT and the outcomes of these.	Director Governance	A report is included in the business paper for the 1 October 2019 meeting.
1.7 (Resolution 4) 19 June 2019	That a presentation be provided at the 1 October 2019 ARIC meeting on Council's: <ul style="list-style-type: none"> <li>a) Risk Management Framework and Risk Register</li> <li>b) Fraud and Corruption Controls; and</li> <li>c) Business Continuity Plan</li> </ul>	Director Governance	Reports are included in the business paper for the 1 October 2019 meeting.
1.11 19 June 2019	That Council undertake a tender process via the Local Government Procurement pre-approved list for the co-source model for the internal audit function.	Director Governance	Update to be provided at the meeting

ARIC ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	STATUS
GB5/19 19 June 2019	The Committee request an update on the use of Roundup weed killer in Council's operations at a future meeting.	Director Environment and Planning	A report is included in the business paper for the 1 October 2019 meeting.

**Attachments**

Nil



**Item No:** 2.2  
**Title:** Implementation of Management Actions Arising From IA Reviews  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13669180

Author: Tina Baker, Chief Internal Auditor

## Summary

The report on *Implementation of Management Actions Arising From IA Reviews* forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee. This report is provided to the Committee to help meet section 4.5 of their Charter obligations, which states: "The Committee is responsible for: *[inter alia]*

- Review (*sic*) all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- Monitoring the implementation of internal audit recommendations by management".

## Recommendations

- 1 That the Audit, Risk and Improvement Committee receive the report on the implementation of management actions arising from IA reviews.**
- 2 That the Audit, Risk and Improvement Committee determine whether they would like an annual assurance statement from relevant Directors verifying that all audit recommendations closed off during the previous 12 months have been either actioned and/or the identified issues addressed such that the risk exposures are being sufficiently mitigated.**
- 3 Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee consider assigning a 'confidential' privacy marking to Appendix 1 to this report for the reasons that it contains information that could compromise the "security of Council, Council Officials and Council property".**

## Background

When IA reviews identify a control weakness, the risk exposure is reported and recommendations to mitigate the risk are captured in a written report along with responses and any corrective action agreed by management.

## 2.2 Implementation of Management Actions Arising From IA Reviews (contd)

Management nominate a date by which their agreed action will be implemented in accordance with their own operational priorities. The recommendations and management responses are now being captured in the Audit Task Tracker system. The Audit Task Tracker is not yet accessible to staff as there are still a number of technical changes to be implemented. Once these have been actioned, staff should be able to update their actions when appropriate, rather than when formally commissioned by IA.

Management updates, implementation of the agreed or partially agreed actions are reported by the Chief Internal Auditor to the Audit, Risk and Improvement Committee on a quarterly basis.

### Current Status

**Four** audit reports have been finalised since the last report to the Committee. The findings, recommendations and management responses have been incorporated into the tables at Appendix 1.

During this quarter:

- **51** actions were added
- management closed **23 actions**

The status summary and trends over time for remaining open management actions is shown below:

Status at Mar 2018	Status at June 2018	Status at Sept 2018	Status at Dec 2018	Status at Feb 2019	Status at June 2019	Status at Sept 2019
<b>81</b> open actions from <b>19</b> different reviews	<b>24</b> open actions from <b>10</b> different reviews	<b>46</b> open actions from <b>12</b> different reviews	<b>43</b> open actions from <b>12</b> different reviews	<b>27</b> open actions from <b>6</b> different reviews	<b>10</b> open actions from <b>4</b> different reviews	<b>38</b> open actions from <b>8</b> different reviews

The detailed tables at Appendix 1 shows the findings and recommendations for each review, the originally agreed implementation dates and most recent management updates to justify closing out the **23** items since the last report.

### Departmental Headline Data

The **38** open actions are with the following departments:

Finance	8
Governance	3
People & Culture	4
Connected Communities	16
Roads, Transport, Drainage & Waste	6
Environment & Planning	1



## 2.2 Implementation of Management Actions Arising From IA Reviews (contd)

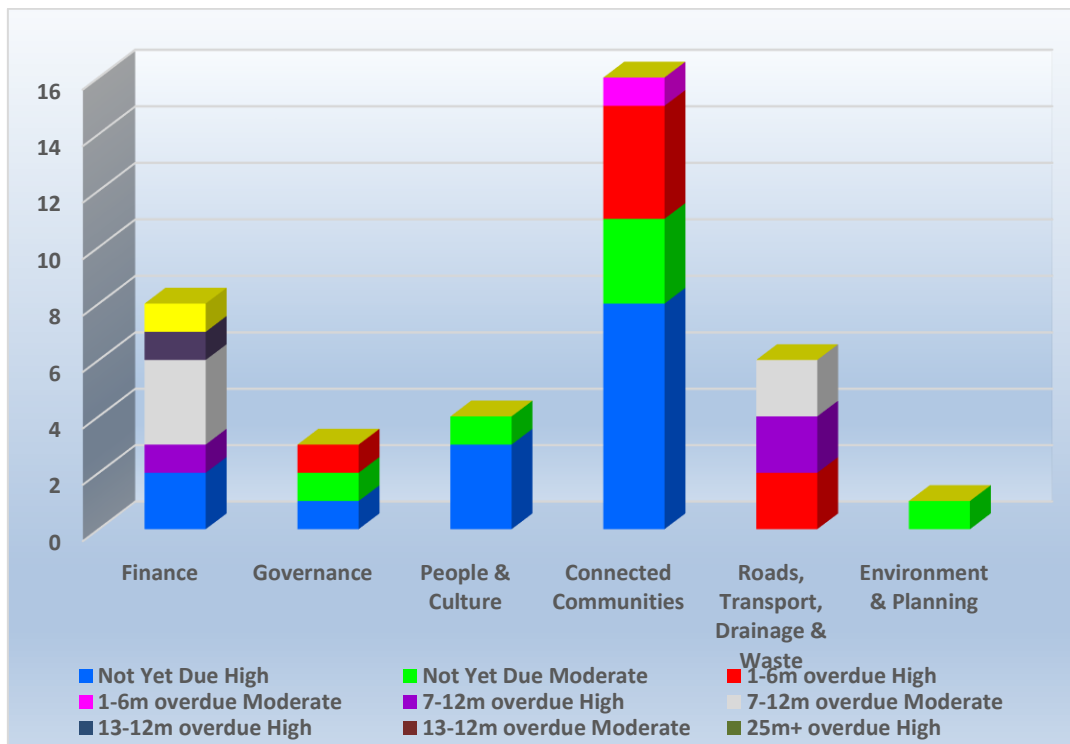
As part of the latest management responses, Finance reassigned 5 actions relating to CCTV to the Unit Manager, Leisure and Lifestyle in Connected Communities, who has now taken responsibility for this 'project'.

One action relating to a review of Contributions that was not originally assigned an action date (due to the style of reporting at the time), has since been assigned an action date of 31 March 2020. So, the action is not yet showing as overdue, although the review was conducted and reported in 2016.

Of the **38** open actions, per department, the due/overdue status is as follows:

	Not yet due	1-6m overdue	7-12m overdue	13-12m overdue	25m+ overdue	TOTAL
<b>Finance</b>	2	0	4	0	2	8
<b>Governance</b>	2	1	0	0	0	3
<b>People &amp; Culture</b>	4	0	0	0	0	4
<b>Connected Communities</b>	11	5	0	0	0	16
<b>Roads, Transport, Drainage &amp; Waste</b>	0	2	4	0	0	6
<b>Environment &amp; Planning</b>	1	0	0	0	0	1

The chart below shows the status of open actions per department based on due/overdue and risk exposure rating assigned to the identified issue.



## 2.2 Implementation of Management Actions Arising From IA Reviews (contd)

### Improving Accountability

Whilst the recording of open and closed management actions provides some useful data, it should be acknowledged that this is not effective if it is the *only* measure of 'monitoring the implementation of audit recommendations by management'. Whilst Internal Audit have some responsibility for conducting validation reviews which determine, on closed audits, whether the actions agreed have actually been implemented and address the identified risk exposures, this only forms a very small component of the IA work programme. It is incumbent upon management (at all levels) to ensure controls are effective at mitigating the associated risks and that systems/processes are operating efficiently and cost-effectively. It can be discerned from management comments in the actions table whether audit recommendations are being considered as making an important contribution to strengthening systems and process controls or whether they are perceived as an additional set of management tasks that seem to sit outside of operational business as usual.

To strengthen accountability it is proposed that the Committee consider the introduction of an annual assurance statement from relevant Directors verifying that all audit recommendations closed off during the previous 12 months have been either actioned and/or the identified issues have been addressed such that the risk exposures are being sufficiently mitigated.

### Summary Table

#	Audit Title (Former Council)	Date of Final Report	# Actions Closed	# Remaining Open Actions	Risk Exposure of Open Actions
1	Seniors Centres	September 2019	6	11	8 high; 3 moderate
2	NHV Accreditation Scheme (NHVAS)	August 2019	2	6	2 high; 4 moderate
3	Cash Management In Waste Services	August 2019	4	10	8 high; 2 moderate
4	Procurement of IT Goods	August 2019	9	3	2 high; 1 moderate
5	CCTV	August 2018	1	5	4 high; 1 moderate
6	S94 Contributions (WSC)	May 2016	0	1	1 x moderate
7	Cash Management (GCC)	October 2015	1	1	Not assigned
8	CCTV (WSC)	May 2014	0	1	1 x moderate
	<b>TOTALS</b>		<b>23 closed actions</b>	<b>38 open actions from 8 audits</b>	<b>24 x high 13 x moderate 1 x not assigned a risk rating</b>

### Conclusions

The commitment to improving controls and effectively managing risks through the timely implementation of agreed actions and process improvements are basic management responsibilities and a key component of sound, organisational governance. Whilst actions remain outstanding, the organisation remains exposed to the identified risks unless other mitigating controls are implemented. In addition, it is the responsibility of management to determine whether appropriate action has been undertaken in a timely way and to a

## **2.2 Implementation of Management Actions Arising From IA Reviews (contd)**

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sufficient degree to manage down the risk exposure to a more acceptable level to warrant the closure of the action.

Senior management are advised that they are accountable in the event that items have been closed off but the mitigating action has not actually been undertaken and the identified risk crystallises. It is also the responsibility of senior management to determine what action or intervention should be taken in the event of overdue actions and to ensure that action taken to close out an item is appropriate to address the risk and issue highlighted by the audit finding.

The Audit, Risk and Improvement Committee are encouraged to use the information in IA reports, this report and the accompanying tables to:

- ensure they are satisfied that the management responses on closed actions sufficiently address the audit issues and risks highlighted;
- identify any specific strategic or operational activities they would like to discuss with management at future meetings in respect of risk mitigation measures and system/process improvements;
- form a view on the control framework and advise Council and the CEO accordingly, in line with ARIC Charter obligations section 4.2, namely:
  - Reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
  - Reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
  - Progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
  - Reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
  - Reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
  - Reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

The suggestion for Directors to provide ARIC with an annual assurance sign off statement to verify actions taken in response to audit findings is intended to help strengthen accountability and therefore assist the Committee in meeting their obligations under section 4.2 of their Charter.

### **Attachments**

**1** Appendix 1 Management Actions table Sept 2019 Enclosure D13669169  
(Provided under separate cover)



**Item No:** 2.3  
**Title:** IA Balanced Scorecard Report  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13670510

Author: Tina Baker, Chief Internal Auditor

## **Report Purpose**

The *Internal Audit Balanced Scorecard Report* forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee.

## **Summary**

A standing agenda item for the Audit, Risk and Improvement Committee is for IA to deliver a balanced scorecard progress report to each quarterly meeting. There are thirteen balanced scorecard measures against which IA is required to report.

## **Recommendation**

- 1 That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Balanced Scorecard Report.**
- 2 Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee consider assigning a 'confidential' privacy marking to Appendix 2 to this report for the reasons that it contains personal information that could compromise the "security of Council, Council Officials and Council property".**

## **Context**

Section 5 of the Audit, Risk and Improvement Committee Charter states that:

"at the first Committee meeting post 30 June each year, the Chief Internal Auditor will provide a performance report to the Committee dealing with:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit."

## 2.3 IA Balanced Scorecard Report (contd)

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To meet these obligations, the Chief Internal Auditor provides the Committee with a Progress Update Report each quarter to show the status of audits in the agreed work programme and this report on the performance of Internal Audit against the balanced scorecard measures (which are the KPIs for the unit) is also provided quarterly.

The Chief Internal Auditor also provides annual summary reports on:

- The IA Year in Review
- IA Emerging Themes
- IA Annual Assurance Statement
- Comparative Data Analysis and Risk Outlook

### Background

Internal Audit has a set of performance metrics presented as a “Balanced Scorecard”. These metrics are intended to provide Management and the Audit, Risk and Improvement Committee with information and data which give a snapshot of IA progress against key measures and how the unit is operating from the perspective of different stakeholders and areas of competence.

The attached table shows IA’s latest progress against the existing balanced scorecard measures.

### Key Headlines

- Focus during the last quarter has been on finalising long outstanding reports, progressing the co-sourced partner tender and developing and undertaking the mandatory review of Councillor Expenses which features in the new audit work programme (presented for approval to this meeting of the Committee, under separate cover).
- The onboarding of a new co-sourced partner to help deliver the audit schedule along with the recently released OLG discussion paper “*A New Risk Management and Internal Audit Framework*” provides a good opportunity to review and refresh the scorecard measures along with some of the mechanisms to deliver target outcomes.

### Conclusions

IA’s Balanced Scorecard measures provide the Committee with an overview of progress and IA performance across a range of deliverable, reflecting the key components of the IA Framework. Balanced Scorecards are effective at monitoring and measuring key elements of work in the context of outputs, outcomes and performance. IA continues to promote the balanced scorecard approach to management taking into account qualitative and quantitative measures, as an effective way to assess the performance of the function in a fully rounded way. This is also useful for the performance appraisal process of individuals by generating information from a number of sources across a period of time to ascertain where performance may be improving or declining, thus making the process more objective and complete, covering a range of key responsibilities.

**Attachments**

- |          |  |           |
|----------|--|-----------|
| <b>1</b> | Appendix 1 IA Balanced scorecard report Oct 2019 | D13670509 |
| <b>2</b> | Appendix 2 2019 IA Professional Development Plan | D13670508 |

**PROGRESS AGAINST EACH OF THE BALANCED SCORECARD PERFORMANCE MEASURES (October 2019)**

**1. Audit, Risk and Improvement Committee**

No	Measure	Mechanisms	Target Outcome	Progress To Date
1.1	<p>Level of satisfaction with quality, type and volume of information presented and reported.</p> <p><i>Links to IIA standard 1100</i></p>	<p>Satisfaction survey to all members of the Committee every two years.</p> <p><i>(The survey will cover as a minimum the audit mandate, audit coverage, the adequacy of reporting, an overall level of satisfaction and the perception of trend of the internal audit activity ie better, same, declining).</i></p>	<p>Improved trend for 'overall level of satisfaction' (or sustained positive ratings) indicated by each survey.</p> <p>Satisfaction rating for each part of the survey to be scored as "Good" or higher.</p>	<p>Committee members are welcome to submit feedback at any time without waiting for a formal survey process to be undertaken.</p> <p><b>Formal survey to be conducted Q1/20.</b></p>
1.2	<p>Perspective on IA effectiveness, professionalism and competence</p> <p><i>Links to IIA standards 1200 and 1300</i></p>	<p>CIA to provide a "staff profile" to the Audit, Risk and Improvement Committee each year (covering elements such as auditing and work experience, qualifications, auditing certifications, years of auditing experience and professional outreach).</p> <p>CIA to present a Professional Development Plan to the Committee each year based on development priorities and plans and to report on progress against this plan.</p>	<p>IA staff to achieve majority of priorities in Professional Development Plan that is agreed with the Audit, Risk and Improvement Committee and CEO and have demonstrated reasonable progress with others.</p>	<p>Professional development updates provided to Committee under the CIA progress report, section 3 "IA Work Programme - Quality and Performance".</p> <p>"New Auditor's Guide to Internal Auditing" by Bruce Turner AM published, to which the Chief Internal Auditor contributed and is acknowledged in the book as an expert practitioner in the field of Internal Audit.</p> <p>Latest staff profile and professional development plan for Chief Internal Auditor attached to this report.</p>

2. **Executive & Audit Stakeholders/Customers**

No	Measure	Mechanisms	Target Outcome	Progress To Date
2.1	<p>Levels of customer satisfaction with individual audits, with respect to:</p> <ul style="list-style-type: none"> <li>➤ Value added</li> <li>➤ Usefulness of recommendations</li> </ul> <p><i>Links to IIA standard 2000</i></p>	<p>Customer Satisfaction Survey distributed to all relevant stakeholders after each audit.</p>	<p>Average rating of 3.5 or higher (out of 5) for the two key questions on the survey concerning "value add" and "usefulness of recommendations". (Each 'other' question on the survey points to the possible causes).</p>	<p>No change since last reported. There have been 6 feedback surveys received to date. Average ratings across the different rating categories are as follows:</p> <p>Scope of work: 4.6            Communication and Collaboration: 4.76            Timeliness: 4.72            Knowledge and Professionalism: 4.96            Quality and Value: 4.72</p> <p><b>Target being met</b></p>
2.2	<p>Executive expectations of IA vis a vis experience of actual delivery.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	<p>Executive expectations/ experience survey conducted every two years.</p>	<p>Analysis of gap between expectations and experience is &lt;2.5 points for each area surveyed.</p>	<p>No survey conducted since pre-amalgamation due to the rate of change at ELT level.</p> <p>Regular discussions held with CEO and Director Governance.</p> <p>To resurrect quarterly one on one meetings with ELT members once co-sourced partner is engaged.</p> <p>Survey will be conducted Q2//20-21</p>
2.3	<p>Feedback (formal and informal) from staff in relation to advice and information provided by IA and improved understanding of the role.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	<p>Number of referrals to IA for informal or formal advice on risk/control related matters.</p> <p>Consultancy/advisory services provided by IA.</p>	<p>Generally positive feedback on value and usefulness of information.</p>	<p>Manager comment provided through the feedback survey:</p> <p><i>"Tina has and continues to provide a very professional approach to her audit process "</i></p> <p><i>"It is clear that Tina has experience in the subject matter area and holds an interest in this specific area with a vested interest in reducing Council liability."</i></p>



## 3. Internal Audit Processes

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.1	Completion of approved audit programme.  <i>Links to IIA standard 2200, 2300, 2400, 2500</i>	Number of audits completed and reported to the Audit, Risk and Improvement Committee as per the ratified plan.	90%.	No ratified programme for the period was in place. Mandatory audits for 2018/19 completed along with reports relating to consultancy reviews for the period. Unanticipated extended leave of Chief Internal Auditor and no cover in absentia meant number of audits performed during 2018/19 have been limited.
3.2	Proportion of audits completed (to draft report stage) within planned number of days budget.  <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audits completed in line with planned budget as per the ratified audit plan.	90%	RMS Drives24 - on budget (10 days total budget) NHV Accreditation – on budget (20 days)  <b>Target met.</b>
3.3	Duration of audits.  <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audits completed and taken to draft report stage in 12 weeks or less (measured from the start date of fieldwork to the date of issue of the draft audit report).	80%	RMS Drives 24 - under 12 week target (2 weeks) NHV Accreditation – under 12 week target (8 weeks)  <b>Target met.</b>
3.4	Finalisation of draft audit reports.  <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audit reports finalised and distributed to Audit, Risk and Improvement Committee within 3 weeks (15 working days) of issue of the draft report (in line with service standard of 10 days for management to respond to draft audit reports).	80%	<i>Cash Management in Waste Services, Procurement of IT Goods, NHV Accreditation</i> – all exceeded target owing to extensively delayed responses to corporate/ strategic issues from ELT members (reported to ARIC)  <b>Target not being met.</b>

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.5	<p>Compliance with IIA's International Professional Practices Framework (IPPF)</p> <p><i>Links to IIA standards 2400 and 2600</i></p>	<p>Self-assessment</p> <p>External assessment</p> <p>An annual assertion on compliance with the IIA Standards provided by the CIA to the Audit, Risk and Improvement Committee</p>	<p>"Generally conforms" rating of compliance with IIA Standards by the external review.</p> <p>External review conducted at least every five years.</p>	<p>External assessment of IA by Statewide Mutual reported April 2018 gave an overall maturity rating of "optimising" for all IIA standards with the exception of standard 2300 and standard 2500 which were classified as "managed".</p> <p>Issues highlighted:</p> <ul style="list-style-type: none"> <li>• Potential for use of CAATs</li> <li>• Audit Tracker needs to be accessible by all</li> </ul> <p>Audit Tracker awaiting final technical amendments before re-launch.</p> <p>CAATs not a current priority. To be reviewed once co-sourced partner arrangement is in operation.</p>

#### 4. Innovation, Professional Development and Capability

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.1	<p>Training hours per member of IA</p> <p><i>Links to IIA standards 1200, 1300 and 2000</i></p>	<p>Log of training/professional development.</p>	<p>80 hours CPE every 2 years as per IIA requirements with a minimum of 20 hours in any one year.</p> <p>Training undertaken through &gt;2 types of learning mechanisms.</p>	<p>CISA (ISACA) qualification and webinars have contributed towards meeting this measure established by the professional institute.</p> <p>Currently meeting target.</p>
4.2	<p>Range of knowledge skills, technical expertise and competency within IA</p>	<p>Skills assessment against the IIA competency model.</p> <p>Log of training/professional development.</p> <p>Learning needs analysis.</p>	<p>Increasing trend in coverage of skills, knowledge and expertise within IA when</p>	<p>PDP attached indicating areas of focus for 2019/20.</p> <p>CISA qualification has helped CIA to meet this target outcome.</p>

No	Measure	Mechanisms	Target Outcome	Progress To Date
	<i>Links to IIA standards 1200, 1300 and 2000</i>	Professional Development Plan (PDP) for each member of IA.	<p>assessed against the IIA competency model.</p> <p>Areas of training attended align with PDP.</p>	
4.3	<p>Consideration and development of innovative methods to deliver elements of the IA framework and through IA recommendations/advice.</p> <p><i>Links to IIA standards 1200, 1300 and 2000</i></p>	<p>IA recommendations IA advice Implementation of initiatives as part of the IA work programme</p>	<p>Demonstration of considerations and innovative solutions provided through recommendations and issues raised in audit reports.</p> <p>CIA report to Audit, Risk and Improvement Committee outlining initiatives under development or consideration.</p>	<p>Seniors Report includes a section relating to global initiatives and managers in Waste Services were provided with an additional report on global initiatives on recycling.</p> <p>Innovation in delivery of IA services is a feature in 2019/20 work programme and forms part of the co-sourced partnership arrangement.</p>



**Item No:** 2.4  
**Title:** IA Annual Assurance Statement  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13666269

Author: Tina Baker, Chief Internal Auditor

## Summary

This report provides the Audit, Risk and Improvement Committee (ARIC) with an annual assurance statement for 2018/19 from the Chief Internal Auditor in line with the Institute of Internal Auditors professional practices and Office of Local Government *Internal Audit Guidelines*.

## Recommendations

- 1** *The Audit, Risk and Improvement Committee receive the IA Annual Assurance Statement for 2018/19 and accompanying information from the Chief Internal Auditor.*
- 2** *That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

## Context

The Institute of Internal Auditors' *International Professional Practices Framework* contains a number of professional standards to help protect the integrity and validity of assurance provided by Internal Audit through the IA programme of reviews.

The annual assurance statement is attached at Appendix 1 and covers the following key areas:

- Conflicts of interest
- Error and omissions
- Impairments to objectivity, independence and programme delivery
- IA accountability
- ARIC responsibilities for IA, as per the ARIC Charter

The annual assurance statement is intended to give some comfort to the CEO and Council, through the Audit, Risk and Improvement Committee that Internal Audit (IA) is operating independently, competently and with integrity. When reviewed as part of the full suite of reports provided by IA to the Committee, the statement helps the Committee to determine whether IA is able to deliver the IA annual work programme '*without fear or favour*' and in

line with the professional standards as established by the Institute of Internal Auditors and the Office of Local Government's Internal Audit Guidelines.

The independent and objective nature of the work performed by IA, does not obviate the need for accountability and so this IA Annual Assurance Statement also shows the various ways in which the role and work of IA is open to scrutiny, challenge and performance assessment.

The Annual Assurance Statement therefore provides the CEO and Council, through the Audit, Risk and Improvement Committee with information relating to the integrity of the IA function, whether any significant elements of IA's work have been compromised and with a summary of how conflicts are managed.

### **Summary of Results For 2018/19**

No potential or actual conflicts of interest were identified or reported.

No errors or omissions were identified or reported.

All audits were conducted to conform with the International Standards for the Professional Practice of Internal Auditing.

There were some impairments to programme delivery through extensive delays in getting senior management responses to IA recommendations on issues with a corporate-wide application. These were brought to the attention of the Committee throughout the year.

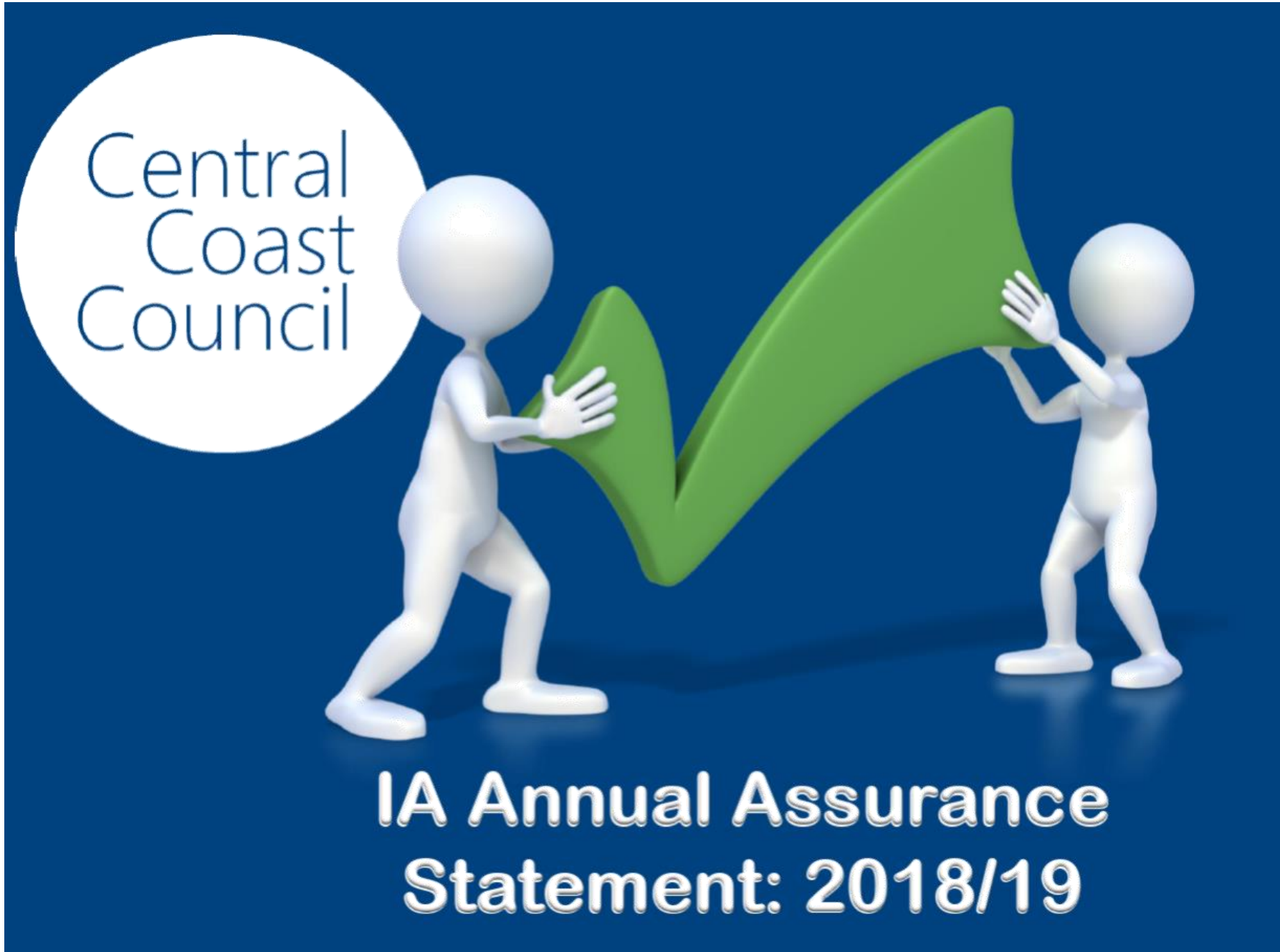
There is potential for improvement in relation to ARIC meeting their Charter responsibilities for Internal Audit and performance reporting to Council.

### **Conclusions**

The annual assurance statement provides some comfort to the Committee that the IA function is operating with reasonable independence and objectivity, in line with professional standards and Office of Local Government guidance. For 2018-19 programme delivery was disrupted due to the unexpected leave of the Chief Internal Auditor, which results in the IA function having one FTE.

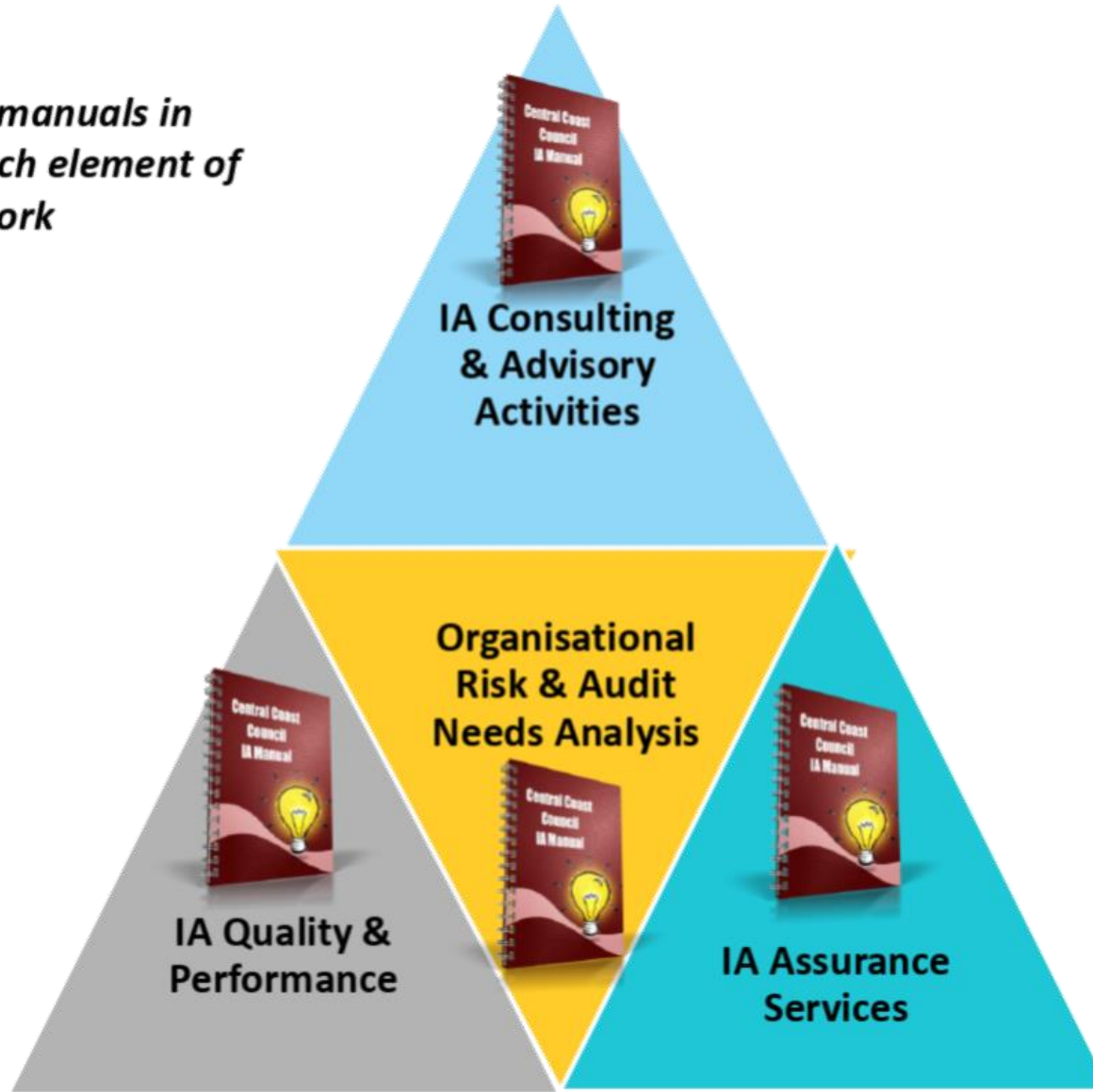
### **Attachments**

1 Appendix 1 IA Annual Assurance Statement 2018 2019 D13666250



# Elements Of The IA Framework

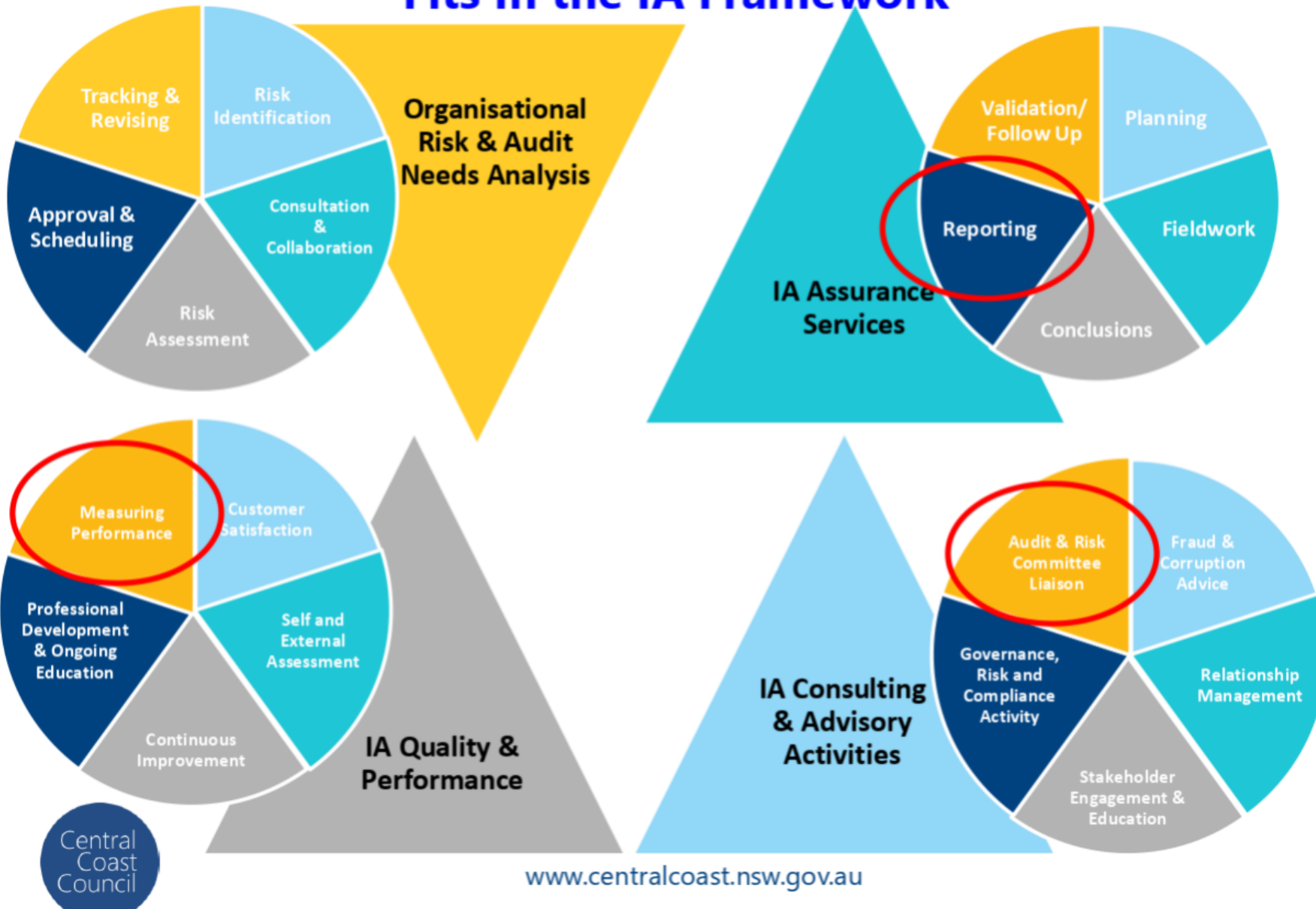
*Procedures manuals in place for each element of the framework*



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# Where The Annual Assurance Statement Fits In the IA Framework





# Purpose of the Annual Assurance Statement

To provide an annual summary of assurance to the CEO and Council, through the Audit, Risk and Improvement Committee based on the past 12 months of IA activity, in line with Institute of Internal Auditors *International Professional Practices Framework*

To give the Audit, Risk and Improvement Committee an indication as to whether IA reviews are being performed independently and objectively to determine the level of reliance that can be placed upon the assurance provided through IA reports

To provide information to help the Audit, Risk and Improvement Committee review the performance of Internal Audit and ensure appropriate organisational structure, authority, access and reporting arrangements are in place, as per the Committee's Charter

# Conflicts of Interest Arising During Audits

IIA Attribute Standard 1120: Individual Objectivity	How Conflicts Are Managed	2018-19 Results
<p><b><i>“Internal Auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.”</i></b></p>	<p><b>IA Post Audit Declaration form completed for each review</b></p> <p><b>Where conflicts exist, the circumstances and reasons are fully detailed in a separate report and lodged in the electronic audit file in Content Manager</b></p> <p><b>CEO, Director, relevant Managers and ARIC informed of the nature of the conflict</b></p> <p><b>Action taken to address the issue is highlighted and noted for file</b></p>	<p><b>There were <u>no</u> conflicts of interest identified or reported for the Chief Internal Auditor conducting the 2018-19 IA work programme</b></p>

# Errors and Omissions

IIA Performance Standard 2421: Errors and Omissions	How They Are Managed	2018-19 Results
<p><b><i>“If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.”</i></b></p>	<p><b>IA Post Audit Declaration form completed for each review</b></p> <p><b>Where errors/omissions occurred, the reasons and circumstances are fully detailed in a separate report and lodged in the electronic audit file</b></p> <p><b>CEO, Director, relevant Managers and ARIC informed of the nature of the errors/omissions</b></p> <p><b>Action taken to address the issue is highlighted and noted for file</b></p>	<p><b>There were <u>no</u> significant errors or omissions identified or reported in IA work, reviews or communications during the 2018-19 IA work programme</b></p>

## Impairments to IA Objectivity, Independence or Program Delivery

IIA Attribute Standard 1130: Impairment to Independence or Objectivity	How It Is Managed	2018-19 Results
<p style="text-align: center;"><b><i>“If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.”</i></b></p>	<p><b>IA Post Audit Declaration completed for each review</b></p> <p>Where impairment to independence or objectivity does occur, reasons/circumstances are detailed in a separate report and lodged in the electronic audit file</p> <p>CEO, Director, relevant managers and ARIC informed of the nature of the impairment</p> <p>Action taken to address the issue is highlighted and noted for file</p>	<ul style="list-style-type: none"> <li>× Resourcing of the IA function remained at 1 FTE so no cover during the Chief Internal Auditor’s significant leave of absence</li> <li>× ARIC approval of IA work programme (presented Dec 2018) put on hold pending co-sourced partner tender</li> <li>× Three draft reports delayed extensively due to lack of management responses to address corporate-wide issues</li> <li>• ARIC kept informed through quarterly reports regarding resourcing limitations and delays to finalise reports</li> <li>✓ Of the reviews that did take place, information was freely provided and staff co-operative</li> </ul>

# Post Audit Declaration Form



Internal Audit

## AUDIT REVIEW: DECLARATIONS

The IIA's International Professional Practices Framework (IPPF) requires the following:

### Attribute Standard 1100: Independence and Objectivity

The internal audit activity must be independent and internal audits must be objective in performing their work.

### Attribute Standards 1110.A1

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

### Attribute Standard 1120: Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

### Attribute Standard 1130: Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

### Performance Standard 2421: Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must correct the information to all parties who received the original communication.

The IIA's Code of Ethics requires internal auditors to apply and uphold the principles and rules of conduct relating to: integrity, objectivity, confidentiality and competency

\*\*\*\*\*

To ensure these Standards and the requirements of the Code of Ethics are being adequately met, each internal auditor is required to make a declaration at the conclusion of each review.

I (name)..... declare that this review was conducted in accordance with the IIA International Professional Practices Framework. In particular the following were observed:

- The IA activity for this review was/was not free from interference in determining the scope of the review, performing the work and/or communicating the results.
- I did/did not have any conflicts of interest on this review.
- To the best of my knowledge, there are/there are no significant errors or omissions in the final report.
- During this review, I upheld/was not able to uphold the IIA Code of Ethics requirements relating to: integrity, objectivity, confidentiality, competency

Where I have indicated an unfavourable response, the reasons and circumstances are fully detailed in a separate report, lodged in the relevant TRIM audit file and the matter brought to the attention of relevant parties.

Date: .....

Signature: .....

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# IA Accountability



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# IA Accountability: IIA International Professional Practices Framework



# IA Accountability: Compliance With Professional Standards

The IIA Standards state:

*“the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity” (1300)*

*“the quality assurance and improvement program must include both internal and external assessments” (1310)*

*“external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.” (1312)*

*“the chief audit executive may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.” (1321)*

**Last external review of IA was conducted by StateWide Mutual and reported in April 2018. IA considered to be operating at highest level of maturity (“optimising”) with the exception of 2 issues: need to utilise computer audit tools and need to optimise the Audit Tracker functionality**



# IA Accountability: Measuring Performance



**Balanced Scorecard: 13 individual measures falling under four separate categories**



**Customer Feedback Survey: 22 questions, across five different focus areas, following each completed review**



**IA Quality and Performance form part of IA framework and comprises five elements of required activity, including professional development**



# IA Accountability: Reporting to ARIC



## Quarterly/Each Meeting

- CIA's Progress Report
- IA Balanced Scorecard Report
- Implementation of Management Actions Report



## Annual

- IA Annual Audit Schedule (June)
- IA Year In Review (Sept)
- Emerging Themes From IA Reviews (Sept)
- Annual Assurance Statement (Sept)
- Comparative Data and Risk Outlook Report (Dec)



## Less Than Annually

- IA Strategic Work Programme
- IA Professional Development Plan
- IA Stakeholder Engagement Strategy & Plan
- Results of Executive and ARIC surveys
- Results of external QA review of IA function
- Summary or discussion papers as appropriate

## ARIC Charter Responsibilities For Internal Audit

ARIC Charter Requirement	2018/19 Results
<p><b>“the objective of the Committee is to provide independent assurance and assistance to Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities” (s1)</b></p>	<p><b>IA schedule of reports to ARIC for 2018/19 covered progress against work programme, implementation of management actions, progress against balanced scorecard measures, comparative data and risk analysis, annual assurance statement, emerging themes and the IA year in review.</b></p>
<p><b>“The CEO will permit the Committee to meet separately with the Chief Internal Auditor and any External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.” (s6.2)</b></p>	<p><b>No ‘in camera’ meetings held with CIA during 2018/19.</b></p>
<p><b>“The agenda for meetings of the Committee will be set by the Chair (in consultation with the CEO and the Chief Internal Auditor) at least two weeks before a meeting.” (s6.4)</b></p>	<p><b>Not in practice. IA business papers provided in line with previously agreed schedule of reports. Consultation on agenda co-ordinated by Governance Services.</b></p>
<p><b>“The review [of the Committee’s performance against established measures] will also consider and report to Council on this Charter and the Internal Audit Charter, and it is to be included in the Committee’s annual report to Council.” (s6.9)</b></p>	<p><b>No ARIC performance measures in place and no report provided to Council.</b></p>

## ARIC Charter Responsibilities For Internal Audit

ARIC Charter Requirement	2018/19 Results
<p>(Section 4) “The Committee is responsible for:</p> <ul style="list-style-type: none"> <li>Acting as a forum for communication between the Council, CEO, Senior Management, Internal Audit, External Audit and Internal Ombudsman;</li> </ul>	<p>Chief Internal Auditor and External Audit representatives attend each ARIC meeting. CIA was unable to attend meeting of 5/3/19 and there is no IA representation in absentia.</p>
<ul style="list-style-type: none"> <li>Reviewing the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan and approve the plan;</li> </ul>	<p>IA schedule of audits presented to ARIC meeting 4/12/18. Presentation by CIA to ARIC at meeting of 19/6/19 on how IA work program is developed. Risk registers not developed for this period.</p>
<ul style="list-style-type: none"> <li>Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved IA Plan;</li> </ul>	<p>Reduction of IA from 2 FTE to 1 FTE following amalgamation and associated risks highlighted to Committee on regular basis. Plan reduced accordingly.</p>
<ul style="list-style-type: none"> <li>Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;</li> </ul>	<p>Copies of IA reports issued to ARIC members as finalised. CIA presents summary of key findings in the quarterly progress report.</p>



## ARIC Charter Responsibilities For Internal Audit

ARIC Charter Requirement	2018/19 Results
<p><b>(Section 4) “The Committee is responsible for:</b></p> <ul style="list-style-type: none"> <li>• <b>Monitoring the implementation of IA recommendations by management;</b></li> </ul>	<p>CIA provides ARIC with quarterly report on implementation of management actions arising from IA reviews. CIA report of 5/3/19 asked ARIC to determine the level, frequency and type of information/progress updates they would like to receive from management in respect of closed audits and/or those with long outstanding issues to get a more up to date picture of how critical, operational systems and processes are operating for Central Coast Council.</p>
<ul style="list-style-type: none"> <li>• <b>Periodically reviewing the IA Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;</b></li> </ul>	<p>IA Charter last presented for review July 2017. Review was due 30/6/19. Held over pending OLG discussion paper on IA in local government.</p>
<ul style="list-style-type: none"> <li>• <b>Periodically reviewing the performance of Internal Audit;</b></li> </ul>	<p>No formal review held. ARIC survey due during 2019/20.</p>
<ul style="list-style-type: none"> <li>• <b>Meeting at least annually with the Chief Internal Auditor ‘in camera’ without the presence of management; and</b></li> </ul>	<p>No ‘in camera’ meetings held.</p>
<ul style="list-style-type: none"> <li>• <b>Giving advice to the CEO on the appointment and remuneration of the Chief Internal Auditor and the Internal Audit team (if applicable).”</b></li> </ul>	<p>CIA position comes under the NSW Award provisions.</p>

## ARIC Charter Responsibilities For Internal Audit

ARIC Charter Requirement	2018/19 Results
<p>(Section 5) "At the first Committee meeting post 30 June each year, the Chief Internal Auditor will provide a performance report to the Committee dealing with:</p> <ul style="list-style-type: none"> <li>➤ The performance of IA for the financial year as measured against agreed key performance indicators; and</li> <li>➤ The approved IA plan of work for the previous financial year showing the current status of each audit.</li> </ul>	<p>Reports provided by CIA to cover these specific :</p> <ul style="list-style-type: none"> <li>• Balanced scorecard report</li> <li>• Quarterly progress report</li> <li>• IA Year in Review</li> <li>• Emerging Themes</li> <li>• IA work programme</li> </ul>
<p>The Committee should report regularly to Council on the IA function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the CEO.</p>	<p>After the ARIC minutes have been approved, They are presented to Council for ratification.</p>
<p>At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time. The Annual and Three Year Audit Plans will also be submitted to Council as part of the Committee's report to Council. Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual report."</p>	<p>No formal annual report or presentation provided. At the December 2018 meeting the CIA provided ARIC members with a hard copy example of a quality report prepared and provided by the ARIC at another Council for such purposes.</p>

# Summary

**For the 2018-19 IA work programme:**

- ✓ **there were no reported potential or actual conflicts of interest**
  
- ✓ **There were no identified or reported significant errors or omissions**
  
- ✓ **All audits were conducted to conform with the International Standards for the Professional Practice of Internal Auditing**
  
- × **Extensive delays in senior management responses to corporate issues and limited resourcing of the IA function impacted the delivery of IA services for the period (*'impairment to service delivery'*)**
  
- × **There is potential for improvement in relation to meeting the ARIC Charter responsibilities for IA**

**Item No:** 2.5  
**Title:** IA Four Year Audit Schedule and Work Programme  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13670506

Author: Tina Baker, Chief Internal Auditor

### **Summary**

The *IA Four Year Audit Schedule and Work Programme* is presented to the Audit, Risk and Improvement Committee for consideration and approval.

### **Recommendation**

- 1 That the Audit, Risk and Improvement Committee approve the proposed IA schedule of work and longer term work programme in accordance with section 4.5 of their Charter.**
- 2 That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

### **Context**

The full IA work programme comprises:

- Internal audit (business assurance) reviews (which makes up 75-80% of the IA work programme)
- Consulting and advisory activities
- Quality and performance of the IA function
- Organisational risk and audit needs assessment

### **How the Schedule of Audits was Identified**

A presentation to the Committee at their meeting on 19 June 2019 provided an overview of the organisational risk and audit needs assessment process undertaken to determine the audit schedule. Consultation with the Executive, Unit Managers and a random selection of staff was also conducted via a survey, requesting staff to identify their priority audits from those identified through the audit needs assessment.

Audits are grouped into:

- **Strategic** (*focussing on critical risks, emerging risks, areas of community concern, major and priority projects, culture, performance and integration matters*)
- **Operational** (*focussing on core corporate systems and processes that provide key services to the organisation or the community*)



- **Information Technology, Digital & Data Management Reviews** (*focussing on specific IT, digital and cyber-related governance, systems, projects and processes.*)
- **Validation** (*focussing on verifying actions taken by management on 'closed' audits to determine whether the risk exposures have been minimised and the recommendations were effective.*)
- **Mandatory, Best Practice or Healthcheck** (*focussing on reviews required under various contracts, legislation or agreements with third parties, internal policy requirements and good practice or healthchecks against frameworks determined by third party agencies such as OLG, ICAC or the NSW Audit Office.*)

The schedule of audits presented at Appendix 1 incorporates reviews from across all these groups, in order to give broader coverage of the organisation. Once the co-sourced partner is formally appointed, responsibility for delivery of each review will be determined. It is anticipated that the partner will deliver the majority of audits in the programme.

The mandatory annual reviews previously conducted by IA, comprising DRIVES24 and NHV Accreditation Scheme are now the responsibility of the relevant business units to budget and commission, in accordance with their obligations under the associated agreements.

### **Resourcing**

The Institute of Internal Auditors' *International Professional Practices Framework* standard 2030, states:

*"the chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan."*

The proposed work programme has been developed in line with a resourcing of 1 FTE of the IA Unit and a co-sourced partner being engaged from around mid-October 2019.

### **Plan Review**

The full audit work programme is revisited and revised quarterly to ensure it remains focused on areas of strategic importance and relevance and that budgets are appropriate for the proposed scope of the reviews. A revised plan will be submitted to the Audit, Risk and Improvement Committee indicating any proposed changes, if required.

The Chief Internal Auditor will report progress against the work programme in her quarterly CIA report in line with standard practice.

**Conclusion**

Under section 4.5 of their Charter, the Audit, Risk and Improvement Committee are responsible for:

- reviewing the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan;
- consider (*sic*) the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan

The proposed IA work programme is intended to provide a balanced and broad coverage of the organisation's activities whilst focussing on key risk areas. There is a strong emphasis on 'back office' functions and this is deliberate at this stage of Central Coast Council's development. A lack of robust controls around key processes and systems such as those to manage contracts, labour hire, website information, business data and recruitment, will adversely affect the efficient, effective and economic resourcing and delivery of front-line services to the community. Hence, a strong IA presence among these 'back office' cross-organisational functions, systems and processes is considered to be of most relevance and benefit to the organisation at this stage.

**Attachments**

- 1 Appendix 1 Oct 19 IA four year audit schedule and work programme D13670403

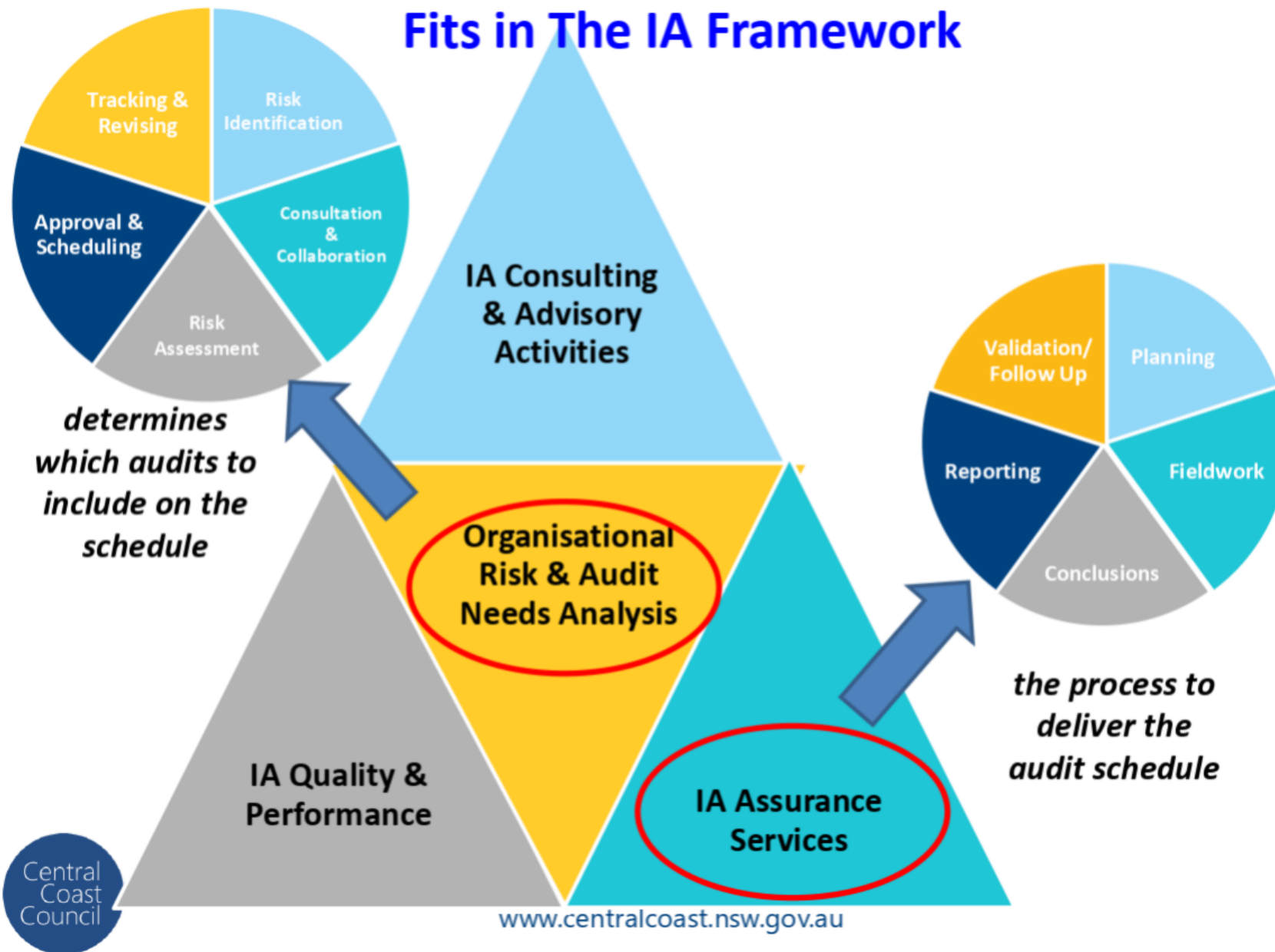


*Tina Baker  
Chief Internal Auditor  
September 2019*



# IA 4 Year Audit Schedule and Work Programme

# Where Business Assurance (Audits) Fits in The IA Framework



## The Business Assurance Work Programme



Audits are conducted in accordance with IIA professional standards. The schedule of audits comprise one element of the framework but accounts for about 75-80% of time available

The recently issued OLG discussion paper – A New Risk Management and Internal Audit Framework for Local Government proposes a 4 year audit programme. So this schedule has been prepared accordingly. Note it is unlikely the proposed audits presented beyond Dec 2020 will all be included in future programmes due to changing priorities and risks facing Council



The schedule is subject to regular quarterly review. It will be refined as the Enterprise Risk Management system becomes more sophisticated and aligned with the full range of risks across Council and the sector more generally

[www.centralcoast.nsw.gov.au](http://www.centralcoast.nsw.gov.au)

# What Constitutes The Audit Assurance Programme?



## STRATEGIC REVIEWS

Focussing on critical risks, emerging risks, areas of community concern, major and priority projects, culture, performance and integration matters.



## OPERATIONAL REVIEWS

Focussing on core corporate systems and processes that provide key services to the organisation or the community.



## INFORMATION TECHNOLOGY, DIGITAL & DATA MANAGEMENT REVIEWS

Focussing on specific IT, digital and cyber-related governance, systems, projects and processes.



## MANDATORY, BEST PRACTICE OR HEALTHCHECK REVIEWS

Focussing on reviews required under various contracts, legislation or agreements with third parties, internal policy requirements and good practice or healthchecks against frameworks determined by third party agencies such as OLG, ICAC or the NSW Audit Office.



## VALIDATION REVIEWS

Focussing on verifying actions taken by management on 'closed' audits to determine whether the risk exposures have been minimised and the recommendations were effective.

# How The Audit Schedule Was Developed

Relevant quantitative information & other agency reports

**2017-18: Emerging Themes and Risks...**

**Organisational Restructure Impact Continues**

- Lengthy processes to implement structure and align roles - creating uncertainty and adding to perceptions of a north-south divide
- Teams split across different locations reducing manager visibility, direction and time available to address operational issues and managing change of practice
- Reduced capacity for strategic planning and service delivery
- Staff turnover at many levels, many sitting up roles and creating considerable stress and burn out

**Lack of Enterprise Risk Management**

- Risk not driving strategic direction, decision making or activities or priorities
- Corporate risk appetite for different operations has not been set as a separate source and document drive

**Loss of Corporate Knowledge/Information**

- No corporate succession planning or knowledge transfer
- Information being held across many different locations
- Lack of critical information to inform decisions and to resources in their units and being utilised

**Ongoing Uncertainty**

- Local systems continue operating for many critical processes for staff and the community
- Systems imposed rather than developed according to need
- Temporary nature of organisational administration

**2017/18 Community Concerns and Headlines:**

**Coastal Management Debate dragged through the mud**

**Skill warning as cliff collapses**

**Beach a 'bomb site'**

**CHOKED**

**Beaches cop trap report**

**SURF AND TURD**

Area	Code	Category	Priority	Impact	Notes
Recruitment	001	Operational	High	Staffing	...
Retention	002	Operational	High	Staffing	...
Payroll	003	Operational	High	Staffing	...
HR	004	Operational	High	Staffing	...
Learning & Development	005	Operational	High	Staffing	...
Health & Safety	006	Operational	High	Staffing	...
IT	007	Operational	High	Staffing	...
Finance	008	Operational	High	Staffing	...
Legal	009	Operational	High	Staffing	...
Marketing	010	Operational	High	Staffing	...
Public Relations	011	Operational	High	Staffing	...
Customer Services	012	Operational	High	Staffing	...
Facilities	013	Operational	High	Staffing	...
Energy	014	Operational	High	Staffing	...
Environment	015	Operational	High	Staffing	...
Waste	016	Operational	High	Staffing	...
Water	017	Operational	High	Staffing	...
Highways	018	Operational	High	Staffing	...
Transport	019	Operational	High	Staffing	...
Police	020	Operational	High	Staffing	...
Fire	021	Operational	High	Staffing	...
Emergency Services	022	Operational	High	Staffing	...
Other	023	Operational	High	Staffing	...

**Central Coast Council**

**2016/17 Comparative Data Analysis & Risk Outlook Report**

1 MAY 2019

Workforce reform in three amalgamated councils



Relevant qualitative information

Area	Code	Category	Priority	Impact	Notes
Recruitment	001	Operational	High	Staffing	...
Retention	002	Operational	High	Staffing	...
Payroll	003	Operational	High	Staffing	...
HR	004	Operational	High	Staffing	...
Learning & Development	005	Operational	High	Staffing	...
Health & Safety	006	Operational	High	Staffing	...
IT	007	Operational	High	Staffing	...
Finance	008	Operational	High	Staffing	...
Legal	009	Operational	High	Staffing	...
Marketing	010	Operational	High	Staffing	...
Public Relations	011	Operational	High	Staffing	...
Customer Services	012	Operational	High	Staffing	...
Facilities	013	Operational	High	Staffing	...
Energy	014	Operational	High	Staffing	...
Environment	015	Operational	High	Staffing	...
Waste	016	Operational	High	Staffing	...
Water	017	Operational	High	Staffing	...
Highways	018	Operational	High	Staffing	...
Transport	019	Operational	High	Staffing	...
Police	020	Operational	High	Staffing	...
Fire	021	Operational	High	Staffing	...
Emergency Services	022	Operational	High	Staffing	...
Other	023	Operational	High	Staffing	...

Relative risk ranking

Survey consultation with staff to determine priorities

Operational Audits

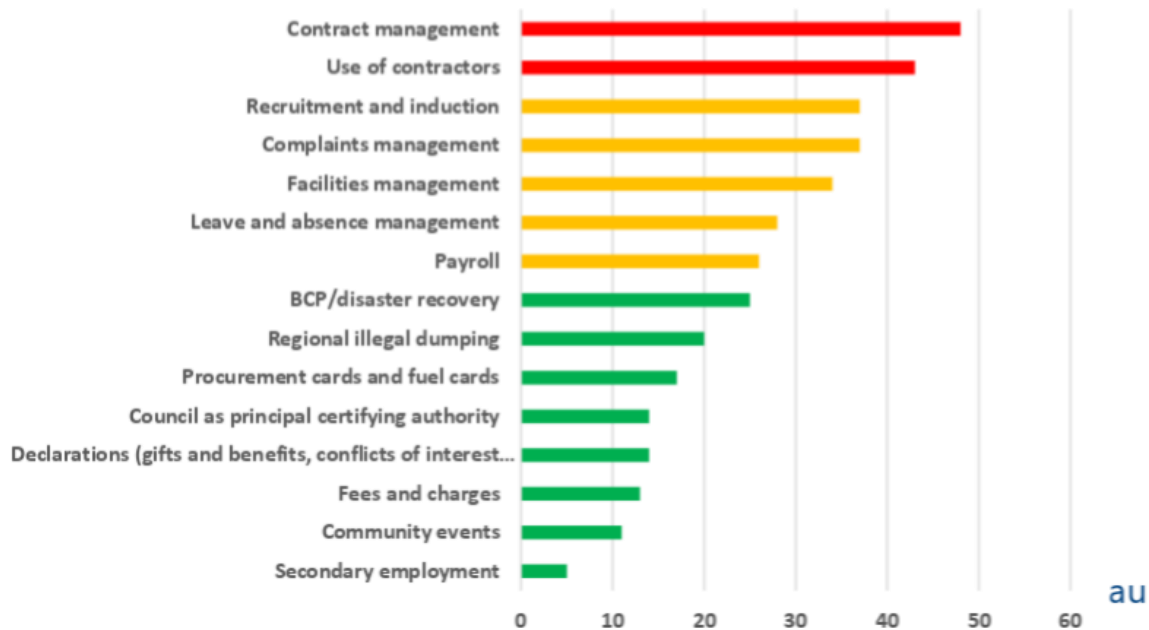


# Survey Results

## Strategic Audits



## Operational Audits

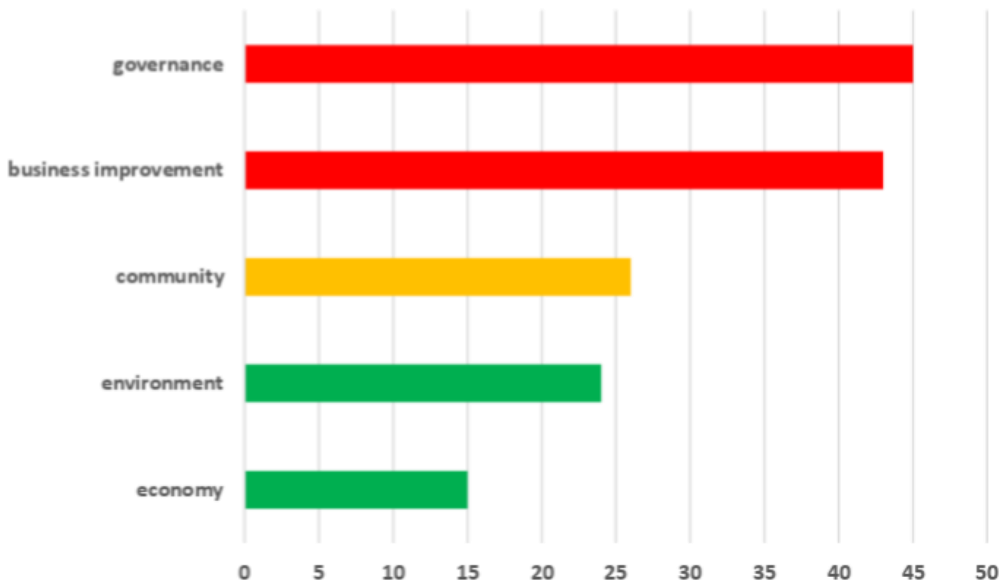




### IT Based Audits



### Validation/Progress Against Promised Actions



## Survey Results



v

## 2019-20 Audit Schedule: Q1 (Jul-Sep 19)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Type of Audit	Rationale
Councillor Allowances, Expenses & Facilities  (Review underway)	Governance	30	July-Aug 2019	Mandatory	A requirement under part 16 of the <u>Councillor Expenses and Facilities Policy</u> : "the operation of this policy, including claims made under the policy, will be included in Council's audit programme and an audit undertaken at least every two years".
ELT/Senior Staff Expenses  (Review shortly to commence)	People & Culture/ Finance	30	Sep-Oct 2019	Operational	A review of ELT and senior management expenses will determine the effectiveness of controls vis a vis those around the checks and balances relating to Councillor expenses. This reflects the level of risk relating to senior management of councils and their capacity, often due to seniority, to bypass processes and controls as highlighted through recent ICAC and local government investigations (for example Botany Bay Council, Hays Council, Burwood Council, Exmouth Council, Halls Creek Council and Ipswich Council).

## 2019-20 Audit Schedule: Q2 (Oct-Dec 19)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Type of Audit	Rationale
Contract Management	Governance/ Corporate wide	40	Oct-Dec 2019	Operational	Contracts form a large part of Council expenditure and it is important that the process followed to award a contract is well controlled and that contract costs and the performance of suppliers under contract are well managed. Council is obliged to report on all contracts awarded over \$150,000 in the Annual Report so it is important that the Contracts Register is accurate and up to date not simply to feed into the Annual Report but also to identify when contracts are due to expire so sufficient planning can be undertaken if a contract needs to be retendered.
Fraud and Corruption Risk Assessment	Cross organisational	40	Oct-Dec 2019	Healthcheck/ Good Practice/ Strategic	<p>Australian Standard <u>AS8001-2008: Fraud and Corruption Control</u> states:</p> <p><i>“Entities should adopt a policy and processes for the systematic identification, analysis and evaluation (‘risk assessment’) of fraud and corruption risk and should periodically conduct a comprehensive assessment of the risks of fraud and corruption within their business operations... Typically such an assessment should be conducted at least every two years.”</i></p> <p>The last time this Assessment was conducted was in 2014 at the former Wyong Shire Council. Since then the NSW Audit Office has issued a report on <u>Fraud Controls in Local Councils</u> (June 2018) so the overdue Assessment would look at how Central Coast Council measures up against the NSW Audit Office’s Fraud Control Improvement Kit and the ten attributes of an effective fraud control system in AS8001-2008 as well as the issues highlighted in the NSW AO’s report: <u>Fraud Controls in Local Councils</u> (June 2018)</p>

## 2019-20 Audit Schedule: Q3 (Jan-Mar 20)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Type of Audit	Rationale
Business analytics & management information	IT/Corporate wide	30	Jan-Mar 20	IT	Timely, reliable and accurate management information is critical to support and inform risk based strategic and operational decisions and plans. This review will focus on what data analytics is undertaken to underpin decision making, what management reporting is available to whom and the integrity and reliability of the information presented.
Progress against reported actions in Operational Plan: <i>Responsible</i>	Corporate Wide	30	Feb-Apr 20	Validation	<p>Council's Operational Plan lists actions committed to by Council for delivery to the community under the Community Strategic Plan themes of:</p> <ul style="list-style-type: none"> <li>• <i>Belonging</i></li> <li>• <i>Smart</i></li> <li>• <i>Green</i></li> <li>• <i>Responsible</i></li> <li>• <i>Liveable</i></li> </ul> <p>This review will determine progress against the actions as stated under the <i>Responsible</i> theme, the process for tracking progress and validation of actions delivered. This aligns with the themes of Governance and Business Improvement in previous Operational Plans.</p>

## 2019-20 Audit Schedule: Q4 (Apr-Jun 20)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Type of Audit	Rationale
Contractors and Temporary Labour Hire	People & Culture/ Procurement & Projects	40	Apr-Jun 20	Operational	Use of contractors and temporary labour hire is a useful way to manage short term projects and provide cover for permanent resourcing shortfall on a temporary basis. A recommendation from the OLG's 2011 'Body Hire' report into the engagement and management practices of the former Wyong Council for contractors and temporary personnel was that " <i>Council's internal auditor should undertake regular audits to ensure compliance with Council's current procedures governing the engagement and management of temporary contract personnel</i> ". This review is part of IA's continued response to this recommendation, to determine the level of improved practices and effective management of temporary labour hire in terms of cost, tenure and number.

## 2020-21 Audit Schedule: Q1 (Jul-Sep 20)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Type of Audit	Rationale
Recruitment & Induction	People & Culture	30	Jul-Sep 20	Operational	Council's resourcing strategy comprises the finances, assets and workforce planning required to deliver on strategic community priorities. Councils are required to undertake workforce planning to support the achievement of the Delivery Program. Effective recruitment and onboarding of new staff are the resourcing processes to meet those workforce plans. This review will also consider any relevant findings from the NSW Audit Office report: <i>Workforce Reform In Three Amalgamated Councils</i> (May 2019)
Organisational Performance	Cross-Organisational	40	Jul-Sep 20	Strategic	This review of organisational performance will build on the earlier review relating to <i>Business Analytics and Management Information</i> . Without reliable, sound key performance metrics, reliability and transparency of reported performance information and key performance measures to assess outcomes and deliverables against strategic objectives, Council is not able to effectively report to the community on how it is progressing and how effectively resources are being utilised. This review will determine the level of reliance that can be placed on systems and reports established to determine organisational performance.

## 2020-21 Audit Schedule: Q2 (Oct-Dec 20)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Type of Audit	Rationale
Complaints Management	Community Engagement/ Governance/ People and Culture	30	Oct-Dec 20	Operational	Complaints management is an important component of employee management, customer service and organisational success. Not only is it the means to gather valuable customer and employee insight, if managed effectively it should also help Council identify poor or weak operating/management practices such that improvements can be introduced that lead to increased customer/employee satisfaction, improved reputation with the community and even reduced costs.
Website & Intranet Design, Maintenance & User Experience (UX)	IT	40	Oct-Dec 20	IT	Council's website is a key tool for community engagement and helps members of the community find the information they need, when they want it at a time convenient to them. Likewise the intranet provides the same convenience for employees. A review will determine the customer and employee experience of these critical business tools.

# Proposed Audits: January 2021 – July 2023



## STRATEGIC REVIEWS

Focussing on critical risks, emerging risks, areas of community concern, major and priority projects, culture, performance and integration matters.

Strategic Audits



January 2021 – June 2021

- Organisational culture

July 2021 – June 2022

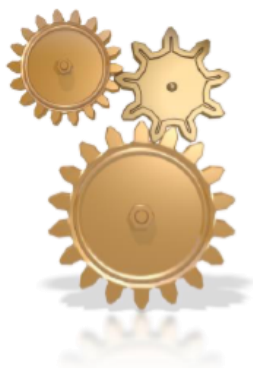
- Strategic planning & economic development
- Emergency management & community preparedness

July 2022 – July 2023

- Enterprise risk management







# Proposed Audits: January 2021 – July 2023

## OPERATIONAL REVIEWS

Focussing on core corporate systems and processes that provide key services to the organisation or the community.

Operational Audits



### January 2021 – June 2021

- Leave & Absence Management

### July 2021 – June 2022

- Facilities Management
- Payroll
- BCP/Disaster Recovery

### July 2022 – July 2023

- Council as Principal Certifying Authority
- Procurement Cards
- Regional Illegal Dumping





# Proposed Audits: January 2021 – July 2023

**INFORMATION TECHNOLOGY, DIGITAL & DATA MANAGEMENT REVIEWS**  
 Focussing on specific IT, digital and cyber-related governance, systems, projects and processes.

IT Based Audits



January 2021 – June 2021

- Cyber security & fraud prevention

July 2021 – June 2022

- Enterprise Architecture
- IT Contracts & Contract Management

July 2022 – July 2023

- Security of Personal and Financial Data
- Helpdesk Support & Customer Service



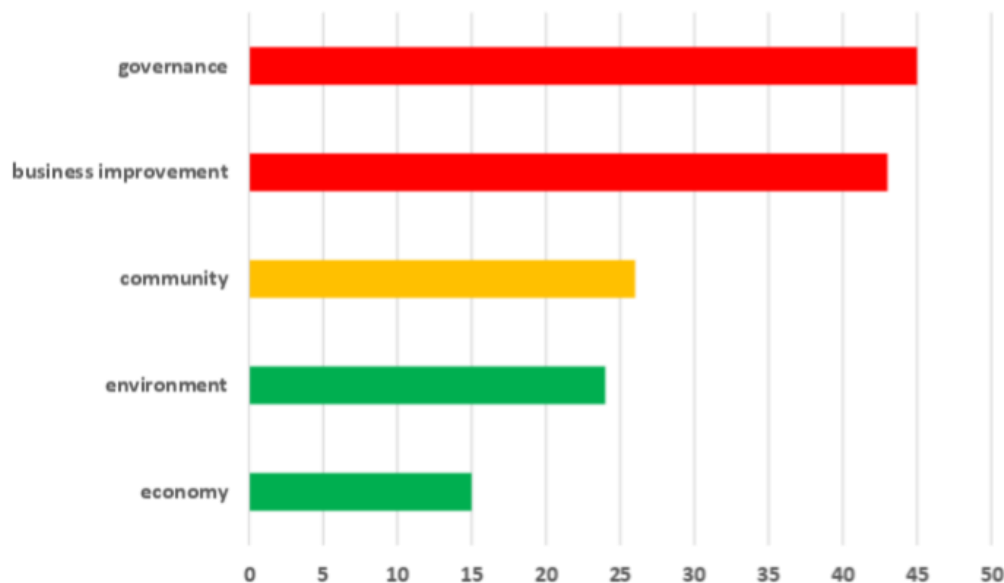
# Proposed Audits: January 2021 – July 2023



## VALIDATION REVIEWS

Focussing on verifying actions taken by management on ‘closed’ audits to determine whether the risk exposures have been minimised and the recommendations were effective.

Validation/Progress Against Promised Actions



Deliverables aligned with Community Strategic Plan themes

January 2021 – June 2021

- Liveable
- Green

July 2021 – June 2022

- Smart
- Belonging

July 2022 – July 2023

- Responsible

*and/or follow up of 1-2 closed audits per year*



## Proposed Audits: January 2021 – July 2023



### **MANDATORY, BEST PRACTICE OR HEALTHCHECK REVIEWS**

**Focussing on reviews required under various contracts, legislation or agreements with third parties, internal policy requirements and good practice or healthchecks against frameworks determined by third party agencies such as OLG, ICAC or the NSW Audit Office.**

- Cllr Allowances, Expenses & Facilities – required every 2 years
- Fraud & Corruption Risk Assessment – recommended every 2 years
- External Assessment of IA Effectiveness – every 5 years (next due by 2023)
- Other reviews to be considered in accordance with third party reports, observations and best practice guidelines

## Deliverables Under Other Elements of IA Framework

### Organisational Risk & Audit Needs Assessment

- Refine ANA worksheets and populate with relevant data as it becomes available (2019/20)
- Explore linking ANA worksheets with comparative data information (2020/21)
- Explore concept of unit risk profile dashboard (2020/21)
- Align ANA with risk registers where relevant (2022/3)
- Review and refine ANA process in light of outcome of fact-finding visits to high performing organisations (ongoing)

### IA Consultancy & Advisory Activities

- Update & roll out the IA stakeholder engagement plan (2019/20)
- Develop and present IA/BI champions concept (2019/20)
- Review the effectiveness of audit reports and consider new ways to “tell the story” (2020/21)
- Refine comparative data reporting and risk outlook reports to make them a more valuable and accessible resource for management (2020/21)
- Present/facilitate workshops on lessons learned/emerging themes/appreciative inquiry etc (ongoing)

### IA Quality & Performance

- Re-establish a peer group reciprocal IA QA arrangement with at least two other Councils (2019/20)
- conduct ARIC and Executive feedback surveys in line with Balanced Scorecard measures (2019/20)
- Develop & implement an IA innovation plan to deliver IA services differently & more effectively (2020/21)
- Commission a QA review of the IA function (2021/22)
- Conduct fact-finding visits to high performing organisations relating to strategic reviews, ARIC and IA team performance (ongoing)



**Item No:** 2.6  
**Title:** IA Year In Review 2018/19  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13672249

Author: Tina Baker, Chief Internal Auditor

### **Summary**

One of a series of annual reviews from IA to the Audit, Risk and Improvement Committee. This report provides the Audit, Risk and Improvement Committee with a summary of the work of the Chief Internal Auditor for 2018/19.

### **Recommendations**

- 1 That the Audit, Risk and Improvement Committee receive the Internal Audit 'Year In Review' report.**
- 2 That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

### **Context**

The *IA Year In Review* takes a look back at the deliverables and some of the key achievements of the IA function over the period 1 July 2018 to 30 June 2019, aligned to the IA framework, covering:

- IA assurance services (delivery of business assurance reviews)
- consulting and advisory activities
- IA quality and performance
- IA planning and organisational analysis

### **Key Headlines**

The Chief Internal Auditor was absent for almost five months of the year and there was no cover in absentia for the role so the deliverables during the period were limited mostly to the first six months of the financial year.

A final determination was made to progress with the co-sourced partner arrangement and upon return the Chief Internal Auditor developed the documentation for the tender to be placed under the LGP Vendor Panel.

The two mandatory audits of DRIVES24 and NHV Accreditation Scheme were completed along with reports relating to consultancy reviews of CCTV, libraries and seniors centres and cash management in waste services. The IT Procurement of Goods report (that was put on hold along with a number of audits from the previous year by the ACEO at the time) was refreshed and issued in draft for management comment.

It was determined that for 2019/20 and going forward all mandatory reviews would be budgeted and sourced by the relevant unit so the Internal Audit schedule could focus on more high risk areas.

### ***Assurance Services***

- RMS Drives
- NHV Accreditation Scheme
- CCTV
- Seniors Centres
- Procurement of IT Goods
- Cash Management in Waste Services

The key issue during 2018/19 was finalising draft reports with the majority of them being delayed for significant periods of time, awaiting responses from Executive staff to corporate wide issues. This was regularly reported to the Audit, Risk and Improvement Committee through the quarterly progress report.

### ***Consulting/Advisory Work***

- Input into development of the Council's Signage Strategy
- In line with previous occasions, the Chief Internal Auditor was the external panellist for the recruitment of independent Committee members on Cessnock City Council's Audit, Risk and Improvement Committee

### ***IA Quality and Performance***

The Chief Internal Auditor presented to two different staff groups on "Tools and Resources for Telling the Story", highlighting sources for reliable data such as Google Trends and what the data may reveal along with the value of behavioural insights to influencing civic behaviour.

The Chief Internal Auditor mentored two members of staff and, through the Institute of Internal Auditors, an internal auditor at another Council.

### ***Planning and Organisational Analysis***

Insights from the data and detailed breakdown of Council's performance against its OLG peer group were compiled into the annual IA "*Comparative Data and Risk Outlook Report.*" A hard copy of this report was provided to all Executive members and all ARIC members. The information in this report also feeds into the Organisational Risk and Audit Needs Analysis which helps build the audit work programme.

**Conclusions**

Undoubtedly this has been a challenging year for internal audit in terms of being able to provide independent advice and assurance to Council (through the Audit, Risk and Improvement Committee) on the effectiveness of governance, risk and compliance frameworks, at a time when the organisation is still highly vulnerable. As previously reported, the IA function was downsized from two fully funded full-time staff to one following amalgamation and the risks to the organisation imposed by limitations on the independent review of Council operations became apparent during 2018/19 due to the unexpected absence of the Chief Internal Auditor for a significant part of the year.

**Attachments**

*Nil.*





**Item No:** 2.7  
**Title:** IA Emerging Themes, Operational Risks and Opportunities Report 2018/19  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13671376

Author: Tina Baker, Chief Internal Auditor

### **Summary**

The *IA Emerging Themes Report* is an annual report summarising the recurring risks and themes that emerged from the 2018/19 work programme.

### **Recommendation**

- 1 That the Audit, Risk and Improvement Committee receive the IA Emerging Themes Report.**
- 2 That the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

### **Background**

Internal Audit presents a paper to the Audit and Risk Committee each year on *Emerging Themes* that captures the recurring issues that have arisen during the year as a result of the business assurance work and root cause analyses on audit findings. This report focusses mostly on operational type issues in respect of Council efficiency and effectiveness, whereas the annual *Comparative Data Report and Risk Outlook Report* (produced following the release of comparative data from OLG) has a more strategic focus.

### **Summary of Results**

The themes that were identified in the 2016/17 and 2017/18 IA work programmes relating to amalgamation issues, continued to have some impact during 2018/19. Specifically, during this period, audit testing showed that:

- different policies, practices and procedures from the former Council entities still exist across many operational areas and physical locations (for example the membership of the NHV Accreditation Scheme limited to just the Northern depot operations);
- dual (or more) systems operating for key, core organisational services such as payroll, information management, staff management and asset management making reconciliation difficult and time consuming (as highlighted when trying to reconcile and compare type of receipts at different waste sites);

## 2.7 IA Emerging Themes, Operational Risks and Opportunities Report 2018/19 (contd)

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- work teams for the same function (eg finance, HR, IT) still being split across two or more office locations weakening team cohesion and making management supervision difficult (*Procurement of IT Goods*);
- different operating models carried over from former Councils leading to different levels of services to the community (*DRIVES*);
- a need for greater strategic direction and clarity on corporate wide issues such as future resourcing priorities, operating frameworks and management information (as highlighted by the corporate-wide issues in the audit reports for which an Executive response was sought).

### Conclusions

The emerging themes exercise acts as a useful barometer of organisational culture. It is important that while legacy issues and different policies and operating practices continue, any adverse impact on Council's efficiency, economy and effectiveness is monitored and minimised.

As with the *Comparative Data and Risk Outlook Report*, the information in this report and others provided by IA, should help inform the Audit, Risk and Improvement Committee to determine what information they would like to receive to help meet their Charter responsibilities as defined under Part 4A of the *Local Government Act, 1993*, in particular the statutory obligation to keep under review: risk management; governance; implementation of the strategic plan, delivery program and strategies; and collection of performance measurement data.

### Attachments

Nil



**Item No:** 4.1  
**Title:** Implementation of Enterprise Risk Management Framework  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2019/00033 - D13664587

Author: Stephen Bignill, Project Manager

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Dr Liz Develin, Director Governance

### **Report Purpose**

This report provides an update to the Audit, Risk and Improvement Committee on the progress of the Central Coast Council Enterprise Risk Management Framework. It also offers the opportunity for the Audit, Risk and Improvement Committee to have input into the future reporting of risk management across Council.

### **Recommendation**

- 1 That the Audit, Risk and Improvement Committee receive this report about the Enterprise Risk Management Framework.**
- 2 That the Audit, Risk and Improvement Committee take this opportunity to provide input into the risk management reporting process.**
- 3 That the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

The Enterprise Risk Management Framework was completed in March 2019.

Council staff have populated the risk register with the initially identified risks. The attached report utilises the risk register to develop some reporting examples for consideration of the Audit Risk and Improvement Committee and to act as a prompt to consider the information that should be included in the risk management report.

The objective is to develop a Risk Management Report that can be used by the Audit, Risk and Improvement Committee, the Executive Leadership Team, Unit Managers and relevant staff to have an effective understanding of the risks facing the organisation and how they are being managed.

### **Attachments**

- 1 ARIC Report D13666716**



**Item No:** 4.2  
**Title:** Fraud and Corruption Control Policy  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2019/00041-02 - D13652295

Author: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Liz Develin, Director Governance

## **Report Purpose**

At its meeting held 26 August 2019, Council resolved as follows:

*That Council refer the draft policy to the Audit Risk and Improvement Committee for review and comment prior to coming to Council for adoption*

The purpose of this report is for ARIC to review and comment on the attached Policy.

## **Recommendation**

- 1 That ARIC review and provide comment on the draft Central Coast Council Fraud and Corruption Control Policy as set out in Attachment 1 to this report, noting that it will form part of Council's Fraud and Corruption Control Framework for consideration by Council.**
- 2 That the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

## **Context**

The Fraud and Corruption Control Framework includes three parts:

1. Policy (recommended to Council and provided in Attachment 1);
2. Strategy (included as part of Attachment 1); and
3. Action Plan (to be developed).

Attached (Attachment 1) are the draft Policy and Strategy that were presented for consideration by Council.

The draft Policy sets out the high-level commitment by Council to the implementation of strategies and actions that support Fraud and Corruption control. It also sets out the responsibilities under the framework for implementing and monitoring actions.

## **4.2 Fraud and Corruption Control Policy (contd)**

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The Strategy provides further detail and is structured around the principles of:

1. Prevention;
2. Detection; and
3. Response

The three principles are further supported within the strategy by reference to the ten attributes identified by the NSW Audit Office Fraud Control Improvement Kit (February 2015) being:

1. Leadership
2. Ethical Strategy and Plan
3. Responsibility Structures
4. Fraud Control Policy
5. Prevention Systems
6. Fraud Awareness
7. Third Party Management Systems
8. Notification Systems
9. Detection Systems
10. Investigation Systems

The draft Policy and Strategy have been reviewed and endorsed by Council's Executive Leadership team in July 2019 and were presented for consideration by Council on 26 August 2019.

Upon adoption of the Policy by Council a supporting Action Plan will be finalised in consultation with accountable staff and then managed and monitored for delivery. This would include, as identified in the Policy, regular review by Council's Audit, Risk and Improvement Committee.

The implementation of a Fraud and Corruption Control Framework and the adoption of the Policy are key elements of ensuring and promoting an ethical culture at Central Coast Council. It is noted that as of 1 July 2018, there is a NSW Fraud and Corruption Control Policy and while this does not extend to local government, it is appropriate for Council to have a framework with aligned goals and outcomes.

The implementation of a Fraud and Corruption Control Framework has also been identified as a Management Action as part of the 2018/19 Audit process.

### **Consultation**

The development of the Fraud and Corruption Control Framework leverages sessions conducted by the Independent Commission Against Corruption with Councillors on 4 March 2019 and staff on 3 and 30 April 2019.

## **4.2 Fraud and Corruption Control Policy (contd)**

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The Policy and Procedures have been based on the NSW Audit Office Fraud Control Improvement Kit (February 2015). No public consultation is required nor recommended.

### **Attachments**

- 1** Fraud and Corruption Control Framework - June 2019      D13631006



## Fraud and Corruption Control Framework

<b>Prepared by</b>	Shane Sullivan, Unit Manager Governance and Business Services
<b>ELT Member</b>	Evan Hutchings, Director Governance
<b>Approved by</b>	Gary Murphy, Chief Executive Officer
<b>Next Review Date</b>	31 May 2021

### History of Revisions:

<b>Version</b>	<b>Date</b>	<b>Reason</b>	<b>Council Resolution</b>
1	June 2019		

## COMMUNITY STRATEGIC PLAN

Central Coast Council (Council) has an adopted [Community Strategic Plan](#) that will shape all activities and projects over the next four years.

The Fraud Corruption Control Strategy and Action Plan aligns with the [Community Strategic Plan](#) theme of 'Responsible'.

ONE-CENTRAL COAST CENTRAL COAST COUNCIL

# RESPONSIBLE

**WE'RE A RESPONSIBLE COUNCIL AND COMMUNITY, COMMITTED TO BUILDING STRONG RELATIONSHIPS AND DELIVERING A GREAT CUSTOMER EXPERIENCE IN ALL OUR INTERACTIONS.** We value transparent and meaningful communication and use community feedback to drive strategic decision making and expenditure, particularly around the delivery of essential infrastructure projects that increase the safety, liveability and sustainability of our region. We're taking a strategic approach to ensure our planning and development processes are sustainable and accessible and are designed to preserve the unique character of the coast.



### GOOD GOVERNANCE AND GREAT PARTNERSHIPS

**OBJECTIVES**

**G1** Build strong relationships and ensure our partners and community share the responsibilities and benefits of putting plans into practice

**G2** Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect

**G3** Engage with the community in meaningful dialogue and demonstrate how community participation is being used to inform decisions

**G4** Serve the community by providing great customer experience, value for money and quality services



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## A. POLICY

Council's adopted *Fraud and Corruption Control Policy* confirms Council's commitment to the proactive and effective prevention, detection and investigation of fraud and corruption.

This Strategy and Action Plan draws together all of the governance, policy and procedural elements to be applied throughout the organisation to manage the risk of fraud and corruption within and against Council, and details the responsibilities of Councillors, senior management, all staff members and others.

## STATEMENT OF COMMITMENT

Council is committed to the implementation of the Fraud and Corruption Control Policy through a risk management approach to the prevention, detection and response to all forms of fraud and corrupt conduct. This incorporates the design and implementation of a range of fraud and corruption prevention, detection and response strategies, and their routine evaluation.

Council has a zero tolerance for fraud or corruption and is committed to minimising the incidence of fraud and corruption. Council will take appropriate action against Council Officers, contractors and elected members who have participated in such behaviour and those who allow it to occur.

The Chief Executive Officer has ultimate responsibility for managing fraud and corruption risks in Council.

## SCOPE

This Strategy and Action Plan applies to all Council staff members; Councillors; volunteers; Section 355 Committees; key stakeholders such as suppliers, contractors and consultants; and relevant third parties with regard to functions and operations undertaken for or on behalf of Council.

## DEFINITIONS

**Corruption** means dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. The concept of 'corruption' within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly. (Australian Standard 2008)

**Corrupt Conduct** means:

- Conduct of a person (whether or not a public official) that adversely affects, or could affect the honest and impartial exercise of public official functions, or
- Conduct of a public official that involves the dishonest or partial exercise of any of his or her public official functions, or
- A breach of public trust, or
- The misuse of information or material acquired in the course of a public official's functions.

Corrupt conduct can also include the conduct of any person (whether or not a public official) that adversely affects or could affect the exercise of official functions and involves conduct such as bribery, blackmail, fraud, forgery and various other crimes.

For conduct to be corrupt it must be covered by one of the conditions above and also any one of the following:

- A criminal offence, or
- A disciplinary offence, or
- Reasonable grounds for dismissal or dispensing or terminating the services of a public official.

**Fraud** means a deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority. The type of events include: acts of omission, theft, the making of false statements, evasion, manipulation of information and numerous other acts of deception. (Audit Office of NSW)

**Maladministration** means conduct that involves action or inaction of a serious nature that is contrary to law; or unreasonable, unjust, oppressive, improperly discriminatory; or based wholly or partly on improper motives ([Public Interest Disclosure Act 1994](#)).

**Serious or substantial waste** means the uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss/wastage of public funds/resources.

**Control (also 'internal control')** means an existing process, policy, device, practice or other action that acts to minimise negative risks or enhance positive opportunities.

**Fraud and Corruption Risk Assessment** means the application of risk management principles and techniques in the assessment of the risk of fraud and corruption within an entity.

**Council Official** means an individual who carries out public official functions of Council or acts in the capacity of a public official, For Central Coast Council this includes the Mayor, Councillors, employees, members of Council committees and delegates of Council.

## REVIEW

This document is to be reviewed every three (3) years to ensure that it remains relevant and meets legislative requirements.

## RELATED RESOURCES

### Legislation

- [Local Government Act 1993 \(NSW\)](#)
- [Local Government \(General\) Regulation 2005](#)
- [Environmental Planning and Assessment Act 1979](#)
- [Independent Commission against Corruption Act 1988 \(NSW\)](#)
- [Public Interest Disclosures Act 1994 \(NSW\)](#)
- [Crimes Act 1900 \(NSW\)](#)
- Audit Office of NSW Fraud Control Improvement Kit 2015

This Strategy and Action Plan aligns with the following 'Best Practice' guidelines:

- AS8000-2003 - Corporate Governance Standards Set, including AS 8001-2008 - Fraud and Corruption Control.
- AS/NZS ISO 31000:2009 - Risk Management.
- NSW Audit Office Fraud Control Improvement Kit (2015). Specifically the ten (10) fraud control attributes developed by the Audit Office of NSW as below and detailed at Annexure A.

### Council Documents

- [Code of Conduct](#) and associated documents
- Fraud and Corruption Control Policy
- Public Interest Disclosures (Internal Reporting) Policy

## RESPONSIBILITY STRUCTURE

Council has clearly defined responsibilities for implementing and monitoring actions associated with fraud and corruption control across Council and in relation to this Strategy and Action Plan. These responsibilities will be clearly communicated to Councillors, staff, management and relevant Council Committees and will be detailed in position descriptions and committee charters so that there is a common understanding of fraud and corruption control responsibilities and expectations.

### All Staff

All Council staff are responsible to:

- Prevent and mitigate fraud, corruption, maladministration and waste within their area of operation and responsibility by, at a minimum, implementing and abiding by

relevant internal controls and adhering to the Policy, and this Strategy and Action Plan.

- Operate systems of internal control to prevent and detect fraud or corruption in accordance with instructions and established procedures.
- Report all instances of suspected or attempted fraudulent or corrupt conduct in accordance with Council's internal reporting procedures.
- Protect colleagues who have made reports of fraud or corruption from detrimental action. (See *Public Interest Disclosures Policy*).
- Have regard to fraud and corruption related risks when undertaking risk assessments in relation to Council's daily functions and operations, when specific projects or events are planned, or when changes to Council's systems, processes or functions occur.
- Provide co-operation and assistance to investigators or officials investigating suspected or reported fraud or corruption.
- Undertake any responsibilities allocated to them in other relevant Council policies.

## Managers

In addition to their responsibilities as Council staff members, Managers will:

- Assess the risks of fraud and corruption and the effectiveness of internal controls in place to mitigate such risks within their areas of operation and responsibility.
- Implement recommendations arising from fraud and corruption detection systems and internal audits.
- Monitor their workplaces to identify and address situations that are likely to raise ethical dilemmas or place staff in compromising situations (ie. by establishing good procedural guidance for decision-making, including the exercise of discretion).
- Be available and support staff that require guidance on ethical dilemmas.
- Foster a work environment free of harassment, discrimination, victimisation, corruption, fraud, maladministration and waste.
- Ensure that staff are aware of the principles contained in Council's [Code of Conduct](#) and the established systems and procedures for addressing ethical problems.
- Support and protect staff who report, in good faith, instances of potentially unethical, fraudulent or corrupt practices.
- Ensure that staff are treated fairly, equitably and in accordance with legislation and policy (eg. access to training and other development possibilities).
- Ensure that contractors, consultants, suppliers, and the like, engaged within their area of operation are aware of and have an understanding of Council's Fraud and Corruption Control Policy and Strategy and Action Plan and related Council policies and procedures and that these documents are readily available to them.

## Leadership Group (ELT and Unit Managers)

In addition to their responsibilities as Council staff members, the Leadership Group are responsible for actively fostering an ethical culture and supporting and promoting the objectives of this Strategy and Action Plan throughout the organisation by:

- Setting an example of observable adherence to Council's [Code of Conduct](#), Fraud and Corruption Control Strategy and Action Plan and related Council policies and procedures.
- Supporting and promoting ongoing identification, analysis, mitigation and review of fraud and corruption risks and internal controls.
- Setting an example of internal control adherence in relation to identified fraud and corruption risks.
- Implementing recommendations arising from fraud and corruption detection systems and internal audits.
- Supporting fraud and corruption awareness programs for Councillors and staff.
- Supporting the continued operation of Council's Audit, Risk and Improvement Committee (ARIC) in the pursuit of successful enterprise risk management.
- Fostering a work environment free of harassment, discrimination, victimisation, corruption, fraud, maladministration and waste.
- Undertaking internal reporting responsibilities in accordance with Council's *Internal Reporting (under [Public Interest Disclosures Act 1994](#)) Policy* and notify the Unit Manager Governance and Business Services of all fraud and corruption matters reported via the various channels.

### Chief Executive Officer

In addition to responsibilities as a Council staff member, the Chief Executive Officer is responsible to:

- Implement Council's Fraud and Corruption Control Policy, and Strategy and Action Plan.
- Promote ethical behaviour and awareness that fraud and corruption will not be tolerated.
- Receive reports of suspected fraud and corrupt conduct, maladministration and serious and substantial wastage; and receive allegations of reprisal action, in accordance with *Council's Internal Reporting (under [Public Interest Disclosures Act 1994](#)) Policy*.
- Ensure that all reports of suspected fraud or corruption, maladministration, serious and substantial wastage are referred to the ICAC as required. *Refer section 11 ICAC Act*
- Keep the Council informed in line with ICAC directions about confidentiality.
- Make decisions about reporting criminal matters to the New South Wales Police Force.
- Receive summary information about investigations undertaken into suspected fraud and corruption.
- Ensure that Council's Fraud and Corruption Control Strategy and Action Plan and related policies and procedures are adequate and that regular reviews and checks are undertaken to detect irregularities. The ARIC may assist in this process.
- Make decisions regarding restitution and criminal charges in all cases of fraud and corruption.
- Decide what disciplinary action is appropriate for employees involved in fraud and corruption.

## Council

The Council is responsible for:

- Implementing and promoting Council's overall approach to fraud and corruption control.
- Assessing and dealing with issues related to fraud and corruption control as the need arises.
- Deciding what disciplinary action is appropriate for Councillors involved in fraud and corruption in cases where it is not decided by the Director General of Local Government.

## Governance and Business Services Unit

In addition to their responsibilities as Council staff members, Council's Governance and Business Services Unit is responsible for:

- Developing, implementing and reviewing fraud and corruption related Council policies, procedures and training proposals, including this Strategy and Action Plan .
- Maintaining a register of all reported actual or suspected fraudulent or corrupt activities and investigations and periodically reporting the register to Council's Audit, Risk and Improvement Committee.
- Liaising with internal and external investigators.
- Ensuring a high quality of fraud and corruption investigation procedures and reports.
- Undertaking internal reporting responsibilities in accordance with Council's *Internal Reporting (under [Public Interest Disclosures Act 1994](#)) Policy*. Council's Internal Ombudsman is Council's nominated Disclosures Co-ordinator.

## Audit, Risk and Improvement Committee (ARIC)

ARIC is responsible to:

- Oversee Council's fraud and corruption control program;
- Approve reviews of the Fraud and Corruption Control Strategy and Action Plan;
- Review and approve Council's enterprise-wide Fraud and Corruption Risk Assessment.
- Recommend Fraud and Corruption Control Health Checks and Improvement Workshops at least once every two years; and
- Other relevant responsibilities in accordance with the Audit Committee Charter.

## Internal Auditor

Council recognises that internal audit is an effective part of the overall control environment. Whilst undertaking audits within Council the Internal Auditor is responsible to:

- Examine and evaluate the effectiveness of internal controls;
- Make recommendations to Council management to further enhance internal control design and effectiveness; and
- Make notifications of actual or suspected instances of fraud and corruption in accordance with relevant reporting procedures.



## B. STRATEGY

### OBJECTIVES

The objectives of this Strategy and Action Plan are to:

- Eliminate or reduce opportunities for fraudulent or corrupt activities within or against Council.
- Promote an organisational environment that encourages professionalism, integrity and ethical conduct.
- Uphold a commitment to accountable and transparent decision making.
- Ensure that the identification and management of fraud and corruption risks are undertaken in line with the documented principles and procedures
- Support the identification and implementation of appropriate internal controls, including procedures and policies, which support the prevention and detection of fraudulent or corrupt activities.
- Support the implementation and maintenance of effective reporting disclosure systems and investigation and disciplinary procedures for suspected or actual fraudulent or corrupt behaviour.
- Clearly define the responsibilities of Councillors, senior management, all staff and Committees of Council in relation to the prevention, detection, reporting and investigation of fraud and corruption.
- Provide Councillors, senior management and all staff with the necessary tools and understanding to meet their responsibilities in this regard.

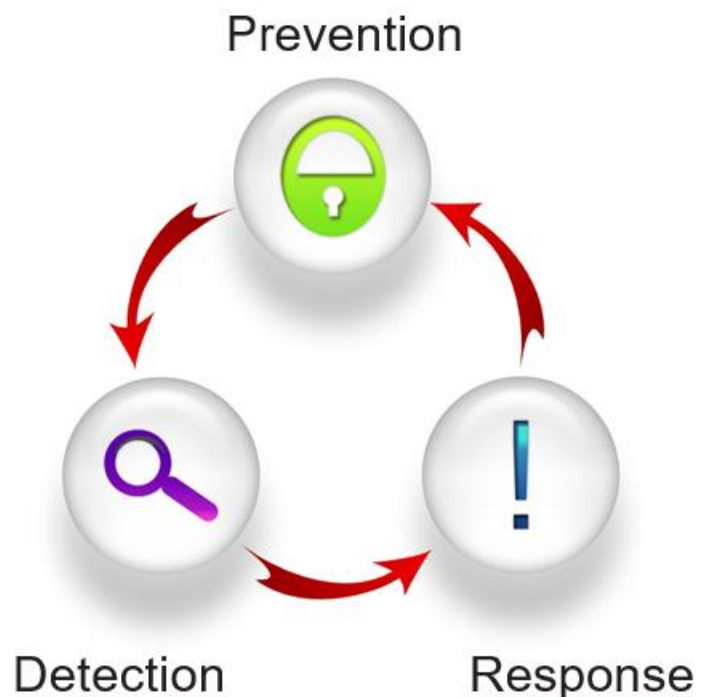
### PRINCIPLES OF THE STRATEGY AND ACTION PLAN

The principals of the Strategy and Action Plan are::

1. Prevention
2. Detection
3. Response

These principals are further guided by the ten attributes as detailed in the Audit Office of NSW Fraud Control Improvement Kit (February 2015), Managing your fraud control obligations.

1. Leadership
2. Ethical Strategy and Plan
3. Responsibility Structures



4. Fraud Control Policy
  5. Prevention Systems
  6. Fraud Awareness
  7. Third Party Management Systems
  8. Notification Systems
  9. Detection Systems
  10. Investigation Systems
- 

## 1. PREVENTION

This section of the document details the strategies that are in place to identify and prevent fraud and corruption risks within or against Council.

### Fraud and Corruption Control Policy

Council's adopted *Fraud and Corruption Control Policy* reinforces Council's commitment to fraud and corruption prevention by providing guidance regarding Council's actions and expectations in relation to fraud and corruption. The Policy also confirms that fraud and corruption prevention is the responsibility of Councillors, Senior Management and every employee of Council.

### Responsibility Structure

The organisational responsibilities for implementing and managing Council's Fraud and Corruption Control Strategy and Action Plan; and Councillor, staff and senior management responsibilities in relation to the prevention, detection and investigation of fraud and corruption; are clearly defined earlier in this document.

In addition, Council's *Public Interest Disclosures Policy* (under [Public Interest Disclosures Act 1994](#)) identifies the responsibilities of staff and Councillors, and provides procedures for reporting and handling of Public Interest Disclosures.

Fraud and corruption control responsibilities will be communicated to all levels of the organisation to ensure that there is a common understanding of fraud and corruption responsibilities and expectations.

### Fraud and Corruption Risk Assessment

Council will undertake high level Fraud and Corruption Risk Assessment workshops in relation to the various functions and operations of Council. These workshops will:

- Identify specific fraud and corruption risks;
- Rate the likelihood and consequence of each fraud and corruption risk with and without existing controls;
- Review the adequacy of existing internal controls; and
- Develop action plans to treat the identified risks.

Council's identified fraud and corruption risks, internal controls and proposed risk treatment action plans will be documented and recorded in Council's Risk Register.

Council will continue to assess fraud and corruption risks periodically as part of Council's enterprise wide approach to risk management. Furthermore, as resources and budget permits, Council will identify high fraud and corruption risk areas and activities and conduct a more detailed risk assessment involving key staff in each section.

A review of Council's Risk Register will be undertaken on an annual basis for identification of fraud and corruption risks to ensure that additional fraud and corruption risks are identified as they emerge and that Council's operations and functions, particularly those with a high predisposition to fraud and corruption, are subject to ongoing and effective internal controls.

Council recognises that internal audit complements internal assessment of fraud and corruption related risks and controls and therefore independent identification and assessment of Council's fraud and corruption risks will be arranged with Council's Internal Auditor and Audit, Risk and Improvement Committee as warranted.

### **Councillor and Employee Awareness**

Council will make the following clear to staff, Councillors, volunteers and contractors:

- The ethical behaviours expected of them in the workplace; and
- That the organisation will not tolerate corruption, including fraudulent dealings, and that people are encouraged to provide information if they suspect corruption is occurring.

Council has the following processes in place to ensure awareness of Council's position in respect to fraud and corruption:

- Induction training that includes elements of fraud and corruption.
- Provision of Fraud and Corruption Control Training for Managers and Team Leaders.
- Provision of [Code of Conduct](#) training to ensure an understanding of the ethical behaviour expected in the workplace and the types of activities that may constitute fraudulent or corrupt behaviour and Council's response to this type of activity.
- Public Interest Disclosure Training for staff.
- Making Council's Fraud and Corruption Control Strategy and Action Plan and related policies and procedures readily available.
- Active use of Council's Gifts and Benefits Register and Political Donations and Gifts Disclosure Register in Council's Electronic Document Management System (EDMS).

### **Customer and Community Awareness**

Council will communicate the following to key stakeholders, including customers and members of the general and business community, to ensure confidence in the integrity of the organisation:

- That Council will not tolerate fraudulent and corruption behaviour and perpetrators will be prosecuted; and
- That key stakeholders are encouraged to provide information if they suspect fraud or corruption is occurring and that there are channels available for them to do so.

Council will communicate the above principles through the following mediums.

**Statement of Business Ethics**

Council's Statement of Business Ethics outlines expected behaviour, key code of conduct principles, Council expectations, conflict of interest protocols, gifts and benefits protocols and how to report corruption, maladministration and wastage.

Council's Statement of Business Ethics is available on Council's website and incorporated into and referred to in tender invitations and/or contract documentation.

**Political Donations**

Council's Development Application submission forms require residents / developers to complete a Political Donation Statement.

Council's website includes information with respect to obligations in relation to the disclosure of political donations.

**Policy Register**

Council's website includes a Policy Register of all key Council policies.

**Other**

Declarations in general terms and conditions of business dealings with external parties. Council may undertake surveys to gauge community perception of integrity, fraud and corruption at Council as time and resources permit.

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## **2. DETECTION**

This section of the Strategy and Action Plan deals with Council's approach to the early detection of fraudulent and corrupt behaviour within or against the organisation.

It is noted that Council's Fraud and Corruption Risk Assessment and Responsibility Structure detailed earlier in the document also support this part of Council's Strategy and Action Plan.

### **Detection Systems**

Council recognises the importance of early warning systems to alert possible fraud and corruption and that the implementation and maintenance of a rigorous system of internal controls is the first line of defense against fraud and corruption within and against Council.

Council therefore requires all organisational activities to be designed with an awareness of the fraud and corruption risks that may arise and management controls to be put in place to reduce the risk to an acceptable level.

Council has identified a number of existing internal controls relevant to the fraud and corruption risks faced by Council. These controls are documented in Council's Risk Register and include:

- Review by a senior officer.
- Segregation of duties.
- Authorisation / approval by a senior person.
- Sign-off.
- Supervisor checks.
- Visual inspections.
- Audit trails.
- Audits.
- Reconciliations.

Council will review its internal controls in conjunction with its fraud and corruption risk assessment review on at least an annual basis in consultation with relevant Council staff to ensure that internal controls remain in place and effective and that additional internal controls are identified and recorded.

### **Notification Systems (Reporting Suspected Fraud and Corruption)**

Council recognises that ignoring fraud or corruption is tantamount to endorsement of the activity. As such Council will create and foster an organisational culture and environment:

- That supports reporting of suspect actions and behaviour.
- Where staff, volunteers and contractors feel comfortable reporting matters; and
- That promotes confidence in the fact that Council will address complaints genuinely and protect anyone who reports such an activity from reprisal.

The following policies, procedures, documents and systems establish and facilitate the notification of suspected or actual fraudulent and corrupt behaviour to Council.

### **Internal Reporting (under Public Interest Disclosures Act 1994) Policy**

Council's adopted Public Interest Disclosures Policy (under [Public Interests Disclosures Act 1994](#)) complements normal communication channels between Council supervisors and staff members by providing the following:

- Appropriate avenues for reporting fraudulent and corrupt conduct internally and detailing options available for reports to be made to external authorities;
- An assurance that any person who makes disclosures receives protection from reprisals; and
- Confirming Council's commitment to appropriately investigating matters raised in public interest disclosures.

Council's Policy also details the responsibilities of Council's nominated Disclosure Co-ordinator, Disclosure Officers, Chief Executive Officer and Mayor in relation to Council's Internal Notification and Reporting Systems.

### **Statement of Business Ethics**

Council's Statement of Business Ethics is required to be written into the contracts of third parties dealing with Council, and those who may be seen by the public as representing Council, such as suppliers, consultants and contractors.

The statements makes third parties aware that they, and their employees, must adhere to Council's ethical standards; report any suspected or alleged fraud or corruption involving the Council to the Chief Executive Officer; and that breaches of the Statement may result in penalties being imposed and possible cancellation of their contract.

### **Code of Conduct**

Council's [Code of Conduct](#) establishes the standard of ethical behaviour expected of all Council staff and Councillors and therefore supports the objectives of this Strategy and Action Plan.

[Code of Conduct](#) training is provided to Councillors and all staff upon induction and periodically throughout their term of employment to ensure awareness in this regard.

It is noted that in some cases a breach of Council's [Code of Conduct](#) may constitute fraudulent or corrupt behaviour. Such breaches will be investigated in accordance with relevant sections of this Strategy and Action Plan and any relevant Human Resources policies and procedures. Where deemed necessary, Council will take the appropriate disciplinary action.

### **Complaints Management**

Council's Complaints Handling Policy sets out Council's approach and procedures for receiving and effectively and positively handling complaints from any person, group or organisation (or their representative) that uses Council's services or is impacted by Council's decisions, actions or lack of actions.

The Policy also details the avenues available for the lodgement of complaints to Council and reinforces that complainants will not be subject to disadvantage or victimisation.

### **Grievance Handling Procedure**

Council's Grievance Handling Procedure provides avenues for Council staff to report grievances and the manner in which such reports will be managed by Council.

The Procedure reinforces that Council will apply equity and confidentiality in dispute resolution processes and work towards expediting a return to productive and harmonious workplace relations for all involved.

### **External Notification Systems**

Council recognises that it has a legal obligation to:

- Report fraudulent conduct to the police;

- Report suspected corruption to the Independent Commission against Corruption (ICAC); and
- Notify other external authorities as appropriate.

The following policies and procedures detail Council's approach to notifying external authorities. Other external bodies may also be relevant in particular situations (eg. ATO) and will be notified where necessary.

### **Internal Reporting (under Public Interests Disclosures Act 1994) Policy**

Council's adopted Public Interest Disclosures Policy (under [Public Interests Disclosures Act 1994](#)) details the procedures for external reporting to the Independent Commission Against Corruption (ICAC), NSW Ombudsman and Office of Local Government. It also defines the responsibilities of Council's nominated Disclosure Co-ordinator, Disclosure Officers, Chief Executive Officer and Mayor in relation to external notification systems and associated procedures.

### **Independent Commission Against Corruption (ICAC)**

Under section 11 of the [Independent Commission Against Corruption Act 1988](#), the principal officer of a public authority has a duty to report to the Commission any matter that the officer suspects on reasonable grounds concerns, or may concern, corruption.

The principal officer is defined as the person who is the head of the authority, its most senior officer or the person normally entitled to preside at its meetings. The Council's principal officer is the Chief Executive Officer.

When another person acts as the Chief Executive Officer during periods of leave or other absence, the duty applies to that person who is acting.

The reference to suspects on reasonable grounds, according to ICAC means that there is a real possibility that corrupt conduct may be involved. Proof is not necessary.

The ICAC encourage organisations to contact the Commission to discuss particular matters if they are unsure about whether or not to report, and to seek clarification about other issues related to reporting.

Section 11 applies despite any duty of secrecy or other restriction on disclosure.

The requirement to report suspected corruption to ICAC does not affect the obligations to report or refer matters to other bodies, such as the Police, the Ombudsman, or to carry out disciplinary procedures as required.

The Independent Commission Against Corruption (ICAC) has stated that reporting criminal matters to the Commission should not delay the matter being reported to the Police.

ICAC has advised that the following items should be included in reports:

- details of the allegations

- the name and position of any public official/s alleged to be involved
- the name and role of any other people relevant to the matter
- when the alleged conduct occurred
- whether the alleged conduct appears to be a one-off event or part of a wider pattern or scheme
- when the allegation was made or you became aware of the alleged conduct
- what your organisation has done about the suspected conduct, including notification to any other agency
- what further action is proposed
- an indication of the estimated amount of money (if any) involved
- any other indicators of seriousness
- any other relevant information

The Commission may use the matters reported to ICAC in the following ways:

- all information is assessed in terms of the contribution it may make to the work of the Commission;
- a small number of reports are selected for full investigation by ICAC;
- reports may form the basis of corruption prevention advice and project work;
- reports may be referred to more appropriate investigative authorities.

### **Police**

Where the Chief Executive Officer reasonably believes that a Council employee, Councillor or related party has committed a criminal offence, the matter will be referred to the police.

According to Section 316 of the [Crimes Act 1900](#), concealing a serious offence is a criminal offence:

If a person has committed a serious offence and another person who knows or believes that the offence has been committed and that he or she has information which might be of material assistance in securing the apprehension of the offender or the prosecution or conviction of the offender for it fails without reasonable excuse to bring that information to the attention of a member of the Police Force or other appropriate authority, that other person is liable to imprisonment for 2 years.

Where any other Council employee or Councillor suspects on reasonable grounds that a crime has been committed, this will be reported in accordance with Council's adopted Public Interest Disclosures Policy (under [Public Interests Disclosures Act 1994](#)).



### 3. RESPONSE

Council will deal fairly with all parties in the course of investigating allegations of fraud or corruption, however if fraud or corruption is proven Council will apply the appropriate sanctions.

#### Guiding Principles

The overall guiding principles of any investigation into alleged improper conduct will be independence, impartiality and objectivity; however it is noted that matters referred to the Independent Commission Against Corruption (ICAC) or NSW Police may lead to criminal proceedings.

Council's investigation standards are clearly documented in various Council policies and procedures, including Council's *Fraud and Corruption Control Policy*, [Code of Conduct](#), *Public Interest Disclosures Policy (under [Public Interests Disclosures Act 1994](#))* and *Workplace Investigations Policy and Procedure*.

#### Investigation Systems

##### Internal Investigations Procedures

The investigation procedure undertaken by Council will ensure fairness and consistency in accordance with the rules of natural justice and with respect for the civil rights of staff members and citizens.

All Councillors, staff members and stakeholders are expected to fully co-operate in relation to such investigations.

##### Responsibilities

Internal investigations into potential fraud and corruption related activities will be undertaken by Council's suitably authorised and trained staff in accordance with Council's *Public Interest Disclosures Policy (under [Public Interests Disclosures Act 1994](#))* and investigation procedures detailed in *AS8001-2008 Fraud and Corruption Control* and ICAC's "*Guide to Conducting Internal Investigations*".

It is noted that when potential internal investigators have conflicts of interest, an external consultant will be engaged to assist with the conduct of the investigation. All persons engaged will be appropriately qualified by reason of formal qualifications and relevant experience.

##### Record Keeping and Information Protection

Council recognises that the manner in which evidence is collected and stored in relation to any fraud or corruption investigation will have a critical impact on its value as evidence in any later inquiries or court proceedings.

Council officers involved in internal investigations will keep records in accordance with Council's record keeping policies and procedures, the [State Records Act 1998 \(NSW\)](#) and the following procedure:

1. Investigation files and reports should be kept securely locked when not in use. They should not be left unattended on desks even for short periods.
2. Evidence collected will be stored and labeled systematically, and kept confidential. Additionally original documents will not be altered or annotated in any way.
3. Access to files and reports should only be given to people for official purposes and on a needs basis.
4. People to whom access is given must observe the same security procedures. This should be explained to them.
5. The name of the person suspected of the conduct should not be mentioned on the cover of any files.
6. The name of the person who reported the suspected conduct should not be mentioned on the cover of any file.
7. No information from the investigation report is to be attached to any employee's personnel file.
8. The Disclosure Co-ordinator is responsible for maintaining a record (Investigation Register) of any investigation conducted as a result of suspected instances of fraud and corrupt conduct being reported.
9. The Disclosure Co-ordinator is responsible for all investigation files dealing with suspected fraud, corruption, maladministration and wastage.
10. All investigation files and related records will be retained and destroyed by Council in accordance with the [State Records Act 1998 \(NSW\)](#) and related Council record keeping policies and procedures.

### **Investigation Register**

Council's Disclosure Co-ordinator will maintain a register of all investigations conducted as a result of suspected or actual instances of fraud and corruption being reported.

The Investigation Register will include the following information in relation to every reported fraud and corruption incident:

- Date and time of report.
- Date and time that incident was detected.
- How the incident came to the attention of management (e.g. anonymous report, normal report, supplier report).
- The nature of the incident.
- Value of loss (if any) to the entity.
- The action taken following discovery of the incident.

Each case will stay on the schedule and not be reported until all action is finalised. Once all action for a case is finalised, including all managerial action, it will be reported as finalised.

All investigation action, including any managerial disciplinary action, if applicable, is expected to be completed within 3 months of the allegation being received.

All preventative action, if any, required by management as recommended and agreed with the investigator, is to be implemented within 3 months of the investigation being completed.

The Disclosure Co-ordinator is responsible for analysing and undertaking trend analysis of information contained on the register/database, e.g. by location, by investigation type.

### **Investigation Results**

Details of investigations will be communicated to the Chief Executive Officer by the Disclosures Co-ordinator as per Council's *Public Interest Disclosures Policy (under [Public Interests Disclosures Act 1994](#))* and by use of Council's Management Investigation Report.

The Chief Executive Officer will have access to:

- Council's Risk Register
- Council's Management Investigation Report

The Chief Executive Officer will take relevant fraud and corruption information into account when reviewing Council's Fraud and Corruption Control Strategy and Action Plan

### **Conduct and Disciplinary Systems**

Fraud and corruption will not be tolerated by Council and perpetrators will face disciplinary action and will be prosecuted if necessary.

Where crimes have been committed Council will report the matters to the police and where appropriate criminal prosecution will be undertaken. Civil and administrative action may also be instituted to recover any losses to Council.

To support a sound conduct and disciplinary system, Council's related policies and procedures will ensure that staff members and Councillors understand that:

- Fraud is a crime and will not be tolerated;
- The rules and requirements, values and behaviour expected of them; and
- Those committing fraud or corruption will be prosecuted.

### **Disciplinary Standards**

In all cases of fraud and corruption, consideration will be given to restitution and criminal charges. The Chief Executive Officer is responsible for making the decision about these matters.

The Chief Executive Officer will be responsible for deciding what disciplinary action is appropriate for staff members involved in fraud and corruption.

The Council and/or the Director General of Local Government is responsible for deciding what disciplinary action is appropriate for Councillors involved in fraud and corruption.

Council's Public Interest Disclose Policy (under [Public Interests Disclosures Act 1994](#)) details Council's approach to the notification of instances of fraud and corruption to external authorities.

## **IMPLEMENTATION**

The successful implementation and the achievement of Council's Fraud and Corruption Control Strategy and Action Plan objectives relies heavily on the provision of effective staff and Councillor education and training.

Any person employed by Council and Councillors will be required to undertake training in relation to Council's Fraud and Corruption Control Strategy and Action Plan, [Code of Conduct](#); Public Interest Disclosures Policy (under [Public Interest Disclosures Act 1994](#)) and Complaints Handling Policy.

A copy of these documents will be provided to staff at that time.

Fraud and corruption investigation training will also be provided to relevant Council staff as appropriate.

Council undertakes regular culture surveys and it should be noted that if Council's observable ethical culture falls below acceptable levels, remedial action, including a broad-based communication and training program, will be undertaken as a matter of priority.

Council's Fraud and Corruption Control Strategy and Action Plan, along with related Council policies and procedures, will be made readily available including at induction to Council staff, Councillors and stakeholders. Such availability will ensure a continued awareness and understanding of what constitutes fraudulent and corrupt conduct, reinforce Council's approach should such behaviour be suspected or substantiated, and ensure the continued promotion of ethical and professional conduct throughout the organisation.

Council will develop and maintain an Implementation Action Plan to ensure the appropriate implementation of the Policy and this Strategy.

## **MONITOR AND REVIEW**

Monitoring and reviewing Council's Fraud and Corruption Control Strategy and Action Plan and associated procedures and systems will ensure effective ongoing implementation and improvement of all aspects of the Strategy and Action Plan across the organisation, and in particular will:

- Identify specific work areas where implementation of some elements of the Strategy and Action Plan may need modification or improvement;
- Identify elements of this Strategy and Action Plan that may need attention across the entire organisation;
- Develop a targeted plan for improving implementation of this Strategy and Action Plan;

- Monitor the ongoing extent of the implementation of the Strategy and Action Plan across all areas within Council;
- Identify resourcing requirements and, in particular, ensuring that the anti-fraud and anti-corruption human resources are appropriately senior and skilled for the role and that they have a sufficient allocation of time to discharge their responsibilities; and
- Ensure Council meets its legislative obligations.

## **STRATEGY AND ACTION PLAN REVIEW**

Council's Fraud and Corruption Control Strategy and Action Plan will be reviewed at minimum of once every two years by Council's Manager Governance and Business Services to ensure it remains current and effective. During such reviews, regard will be given to the results of Council's fraud and corruption "Health Checks" and "Improvement Workshops".

## **HEALTH CHECKS AND IMPROVEMENT WORKSHOPS**

Council will undertake fraud and corruption "Health Checks" at least once every 2 to 3 years in all work areas across the organisation, in line with the requirements of the Audit Office of NSW, Better Practice Guide "Fraud Control Improvement Kit". A Health Check may also be undertaken more regularly as deemed necessary by the Audit, Risk and Improvement Committee, particularly in areas that present a higher level of fraud and corruption related risks.

The results of the Health Check will be considered by Council's Audit, Risk and Improvement Committee and the results will assist in the identification of the areas of Council that require a fraud and corruption control "Improvement Workshop" to be undertaken. Such workshops will be undertaken in line with the requirements of the Audit Office of NSW, Better Practice Guide "Fraud Control Improvement Kit".

## **FRAUD AND CORRUPTION RISK ASSESSMENTS**

Council's enterprise wide fraud and corruption risk assessment will be reviewed on an annual basis by ELT and reported to Council's Audit, Risk and Improvement Committee, in order to ensure:

- Additional fraud and corruption related risks are identified and managed appropriately; and
- Ensure the ongoing effectiveness of fraud and corruption prevention and detection related controls utilised throughout the organisation.
- The ongoing awareness and commitment of ELT to fraud and corruption control throughout the organisation.

It is recommended that within their area of operations and responsibility, Unit Managers continually monitor their fraud and corruption related risks to ensure that appropriate measures are being implemented to reduce those risks and that any amendments are reflected within Council's Risk Register.

## **CODE OF CONDUCT**

The Code is required to be revised on a regular basis to ensure that it remains relevant, comprehensive and continues to meet the standards of the [Model Code of Conduct](#) issued by the Office of Local Government.

## **C. ACTION PLAN**

The Action plan will be provided separately. It is aligned to the NSW Audit Office Fraud Control and Corruption Framework. Actions are cross referenced to the NSW Audit Office checklist. Actions are assigned to a responsible position or positions for implementation.

## ANNEXURE A - TOP 10 ATTRIBUTES OF FRAUD

The "critical factors for success" (top 10 attributes) suggested under the "Fraud Control Improvement Kit (February 2015): Managing Your Fraud Control Obligations" developed by the Audit Office of NSW, that underpin Council's Fraud and Corruption Control Strategy and Plan are outlined below.

PREVENTION		
Attribute No.		Aim of Attribute is to ensure that:
1.	<b>Leadership</b>	<ul style="list-style-type: none"> <li>▪ Senior Management commitment is demonstrated through behaviour and allocation of resources.</li> </ul>
2.	<b>Ethical Strategy and Plan</b>	<ul style="list-style-type: none"> <li>▪ A suite of Policies and procedures have been developed to establish a standard of behaviour</li> <li>▪ A strong governance Strategy and Action Plan has been developed and is entrenched in ethical and transparent decision making</li> </ul>
3.	<b>Responsibility Structure</b>	<ul style="list-style-type: none"> <li>▪ There is a clear accountability and responsibility for implementation and monitoring of the Fraud and Corruption Control Strategy and Action Plan;</li> <li>▪ This accountability is well known by all staff at all levels and in all sections of the organisation;</li> <li>▪ There is a common understanding that everyone in the organisation has a role to play in effective fraud management.</li> </ul>
4.	<b>Fraud and Corruption Control Policy</b>	<ul style="list-style-type: none"> <li>▪ Council has in place the necessary policies, systems and procedures to minimise fraud and corruption in all sections, and at all levels of an organisation;</li> <li>▪ Policies, systems and procedures respond, and are proportionate, to the fraud risks faced by Council.</li> </ul>
5.	<b>Prevention Systems</b>	<ul style="list-style-type: none"> <li>▪ Proactive and integrated fraud risk assessments are conducted and reviewed in a timely manner</li> <li>▪ High Risk areas are an organisational focus</li> <li>▪ There is a commitment to planning, accountability and reporting</li> </ul>
6.	<b>Fraud Awareness (Employees, Councillors and the Community)</b>	<ul style="list-style-type: none"> <li>▪ All employees understand the ethical behaviours required of them in the workplace;</li> <li>▪ Training programs in ethical behaviours are in place across the organisation;</li> <li>▪ Training deals with the fraud risks faced by individuals in their workplaces.</li> <li>▪ Employees understand that fraud will not be tolerated and that perpetrators will face disciplinary action;</li> <li>▪ Employees have access to written information to assist them understand their ethical obligations;</li> <li>▪ Approaches will be developed that are consistent with both perceived risks and the organisation's approach to human resources management.</li> </ul>
7.	<b>Third Party Management Systems</b>	<ul style="list-style-type: none"> <li>▪ Effective third party controls are in place particularly in the area of procurement and engaging contractors</li> <li>▪ A secondary employment policy is implemented and communicated to third parties</li> <li>▪ A statement of business ethics sets expectations and mutual obligations</li> </ul>

<b>DETECTION</b>		
<i>Attribute No.</i>		<i>Aim of Attribute is to ensure that:</i>
<b>8.</b>	<b>Notification Systems</b>	<ul style="list-style-type: none"> <li>▪ There is a culture within the organisation that supports and encourages reporting of actual and suspected fraud and corruption</li> <li>▪ Reporting under section 11 of the ICAC Act is undertaken</li> <li>▪ Policies, systems and procedures are in place to encourage the reporting of suspect behaviours;</li> <li>▪ Council has policies which clearly identify the nature of suspect actions which require reporting to the Police, the ICAC, the Ombudsman, etc;</li> <li>▪ External notification takes place as required in light of the above legal and policy requirements.</li> <li>▪ Fraud notification systems give the complainant the opportunity to report the suspect behaviours anonymously;</li> <li>▪ "Whistle-blowers" are protected by the organisation Policies, systems and procedures and give equal opportunities to managers, staff, contractors, consultants, customers, suppliers etc. to notify the organisation of suspect behaviours.</li> </ul>
<b>9.</b>	<b>Detection Systems</b>	<ul style="list-style-type: none"> <li>▪ Available data is thoroughly monitored and reviewed to ensure that irregularities and warning signals are picked up at a very early stage and flagged for further detailed review;</li> <li>▪ Internal audits regularly examine samples of medium and high risk financial decision making across the organisation;</li> <li>▪ The AC make decisions and recommendations, based on risk, about key systems and decisions to be audited;</li> <li>▪ Outcomes of audits are reported to executive management on a quarterly basis.</li> <li>▪ A separate fraud risk assessment is undertaken by the organisation;</li> <li>▪ The fraud risk assessment quantifies the level, nature and form of the risks to be managed;</li> <li>▪ Actions will be taken by the organisation to mitigate the risks identified in the fraud risk assessment.</li> </ul>
<b>RESPONSE</b>		
<i>Attribute No.</i>		<i>Aim of Attribute is to ensure that:</i>
<b>10.</b>	<b>Investigation Systems</b>	<ul style="list-style-type: none"> <li>▪ Procedures and other appropriate support (including training, where required) is provided to staff undertaking investigation activity on behalf of the organisation;</li> <li>▪ Investigation actions undertaken should be consistent with commonly used investigation standards;</li> <li>▪ Where appropriate expertise is not available internally, then external assistance should be sought;</li> <li>▪ All investigations consider what improvements can be made to policies, systems and procedures within the organisation;</li> <li>▪ All investigation reports are referred to the AC or an equivalent, and the organisation's senior executive, for action.</li> </ul>





**Item No:** 4.3  
**Title:** Business Continuity Plan - Implementation and Update  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13652254

Author: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Liz Develin, Director Governance

### **Summary**

The aim of this report is to provide ARIC with a summary update on Council's Business Continuity Planning (BCP) process. It is proposed to provide annual updates to ARIC regarding the BCP and its status.

### **Recommendation**

- 1. That the Audit Risk and Improvement Committee note the summary update on Council's Business Continuity Planning process.**
- 2. That the supporting papers to this Report not/be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

Central Coast Council commenced a project to develop Business Continuity Plan (BCP) sub-plans and testing in late 2018. Council already had an overarching plan in place since June 2017 but it was necessary to develop supporting plans and undertake training and testing.

This project will develop Council's overarching Business Continuity Management framework and bring together the individual Critical Business Function BCP's.

The finalised BCP will aim to:

- Support the organisation's decision-making activities during a significant disruption;
- Reduce the likelihood of a disruption occurring that affects Council's business activities;
- Minimise the impact on Council's business operations should a disruption occur; and
- Enhance Council's ability to recover to normal operations following a disruption.

Since the adoption of the overarching Plan document, the following activities have been conducted:

- 21 Sep 2018 An initial workshop was facilitated by Jardine Lloyd Thompson (JLT) for sample business areas (Waste, Water & Sewer, Procurement and Payroll) to develop their Sub Plans.

### 4.3 Business Continuity Plan - Implementation and Update (contd)

- 13 Mar 2019 Council engaged JLT to assist with the development and finalisation of Council's BCP framework.
- 12 Feb 2019 Two workshops were facilitated by JLT with representatives from every Business Unit attending.
- 14 Feb 2019 A request was sent to each Unit Manager for completion of BCP documents - a Business Process Assessment which identifies each function and for each function deemed critical a Business Impact Analysis and a Business Continuity Sub Plan is also required.

To finalise the BCP documents and process the following steps are scheduled:

- 10 Oct 2019 JLT to facilitate two further workshops:
- Executive group to confirm the Continuity Management Team structure and roles; and
  - Tactical group to establish tactical strategies to assist critical business functions resumption.
- 30 Nov 2019 Review of Business Continuity Plan (overarching plan) as per the BCP review schedule.

The process will then conclude with further training and testing (noting that the exact dates are to be confirmed):

- Dec 2019 JLT to facilitate training for all key staff and alternate personnel with defined roles and responsibilities in the BCM framework.
- Dec 2019 JLT to facilitate a scenario-based exercise to test and validate the arrangements and ensure participants are prepared for a real disruption.

The BCP identifies a schedule and process for review. Below is the scheduled review process and next review dates following the above activity.

	Activity for Review	Accountability	Timeframe	Review dates
1	Business Continuity Plan (overarching plan)	Section Manager Insurance & Risk	Two yearly review and action as required	November 2021
2	Business Continuity Plan Training	Section Manager Insurance & Risk	Two yearly training brief or refresher session	November 2021
3	Business Continuity Plan Exercise	Section Manager Insurance & Risk	Desk top exercise, to be conducted in conjunction with the refresher (2 above)	November 2021

## 4.3

**Business Continuity Plan - Implementation and Update (contd)**

	Activity for Review	Accountability	Timeframe	Review dates
4	Critical Function Sub Plans under the management of Chief Executive Officer	Chief Executive Officer	Two yearly Review	November 2021
5	Critical Function Sub Plans under the management of the Director Connected Communities	Director Connected Communities	Two yearly Review	November 2021
6	Critical Function Sub Plans under the management of the Director Roads Transport Drainage and Waste	Director Roads Transport Drainage and Waste	Two yearly Review	November 2021
7	Critical Function Sub Plans under the management of the Director Environment and Planning	Director Environment and Planning	Two yearly Review	November 2021
8	Critical Function Sub Plans under the management of the Director Water and Sewer	Director Water and Sewer	Two yearly Review	November 2021
9	Critical Function Sub Plans under the management of the Director Governance	Director Governance	Two yearly Review	November 2021
10	Critical Function Sub Plans under the management of the Chief Financial Officer	Chief Financial Officer	Two yearly Review	November 2021
11	Critical Function Sub Plans under the management of the Chief Information Officer	Chief Information Officer	Two yearly Review	November 2021
12	Critical Function Sub Plans under the management of the Executive Manager People and Culture	Executive Manager People and Culture	Two yearly Review	November 2021

### 4.3 Business Continuity Plan - Implementation and Update (contd)

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	Activity for Review	Accountability	Timeframe	Review dates
13	Critical Function Sub Plans under the management of the Executive Manager Innovation and Futures	Executive Manager Innovation and Futures	Two yearly Review	November 2021
14	Review Emergency Contact lists	Emergency and Environmental Management Coordinator	Quarterly	February 2020

#### Attachments

*Nil.*



**Item No:** 6.4  
**Title:** Legislation Compliance Reporting Process  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13657214

Author: James Taylor, Section Manager, Governance

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Dr Liz Develin, Director Governance

### **Report Purpose**

To provide the Committee with an update on Council's Legislation Reporting Status.

### **Recommendation**

- 1 That the Committee receive the Legislation Compliance Reporting Process Report and presentation that is Attachment 1 to this report.**
- 2 That the Committee make a recommendation that this report and supporting paper be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

### **Context**

At the 5 March 2019 Audit, Risk and Improvement Committee meeting, the Committee resolved, in part:

*That a report be brought back to the Committee on Council's legislative compliance.*

Staff have developed a register of legislative compliance requirements. This register uses information from the Office of Local Government Compliance calendar as well as information provided by other Councils who have created a register.

On 19 September 2019, the Executive Leadership team endorsed the process.

The process includes a period of review to ensure that the identified actions are correct and assigned to the correct Unit Manager. To assist in this process an information session with all Unit Managers will be conducted in October 2019.

The register will be able to be accessed by Unit Managers through the reporting period and they will be able to update timeframes as they are met. In addition, a specific process to ensure the register content is updated will be conducted every six months.

#### **6.4 Legislation Compliance Reporting Process (contd)**

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A report regarding overall compliance will be created annually and will be provided to the Executive Leadership team and the Audit Risk and Improvement Committee.

It is noted that Council reports on legislative compliance as part of the Community Strategic Plan reporting process.

It is proposed that a Legislative Compliance Reporting Policy will be developed prior to June 2020.

#### **Attachments**

- 1 Legislative Compliance Reporting Presentation D13671128



# Legislative Compliance Reporting

September 2019

## Why a Legislative Compliance Reporting System?

- It's identified by the [NSW Audit Office](#) as part of the Governance Framework.
- It's been identified in Audit letters as an action for Council.
- It's part of the Risk Management Toolkit for the NSW Public Sector.
- The CSP includes an action that we report on legislative compliance.



## What is the Legislative Compliance Reporting System?

- It's a system to retrospectively report on compliance.
- It's a systemised approach to the compliance calendar produced by the OLG.

The System will not ensure compliance but it will allow reporting on compliance.

Our preference would be an industry wide approach but until that is in place, this is our proposed tool.

## How does the system work?

- It details known legislative requirements that apply to Council such as to provide a report or do a specific regular task.
- It allows business owners to specify the date and cycle for compliance with that task.
- Every six months business owners will be asked to review tasks assigned to them for correctness and currency
- An annual report will be provided to ELT and ARIC (showing completed in time, completed but late and not completed).

## What has been our approach?

- We are seeking to have minimal impact on the business.
- We will ask for updates but business owners can access and up date at any time.
- Once compliance tasks have been confirmed the reporting should take no more than 15 minutes per month for high volume areas (eg: Governance and Business Services).
- Using Smartsheet until we have a corporate system for corporate reporting.

## What next?

- Governance has been the trial Directorate for the process.
- Undertake information sharing with the Leadership Group to show them the system.
- Roll out to other areas of Council over the next four months.
- First annual report for the period ending 30 June 2020.
- A Legislative Compliance Policy by June 2020 that identifies our commitment and how we will use compliance to drive performance (as per the NSW Audit Office Management letter)
- <https://app.smartsheet.com/workspaces/xwC357H2gPPQq5qGPp2f2GR6HjHpmGxR6cVRPCV1>



**Item No:** 6.5  
**Title:** GIPA Review Outcomes  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13653553

Author: James Taylor, Section Manager, Governance

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Liz Develin, Director Governance

### **Report Purpose**

To provide the Committee with further details than those contained in Council's Annual Report (Attachment One) relating to information requests made under the *Government Information (Public Access) Act 2009 (GIPA Act)*, including the outcomes of any external review requests.

### **Recommendation**

- 1 That the Audit, Risk and Improvement Committee receive a report on GIPA Applications that have resulted in reviews to the NSW Civil and Administrative Tribunal (NCAT).**
- 2 That the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

### **Background**

#### ***Formal Information Access applications***

The GIPA team within Council responds to Informal and Formal information access requests under the GIPA Act, as well as identifies information appropriate for the Chief Executive Officer to approve for proactive release.

In the 2018-2019 financial year, Council's GIPA team responded to 116 Formal information access requests. This was an increase of 8.4% from 107 in the 2017-2018 period. Attached is the Annual Report- provided to the Information and Privacy Commission.

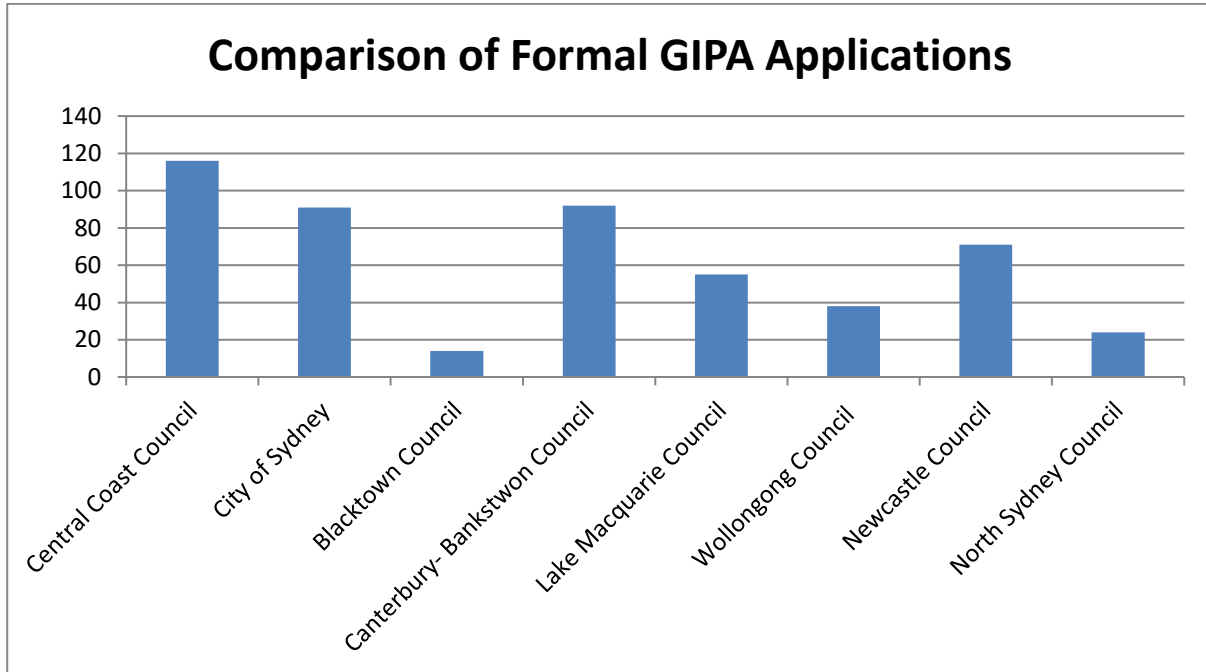
The following graph, based on the 2017-2018 financial year (the most up to date reports available [on-line](#)), provides a comparison of the volume of formal applications against a selection of other NSW councils. These Councils have been selected for the following reasons:

Similar population size: Canterbury Bankstown and Blacktown  
Similar annual budget: City of Sydney

## 6.5 GIPA Review Outcomes (contd)

Large Regional: Wollongong, Newcastle and Lake Macquarie (noting Council has made submissions to be categorised as similar size as Newcastle)

North Sydney has been included as a standard metropolitan comparator.



Council	Number of Formal dealt with
Central Coast Council	116
City of Sydney	91
Blacktown	14
Canterbury-Bankstown	92
Lake Macquarie	55
Wollongong	38
Newcastle	71
North Sydney	24

Of the 116 Formal GIPA applications processed by Central Coast Council during the 2018/2019 period the following were subject to review:

1. Four (3.5%) were subject to a direct internal review request;
2. Four (3.5%) were subject to an internal review request as a result of a recommendation by the Information and Privacy Commission; and
3. Three (2.5%) were subject to an external review at NCAT.

## **6.5 GIPA Review Outcomes (contd)**

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It is worth noting that in the three Formal Applications that went to NCAT for an external review, Council's decision was not overturned by NCAT. That is Council's decision to release, to partially release or to not release the information requested was upheld by NCAT.

### *Direct Request for Internal Review – Four requests*

In accordance with section 82 of the *GIPA Act* a person aggrieved by a reviewable decision of an agency is entitled to a review of the decision by the agency that made the decision. In the last financial year Council received a total of four internal reviews requests:

1. Two internal reviews were lodged by applicants seeking a review of Council's original decision to refuse access. As a result:
  - a. One review resulted in upholding the original decision; and
  - b. One review resulted in a decision to vary the original decision to which the applicants did not exercise any external review rights.
2. Two internal reviews were lodged by third parties. The third parties were consulted in the assessment phase of the application and provided objections to the information being released. Despite these objections Council decided to release redacted versions of the information and the third parties exercised their review rights by lodging internal reviews.

On completion of these reviews both were varied. The decision was to uphold the release of the information but with more redactions.

In one case, the third parties exercised their external review rights and lodged a review of the internal decision with the Information Commissioner. The result was a recommendation to review part of the internal review decision.

### *External Review – Information and Privacy Commission (IPC) – Three requests*

In accordance with section 89 of the *GIPA Act* a person aggrieved by a reviewable decision of an agency is entitled to have the decision reviewed by the Information and Privacy Commission (IPC).

Three external reviews were lodged by applicants in regard to Council's decision to refuse access and one external review was lodged by a third party – resulting in a total of four external reviews by the IPC.

The IPC decided that:

1. Two of the decisions made by Council were not justified and the IPC recommended new decisions be made by way of Council's Conducting internal reviews – these were undertaken by Council;

2. The remaining two decisions were found by the IPC to be partly justified. The IPC recommended internal reviews be undertaken in each of these in relation to just the unjustified part of the decisions. Council made new decisions in each of these reviews resulting in the information in one being released in redacted form and the other for view only access to be provided.

*NSW Civil and Administrative Tribunal (NCAT) – Three matters*

In accordance with section 100 of the *GIPA Act* a person who is aggrieved by a reviewable decision of an agency may apply to NCAT for an administrative review.

Within the last financial year, Council had three individuals lodge external reviews with NCAT.

1. One application was unusual in that Council was involved in a review to hear a request for a discount of the processing charges. As per section 66 of the *GIPA Act*, *an applicant is entitled to a 50% reduction in a processing charge imposed by an agency if the agency is satisfied that the information applied for is of special benefit to the public generally.*

The applicant applied to Council for a discount of the processing charges some time after the decision and after the actual charges had been paid in full. The matter related to information associated with a development application for a new dwelling adjacent to the applicant's family home.

The total charged for the application was \$1,065.00. This was after a \$600.00 waiver was applied and an excess of 60 hours was calculated for the access application. Council initially refused to provide a further 50% discount and the applicant sought a review of this decision via NCAT.

Despite believing Council was correct in its position, the decision was made on legal advice and commercial grounds to agree to refunding the applicant 50% of the amount paid. The matter before NCAT was then withdrawn and dismissed.

2. One review was as a result of a deemed refusal by Council in response to an access application. Council failed to make the decision within the legislated timeframe (20 working days) however Council subsequently provided the decision to the applicant who then withdrew the application before NCAT.

There are some requests processed by Council's GIPA team which result in Council Officers failing to comply with the timeframes stipulated. The GIPA team has since improved the internal correspondence and improved our follow-up processes.

3. One applicant lodged a review with NCAT regarding the decision to grant view only access to a report which was the subject of copyright owned by a third party. Council



## **6.5 GIPA Review Outcomes (contd)**

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invited the third party who owned the copyright protected work and had lodged strong third party objections to its release.

Following their own independent legal advice, the third party decided not to dispute Council's Review decision (to provide access by way of viewing the document at Council Chambers). The applicant then withdrew the application and Council's initial decision of granting view only access was affirmed by NCAT.

### **Attachments**

- 1** Annual GIPA Report (2018-2019) Financial Year      D13666281

## Attachment Item 1. GIPA Reviews ARIC Report -the Annual Report

Statistical information about access applications to be included in annual report

<b>Table A:</b> Number of applications by type of applicant and outcome*								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	1	0	0	0	1	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	9	12	0	4	4	0	0	0
Not for profit organisations or community groups	2	0	0	0	1	0	0	1
Members of the public (legal representatives)	11	16	1	5	3	1	0	0
Members of the public (other)	25	35	11	8	8	1	0	2

\*more than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

<b>Table B:</b> Number of applications by type of application and outcome								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	6	2	5	0	0	0	0	0
Access applications (other than personal information applications)	26	33	4	11	15	1	0	1
Access applications that are partly personal information applications and partly other	16	28	3	7	1	1	1	2

\* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual)

<b>Table C:</b> Invalid applications	
Reason for invalidity	Number of applications
Application does not comply with formal requirements (Section 41 of the Act)	2
Application is for excluded information of the agency (Section 43 of the Act)	0
Application contravenes restraint order (Section 110 of the Act)	0

<b>Total number of invalid applications received</b>	
Invalid applications that subsequently became valid applications	2

<b>Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act</b>	
	<b>Number of times consideration used*</b>
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	3
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0
Information about authorised transactions under Electricity Network Assets (Authorised Transactions) Act 2015	0
Information about authorised transaction under Land and Property Information NSW (Authorised Transaction) Act 2016	0

\*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

<b>Table E: Other public interest consideration against disclosure: matters listed in table to Section 14 of the Act</b>	
	<b>Number of occasions when application not successful</b>
Responsible and effective government	12
Law enforcement and security	3
Individual rights, judicial processes and natural justice	40
Business interests of agencies and other persons	23
Environment, culture, economy and general matters	2
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

<b>Table F: Timeliness</b>	
	<b>Number of applications</b>
Decided within the statutory timeframe (20 days plus any extensions)	98
Decided after 35 days (by agreement with applicant)	18
Not decided within time (deemed refusal)	1
<b>Total</b>	

<b>Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)</b>			
	<b>Decision varied</b>	<b>Decision upheld</b>	<b>Total</b>
Internal Review	4		
Review by Information Commissioner*	4		
Internal review following recommendation under Section 93 of Act	4		
Review by NCAT	1	2	
<b>Total</b>			

\*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

<b>Table H: Applications for review under Part 5 of the Act (by type of applicant)</b>	
	<b>Number of applications for review</b>
Applications by access applicants	8
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	3

<b>Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type transfer)</b>	
	<b>Number of applications transferred</b>
Agency-initiated transfers	<u>1</u>
Applicant-initiated transfers	<u>0</u>



**Item No:** 6.6  
**Title:** Council Resolution to establish an Integrity and Ethical Standards Unit  
**Department:** Governance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13669143

Executive: Dr Liz Develin, Director Governance

### **Summary**

A discussion paper to assist the Audit, Risk and Improvement Committee in providing input about a mechanism and process for the establishment of an 'Integrity and Ethical Standards Unit' as per a July 2019 Council Resolution.

### **Recommendation**

- 1 That the Audit, Risk and Improvement Committee consider the contents of this discussion paper and provide feedback to the Chief Executive Officer to assist him with his report back to Council on the process and mechanism to establish an Integrity and Ethical Standards Unit.**
- 2 That the Committee make a recommendation that this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

### **Background**

At the 22 July 2019 Council meeting, Council resolved:

- 688/19 *That Council note the objective of the Community Strategic Plan to 'communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.*
- 689/19 *That Council note that Councils of a similar size and scale have established Integrity Units for effective complaint management and organisational integrity.*
- 690/19 *That Council supports the establishment of an Integrity and Ethical Standards Unit within the Governance Directorate at Central Coast Council for the investigation and resolution of complaints, organisational integrity, information integrity, ethics and accountability with the objective of ensuring decision making and Council processes are open, transparent and held to a high ethical standard.*

## **6.6 Council Resolution to establish an Integrity and Ethical Standards Unit (contd)**

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691/19 *That Council request the Chief Executive Officer report back to Council by the end of October 2019 on a mechanism and process to establish this Unit with the report to include consideration of budget implications and input from the Audit, Risk and Improvement Committee.*

The Notice of Motion is shown in full at Attachment 2.

This discussion paper has been prepared to enable the Audit, Risk and Improvement Committee to provide input as per the above resolutions.

### **Establishing a shared understanding**

It is recognised that the functions described by the Council Resolution: investigation and resolution of complaints, organisational integrity, information integrity, ethics and accountability may be interpreted, or have different meanings for different stakeholders.

Hence, to progress this resolution, it is prudent to attempt to define or scope these functions, so that there is a shared understanding of what is being proposed.

The following descriptions of the functions proposed by the Resolution are a starting point:

### ***Investigation and Resolution of Complaints***

For the purposes of this paper, a complaint will be defined as:

*"... an expression of dissatisfaction with the council's policies, procedures, charges, employees, agents or the quality of the services it provides".*

The complaints that are considered 'routine' should be managed by Council processes, and the Office of Local Government provides a guidance on what those processes should cover, such as: clear definitions; user-friendly procedures for lodging complaints; simple process handling; means of recording and reporting; and staffing training etc. Importantly, all these policies and procedures should be documented. Councils has a published Complaint Management Policy (March 2017).

Complaints that relate to potentially corrupt conduct should be handled by the CEO or their delegate and reported to ICAC as required. Similarly, the CEO should also refer complaints alleging breaches related to pecuniary interests to the Office of Local Government.

Complaints may also be related to a breach of the Code of Conduct. Usually these sorts of complaints will be handled by the Internal Ombudsman within Council.

## 6.6 Council Resolution to establish an Integrity and Ethical Standards Unit (contd)

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In recognition that Council has established complaints management processes and there is clear guidance from the Office of Local Government on how to do this, it is perhaps the transparency and awareness of the outcomes of these processes that is most lacking.

It is noted that community engagement provides regular reports to ARIC regarding complaints and compliments. These reports list raw numbers of complaints by categories eg, council decision, general feedback, level of service, quality of work, response time, and values of fees and charges. They also report by the location of where the complaint was first received. These reports are relatively high level, and do not cover detail which may assist in transparency such as timeliness of complaint management, and more detail about the nature of the complaint.

No data is available on the matters handled by the Internal Ombudsman at the time of writing.

Discussion points that the ARIC may wish to consider include:

- Do you agree with the proposed definition, or can you make further suggestions?
- Is the brief description of current processes in line with your experience?
- Do you agree that the focus for responding to this resolution with regard to complaints management is to ensure that there is greater visibility on how the Council's complaints management processes are working?

### ***Organisational integrity and ethics***

Unlike, the management of complaints, organisational integrity is less easily defined, and perhaps a less tangible concept. Recognising that individual integrity is the full alignment of what a person thinks, says and does - taking the concept to an organisational level would mean full alignment in what an organisation, thinks, says and does.

For the purposes of this paper, 'organisational integrity' will be defined as:

"... Council functioning in a manner consistent with the purposes and values for which it was created..."

If Council were to demonstrate full alignment, all Council messages, actions, decisions, leadership and rewards would align.

While organisational ethics can be defined separately, for example:

"the principals and standards by which Council operate....best demonstrated through acts of fairness, compassion, integrity, honour and responsibility".

It is clear that there is overlap between these two concepts, and hence it might be helpful to address them as one.

## 6.6 Council Resolution to establish an Integrity and Ethical Standards Unit (contd)

To respond to this Council Resolution, we need to consider how Council ensures its messages, actions, decisions, leadership and rewards align with the Vision: A vibrant and sustainable Central Coast; and with the Values: Be Positive, Be Your Best, Serve, Collaborate and Improve.

This is not a straightforward task, and a starting point might be a mapping of select organisational policies/processes (both formal and informal) against the vision and values. This may highlight particular weaknesses that could be the focus of the response to this resolution.

It is also noted that the Audit Office of NSW provides Corporate Governance Principles – with 8 principles and 17 key components:



To assist in responding to this resolution, Council could map current processes against these key elements, and identify any weaknesses.

Discussion points that the ARIC may wish to consider include:

- Do you agree with the proposed definitions, or can you make further suggestions?
- Do you agree with combining these concepts, as a way forward?
- Do you have any observations regarding integrity/ethics in the organisation?
- Do you agree that a starting point might be a mapping of select organisational policies/processes against frameworks such as the Governance Lighthouse?



## **6.6 Council Resolution to establish an Integrity and Ethical Standards Unit (contd)**

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### ***Information Integrity***

For the purposes of this paper, information integrity will be defined as:

“... the dependability and trustworthiness of information...”

Organisational information comes in a range of formats, be it demographic data, budget information, web content etc, with the integrity of the information protected by the range of quality control/management processes that surround it.

Information Integrity is a whole of business activity, and as such, getting a handle on how Council currently does this and how it performs is not an easy task. At a high-level, information and data are protected through centralised management and governance that is released to the organisation to guide the appropriate creation and use of data and information.

Discussion points that the ARIC may wish to consider include:

- Do you agree with the proposed definition, or can you make further suggestions?
- Do you have any observations regarding information integrity in the organisation?
- Do you have any suggestions for how Council might respond to this aspect of the resolution?

### ***Accountability***

For the purposes of this paper, organisational accountability will be defined as:

“...when all members of the workforce individually and collectively act to consequentially promote the timely accomplishment of Council’s objectives ...”

There are two important elements, how individuals ensure they are accountable, and how the organisation as-a-whole is held to account.

Measuring accountability requires settings objective goals you can track, as well as the organisations or individual’s response when you learn the outcomes.

At an individual level, accountability will be driven through the annual performance planning and review processes. This is every manager and employee’s responsibility to engage constructively in this.

At an organisational level, accountability will be driven through high level processes, such as the measurement of key performance indicators against agreed organisational outcomes and the CEO’s performance agreement.

As part of the Integrated Planning and Reporting guidelines and under Section 404(1) of the Local Government Act 1993, council is required to have an annual operational plan detailing

## **6.6 Council Resolution to establish an Integrity and Ethical Standards Unit (contd)**

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the activities (projects, programs, KPIs) that will be undertaken / delivered during that financial year and is aligned to the Delivery Program. Council's current Operational Plan is for the 2019-20 financial year and is the second year of this Delivery Program (2018-19 to 2020-21).

Monitoring Council's performance against the Delivery Program and Operational Plan is completed on a quarterly basis and reported to Council within two months after the end of the quarter (with the exception of Quarter 4, which is covered by the Annual Report).

An Annual Report is also prepared and presented to Council in November each year. It is a comprehensive account of Council's performance for the financial year, with final details on how Council performed against its Operational Plan. It is noted that many of the metrics are qualitative in nature.

To assist in responding to this resolution it may be useful to understand if there are other key metrics (not contained as part of the performance reporting framework) that would assist deliver the intent of the Resolution.

Discussion points that the ARIC may wish to consider include:

- Do you agree with the proposed definition, or can you make further suggestions?
- Do you have any observations regarding accountability in the organisation or at an individual level?
- Do you have any suggestions beyond the current performance reporting framework that would assist with accountability?

### **Proposed Way Forward**

Under the Resolution the CEO is to report back to Council by the end of October on a mechanism and process to establish a Unit.

The Resolution identifies very important aspirations of Council, and a 'Unit' may be one of number of potential strategies to address the functions and objectives articulated by the Resolution. It is noted that there are existing activities of Council that align with the functions proposed in the Resolution (refer to Attachment One).

To ensure due diligence on behalf Council in responding to this Resolution, the following is proposed as a way forward to progress the Resolution and enable the CEO to report back in a timely manner:

Define the Scope	<ul style="list-style-type: none"> <li>• Establish the scope of the functions outlined in the Resolution through seeking ELT and ARIC input on key definitions.</li> </ul>
Map Existing State	<ul style="list-style-type: none"> <li>• Map existing Council policies, processes, resources, staffing against the defined functions.</li> </ul>
Identify Opportunities	<ul style="list-style-type: none"> <li>• Identify the key opportunities to enhance current processes against the aspirations of the Council Resolution.</li> </ul>
Identify the Mechanisms	<ul style="list-style-type: none"> <li>• Identify a range of mechanisms that could be established to achieve the desired objective of the Resolution, with a 'Unit' being one of many options</li> </ul>
Develop Assessment Criteria	<ul style="list-style-type: none"> <li>• Develop criteria to assess the best mechanism to implement the opportunity.</li> </ul>
Provide Options and Recommendations	<ul style="list-style-type: none"> <li>• Provide options and recommendations to Council based on the above analysis.</li> </ul>

Discussion points that the ARIC may wish to consider include:

- Do you agree with this high-level outline of steps in the process?
- Do you have any further suggestions of what could be done to address the Resolution?

### Attachments

- |   |  |           |
|---|--|-----------|
| 1 | Overview of current activities structured against the proposed functions | D13669413 |
| 2 | Notice of Motion - Integrity and Ethical Standards Unit                  | D13669385 |

## Overview of current activities structures against the proposed functions

Proposed Function	Council's Current Activities / Structures
<i>Investigation and Resolution of Complaints</i>	<p><b>CEO –</b></p> <ul style="list-style-type: none"> <li>• Management of complaints and issues that have reached a level of legal action/ mediation</li> <li>• Industrial tribunal issues</li> </ul> <p><b>Internal Ombudsman-</b></p> <ul style="list-style-type: none"> <li>• Code of Conduct Coordinator for complaints about Councillors</li> <li>• Staff Code of Conduct investigations</li> <li>• S11 ICAC referrals</li> <li>• Some tier 2 complaints – Serious sensitive complaints</li> <li>• Referral of tier 3 complaints to external organisations</li> <li>• Ad hoc investigations</li> <li>• Unreasonable Complainant management</li> <li>• Management of complaints to Human Rights Commission and NSW Anti-Discrimination Board</li> <li>• Investigations referred to Council by external agencies (MPs, ICAC, NSW Ombudsman etc)</li> <li>• Internal appeals from water and sewerage claims</li> <li>• Annual Local Government reporting</li> </ul> <p><b>Internal Audit -</b> Relevant audit in the 2019/20 work schedule:</p> <ul style="list-style-type: none"> <li>• Complaints Management</li> </ul> <p><b>Community Engagement –</b></p> <ul style="list-style-type: none"> <li>• Management of the Customer Experience System</li> <li>• Complaint Feedback Management Policy</li> <li>• Referral of community complaints as received by phone</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>- Privacy complaints</li> <li>- Access to information – GIPA review process</li> </ul>
	<p><b>CEO –</b></p> <ul style="list-style-type: none"> <li>• Organisational Culture and ELT Leadership</li> </ul>

<p><i>Organisational Integrity &amp; Ethics</i></p>	<p><b>People &amp; Culture –</b></p> <ul style="list-style-type: none"> <li>• Organisational Culture (values, integrity, ethics)</li> <li>• Management and investigation of some sensitive complaints</li> <li>• Staff training</li> </ul> <p><b>Internal Ombudsman -</b></p> <ul style="list-style-type: none"> <li>• Public Interest Disclosure Coordinator</li> </ul> <p><b>Governance –</b></p> <ul style="list-style-type: none"> <li>• Policy Register</li> <li>• GIPA</li> <li>• Code of Conduct Training</li> <li>• Gifts and Benefits</li> <li>• Secondary Employment Returns</li> <li>• Statement of Business Ethics</li> <li>• Contracts &amp; Tendering Process</li> <li>• Fraud and Corruption Control Planning</li> </ul> <p><b>Internal Audit –</b> Relevant audits in the 2019/20 work schedule:</p> <ul style="list-style-type: none"> <li>• Fraud &amp; Corruption Risk Assessment</li> </ul>
<p><i>Information Integrity</i></p>	<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• Privacy management</li> <li>• Access to information</li> <li>• Proactive release of information</li> </ul> <p><b>Internal Ombudsman -</b></p> <ul style="list-style-type: none"> <li>• Investigations pursuant to Privacy and Personal Information Protection Act 1998</li> </ul> <p><b>IMT Operations -</b></p> <ul style="list-style-type: none"> <li>• Relevant legislation and international standards guide best practice for CCC.</li> <li>• Policy and procedures governing the security, creation, capture, storage and release of information and data are in place.</li> <li>• Personnel with the relevant skills and qualifications partner with the business to guide information and data security, creation, capture, storage and release.</li> <li>• Solution design and processes include information security.</li> <li>• Least privilege access framework with regular review cycles</li> <li>• Annual independent security penetration testing.</li> <li>• Data Sharing agreements are executed prior to releasing data to third parties/external agencies.</li> </ul>

	<ul style="list-style-type: none"><li>• Master Data Management framework is under development.</li><li>• Business Intelligence maturity assessment completed May 2019.</li><li>• Records Management policy (under review).</li><li>• Information and Security Policy (under review).</li><li>• Information Technology Appropriate Use Policy</li></ul>
<b>Accountability</b>	<p><b>CEO</b></p> <ul style="list-style-type: none"><li>• Performance Agreements</li></ul> <p><b>Innovation &amp; Futures –</b></p> <ul style="list-style-type: none"><li>• Organisational Performance</li><li>• Business Improvement</li><li>• Integrated Planning &amp; Reporting</li><li>• Service Reviews</li></ul> <p><b>Internal Audit -</b> Relevant audits in the 2019/20 work schedule:</p> <ul style="list-style-type: none"><li>• Progress Against Reported Actions in Operational Plan</li><li>• Organisational Performance</li></ul>

**Item No:** 8.1  
**Title:** Notice of Motion - Integrity and Ethical Standards Unit  
**Department:** Councillor



22 July 2019 Ordinary Council Meeting

Trim Reference: F2019/00041-02 - D13604853

Author: Jane Smith, Mayor

Mayor Jane Smith has given notice that at the Ordinary Meeting to be held on 22 July 2019 she will move the following motion:

#### **Recommendation**

- 1 That Council note the objective of the Community Strategic Plan to 'communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.**
- 2 That Council note that Councils of a similar size and scale have established Integrity Units for effective complaint management and organisational integrity.**
- 3 That Council supports the establishment of an Integrity and Ethical Standards Unit within the Governance Directorate at Central Coast Council for the investigation and resolution of complaints, organisational integrity, information integrity, ethics and accountability with the objective of ensuring decision making and Council processes are open, transparent and held to a high ethical standard.**
- 4 That the Chief Executive Officer report back to Council by the end of August 2019 on a mechanism and process to establish this Unit with the report to include consideration of budget implications and input from the Audit, Risk and Improvement Committee.**

#### **Background:**

Councils of similar size, scale and demographics to Central Coast Council have established Integrity Units to build community trust and confidence in the public sector by operating at the highest ethical standards.

Council is committed to conducting its business in a sound ethical manner, open and transparent decision-making and involving the community in the decision-making process. The Independent Commission Against Corruption (ICAC) believes one of the key components of good decision-making is information integrity.<sup>1</sup> ICAC also sets basic standards for

<sup>1</sup> NSW ICAC, Prevention - Foundations for corruption prevention – Information Integrity - <https://www.icac.nsw.gov.au/prevention/foundations-for-corruption-prevention/information-integrity> 9 July 2019

## 8.1 Notice of Motion - Integrity and Ethical Standards Unit (contd)

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organisations to manage conflicts of interest, gifts and benefits, outside employment, post-separation employment and community affiliations to prevent corruption.

### Best Practice Examples

The Northern Beaches Council has an Integrity and Complaints Unit whose role is the investigation and resolution of complaints, organisational integrity, ethics and accountability.<sup>2</sup> The Unit is located in the Corporate and Legal Directorate of Council which includes Governance and Risk, General Counsel; Chief Financial Officer and Financial Systems and Planning. Northern Beaches Council has 1788 employees (1,134FTE) and a population of just over 250,000. Northern Beaches Council has a Statement of Ethics<sup>3</sup>, readily available on their website that sets out clear roles and responsibilities in relation to Council procurement, expectation from suppliers, reporting wrongdoing, public interest disclosure, gifts and benefits, confidentiality, communication and post-separation employment.

The Unit has a staff of one Unit Head, two investigators and dedicated communications and administrative support. The unit is accountable for:

1. Positive customer experiences through excellence in complaints management
2. Building awareness through leadership and active engagement
3. Organisational performance through proactive business improvement
4. Empowering employees and enabling them to provide high quality services to Council and the community
5. Building strategic capacity and sustainability through robust policies and procedures.

Gold Coast Council has an Integrity and Ethical Standards Unit.<sup>4</sup> The Unit has a staff of 3 investigators, 1 Executive Coordinator and an Administration Officer. As well as investigation of complaints and allegations, the Unit is proactive in providing workshops and training for staff to manage conflicts of interest and information integrity. The Gold Coast has a staff of 3500 and a population of 560K. The Unit works closely with the Queensland Crime and Corruption Commission.

### Current state

Central Coast Council currently has a Senior Internal Ombudsman (part-time) and Assistant Internal Ombudsman position to service a staff of around 2400 and a population of over 335,000.

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<sup>2</sup> Northern Beaches Council, About Northern Beaches Council/Organisation Structure - <https://www.northernbeaches.nsw.gov.au/council/about-northern-beaches-council/organisation-structure> 9 July 2019

<sup>3</sup> Northern Beaches Council, Statement of Business Ethics - <https://www.northernbeaches.nsw.gov.au/sites/default/files/statement-business-ethics-2018.pdf> 9 July 2019

<sup>4</sup> Integrity and Ethical Standards Unit City of Gold Coast, Code of Conduct for Employees - <http://www.goldcoast.qld.gov.au/council/code-of-conduct-for-employees-402.html> 9 July 2019



**8.1 Notice of Motion - Integrity and Ethical Standards Unit (contd)**

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According to Council's Policy for Complaint and Feedback Management<sup>5</sup>, Council's Internal Ombudsman is responsible for:

- investigation of sensitive complaints pertaining to Code of Conduct breaches (at the direction of the CEO) and Public Interest Disclosure.
- annual reporting to NSW Ombudsman.
- providing guidance with unreasonable complainant conduct.
- referring complaints to CEO, Group Leader or external agency where necessary.

Establishing an Integrity and Ethical Standards Unit will broaden the capacity of Council to effectively managing the integrity of Council in both a reactive (investigating complaints) and in a proactive way with training for staff and Councillors and procedures for managing conflicts of interest.

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<sup>5</sup> Central Coast Council, Policies and Codes, Complaint Feedback Management Policy - <https://search.s.centralcoast.nsw.gov.au/documents/00/23/31/89/0023318993.pdf> p12, 9 July 2019

**Attachments**

*Nil.*



**Item No:** 7.1  
**Title:** Policy for Investment Management  
**Department:** Finance

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2004/06621 - D13615350

Author: Carlton Oldfield, Unit Manager, Financial Services

Executive: Craig Norman, Chief Financial Officer

## Summary

The purpose of this report is to present the Audit, Risk and Improvement Committee ("Committee") with the Policy for Investment Management.

## Recommendation

- 1 That the Committee note the Policy for Investment Management and provide comments and recommendations for consideration and for inclusion in a report to Council.**
- 2 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 exception, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

## Context

The *Local Government Act 1993* ("the Act") requires Council to maintain an Investment Policy that complies with the Act, *Local Government (General) Regulation 2005*, *Ministerial Investment Order of 12 January 2011* as advised by way of OLG Circular 11-01 17 February 2011 and Investment Policy Guidelines, issued by the Office of Local Government in relation to comparative benchmarks used in investment decisions as well as Council's current investment strategy.

Council's Policy for Investment Management and guidelines set mandatory requirements for the management of Council's cash and investment portfolio. The Policy is designed to safeguard Council's cash and investments, achieve appropriate earnings and manage cash resources to ensure sufficient liquidity to meet business objectives over the short, medium and long term.

The Policy for Investment Management and guidelines were presented at the June 2019 meeting and the committee requested an external review be obtained. Staff have sought an external review from Imperium Markets and have tabled a number of their recommendations for inclusion in an amended policy.

## 7.1 Policy for Investment Management (contd)

### Proposal

The Policy for Investment Management provides the framework on how investments will be managed and how key risks will be mitigated.

This policy is subject to a mandatory annual review under *The Local Government Code of Accounting Practice & Financial Reporting*.

The proposed amendments to the Policy for Investment Management are detailed below. Amendments in bold are deviations from the recommended external changes and primarily reflect Council's more risk adverse investment approach:

	Changes Recommended	Amendment to Investment Policy
<b>Investment Policy</b>		
1	Item E18.4 - remove reference to TCorp Hourglass Investment Facility and replace with generic 'managed funds' reference	reference changed
2	E26 - remove 3 year limit of Council term for independent advisor and replace with term to be monitored continuous at Council discretion	<b>reference has been kept at 3 year reviews to ensure an arrangement maintains a periodic review</b>
<b>Investment Guidelines</b>		
3	<b>Risk Management table:</b> Inclusion of Reinvestment/Rollover Risk: "The Risk that income will not meet expectations or budgeted requirement because interest rates are lower than expected in future."	Risk included in Risk management table
4	<b>Target Asset Allocation, Liquidity and Market Timing (allocation of Funds)</b> Remove section to eliminate static targets so portfolio can be adjusted to improve performance.	Section removed to improve the flexibility of the portfolio but is still within the Office of Local Government cash liquidity benchmarks (Note 23 of Financial Statements)
5	<b>Credit Risk:</b> Add "as per the current NSW Minister's Order" to Council statement it would not invest in subordinate debt	Additional text added
6	<b>Table 2 - Maximum Portfolio weighting per rating category</b> Removal of Short term credit ratings and rely upon long term ratings to achieve simplicity. Introduce 'Major Banks' classification in the 'AA' Category Increase maximum weighting to AA (80% to 100%), A (60% to 70%), BBB (20% to 40%) and unrated (2% to 10%)	Table renumbered Removal of short term credit ratings and rely upon long term ratings to achieve simplicity. Introduction of Major Bank classification to 'AA' Category <b>No change to maximum portfolio weightings as this was what ARIC had previously agreed to.</b>

	Changes Recommended	Amendment to Investment Policy
7	<p><b>Inclusion of text under Table 2:</b>            "For the purpose of this Policy, "Major Banks" are currently defined as the ADI deposits or senior guaranteed principal and interest ADI securities issued by the major Australian banking groups:</p> <ul style="list-style-type: none"> <li>• Australia and New Zealand Banking Group Limited</li> <li>• Commonwealth Bank of Australia</li> <li>• National Australia Bank Limited</li> <li>• Westpac Banking Corporation</li> </ul> <p>including ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George).            Council may ratify an alternative definition from time to time.            Standard &amp; Poor's ratings attributed to each individual institution will be used to determine maximum holdings.            In the event of disagreement between agencies as to the rating band ("split ratings") Council shall use the higher in assessing compliance with portfolio Policy limits, but for conservatism shall apply the lower in assessing new purchases."</p>	Text included
8	<p><b>Concentration Risk (Counterparty/Institution Credit Framework):</b>            Removal of short term credit ratings            Increase to maximum counterparty exposure to AAA (20% to 30%) and AA/Major Bank (20% to 25%)</p>	Table renumbered Removal of short term credit ratings <b>No change to maximum counterparty exposures at 20% as this was what ARIC had previously agreed to.</b>
9	<p><b>Product, Interest Rate and Income Risk / Term to Maturity Framework:</b>            Increase to portfolio weightings to periods:            &gt; 1 Year &lt; 3 Years (60% to 70%)            &gt;3 years &lt; 5 Years (30 to 40%)            Portfolio &gt; 5% (30% to 5%)            ADI issues non-rated Term deposits (2 years)</p>	Table renumbered Maximum exposures changes reflected in draft policy to lengthen investment duration and reduce reinvestment risk
10	<p><b>Table 5 - Target Returns and suitable products</b>            Change in benchmark references            Inclusion of Bank Bill in short term funds permitted investments            Inclusion of TcorpIM Growth funds in Long term fund permitted investments</p>	Table renumbered Changes in benchmark references included in draft better aligns to industry standards and represents recent rebrandings of benchmark products

## 7.1 Policy for Investment Management (contd)

Changes Recommended		Amendment to Investment Policy
<b>Other</b>		
11	Consolidate Policy & Guidelines into one document for simplicity	Documents have been consolidated
<b>Additional changes by Council staff</b>		
12	E26 - remove reference to Independent Advisor being approved by Council and replaced with 'CEO or their delegate'.	Change has been included

### Consultation

The Policy for Investment Management has been externally reviewed by Imperium Markets.

### Financial Impact

Investment earnings are a material source of revenue for Council and it is important that returns are maximised, risk is minimised and investments are managed in accordance with the relevant legislation.

Council staff act with a duty of care, skill and diligence that a prudent person would exercise when investing and managing their own funds. However, by the very nature of investments, there are some risks associated. Council has internal controls in place to ensure that Investments are safeguarded.

### Conclusion

The Policy for Investment Management provides direction to staff in its management of Council's Investment portfolio.

### Attachments

1 DRAFT - Policy for Investment Management - ARIC Oct 19 D13648027



Central Coast Council  
Policy for Investment Management

Version 0.1  
Carlton Oldfield  
16 August 2019



Policy for Investment Management

Author: Carlton Oldfield

Date: 16 August 2019

Version 0.1

Approved by: Craig Norman

Date of Approval: August 2019

Assigned review period: 1 year

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## A. Policy Summary

- A1 This policy defines the circumstances under which Central Coast Council (CCC) may invest Council funds not required for immediate and short-term operational purposes.
- A2 It sets out the risk profile, investment strategy and authorities to execute investment instruments.

## B. Policy Background

- B1 All investments are to comply with:-  
B1.1 *Local Government Act 1993*;  
B1.2 Local Government – Ministerial Order dated 12 January 2011;  
B1.3 Sections 14A (2), 14C (1) and (2) of the *Trustee Amendment (Discretionary Investments) Act 1997*;  
B1.4 *Local Government (General) Regulation 2005*;  
B1.5 Division of Local Government Circular 11-01 ;  
B1.6 Local Government Code of Accounting Practice and Financial Reporting;  
B1.7 Australian Accounting Standards
- B2 The Office of Local Government releases guidance to Councils on investment management from time to time. Council will review this policy in light of such advice.

## C. Policy Objectives

- C1 The purpose of this policy is to provide a framework for investment of Council's funds with a view to minimising the risk of loss of capital or interest, to ensure that liquidity requirements are observed and after taking into account these two priority objectives, seeking to achieve the best rate of return available.
- C2 While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity and the rate of return of the investment.

## D. Definitions

- D1 **Delegated Authority** - means any function, duty or power vested in the Council by the Act, that the Council may, within the terms of the Act, delegate to a Council member, Committee of the Council, Chief Executive Officer, employee or person or class of persons approved for the purpose.
- D2 **Policy** – means policy created and approved by the Council, as well as any policy of either the former Gosford City Council or the former Wyong Shire Council that applies to Council by the operation of the Proclamation.
- D3 **Council** – means Central Coast Council.
- D4 **Investment** - means the placement of Council monies in any form of investment instrument that provides for returns. It does not include any investment made in capital assets, people or property. An investment must comply with Council's adopted Investment Policy.
- D5 **CEO** - means the person appointed to the position of Chief Executive Officer of the Council, who undertakes the functions of the General Manager under the Act.

- D6 **Proclamation** - means the *Local Government (Council Amalgamations) Proclamation 2016*.
- D7 **The Act** - means the *Local Government Act 1993*
- D8 **Year** - means from July 1 to June 30 (financial year).
- D9 **The Bank Bill Swap Reference Rate (BBSW)** – is the midpoint of the nationally observed best bid and offer for AFMA Prime Bank eligible securities.
- D10 **Floating Rate Note** – is a medium term fixed security where the coupon is a fixed margin ('coupon margin') over a variable rate benchmark. The benchmark is commonly BBSW and is reset at regular intervals.

## E. Policy Statements

### General

- E1 This policy does not confer any delegated authority upon any person.
- E2 Council will not instruct the CEO in any manner that requires the CEO to breach his or her statutory responsibilities in respect of investments.
- E3 Subject to any functions, duties or powers conferred directly on a Council or CEO by the Act, the Council will delegate to the CEO, the power to make decisions relating to the effective and efficient management of investments in accordance with this policy.
- E4 The CEO or their delegate may, in exceptional or emergency circumstances, approve an action outside the requirements of this policy provided that any such variation to this policy is reported to Council in the next monthly investment report.
- E5 Other investment acquisitions. The Council alone may approve the acquisition of land or holding of any shares or interests in a body corporate, partnership, joint venture or other association of persons; or settle, or be, or appoint a trustee of, a Trust.
- E6 The Council will not delegate to any person the authority to raise capital or to specifically borrow money by any means, including options, swaps or any other non-balance sheet items.
- E7 Council will only allow investment for the purpose of achieving the effective and efficient on-going management of the Council organisation in accordance with the Act, Operational Plan, Long Term Financial Strategy and any other policy made from time to time.
- E8 Investments will be managed with the care, diligence and skill that a prudent person would exercise and officers shall not engage in activities that would conflict with the proper execution and management of Council's investment portfolio.
- E9 Management of the risks associated with delegation of authority shall be achieved by way of detailed regular reporting on the exercise of all functions, duties and powers delegated throughout the organisation and by the Council.
- E10 Subject to functions, duties or powers conferred upon the CEO by the Act, all delegated authorities must be exercised in accordance with relevant CCC policies and procedures set by the Council or CEO from time to time.

- E11 Variations, reviews or additions to this policy shall be approved by resolution of the Council.
- E12 The Policy for Investment Management will be reviewed annually or as required in the event of legislative changes and/or guidelines as per B2.
- E13 This policy is not dependent on the terms of any other policy or procedures except the Act or direct, lawful instruction under the terms of the Act.

### Investment Guidelines

- E14 The CEO or his/her delegate, in consultation with council staff, will approve investment guidelines, within this policy, as part of the annual review, which will set the general direction for the purchase and sale of investment assets for the coming period and prescribe performance targets by asset category.
- E15 The performance of the portfolio will be assessed against a benchmark set annually in the Investment Guidelines.
- E16 The CEO, in consultation with Council staff shall issue guidelines reviewed at least annually, for the management of the following risk classes:-

**Credit Risk Management** which must include:-

- E16.1 Maximum portfolio weighting by total assets in an asset grouping
- E16.2 Maximum amount to be held with an individual institution within an asset grouping

**Term to Maturity Framework**

- E16.3 Asset groupings will be defined with reference to credit rating.
- E16.4 The amount of investment risk attached to a particular security is in part related to its term to maturity. Guidelines for the management of term to maturity risk shall at a minimum prescribe the maximum exposure by term to maturity groupings, as an example, percentage of portfolio maturing in three to four years.

### Investments

- E17 All investment securities must be denominated in Australian Dollars.
- E18 New investments shall be limited to (by statute):-
- E18.1 Any public funds or securities issued by or guaranteed by the Commonwealth, any State or a Territory of the Commonwealth;
- E18.2 Any debentures or securities issued by other Local Government Councils;
- E18.3 Interest bearing deposits with, or any debentures or bonds issued by, an authorised deposit-taking institution (ADI), as defined in the *Banking Act 1959*, but excluding subordinated debt obligations;
- E18.4 A deposit with NSW Treasury Corporation or investments in their managed funds;

- E18.5 Any bill of exchange which has a maturity date of not more than 200 days and if purchased for value confers on the holder in due course a right of recourse against a bank which has been designated as an ADI by the Australia Prudential Regulation Authority.
- E19 This investment policy prohibits any investment carried out for speculative purposes including, but not limited to:
  - E19.1 Derivative based instruments;
  - E19.2 Principal only investments or securities that provide potentially nil or negative cash flow;
  - E19.3 Stand-alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind;
  - E19.4 The use of leveraging (borrowing to invest) of an investment
  - E19.5 Extensive trading activity

### **Accounting and Reporting**

- E20 Council will comply with appropriate accounting standards in valuing its investments and quantifying its investment returns.
- E21 Investment income must be recorded according to accounting standards. Published reports may show a breakdown of its duly calculated investment returns into capital gains and losses and interest.
- E22 A report will be provided to Council on a monthly basis when Ordinary Meetings occur. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio and maturity dates.
- E23 From time to time financial assets may be acquired at a discount or premium to their face value. Discount or premium is to be taken into account in line with relevant Australian Accounting Standards.
- E24 For audit purposes, certificates must be obtained from the banks/fund managers/custodian confirming the amounts of investment held on Council's behalf at 30 June each year.

### **Independent Financial Advisor**

- E25 From time to time, Council may utilise the services of a suitably qualified and experienced investment advisor for the purposes of achieving the aims of this policy.
- E26 An appointment of an Independent Financial Advisor (IFA) can be decided by the CEO or their delegate. The IFA must be licensed by the Australian Securities and Investment Commission. An appointed Independent Advisor will have no conflict of interest in respect to their investments recommended. The term of any appointed Independent Financial Advisor will not exceed 3 years without review.

## Investment Guidelines

Council is a prudent investor. It is intended to maximise investment returns while maintaining the security of investments through the prudent management of risk.

### Risk Management

Detailed decisions on the purchase and sale of investment assets will be mindful of the following risk categories.

Risk	Mitigants
Risk of Capital Loss	Diligent product research, diversification and an intention to hold assets to maturity.
Liquidity risk	Cash flow forecasting, allocation of investment funds to time horizons, maintenance of a "liquidity reserve" through conservative assumptions in cash flow forecasting.
Market timing risk ("not getting a good price on the day")	Stagger investment dates, maintain spread of maturity dates.
Credit Risk	Credit Risk guidelines imposing required credit rating targets for the portfolio.
Concentration risk ("all eggs in one basket")	Concentration Risk guidelines imposing maximum exposure for Individual institutions.
Product risk	Undertake rigorous product research.
Interest Rate (duration) risk	Market Investments acquired at par value will not be exposed to interest rate fluctuations if they are redeemed at maturity.
Income risk	Conservative approach to investment income budgeting.
Reinvestment/Rollover risk	The risk that income will not meet expectations or budgeted requirements because interest rates are lower than expected in future.
Regulatory risk	Regulation embedded in Investment Policy. Portfolio actively managed to comply with Policy.
Fraud risk	Documented investment procedures, separation of responsibilities for investment decision making and transaction settlement, only one account for payment of redemption proceeds, use of licensed custodians or third party registries where applicable.
Safe keeping / Clear title risk	Documented investment procedures.

### Credit Risk

Before entering into any investment transaction with a new institution there will be a diligent review of the creditworthiness of that institution. The Chief Executive Officer or his/her delegate must form its own opinion of the risk attached to an institution and not merely rely on published credit ratings.

Central Coast Council will not invest in subordinate debt, as per the current NSW Minister's Order.

The portfolio credit guidelines to be adopted will be based on the Standard & Poor's (S&P) ratings system criteria. The maximum available limits in each rating category are as follows:

**Table 1 – Maximum portfolio weighting per rating category**

Long Term Credit Ratings	Maximum Portfolio Weighting
AAA Category	100%
AA Category or Major Bank <sup>^</sup>	80%
A Category	60%
BBB Category	20%
Unrated	2%

<sup>^</sup> For the purpose of this Policy, "Major Banks" are currently defined as the ADI deposits or senior guaranteed principal and interest ADI securities issued by the major Australian banking groups:

- Australia and New Zealand Banking Group Limited
- Commonwealth Bank of Australia
- National Australia Bank Limited
- Westpac Banking Corporation

including ADI subsidiaries whether or not explicitly guaranteed, and brands (such as St George).

Council may ratify an alternative definition from time to time.

Standard & Poor's ratings attributed to each individual institution will be used to determine maximum holdings.

In the event of disagreement between agencies as to the rating band ("split ratings") Council shall use the higher in assessing compliance with portfolio Policy limits, but for conservatism shall apply the lower in assessing new purchases.

## Concentration Risk (Counterparty/Institution Credit Framework)

Exposure to individual counterparties/financial institutions will be restricted by their S&P rating so that single entity exposure is limited, as detailed in the table below:

**Table 2 – Counter Party Risk**

Individual Institution Limits	
Long Term Credit Ratings	Maximum Exposure
AAA Category*	20%
AA Category*	20%
A Category	20%
BBB Category	10%
Unrated Category	2%

\*The limit may be exceeded temporarily to the extent that the excess represents funds held on deposit awaiting reinvestment.

## Product, Interest Rate and Income Risk / Term to Maturity Framework

The investment portfolio is to be invested with a conservative approach to income budgeting within the following term to maturity constraints, subject to rigorous product research:

**Table 3 – Term to Maturity**

Description	Maximum Exposure
Portfolio allocation:	
Portfolio % < 1Year	100%
Portfolio % > 1 Year < 3 Years	70%
Portfolio % >3 Years < 5 Years	40%
Portfolio % > 5 Years	5%
Maturity of financial institution securities:	
ADI issues rated A or above	10 years
ADI issues rated BBB to A-	5 years
ADI issues non-rated (Term Deposits only)	2 years

### Regulatory, Fraud and Safekeeping/Clear title risk

The regulatory framework for investments is embedded within the investment policy and the Portfolio will be actively managed to comply with policy.

Risk of Fraud and safe keeping is mitigated by documented investment procedures, separation of responsibilities for investment decision making and transaction settlement, with only one account for payment of redemption proceeds, including the use of licensed custodians or third party registries where applicable.

### Benchmarking and Monitoring

Each investment in the portfolio is to be evaluated and monitored against a performance benchmark appropriate to the risk and time horizon of the investment concerned. The objective is to ensure that all investments under consideration can deliver a level of return commensurate with their risk profile and that they are competitive with an appropriate peer group of alternative investment options. The eligibility of an investment is determined by the NSW Local Government Minister's Order dated 12 January 2011.

Under these Investment Guidelines, no assets other than those listed in the table below will be eligible.



**Table – Target Returns and suitable products**

Investment Category	Investment Horizon	Bench Mark	Permitted
Working capital funds	0-3 months	Official cash rate	11am, overnight call and cash accounts, short dated Bank Bills, TCorpIM Cash Fund
Short term funds	3-12 months	AusBond Bank Bill Index^^	TCorpIM Cash Fund, Term Deposits, Bank Bills
Short-Medium term funds	1-3 years	AusBond Bank Bill Index	Term Deposits, Senior ADI Fixed and Floating Rate Notes, short dated Bonds, TCorpIM Strategic Cash Fund
Medium term funds	3-5 years	AusBond Bank Bill Index	Term Deposits, Senior ADI Fixed and Floating Rate Notes and Bonds
Long term funds	5 years	AusBond Bank Bill Index TCorp's Internal Benchmark (Funds)	Term deposits, Senior ADI Fixed and Floating Rate Notes and Bonds, TcorpIM Growth Funds

### Implementation and Authority to Amend Strategy

The Investment Guidelines noted earlier in this policy set out the intended approach to investments in the market conditions that are expected to prevail over the medium to long term investment horizon. However, there may be periods, sometimes sustained, where "normal" market conditions do not apply, for example, periods where short term interest rates are higher than long term interest rates, or investments of similar credit quality offer different yields due to liquidity differences.

The CEO or his/her delegate may approve a variation to this policy if the investment is to the Council's advantage or due to revised legislation subject to this variation being reported to Council in the next available monthly investment report.

### Professional Advice

Council may seek professional, external investment advice from time to time to provide assistance in Investment Strategy formulation, portfolio implementation and monitoring in accordance with the Policy for Investment Management.



**Item No:** 8.2  
**Title:** Response to GB5/19 The use of Roundup weed killer in Council's operations  
**Department:** Environment and Planning

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1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13613161

Executive: Scott Cox, Director Environment and Planning

### **Report Purpose**

To provide the Committee with an update on the use of Roundup weed killer in Council's operations.

### **Recommendation**

***That the Audit, Risk and Improvement Committee receive the report on the use of Roundup weed killer in Council's operations.***

### **Background**

At the 19 June 2019 Audit, Risk and Improvement Committee meeting, the Committee requested an update on the use of Roundup weed killer on Council's operations.

At this stage there is no change to Council's approach to the safe use of herbicides containing glyphosate, in accordance with directions on the label, for the purpose of weed control within the Central Coast Local Government Area.

The health and safety of Council workers and the community are taken very seriously and Council ensures responsible practices are in place for the safe use of herbicides whilst protecting the environment.

Council considers the Australian Pesticides and Veterinary Medicines Authority (APVMA) to be the appropriate statutory body regulating chemicals registered for use in Australia.

The APVMA has recently concluded that products containing glyphosate pose no risk to humans and are safe to use as per the label instructions.

It is also our understanding that the APVMA will continue to monitor any new information, reports or studies that indicate that their position should be revised.

Council requires all of its employees and contractors who undertake herbicide treatments to have a current Agricultural Chemical Distribution Control (ACDC) Certification, thereby establishing a recognised level of competency required to ensure that they use and apply the products in accordance with label instructions and the manufacturer's specifications.

## **8.2 Response to GB5/19 The use of Roundup weed killer in Council's operations (contd)**

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Some arguments that glyphosates are carcinogenic are based on reports by the International Agency for Research on Cancer that found that exposure to glyphosate to be a probable carcinogenic activity. The same report by this institute also placed in the same risk category drinking hot drinks, frying food, hairdressing, eating red meat and shift work that disrupts your circadian rhythms.

If the issue continues to escalate, future messaging may include this and that Council's position is based on the advice of industry regulators and broader scientific opinion rather than outcomes of isolated jury decisions.

Council regularly trials alternates, including recent trials of steam and foam products, but to date nothing compares to the efficiency of glyphosate.

Council will continue to use glyphosates until a more efficient method of vegetation control is found.

### **Attachments**

*Nil.*