

# Audit, Risk and Improvement Committee

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

Central  
Coast  
Council

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

Annual Report 2021

# **Audit, Risk and Improvement Committee Annual Report 2021**

## **About the report**

This annual report documents the operation and activities of the Audit, Risk and Improvement Committee for Central Coast Council during the 2021 calendar year.

## **The Central Coast Council Audit, Risk and Improvement Committee**

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

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

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

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

The Committee consists of three independent members and two Councillor members who are nominated by Council. Effective 30 October 2020, the State Government issued a Suspension Order to suspend Councillors of Central Coast Council. On 26 April 2021 the Minister announced a formal Public Inquiry therefore the suspension remains in place and the local government election will be postponed until late 2022. During this time the Administrator performs the Councillor role on the Committee.

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

# Audit, Risk and Improvement Committee Annual Report 2021

## Central Coast Council

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

The Central Coast NSW population forecast for 2022 is 358,826 and is forecast to grow to 414,615 by 2036. Planning for growth and maintaining the lifestyle that our community enjoys is important for Council.

## Council Structure

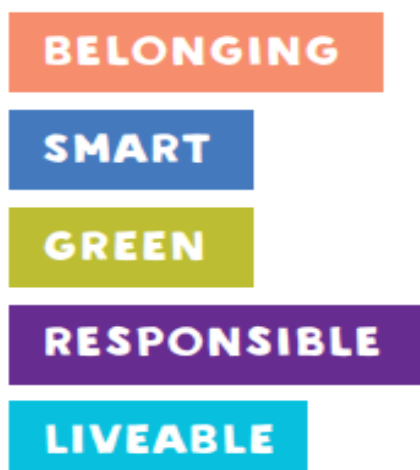
For 2021, Central Coast Council's organisation was led by the Chief Executive Officer and comprised of the following Directorates: Community and Recreation, Corporate Affairs, Environment and Planning, Infrastructure Services, and Water and Sewer.

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

## Community Vision

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

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



# Audit, Risk and Improvement Committee Annual Report 2021



## Independent member profiles

### Arthur Butler (appointed from 27 April 2021)



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

### Dr Colin Gellatly (AO) (appointment ceased 27 April 2021)



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

# Audit, Risk and Improvement Committee Annual Report 2021

## 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 35 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.

## Councillor representatives

The Administrators performed the Councillor role on the Committee during 2021.

## Mr Dick Persson AM



Mr Persson was appointed as Administrator for Central Coast Council by the Minister for Local Government, the Hon Shelley Hancock MP, following the suspension of Councillors on 30 October 2020.

Mr Persson acted as Administrator until being replaced by Mr Rik Hart, following the announcement of a formal Public Inquiry into Central Coast Council on 26 April 2021.

## Mr Rik Hart



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

Mr Hart commenced in the role from 12 May 2021, following a handover period from the previous Administrator, Mr Dick Persson AM.

# Audit, Risk and Improvement Committee Annual Report 2021



## Other Regular Attendees

Non-Committee members who regularly attend meetings include the Audit Office of NSW, Centium – Internal Audit Partner, relevant ELT members, Senior Internal Ombudsman, General Counsel and Governance staff.

In 2021 the Central Coast Council Audit, Risk and Improvement Committee convened five times to review internal audit reports and the internal audit program for Central Coast Council.

## Committee performance

### Committee meeting dates and members' participation in 2021

- Wednesday 10 March 2021 (Ordinary Meeting)
- Tuesday 13 April 2021 (Extraordinary Finance Meeting)
- Thursday 24 June 2021 (Ordinary Meeting)
- Tuesday 14 September 2021 (Ordinary Meeting)
- Tuesday 7 December 2021 (Ordinary Meeting)

### Attendance details

Name	Role	Meetings Attended	Comment
Colin Gellatly (AO)	Chair (Independent)	1	Colin Gellatly's appointment ceased on 27 April 2021
Carl Millington	Chair (Independent)	5	Appointed as Chair at 24 June 2021 meeting
John Gordon	Independent	5	
Arthur Butler	Independent	3	Appointed from 27 April 2021
Rik Hart	Administrator (Councillor Representative)	3	Appointed as Administrator 12 May 2021
Dick Persson AM	Administrator (Councillor Representative)	1	Appointed as Administrator 30 October 2020

# Audit, Risk and Improvement Committee Annual Report 2021

On Monday 30 August 2021, the Committee held an “in-camera” meeting with representatives from the NSW Audit Office, without the presence of management, to discuss the external audit of the Council’s financial statements.

Prior to the 7 December 2021 meeting, an “in-camera” meeting was held with the Committee and the Unit Manager Governance and Legal Counsel (facilitating the role of the Chief Internal Auditor) along with Centium Internal Audit Co-Sourced Partner, without the presence of management, as per the clause 39(h) of the Audit, Risk and Improvement Committee Charter.

On Monday 13 December 2021, an “in-camera” meeting was held with the Committee and the Senior Internal Ombudsman, without the presence of management, as per clause 39(i) of the Audit, Risk and Improvement Committee Charter.

## Committee report card

Committee Charter	Compliance
Committee Meetings	A quorum was maintained at every meeting.
Composition	Three Independent Members and the Administrator performing the Councillor role.
Broad range of skills and experience	A diverse Committee with strong local government and commercial experience.
Sufficient time allocated to tasks	The Committee agenda and timing of meetings allowed sufficient time to consider all agenda items thoroughly.
Risk Management	Monitored and provided oversight with the development of Council’s Enterprise Risk Management Framework (ERMF), risk register, and a Data Breach Policy and Procedure.
Control Framework	Reviewed internal controls and policies and procedures through internal audit reports and high-level briefings. Provided input and oversight in the development of a comprehensive Performance Dashboard
Legislative Compliance	Reviewed and advised on the development of a comprehensive register of legislative compliance requirements.
Internal Audit	Reviewed and approved the Strategic Internal Audit Plan and annual programs; reviewed internal audit findings; monitored implementation of Internal Audit recommendations; held in-camera meeting with Internal Audit Manager.

# Audit, Risk and Improvement Committee Annual Report 2021



Committee Charter	Compliance
External Audit	Discussed external audit planning, progress with the audit of Council's annual financial statements, compliance with local government regulatory requirements and resolution of audit findings. NSW Audit Office officially invited to attend all meetings. In-camera meeting with External Auditors as per clause 40(e).
Responsibilities of Members	All Committee Members have remained aware of their responsibilities under the ARIC Charter, including changing operational and regulatory requirements through receipt of regular briefings on Council developments.

## Agenda items

The following highlights the formal matters consider by the Audit, Risk and Improvement Committee at meetings throughout 2021.

### 10 March 2021

Report Title	Report purpose
<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>IA Balanced Scorecard Report</i>	To deliver a balanced scorecard progress report to each quarterly meeting.
<i>Report from the Office of the Internal Ombudsman</i>	To report on the completion of major investigations from the Office of the Internal Ombudsman.
<i>Governance and Risk activities update</i>	To provide the Committee with an update on key Governance and Risk activities.
<i>SRV Application Update</i>	To provide the Committee with an update on the special rate increase application made on 8 February 2021 to IPART.



# Audit, Risk and Improvement Committee Annual Report 2021



Report Title	Report purpose
<i>Complaints and Compliments Report</i>	To provide an overview of the complaints and compliments received during the first half of 2020/21, 1 July to 31 December 2020.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

## 13 April 2021

Report Title	Report purpose
<i>Presentation of Financial Reports and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020</i>	To provide the Committee with an update on the progress of the 2019/20 Financial Statements and related Audit for the period 1 July 2019 to 30 June 2020, given that the Audit was not finalised and some reporting details still needed confirmation.

## 24 June 2021

Report Title	Report purpose
<i>2020/21 Q3 Business Report</i>	To provide the Committee with details of Central Coast Council's performance progress as measured against the organisation's Operational Plan for 2020/21 to 31 March 2021.
<i>Administrator's Minute – Council's response to Auditor General's Local Government Report</i>	To provide the Committee with Council's response to the Auditor General's Local Government Report.
<i>Independent Pricing and Regulatory Tribunal review of Council's water, sewerage and stormwater drainage services</i>	To provide the Committee with an update on the Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services.
<i>Council's Asset Sales Program</i>	To provide an update on the process of reviewing Council's property portfolio in order to assess opportunities to liquidate assets to assist with financial sustainability.
<i>Sale of Land for Unpaid Rates</i>	To provide the Committee with information regarding the Sale of Land for Unpaid Rates action.

# Audit, Risk and Improvement Committee Annual Report 2021



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 Operational Plan 2021/22</i>	To present the updated IA Operational Plan 2021/22 to the Audit, Risk and Improvement Committee for consideration and approval.
<i>Report from the Office of the Internal Ombudsman</i>	To provide the Committee with an update on the completion of major investigations from the Office of the Internal Ombudsman.
<i>Governance activities update</i>	To provide the Committee with an update on key Governance activities.
<i>Update on Public Inquiry</i>	To provide the Committee with an update on the Public Inquiry.
<i>Enterprise Risk Management Report – May 2021</i>	To provide the Committee with an overview of Central Coast Council's risks and associated controls.
<i>Audit, Risk and Improvement Committee Charter Update</i>	For the Committee to consider the revised charter for the Audit, Risk and Improvement Committee.
<i>Q3 2020/21 Complaints and Compliments Report</i>	To provide the Committee with an overview of complaints and compliments received during the third quarter period, 1 January to 31 March 2021.
<i>Holiday Parks Internal Audit – 12 month update on Implementation Plan Recommendations</i>	To provide the Committee with an update on the implementation of the 14 recommendations from the Holiday Parks Internal Audit.
<i>Reports issued by the NSW Audit Office</i>	To provide the Committee with reports issued by the NSW Audit Office, for their information.
<i>Management Letter from NSW Audit Office – Information Technology General Controls Testing phase of Audit for year ended 30 June 2020</i>	To provide the Committee with the Management Letter from the NSW Audit Office on Information Technology General Controls Testing phase of the Audit for the year ended 30 June 2020.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

# Audit, Risk and Improvement Committee Annual Report 2021



14 September 2021

Report Title	Report purpose
<i>Monthly Financial Report – July 2021</i>	To present the July 2021 monthly financial reports for Central Coast Council to the Committee.
<i>Draft Financial Statements for the period 1 July 2020 to 30 June 2021</i>	To present the draft 2020/21 consolidated financial statements for Central Coast Council to the Committee.
<i>Internal Audit Transitional Activities</i>	To provide the Committee with an update on personnel matters pertaining to the Chief Internal Audit position, and transitional and future plans for the function.
<i>Feedback on actions proposed in ITGC Management Letter</i>	To provide the Committee with an update on the issues identified by the Audit Office in the ITGC Audit for the year ended 30 June 2020.
<i>Update on Public Inquiry</i>	To provide the Committee with an update on the Public Inquiry.
<i>Enterprise Risk Management Report – August 2021</i>	To provide the Committee with an update on Central Coast Council's risks and associated controls.
<i>Minutes of the Risk Management Committee Meeting 17 August 2021</i>	To provide the Committee with the minutes from the first working meeting of the Risk Management Committee.
<i>IT Update</i>	Review of technological related risk issues
<i>Q4 2020/21 Complaints and Compliments Report</i>	To provide an overview of complaints and compliments received during the fourth quarter period.
<i>Governance Activities Update</i>	To provide the Committee with an update on key Governance activities.
<i>Integrated Planning and Reporting Activities for 2021/22</i>	To provide an update on the Integrated Planning and Reporting activities planned for the next 12 months.
<i>Report from the Office of the Internal Ombudsman</i>	To provide the Committee with an update on the completion of investigations from the Office of the Internal Ombudsman.
<i>NSW Audit Office Management Letter for year ended 30 June 2020</i>	To provide the Committee with the Management Letter from the NSW Audit Office for year ended 30 June 2020.
<i>NSW Audit Office Annual Engagement Plan for year ended 30 June 2021</i>	To provide the Committee with the Annual Engagement Plan from the NSW Audit Office for the year ended 30 June 2021.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

# Audit, Risk and Improvement Committee Annual Report 2021



7 December 2021

Report Title	Report purpose
<i>General Finance Update</i>	To present to the Committee the summary position of Council's Financial position for the financial year-to-date 31 October and forecasts to 30 June 2022.
<i>Enterprise Risk Management Report – November 2021</i>	The Enterprise Risk Management Report is a snapshot of Central Coast Council's risks and associated controls as entered by Council staff. The aim of the report is to provide the Committee with an overview of the organisation's risk profile, highlight controlled risks that are outside of risk appetite, and document the current identified strategic risks of the organisation.
<i>Minutes of the Risk Management Committee Meeting 9 November 2021</i>	To provide the Committee with the minutes from the 9 November 2021 Risk Management Committee meeting.
<i>IT Update December 2021</i>	To provide an update to the Committee on the Essential 8, controls to manage IT projects considering the impacts on IT, update on the crown jewels in terms of corporate data and how IT identifies and is managing this risk. An update was also provided on technology related risk as per the Work Plan.
<i>Audit Office of NSW Annual Work Program 2021-2024</i>	To provide the Committee with the Audit Office of NSW Annual Work Program for 2021 – 2024.
<i>Governance Lighthouse report as at 30 September 2021</i>	To provide the Committee with an update on key Governance activities.
<i>ARIC Annual Work Plan</i>	To provide the Committee with an update on the Annual Work Plan.
<i>Complaints and Compliments Q1 2021-22</i>	To provide an overview of complaints and compliments received during the first quarter period, 1 July to 30 September 2021.
<i>Update on the Integrated Planning and Reporting Activities for 2021-22</i>	To provide the Committee with a status update since the ARIC meeting on 14 September 2021 on the Integrated Planning and Reporting activities planned for the 2021-22 financial year.
<i>Report from the Office of the Internal Ombudsman</i>	To provide the Committee with an update on the completion of investigations from the Office of the Internal Ombudsman.
<i>Fraud and Corruption Control Framework</i>	To inform the Committee of current activities directed towards improving and strengthening Council's Fraud and Corruption Control Framework.
<i>Meeting Dates for 2022</i>	To set the Audit, Risk and Improvement Committee dates for 2022, in accordance with Clause 55 of the ARIC Charter.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.

# Audit, Risk and Improvement Committee Annual Report 2021

## Internal Audit

Internal Audit plays a key role in helping Council to achieve its objectives by testing how effectively management controls are operating across specific systems, processes and activities to manage the associated risks. In August 2021, the former Chief Internal Auditor resigned, and Council took a decision, with the support of ARIC, to outsource the Internal Audit function, using the contracted audit provider, Centium, on a 12-month trial basis. That arrangement was subject to the oversight and administration of the Unit Manager – Governance, Risk & Legal.

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

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

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

To monitor the effectiveness of the control environment, ARIC also reviews management's progress to fix any control weaknesses identified by IA reviews, through a quarterly report on management's implementation of recommendations. During 2021, at the joint initiative of Centium and the Council, this report was restricted to include only those findings and recommendations that had been appropriately calibrated to Council's own risk appetite, and excluded external consultant reports that did not meet the risk calibration criterion.

During 2020/21 the following final IA reports were issued and reviewed by the Committee, relating to audits of:

- 01/19-20: Councillor Facilities, Allowances & Expenses
- 02/19-20: Contract Management
- 04/19-20: ELT/SLT Facilities, Allowances & Expenses
- 05/19-20: IT Governance
- 06/19-20: Procurement Cards, Trade Cards & Other Similar Types of Credit
- 07/19-20: Contractors, Temporary and Contingent Labour Hire

# Audit, Risk and Improvement Committee Annual Report 2021

Report 03/19-20: Complaints Management remains in draft, awaiting management responses to recommendations.

## 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

The ARIC continued to support the management team and the Council as it recovered from financial issues that arose during the 2020 year. In response to the events of 2020, the ARIC reviewed its meeting agendas to ensure there was an increased focus on financial management, risk management and the effectiveness of the internal audit function. The various topics addressed by the ARIC during 2021 are outlined in this report.

## Looking ahead

In August 2021, the Office of Local Government (OLG) issued revised draft "Guidelines for risk management and internal audit for local councils in NSW". The guidelines were developed by the OLG to assist councils to comply with the requirements of the Local Government Act 1993 ('Local Government Act') and the Local Government (General) Regulation 2005 ('Local Government Regulation') that relate to risk management and internal audit.

As Central Coast Council (CCC) has an audit, risk and compliance committee (ARIC), it already complies with the requirements under the Local Government Act to appoint a committee. The draft guidelines allow councils until June 2027 to ensure the membership of the committee complies with the guidelines. CCC also has an internal audit function that complies with the requirements under the Local Government Act to establish an internal audit function.

The 2022 annual work plan, aligned with the adopted strategic internal audit plan, has been prepared and will ensure that ARIC continues to meet its obligations and provide independent support to Council. The "Guidelines for risk management and internal audit for local councils in NSW", will also need to be considered and addressed by ARIC once they are finalised.

# Audit, Risk and Improvement Committee Annual Report 2021



## Conclusion

During 2021 ARIC has achieved its objective to provide independent assurance and assistance to the Council on key aspects of its operations by fulfilling all its responsibilities under the Charter.

Members of the committee have worked well together and with Council's management team, and I thank them, and council's internal and external auditors for their efforts, cooperation, and recommendations throughout the 2021 year.

**Carl Millington**

ARIC Chair