



## Central Coast Council

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

Held in the Committee Room, 49 Mann Street, Gosford  
on 1 October 2019 at 2pm

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#### **Present**

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

#### **Staff in Attendance**

Gary Murphy	Chief Executive Officer
Craig Norman	Chief Financial Officer
Dr Liz Develin	Director Governance
Brett Sherar	Acting Director Environment and Planning
Julie Vaughan	Director Connected Communities (arrived 3.20pm)
Tina Baker	Chief Internal Auditor
Gordon Plath	General Counsel (arrived 2.50pm, left 3.25pm)
Peter Armour	Unit Manager Plant and Fleet (arrived 3.35pm, left 4.02pm)
James Taylor	Acting Unit Manager Governance and Business Services
Phil Moriarty	Section Manager People Development and Expertise (arrived 3.35pm, left 4.02pm)
Kelly Drover	Advisory Group Support Officer
Aaron Green	Audit Office of NSW (phoned in 2pm – 2.20pm)
Cassie Malone	Audit Office of NSW

## 1 INTRODUCTION

### 1.1 Welcome, Acknowledgement of Country and Apologies

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The Chairperson, Colin Gellatly completed an Acknowledgement of Country.

Apologies Received: Nil

### 1.2 Disclosures of Interest

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#### Resolution

- 1 *That the Committee receive the report on Disclosures of Interest.*
- 2 *John Gordon declared a less than significant non-pecuniary interest as an Independent Member on Waverly Council Audit, Risk and Improvement Committee.*
- 3 *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.*

### 1.3 Confirmation of previous ARIC meeting minutes

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#### Resolution

- 1 *That the minutes of the Audit, Risk and Improvement Committee meeting held on 19 June 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.*

### 1.4 Outstanding Action Items

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#### Resolution

- 1 *That the Committee notes the report.*
- 2 *That a meeting be held with John Gordon, Senior Internal Ombudsman and Director Governance to discuss general observations on best practice and a presentation to be provided at the 4 December 2019 meeting.*
- 3 *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.*

## 2 INTERNAL AUDIT

### 2.1 CIA Quarterly Progress Report

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#### Resolution

- 1 *That the Committee receive the Chief Internal Auditor's report.*
- 2 *That the Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, a 'confidential' privacy marking be assigned to this report for the reason that it contains information of final audit reports which refer to control weaknesses and risk exposures that could compromise the "security of Council, Council Officials and Council property".*

### 2.2 Implementation of Management Actions arising from IA Review

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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 *That the Audit, Risk and Improvement Committee recommend an annual assurance statement be provided to the Chief Executive Officer 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. A copy of the annual assurance statement to be provided to the Audit, Risk and Improvement Committee for their information.*
- 3 *Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee recommends 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".*

### 2.3 IA Balanced Scorecard Report

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Tina Baker – Internal Auditor advised that the Evaluation Panel Meeting for the recruitment of a co-source partner is being held 8 October 2019.

#### Resolution

- 1 *That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Balanced Scorecard Report.*
- 2 *That the Audit, Risk and Improvement Committee recommend management comments and recommendations from the External Auditor are provided on all future Internal Audit reports and that a dashboard be provided.*

- 3** *That the Audit, Risk and Improvement Committee recommend the 4 year audit schedule is placed on hold till the co-source partner is on board.*
- 4** *Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee recommends 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".*

#### **2.4 IA Annual Assurance Statement (annual report)**

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##### **Resolution**

- 1** *That 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 recommends that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

#### **2.5 IA Work Program to December 2020 (annual report)**

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##### **Resolution**

- 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 recommends that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

#### **2.6 IA Year in Review (annual report)**

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##### **Resolution**

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

## **2.7 IA Emerging Themes Report (annual report)**

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### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the IA Emerging Themes Report.**
- 2 That the Audit, Risk and Improvement Committee recommend a Data Breach Policy to be investigated (if Council doesn't already have one).**
- 3 That the Committee recommends that this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

## **3 EXTERNAL AUDIT**

*This item was brought forward to follow item 1.3*

### **3.1 Information Technology General Controls (ITCG) Interim Management Letter**

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Aaron Green – Audit Office of NSW discussed the Information Technology General Controls (ITCG) Interim Management Letter.

John Gordon advised of a State Government matter regarding compliance with a Cyber Risk Policy which doesn't currently apply to Local Government, but it may be something Council want to investigate in the future.

The Audit Office identified that Council are at risk of not meeting the 31 October 2019 deadline for the Audit of Financial Statements and recommended we advise the Office of Local Government that the deadline may not be met.

### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the Interim Management Letter from the Audit Office of NSW.**
- 2 Feedback to be provided at the 4 December 2019 Audit, Risk and Improvement Committee meeting on Management Actions identified in the Information Technology General Controls Management Letter.**
- 3 Audit, Risk and Improvement Committee members to be provided with draft financial statements for reporting period 1 July 2018 to 30 June 2019 for review.**
- 4 Process to be updated for future years so that the Audit, Risk and Improvement Committee Members are provided with draft financial statements to be able to provide feedback to management to ensure the 31 October deadline is met.**

**5 That the Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter that the Interim Management Letter 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.**

#### **4 RISK MANAGEMENT**

##### **4.1 Risk Management Framework and Risk Register**

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###### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the report about the Enterprise Risk Management Framework.**
- 2 That the Risk Management Framework and Risk Register be included on the agenda for the 4 December 2019 Audit, Risk and Improvement Committee Meeting.**
- 3 That the Committee recommends that the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

##### **4.2 Fraud and Corruption Control Policy**

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###### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the Fraud and Corruption Control Policy noting it is a very thorough document, however the following to be included:**
  - a the Internal Ombudsman should be included in the framework.**
  - b a quick reference guide to be included at the beginning of the document including definitions and examples.**
  - c Public Interest Disclosures and Complaints to be included.**

- d Provision of Fraud and Corruption Control Training to be provided for all staff, not just Managers and Team Leaders (including the provision of annual online training).*
  - e The protection of customers and community members privacy when providing information of suspected fraud or corruption to be further investigated.*
- 2 That the Committee recommends that the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

#### **4.3 Business Continuity Plan – Implementation and Update**

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##### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the summary update on Council's Business Continuity Planning process.**
- 2 Data Breach Reporting and Disaster Recovery Plan and testing to be brought back to the 4 December 2019 Audit, Risk and Improvement Committee Meeting.**
- 3 That the Committee recommends that the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

## **5 IMPROVEMENTS**

### **5.1 Dashboard – collection of performance measurement data by the Council**

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##### **Resolution**

- 1 That the Audit, Risk and Improvement Committee request a Draft Dashboard be provided at the 4 December 2019 meeting with Key Performance Indicators outlining Council's performance on Productivity and Governance.**

## **6 GOVERNANCE**

### **6.1 General Observations on best practice**

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Item deferred to December 2019 meeting.

### **6.2 ICAC / Code of Conduct**

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Item deferred to December 2019 meeting.

### **6.3 Update on Legal Matters – CONFIDENTIAL REPORT**

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Gordon Plath – General Counsel presented the Legal Matters Report.

***The reason for dealing with the report confidentially is that it contains advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege.***

- 1 That the Audit, Risk and Improvement Committee receive the Update on Legal Matters Report.**
- 2 The Audit, Risk and Improvement Committee request a report be brought back to the 4 December 2019 meeting on building cladding.**
- 3 That 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.****

### **6.4 Legislation Compliance Reporting Process**

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#### **Resolution**

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

### **6.5 GIPA Review Outcomes**

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#### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive GIPA Review Outcomes Report.**
- 2 That the Committee recommends that this report and supporting paper be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

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

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### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the report on the Council Resolution to establish an Integrity and Ethical Standards Unit.**
- 2 That the Audit, Risk and Improvement Committee consider that there is no need to establish an Integrity and Ethical Standards Unit as the proposed functions are already addressed by the existing structure. The Committee recommends that Council review the resourcing of the current structure, as well as the preparation and distribution of regular reports from that functional area.**
- 3 That the Committee recommends 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.**

## **7 FINANCE**

### **7.1 Policy for Investment Management**

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#### **Resolution**

- 1 That the Audit, Risk and Improvement Committee receive the Policy for Investment Management Report.**
- 2 That the Committee recommends that this 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.**

## **8 GENERAL BUSINESS**

### **8.1 Chain of Responsibility**

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Phil Moriarty - Section Manager People Development and Expertise and Peter Armour - Unit Manager Plant and Fleet provided a presentation on the Chain of Responsibility.

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

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#### **Resolution**

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

- 2** *That the Committee recommends that this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

### **8.3 Notice of Motion – Independent Audit Investigation into RPAC**

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#### **Resolution**

- 1** *That the Audit, Risk and Improvement Committee receive the correspondence in relation to the proposed independent audit investigation into RPAC.*
- 2** *That the Audit, Risk and Improvement Committee consider that the proposed audit investigation is not within its area of responsibility, but request that the Committee be kept informed on progress with the matter. The Committee recommends that Council develops comprehensive Terms of Engagement for the project and further recommends the appointment of an independent specialist project manager to support the project.*
- 3** *That the Committee recommends that this report not be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

### **8.4 Draft Agenda for December 2019 Meeting**

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#### **Resolution**

- 1** *That the Audit, Risk and Improvement Committee to provide feedback to the Convenor on any items to be included on the agenda for the 4 December 2019 meeting.*
- 2** *That the Co-Source partner present at the 4 December 2019 Audit, Risk and Improvement Committee Meeting.*
- 3** *A tour of Councils' Water and Sewer Assets for the independent committee members to be scheduled for the week commencing 9 December 2019.*

**Next Meeting:** Extraordinary Meeting to review Financial Statements  
Tuesday 26 November 2019 (Tentative)  
2pm – 5pm  
Gosford Committee Room

Ordinary Meeting  
Wednesday 4 December 2019  
2pm – 5pm  
Wyong Committee Room

**The Meeting** closed at 4.12pm