

Audit, Risk and Improvement Committee

A circular logo with a dark blue background and white text. The text is arranged in three lines: "Central", "Coast", and "Council".

Central
Coast
Council

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

Annual Report 2019

Audit, Risk and Improvement Committee Annual Report 2019



About the report

This annual report documents the operation and activities of the Audit, Risk and Improvement Committee for Central Coast Council during the 2019 calendar year.

The Central Coast Council Audit, Risk and Improvement Committee

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

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

The establishment of the ARIC via Council Resolution on 26 April 2017 places Council in an excellent position in the pursuit of good corporate governance, which in turn promotes effective and efficient delivery of services to the Central Coast community with transparency, honesty and integrity.

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

There are currently three independent members on the Committee and two Councillor members who are nominated by Council.

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

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Central Coast Council

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

The most recent projected population of the Central Coast by 2036 is 415,050. That is a 23% increase in population, of approximately 80,000 people. Planning for growth and maintaining the lifestyle that our community enjoys is important for Council.

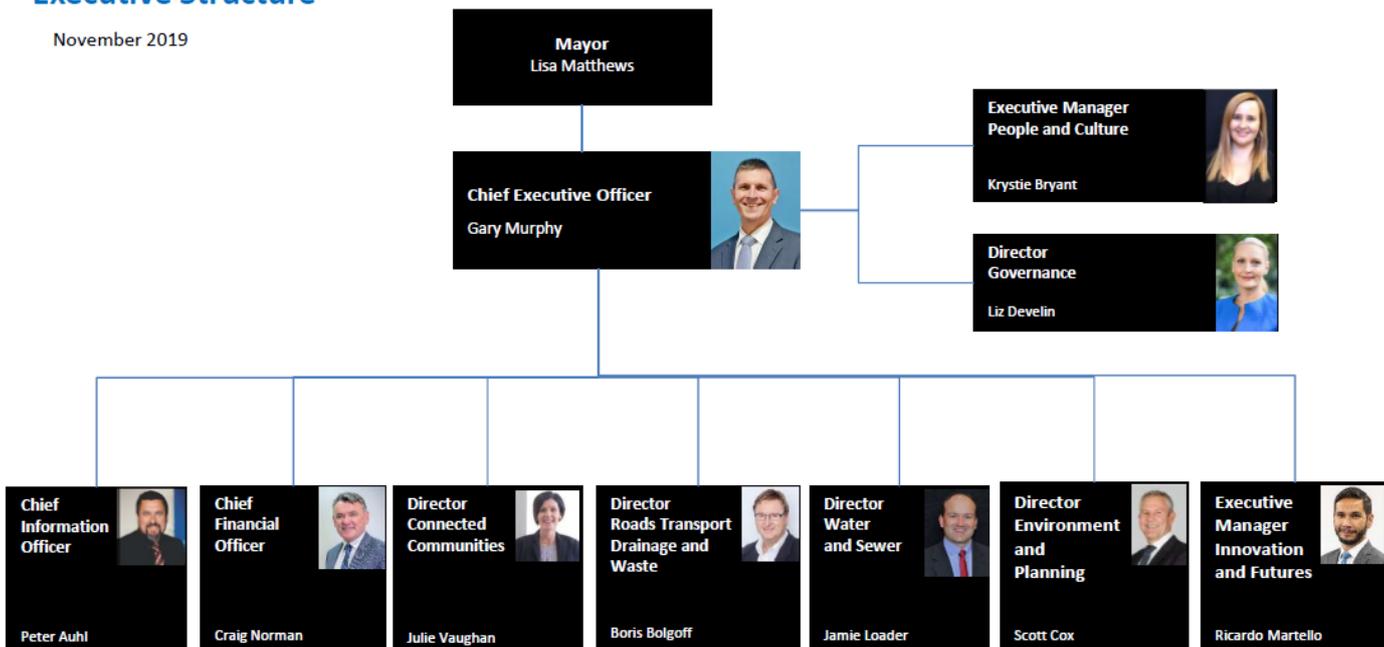
Council Structure

Central Coast Council’s organisation is led by the Chief Executive Officer and comprises of the following ten sections: Office of the Chief Executive, Connected Communities, Environment and Planning, Finance, Governance, Information Management and Technology, Innovation and Futures, People and Culture, Roads Transport Drainage and Waste, and Water and Sewer.

The Executive Leadership Team (ELT) make day-to-day decisions on operational matters that comply with Council’s policies and procedures.

Central Coast Council Executive Structure

November 2019



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Community Vision

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

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

BELONGING

SMART

GREEN

RESPONSIBLE

LIVEABLE

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Independent Member profiles

Dr Colin Gellatly (AO)



Dr Gellatly (AO) is one of Australia's most successful public servants, having served as Director General in several Government Departments, including the Premier's Department, the Industrial Relations, Employment, Training and Further Education Department and the Land and Water Conservation Department. He has held various Board and Authority Chair and Director roles as well as being a member of many Federal and State Committees and Working Parties. He has a Ph.D. in Economics and Statistics and was awarded an AO in 2008 for services to the public sector.

Mr Carl Millington



Mr Millington has over 30 years' experience in providing business consulting, auditing and accounting advice to Not-for-Profit organisations including government and community-based organisations, sporting associations, NSW Local Government, business groups and employer organisations. He is a senior partner at Pitcher Partners Sydney in the Business Advisory and Assurance Group, a member of the firm's Advisory Board, and a member of the firm's Business Consulting group.

Mr John Gordon



Mr Gordon is a Chartered Accountant and Chartered Secretary with 40 years' experience providing assurance, advisory and corporate governance assistance to a broad range of clients in the private and public sectors. This includes 22 years as a senior Audit/Assurance Partner with PwC Australia. He has 38 years of continuous involvement in the Local Government, Health and Not-For-Profit (NFP) sectors. Since 2009, Mr Gordon has served as Chair or Member on Audit & Risk Committees for 20 State, Territory, Local Government and NFP organisations including 11 NSW Local Government Councils.

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The following Councillors were appointed to the Committee by Council Resolution on 9 October 2017.

Councillor Representatives

[Councillor Doug Vincent](#)



Budgewoi Ward

[Councillor Louise Greenaway](#)



Wyong Ward

Alternative Councillor Representatives

[Mayor Lisa Matthews](#)



The Entrance Ward

[Councillor Jeff Sundstrom](#)



Gosford East Ward

Other Regular Attendees

Non-Committee Members who regularly attend meetings include the Audit Office of NSW, relevant ELT members, Chief Internal Auditor, Senior Internal Ombudsman, General Counsel and Governance Staff.

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In 2019 the Central Coast Council Audit, Risk and Improvement Committee convened four times to review internal audit reports and the internal audit program for Central Coast Council.

Audit Committee Performance

Committee meeting dates and members' participation in 2019.

- Tuesday 5 March 2019
- Wednesday 19 June 2019
- Tuesday 1 October 2019
- Wednesday 4 December 2019*

* At the 4 December 2019 meeting the Committee noted that the extraordinary meeting scheduled for November to review the draft Financial Statements for 2018-19 had been delayed to 20 February 2020.

Attendance details

Name	Role	Meetings Attended
Colin Gellatly (AO)	Chair (Independent)	4
Carl Millington	Independent	4
John Gordon	Independent	4
Doug Vincent	Councillor	3
Louise Greenaway	Councillor	4

Prior to the 4 December 2019 meeting, an "in-camera" meeting was held with the Committee and the Chief Internal Auditor, without the presence of management, as per the clause 4.5 Audit, Risk and Improvement Committee Charter.

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Committee Report Card

Committee Charter	Compliance
Committee Meetings	A quorum was maintained at every meeting. Committee is Chaired by an Independent Member Dr. Gellatly AO.
Composition	Three Independent Members and two Councillors.
Broad range of skills and experience	A diverse Committee with strong local government and commercial experience.
Sufficient time allocated to tasks	The Committee agenda allowed equal time to discuss all audit reviews, status of implementation of audit recommendations and the strategic internal audit plan
Risk Management	Enterprise Risk Management Framework (ERMF) reviewed. Risk register developed and currently being tested and refined. Development of a Data Breach Policy and Procedure.
Control Framework	Effective review of controls and policies and procedures through audit reports and high-level briefings received. The development of a Performance Dashboard is proposed to cover Financial, People, Service Delivery and Governance.
External Accountability	Provides input and feedback on the financial statements and considers control issues identified by the external auditors
Legislative Compliance	A register of legislative compliance requirements has been developed.
Internal Audit	Review and approval of the Internal Audit Plan; review of audit findings; monitoring of implementation of Internal Audit recommendations; in-camera meeting with Internal Audit Manager. Provision of advice on tendering for co-source Internal Audit contractor. Internal Audit co-sourced partner, Centium has been engaged.
External Audit	Discussed review of financial statements, compliance with local government regulatory requirements and resolution of audit findings. NSW Audit Office officially invited to attend all meetings. In-camera meeting with External Auditors as per clause 4.6. Monitoring implementation of NSW Audit Office recommendations.
Responsibilities of Members	Members remain aware of changing regulatory requirements and receive regular briefings on Council developments. Completion of annual conflict and register of interests' declarations. Attended tour of Council area and facilities

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Agenda Items

The following highlights the formal matters consider by the Audit, Risk and Improvement Committee at meetings throughout 2019.

5 March 2019

Report Title	Report purpose
<i>Update on GIPA Requests</i>	To provide the Committee with details relating to information requests made under the Government Information (Public Access) Act 2009, including themes of such requests.
<i>Report on Councillor Expense Claims for the twelve-month period from 16 September 2017 to 28 September 2018</i>	To provide the Committee with details of Councillors' expense claims for the twelve-month period from 16 September 2017 to 28 September 2018.
<i>Implementation of Management Actions Arising from IA Reviews and Reports</i>	To 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.
<i>CIA Progress Update</i>	The <i>Chief Internal Auditor's (CIA) Quarterly Progress Report</i> forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee.
<i>Draft Water Supply Authority Financial Statements for the reporting period 1 July 2017 to 30 June 2018</i>	To present the draft 2017-18 Central Coast Council Water Supply Authority Financial Statements, which cover the period from 1 July 2017 to 30 June 2018, including analysis of the financial position and financial performance for the reporting period.
<i>Reports from Audit Office of NSW</i>	Final Management Letter for Council's 30 June 2018 Audit, and the Engagement Closing Report for the Water Supply Authority provided by Audit Office of NSW for consideration of the Committee.

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19 June 2019

Report Title	Report purpose
<i>Development of the IA Work Program</i>	To provide an update from the Chief Internal Auditor on how the Internal Audit work program is compiled.
<i>Chief Internal Auditor's Quarterly Progress Report</i>	The Chief Internal Auditor's (CIA) Quarterly Progress Report forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC) and reports on the activities of Internal Audit since the last update to the Committee.
<i>Implementation of Management Actions Arising from IA Reviews</i>	To 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.
<i>Deferred Management Actions, Risk and Solutions</i>	To report on a proposed process in respect of: keeping the ARIC informed of (i) management actions relating to significant issues arising from IA reviews where the actions are overdue or have been closed; (ii) how the identified risk exposures are being managed in the period between being highlighted by IA and being fixed by management; and (iii) providing the ARIC with some assurance that closed off actions have actually been done.
<i>Comparison of allowable Councillor Expenses</i>	To provide a report comparing the allowable Councillor costs for Central Coast Council to other NSW Councils as requested by the Committee.
<i>Policy for Investment Report</i>	To present a Policy for Investment Management provided to the Committee for comments and recommendations for consideration prior to inclusion in a report to Council.
<i>Presentation on Asset Management</i>	To give a presentation provided by Director Roads Transport Drainage and Waste on Asset Management.
<i>Co-Source Internal Audit Model</i>	To provide an update by Director Governance on the Co-Source Model arrangements.
<i>Update on the Gosford Cultural Precinct</i>	To provide an update on the Gosford Cultural Precinct including project overview, probity matters and development of Terms of Reference.
<i>Funding Agreement between Central Coast Council and CCGT</i>	To provide an update by Director Governance on the funding agreement between Central Coast Council and CCGT.
<i>Report from Audit Office of NSW</i>	To provide an update by Audit Office of NSW on the Annual Engagement Plan and the Auditor General's report to Parliament.
<i>Update on Legal Matters</i>	To provide the Committee with details relating to Legal matters.

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1 October 2019

Report Title	Report purpose
<i>CIA Quarterly Progress Report</i>	The Chief Internal Auditor's (CIA) Quarterly Progress Report forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC) and reports on the activities of Internal Audit since the last update to the Committee.
<i>Implementation of Management Actions arising from IA Review</i>	To 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.
<i>IA Balanced Scorecard Report</i>	To deliver a balanced scorecard progress report to each quarterly meeting.
<i>IA Annual Assurance Statement</i>	To provide 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 <i>Internal Audit Guidelines</i> .
<i>IA Work Program to December 2020</i>	To present the <i>IA Four Year Audit Schedule and Work Programme</i> for consideration and approval.
<i>IA Year in Review</i>	To provide the <i>IA Year In Review</i> - 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.
<i>IA Emerging Themes Report</i>	To present an annual report to the Audit and Risk Committee on <i>Emerging Themes</i> 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.
<i>Information Technology General Controls (ITCG) Interim Management Letter</i>	To present the Audit Office of NSW Information Technology General Controls Management Letter for the year ended 30 June 2019 outlining matters of governance interest identified during the current audit, unresolved matters identified during previous audits and matters required to be communicated under Australian Auditing Standards.
<i>Risk Management Framework and Risk Register</i>	To provide an update to the Audit, Risk and Improvement Committee on the progress of the Central Coast Council Enterprise Risk Management Framework. To also offers the opportunity for the Audit, Risk and Improvement Committee to have input into the future reporting of risk management across Council.
<i>Fraud and Corruption Control Policy</i>	To present a draft policy to the Audit, Risk and Improvement Committee for review and comment prior to going to Council for consideration.
<i>Business Continuity Plan – Implementation and Update</i>	To provide ARIC with a summary update on Council's Business Continuity Planning (BCP) process.

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Report Title	Report purpose
<i>Dashboard – Collection of performance measurement data by Council</i>	To consider a proposed reporting dashboard and seek comment from the Committee.
<i>Update on Legal Matters</i>	To provide the Committee with details relating to Legal matters.
<i>Legislation Compliance Reporting Process</i>	To provide the Committee with an update on Council's Legislation Reporting Status.
<i>GIPA Review Outcomes</i>	To provide the Committee with further details than those contained in Council's Annual Report relating to information requests made under the <i>Government Information (Public Access) Act 2009 (GIPA Act)</i> , including the outcomes of any external review requests.
<i>Council Resolution to establish an Integrity and Ethical Standards Unit</i>	To present 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.
<i>Policy for Investment Management</i>	To present the Audit, Risk and Improvement Committee with the Policy for Investment Management for comment.
<i>Chain of Responsibility</i>	To present on the Chain of Responsibility.
<i>Response to GB5/19 The use of Roundup weed killer in Council's operations</i>	To provide the Committee with an update on the use of Roundup weed killer in Council's operations.
<i>Notice of Motion – Independent Audit Investigation into RPAC</i>	To present a Notice of Motion from to 8 October 2019 Council Meeting regarding RPAC.

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4 December 2019

Report Title	Report purpose
<i>Co-Source Partner Presentation</i>	A Presentation provided by Penny Corkill (Centium) on the Co-source Model.
<i>Chief Internal Auditor's Quarterly Progress Report</i>	The Chief Internal Auditor's (CIA) Quarterly Progress Report forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC) and reports on the activities of Internal Audit since the last update to the Committee.
<i>Implementation of Management Actions Arising from IA Reviews</i>	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.
<i>Internal Audit Four Year Audit Schedule and Work Programme</i>	To provide schedule of audits for Q2 2019 through to December 2020 (to cover the early election period of the next Council term), a longer-term projected plan of audits through to the end of Financial Year 2022/2023 and a proposed work programme covering the other elements of the IA Framework for the same period.
<i>Performance Audit – Governance and Internal Controls over Local Infrastructure Contributions</i>	To advise the committee on the Performance Audit being undertaken by the Audit Office of New South Wales (Audit NSW). The audit is to assess Council's effectiveness of governance and internal controls over Local Infrastructure Contributions, otherwise known as Developer Contributions, collected by Councils.
<i>Update on Enterprise Risk Management Framework</i>	To provide the Audit, Risk and Improvement Committee information on the progress of the Central Coast Council Enterprise Risk Management Framework.
<i>Combustible Cladding</i>	To provide the Audit, Risk and Improvement Committee with an update on building cladding, as requested at the 1 October 2019 meeting.
<i>Dashboard – Collection of Performance Measurement Data by the Council</i>	To update the Audit, Risk and Improvement Committee on Council's Progress with establishment of a Performance Dashboard (including Governance indicators).
<i>ICAC / Code of Conduct</i>	To provide an update by Senior Internal Ombudsman regarding ICAC and Code of Conduct as well as key figures.
<i>Update on Legal Matters</i>	To provide the Committee with details relating to Legal matters.
<i>Revised Charter for Audit, Risk and Improvement Committee</i>	To present a revised Charter for the Audit Risk and Improvement Committee for reporting to Council for determination, and to consider the reappointment terms.

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Report Title	Report purpose
<i>Integrity and Ethical Standards Unit Update</i>	To provide the Audit, Risk and Improvement Committee with an update on Council's resolution with regard to actions to support functions that promote integrity and high ethical standards.
<i>Business Continuity Management Update</i>	To provide further information regarding Council's Business Continuity Management and how it operates in relation to Emergency Management. Disaster recovery of systems is a subset of the Business Continuity Management and is being developed as part of that.
<i>Report on Council's draft Data Breach Policy and Procedures</i>	To provide the Audit, Risk and Improvement Committee with an opportunity to provide feedback on a Draft Data Breach Policy and Draft Data Breach Procedures.
<i>Feedback on Management Actions identified in the ITGC Management Letter</i>	Verbal update provided by Unit Manager IMT Assure
<i>Complaints and Compliments Report – Q1 2019/20</i>	To provide an overview of complaints and compliments received during the first quarter period, 1 July 2019 to 30 September 2019, to the Audit Risk and Improvement Committee (Committee). The information included in this report was based on reports from Council's Customer Experience (CX) system.
<i>Customer Experience Survey Results</i>	During the period of 30 May – 7 June 2019, Micromex Research conducted the second annual customer experience telephone survey of 602 Central Coast Council (CCC) residents to identify customer perceptions. This report identified the key survey results, changes to last year's survey and Council's focus for this year, as well as next steps.
<i>Policy for Investment Management – ESG Investments</i>	To provide a response to Resolution 1043/19 from the Ordinary Council meeting on 28 October 2019 requesting an investigation of the suitability of incorporating ESG investments into Council's investment policy.
<i>Update on Financial Audit</i>	Verbal update provided by Chief Financial Officer on the status of the financial audit.

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Internal Audit

Internal Audit plays a key role in helping Council to achieve its objectives by testing how effectively controls are operating across specific systems, processes and activities in order to manage the associated risks.

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

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

A Charter governs the Internal Audit function at Central Coast Council. The Charter, which is reviewed every two years, outlines the purpose, authority and responsibility of management and the Internal Audit function. The Chief Internal Auditor presents their findings and recommendations to the ARIC in an audit report at each meeting. To monitor the effectiveness of the control environment, the ARIC reviews the reports and progress on implementation of recommendations.

The following Internal Audit reports were presented at each ARIC meeting:

- Implementation of Management Actions Arising from IA Reviews
- Chief Internal Auditor's Quarterly Progress Report

The following additional Internal Audit reports were presented throughout the year:

- Development of the IA Work Program
- Deferred Management Actions, Risks and Solutions
- IA Balanced Scorecard Report
- IA Annual Assurance Statement
- IA Four Year Audit Schedule and Work Programme
- IA Year in Review 2018/19
- IA Emerging Themes, Operational Risks and Opportunities Report 2018/19

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External Audit

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

Chair's Summary

2019 was a productive year for the Committee, which involved several key achievements.

The Committee refined the standing agenda for meetings during 2019 and as a result important regular updates were included. For example, the Committee now receives quarterly updates on significant legal matters and risks. The Committee also received regular updates on IM+T matters, including a review of the Information Technology General Controls Management Letter and feedback of management actions arising.

Providing advice on the shaping of key policies and procedures was a focus for the Committee. A number of policies were reviewed with comment provided. The Committee reviewed a report on Councillor Expense Claims for the twelve-month period from 16 September 2017 to 28 September 2018. Following this, a further report comparing allowable Councillor costs for Central Coast Council to other NSW Councils was brought to the 19 June 2019 meeting. The Committee also reviewed a draft Policy for Investment, Fraud and Corruption Control Policy and Data Breach Policy.

The Committee also turned its focus to a number of key risk management tools. A significant amount of attention was given to Council's developing Enterprise Risk Management Framework. The Committee provided feedback on the Enterprise Risk Management Framework (ERMF), which was developed by staff earlier in the year. At the 4 December 2019 meeting the Committee endorsed Council seeking support of external experts to assist with improving the ERMF and associated processes. This is expected to occur early 2020.

In addition, the development of a Business Continuity Plan for Central Coast Council was a recurring topic of discussion.

The Committee welcomed Penny Corkill (Centium) as part of the Co-Source Model at the 4 December 2019 meeting. Penny will be assisting the Chief Internal Auditor with the four-year audit schedule and providing valuable input advice and feedback.

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The Committee also considered a proposal regarding the establishment of an Integrity and Ethical Standards Unit, as requested by Council at the 22 July 2019 Ordinary Council Meeting. This matter was discussed at the 1 October 2019 ARIC meeting, and the Committee determined the functions identified for the proposed Unit were already addressed within the existing structure. Furthermore, the Committee recommended that Council review current resourcing to improve delivery. It is expected that this report will be provided to the ARIC meeting scheduled for 17 June 2020.

Best practice has been a focus for the Committee this year, resulting in the development of a draft Performance Dashboard which will promote accountability and drive improvement in the business areas of finance, people, governance and service delivery. ARIC members will provide feedback on the draft, which will continue to be refined.

In accordance with best practice, the Committee also considered a revised ARIC Charter at the 4 December 2019 meeting. The revised ARIC Charter aligns with the *Model Audit and Risk Committee Charter* as set out in the NSW Audit Office guidelines TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector. The ARIC Charter was endorsed by the Committee and will be reported to Council at an open meeting in 2020 for determination.

The above is in addition to the regular Internal Audit work which is referred to the Committee. This includes quarterly progress updates, review of management actions in response to Internal Audit reviews and consideration of the Internal Audit program of work.

I also take the opportunity to specially acknowledge and express my appreciation for all of the work undertaken by my fellow ARIC Committee Members, the Chief Executive Officer, the Executive Leadership Team and the Governance Secretariat. Their respective contributions have been instrumental in establishing a firm foundation for the ARIC to add further value to Council's governance processes going forward.

A handwritten signature in blue ink that reads "Col Gellatly".

Colin Gellatly
ARIC Chair

A handwritten date in blue ink that reads "20/2/2020".