



AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

08 June 2022

Meeting Notice

**The Audit, Risk and Improvement Committee Meeting
of Central Coast Council
will be held in the Wyong Committee Room,
2 Hely Street, Wyong ,
on Wednesday 8 June 2022 at 2.00pm,
for the transaction of the business listed below:**

Note: It was resolved at the 8 June 2022 meeting (please refer to the minutes) that items 3.1, 3.1(a), 4.1, 5.2, 6.3 and 7.1 were not to be publicly released in accordance with the ARIC Charter. Whilst they are listed in the table of contents, the reports have been removed from the Business Paper.

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Confidential Items

- 5.2 Audit Office Final Management Letter for Year Ended 30 June 2021
- 6.3 Update on Legal Matters

Please note item numbers correspond to items as they appear on the agenda (see pages 3-4).

1 Introduction – 2pm

1.1	Acknowledgement of Country, apologies and welcome	Verbal	ARIC Chairperson
1.2	Disclosures of Interest	Report	ARIC Chairperson
1.3	Confirmation of previous ARIC meeting minutes	Report	ARIC Chairperson
1.4	Outstanding action items	Report	ARIC Chairperson
1.5	Council's current status	Verbal	Chief Executive Officer

2 Financial Management and External Accountability – 2:20pm

2.1	General finance update (standing item)	Report	Director Corporate Affairs and Chief Financial Officer
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3 Risk Management – 3:00pm

3.1	Enterprise Risk Management Report (standing item) 3.1 (a) Risk Committee Meeting Minutes 11 May 2022	Report	Enterprise Risk Manager
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4 Internal Audit – 3.30pm

4.1	Internal Audit Report - Consolidation of Management Actions Tracker	Report	Director – Centium / Unit Manager Governance, Risk and Legal
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5 External Audit – 3:50pm

5.1	Quarterly External Audit Report	Report	NSW Audit Office
5.2	Audit Office Final Management Letter for Year Ended 30 June 2021	Report	Director Corporate Affairs and Chief Financial Officer

6 Governance and Legislative Compliance – 4:10pm

6.1	Governance Lighthouse report as at 31 March 2022	Report	Unit Manager Governance, Risk and Legal
6.2	Council's Insurance Arrangements (34/2022)	Verbal	Unit Manager Governance, Risk and Legal
6.3	Update on legal matters (standing item)	Confidential Report	Unit Manager Governance, Risk and Legal

7 Control Framework – 4:30pm

7.1	Report from the Office of the Internal Ombudsman	Report	Senior Internal Ombudsman
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8 General Business – 4:50pm

8.1	Update on Public Inquiry	Verbal	Unit Manager Governance, Risk and Legal
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Item No: 1.2
Title: Disclosures of Interest
Department: Corporate Affairs



8 June 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15146471

Recommendation

- 1 *That the Committee note the standing declarations of current Committee members outlined in the table below.*
- 2 *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*
- 3 *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 78 of the Audit, Risk and Improvement Committee Charter.*

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.*

1.2 Disclosures of Interest (contd)

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.

Committee Members standing declarations

ARIC Member	Meeting Date	Disclosure of Interest
Carl Millington	13 July 2021 (noted outside of meeting)	Less than significant non-pecuniary interest as an Independent member on Randwick City Council Audit, Risk and Improvement Committee.
Arthur Butler	24 June 2021	Less than significant non-pecuniary interest as a member of the Audit, Risk and Improvement Committee for the Hunter and Central Coast Development Corporation.

Attachments

Nil



Item No: 1.3
Title: Confirmation of Minutes of Previous Meeting
Department: Corporate Affairs

8 June 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15146473
Author: Rachel Callachor, Meeting Support Officer
Manager: Edward Hock, Unit Manager Governance, Risk and Legal

Recommendation

- 1 *That the Committee confirm the minutes of the previous meeting held on 9 March 2022.*
- 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 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 25/05/2022.

Summary

The purpose of this report is to confirm the minutes of the previous Audit, Risk and Improvement Committee meeting held on 9 March 2022.

The minutes from 9 March 2022 were circulated to all Audit, Risk and Improvement Committee members by email on 24 March 2022 and were reported to the 26 April 2022 Ordinary Council Meeting.

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 78 of the Charter and release to the public be approved.

Attachments

1   MINUTES - Audit, Risk and Improvement Committee - 9 March 2022 D15066563



Central Coast Council

Audit, Risk and Improvement
Committee Meeting

Held Online via Teams / Wyong Committee Room

9 March 2022

MINUTES

Present

Carl Millington (Chairperson)	Independent member
Arthur Butler	Independent member
John Gordon	Independent member
Rik Hart	Administrator

In Attendance

David Farmer	Chief Executive Officer
Natalia Cowley	Director Corporate Affairs and Chief Financial Officer
Lilly Mojsin	Senior Internal Ombudsman
Jade Maskiewicz	Assistant Internal Ombudsman
Jamie Beal	Unit Manager Information and Technology
Krystie Bryant	Unit Manager People and Culture
Edward Hock	Unit Manager Governance, Risk and Legal
Stephen Bignill	Enterprise Risk Manager
Rachel Callachor	Meeting Support Officer
Kelly Drover	Meeting Support Officer
David Daniels	Audit Office of NSW
Cassie Malone	Audit Office of NSW
Penelope Corkill	Account Manager, Centium, IA Partner

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 9 March 2022
contd**

1 INTRODUCTION

Welcome, Acknowledgement of Country and Apologies

The Chairperson, Carl Millington, opened the meeting at 2:03pm, welcomed attendees and completed an Acknowledgement of Country.

It was noted that the meeting was being recorded for minute taking purposes. By attending the meeting, speakers consented to an audio record of the meeting. Recording of the proceedings of this Committee meeting are not permitted without prior approval of the Council. The meeting recording will be deleted once the meeting minutes are finalised.

Apologies received:

Boris Bolgoff, Director Infrastructure Services

Jamie Loader, Director Water and Sewer

1.2 Disclosures of Interest

Resolution

1/2022(ARIC) *The Committee noted the standing declarations of current Committee members outlined in the report.*

2/2022(ARIC) *The Committee recommended 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 78 of the Audit, Risk and Improvement Committee Charter.*

1.3 Confirmation of Minutes of Previous Meeting

The Chair thanked Meeting Support Staff for the quality of the minutes which provide more context and information around discussions held.

Resolution

3/2022(ARIC) *The Committee confirmed the minutes of the previous meeting held on 7 December 2021.*

4/2022(ARIC) *The Committee recommended 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 78 of the Audit, Risk and Improvement Committee Charter.*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 9 March 2022
contd**

1.4 Outstanding Action Items

The Committee requested clarification on two action items where no status update had been provided. 60/2021 in regard to the cyber security audit. Staff advised that the audit is currently underway. 107/2021 in regard to Issue 2 – Framework and documentation outlining the Council’s understanding of restrictions. The 2021 Auditor Closing Report Matters which addresses this was circulated to Committee Members prior to the meeting and will be discussed further in agenda item 2.2.

The Committee thanked staff for their efforts in ensuring action items are being completed.

Resolution

5/2022(ARIC) *The Committee noted the report on Outstanding Action Items.*

6/2022(ARIC) *The Committee recommended that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.5 Council's current status

David Farmer, Chief Executive Officer provided the Committee with an update on Council’s current status including the following key areas of focus:

- Continued recovery of Council’s financial position
- The major income pieces of the SRV and water and sewer charges
- Focus on what is happening with return of Councillors

The CEO also provided an update on the recent adverse weather conditions and the effect on the community and the organisation.

The Committee discussed the staff survey conducted in November 2021 and the morale of staff given the significant changes in the organisation. A further survey will be conducted in the next few months.

Resolution

7/2022(ARIC) *The Committee noted the verbal update on Council’s current status provided by the Chief Executive Officer.*

2 FINANCE

2.1 General Finance Update

Natalia Cowley, Director Corporate Affairs and Chief Financial Officer advised that financially the organisation is doing well and continuing to deliver surpluses and improve on targets.

The special rate variation has impacted some community members with up to 42-50%

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contd**

increases on their rates due to harmonisation and it has been pleasing that up until January 2022 our recoverability has been better than the previous 2 years for the same period of time.

In the IT space Council has renegotiated deals associated with systems as well as aligning and streamlining 3 providers into 2, delivering up to \$800,000 in annual savings as a result.

With regard to Investments, Council has been able to maintain the positive movement whereby our unrestricted funds available in the general fund are able to completely offset the unrestricted deficits in the water fund and the drainage fund.

Resolution

8/2022(ARIC) *The Committee noted the General Finance Update report including the monthly financial report, Q2 Business Report and the Investment Report for January 2022.*

9/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Jamie Beal joined the meeting for items 2.2 and 3.2 and left at the conclusion of these items.

**2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including
audit reports**

It was agreed that agenda item 5.1 would be considered as part of agenda item 2.2.

The Committee discussed the FY2020-2021 Auditor Closing Report Matters that was circulated to Committee members prior to the meeting. There were many lessons, improvements and opportunities that Council will work closely on with the NSW Audit Office.

In regard to the Financial statement preparation and review process and Reconciliation of key accounts and sub ledgers, Council has made a commitment to present the initial draft to the Audit Office in accordance with their timeline. The Chair noted the need for Council to elaborate on its commitment by developing a staged plan and process that will ensure the timeframes are able to be met.

The Committee discussed the three key roles in Finance that are vacant and the creation of a Senior Reconciliation Manager role that will assist with these deliverables.

It was acknowledged that there needs to be clear expectations between Council and the NSW Audit Office in regard to engagement information requests and ensuring prioritisation of issues.

Resolution

10/2022(ARIC) *The Committee noted the report on the Financial Statements for the period 1*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 9 March 2022
contd**

July 2020 to 30 June 2021, including audit reports and the Auditor Closing Report matters.

11/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

2.3 Council's Asset Sales Program

Natalia Cowley, Director Corporate Affairs and Chief Financial Officer advised that as at 9 March 2022 Council has secured \$54.7million in property asset sales with valuation of those items at \$42.6million, noting that assets such as the Gosford Administration Building are yet to be valued in preparation for sale.

Resolution

12/2022(ARIC) *The Committee noted the report on Council's Asset Sales Program.*

13/2022(ARIC) *The Committee recommended that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

3 RISK MANAGEMENT

Stephen Bignill joined the meeting for item 3.1 and left at the conclusion of this item.

3.1 Enterprise Risk Management Report - February 2022

Resolution

14/2022(ARIC) *The Committee noted the Enterprise Risk Management Report - February 2022.*

15/2022(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council, Council Officials and Council property.*

3.2 IT Update

Jamie Beal (Unit Manager Information and Technology) provided the Committee with a presentation on the following key items:

- Significant cyber events
- Phishing attack review
- Business Continuity Plan/IT Disaster Recovery Plan

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It was suggested that Council liaise with the Harin Perera, Group Manager ICT at Inner West Council regarding service organisation control reviews and independent auditor reports of those reviews (GS007 report).

The Committee suggested that statistics on phishing attacks be communicated to staff to help increase awareness.

Resolution

16/2022(ARIC) *The Committee noted the IT Update March 2022 report and presentation provided by Unit Manager Information and Technology.*

17/2022(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk, and Improvement Committee Charter as it contains matters that may affect the security of Council, Council Officials and Council property.*

The Chair adjourned the meeting at 4:17pm following completion of Item 3.2, resuming at 4:22pm.

4 INTERNAL AUDIT

4.1 Draft Internal Audit Plan

Edward Hock, Unit Manager Governance Risk and Legal and Penelope Corkill, Centium Director Risk and Assurance provided the Committee with an update on the Internal Audit work plan that had been developed without input from the Enterprise Risk Manager which has led to a plan that does not appropriately reflect the needs of the organisation.

The Committee discussed workforce and succession planning, which is considered high risk, and implementing mitigating measures and ensuring Council is capable of having those measures in place that withstand the external forces that are beyond our control.

A transition to the alternative proposed plan has been developed with Centium and the Enterprise Risk Manager to address those risks that the organisation seeks assurances on.

The Committee suggested that Council consider a fraud and corruption diagnostic review.

Resolution

18/2022(ARIC) *The Committee noted the verbal update provided by the Unit Manager Governance Risk and Legal and Centium Director Risk and Assurance on the Draft Internal Audit Plan.*

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contd**

4.2 Update on Internal Audit function and activities - CONFIDENTIAL

Edward Hock, Unit Manager Governance Risk and Legal discussed the report focusing on the Future Work Plan and ongoing activities surrounding Internal Audit. Following the departure of Council's Chief Internal Auditor, Council moved from a co-sourced model to a purely outsourced model with Centium engaged to undertake the field work on a 12 month trial basis. The outsourced model is working well and providing quantifiable results and there is no reason to assume there will be a disturbance to this model.

There is scope to consider the internal resourcing to support the outsourced function with two options currently under consideration:

- 1 – a part time coordinator role to assist in facilitating maintenance of management actions
- 2 – a shared service, outsourcing the coordination function on a needs basis

The Committee noted that there are guidelines recommending that tier 2 and 3 Councils have an Internal Audit function and there is a possibility this could be mandated in 2023/24. Edward confirmed that, should an Internal Audit function be mandatory, Council would comply with that obligation.

The Committee discussed the Audit Management Tracker and the review to determine whether it was up to date and could be synthesised to improve its accessibility. A comprehensive report will be provided at the June 2022 ARIC meeting. The Committee agreed this was a valuable exercise, and expressed anticipation for the report.

Resolution

- 19/2022(ARIC) *The Committee noted the update on Internal Audit function and activities.*
- 20/2022(ARIC) *The Committee endorsed the amendments to the current internal audit plan as discussed.*
- 21/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council, Council Officials and Council property.*

4.3 Validation of 2020/21 Operational Plan Deliverables - Final Report February 2022

Resolution

- 22/2022(ARIC) *The Committee noted the report provided by Centium on Validation of 2020/21 Operational Plan Deliverables – Final Report February 2022.*
- 23/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

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contd**

4.4 Insurer Claims Management Audit Report 1 December 2021 - 31 December 2021

Resolution

24/2022(ARIC) *The Committee noted the report provided by Centium on the Insurer Claims Management Audit Report 1 December 2021 – 31 December 2021.*

25/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is confidential and unsuitable to be published.*

5 EXTERNAL AUDIT

5.1 Reports issued by the NSW Audit Office - CONFIDENTIAL

Item 5.1 was covered in agenda item 2.2

Resolution

26/2022(ARIC) *The Committee noted the Reports issued by the NSW Audit Office.*

27/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report not be made publicly available:*

- a) *pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, as they contain information about matters affecting the security of Council, Council Officials and/or Council property; and*
- b) *as on balance it would not be in the public interest to make this information available as Council does not disclose to the public confidential information from the NSW Audit Office to ensure the efficacy of its investigating, auditing or reporting functions.*

6 GOVERNANCE

6.1 Governance Lighthouse Report as at 31 December 2021

It was requested that the Governance Lighthouse Report and Complaints and Compliments Report be consolidated for future meetings.

The Committee discussed the recruitment of the Senior Governance Officer and Section Manager Governance and Civic Support.

Resolution

Minutes of the Audit, Risk and Improvement Committee Meeting of Council 9 March 2022
contd

- 28/2022(ARIC) *The Committee noted the Governance Lighthouse report as at 31 December 2021.*
- 29/2022(ARIC) *The Committee requested that the Complaints and Compliments Report be included in the Governance Lighthouse Report for future meetings.*
- 30/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Krystie Bryant joined the meeting for items 6.2 and 7.2 and left at the conclusion of these items.

6.2 Contingency workforce engagement update

Resolution

- 31/2022(ARIC) *The Committee noted the report on contingent workers.*
- 32/2022(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains information that is confidential and unsuitable to be published.*

6.3 Council's Insurance Arrangements

It was noted that insurance policies don't generally allow for insurance cover for fines, however there was a case where a Council was able to claim on a \$750,000 fine for a workers compensation issue. It was suggested that Council review its policy wordings to establish whether such cover was available in the event of any fines being levied in future.

The Committee discussed public liability cover and what this means for Council in regard to being self-insured within the local government pool. Staff to seek clarification on this and provide an update at the next meeting.

Resolution

- 33/2022(ARIC) *The Committee noted the report on Council's Insurance Arrangements.*
- 34/2022(ARIC) *The Committee requested an update be provided at the June 2022 meeting on Council's Self Insurance arrangements regarding Public Liability Cover.*
- 35/2022(ARIC) *The Committee requested a further report be provided to the September 2022 meeting including a table outlining what the level of cover and premium was last time and what it is this time.*
- 36/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit,*

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contd**

Risk and Improvement Committee Charter as the report refers to advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.

6.4 Update on Legal Matters - CONFIDENTIAL

Resolution

37/2022(ARIC) *The Committee noted the Update on Legal Matters report.*

38/2022(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

- a) *they 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.*

7 PERFORMANCE

7.1 Complaints and Compliments Q2 2021-22

Resolution

39/2022(ARIC) *The Committee noted the report on Complaints and Compliments Q2 2021-22.*

40/2022(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

7.2 Work, Health and Safety Report

Item 7.2 was brought forward ahead of item 6.3.

The Committee suggested that Council consider the experience of Camden Council in regard to volunteers and controls in place following the death of a volunteer in 2018.

Resolution

41/2022(ARIC) *The Committee noted the report on Work Health and Safety.*

42/2022(ARIC) *The Committee recommended that this report and the supporting papers to*

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contd**

this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is confidential and unsuitable to be published.

8 FRAUD CONTROL

8.1 Report from the Office of the Internal Ombudsman

The Committee discussed the recent amendments to the *Modern Slavery Act 2018(NSW)* which came into effect on 1 January 2022 with local councils now obliged to undertake a review of their supply chains and undertake a form of modern slavery reporting.

Resolution

43/2022(ARIC) *The Committee noted the Report from the Office of the Internal Ombudsman.*

44/2022(ARIC) *The Committee requested than an update on the Modern Slavery Act 2018 be provided at the June 2022 meeting.*

45/2022(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78(a) of the Audit, Risk and Improvement Committee Charter, as it contains personnel matters concerning particular individuals.*

9 GENERAL BUSINESS

9.1 Tour of Council's Water and Sewer Assets

Staff to address offline the matter of a tour of Council's Water and Sewer Assets for the Independent Committee Members. This was scheduled for 5 June 2020 however due to the situation with COVID-19, it was unable to proceed and has been on hold since.

9.2 Update on External Independent Member Recruitment

John Gordon's appointment as an Independent External member on the Audit, Risk and Improvement Committee ceases on 27 April 2022. An EOI to fill this vacancy was advertised on seek.com.au as well as Council's website career page and closed on Sunday 6 March 2022. 20 applications were received.

At the 22 February 2022 Council meeting, it was resolved to establish an interview panel consisting of the following five members:

- 1 Administrator
- 2 Chief Executive Officer
- 3 Director Corporate Affairs and Chief Financial Officer
- 4 Chair of the Audit, Risk and Improvement Committee
- 5 Unit Manager Governance, Risk and Legal

Minutes of the Audit, Risk and Improvement Committee Meeting of Council 9 March 2022
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Applications will be reviewed and interviews held with the new Independent External Member to commence 28 April 2022.

The Chair recognised John Gordon's contribution to the Audit, Risk and Improvement Committee and the whole of Council and thanked him for being a pillar of support. John's knowledge and experience is immeasurable and he was a consistent and reliable asset to the organisation.

The Administrator also thanked John for his help and advice over the many years.

The Meeting closed at 5:47pm.

Next Meeting Wednesday 8 June 2022
 2pm – 5pm
 Wyong Committee Room / Microsoft Teams



Item No: 1.4
Title: Outstanding Action Items
Department: Corporate Affairs

8 June 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15146583
Author: Rachel Callachor, Meeting Support Officer
Manager: Edward Hock, Unit Manager Governance, Risk and Legal

Recommendation

- 1 *That the Committee note the report on Outstanding Action Items.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 23/05/2022.

Summary

A review of the Outstanding Action Items from previous meetings.

Green = completed items;
Blue = on agenda for 8 June 2022 meeting;
White = still pending (not overdue); and
Red = overdue

In summary there are:

14 Actions

- 8 Actions have been completed
- 4 Actions are not yet completed and are not overdue
- 0 Actions are not yet completed and overdue
- 2 Actions will be completed as a result of being on the agenda for this meeting

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
178/2020(ARIC)	6/11/2020	The Committee requests that the Senior Internal Ombudsman provide an update on investigations regarding contingency workforce engagement at the next applicable meeting.	Senior Internal Ombudsman	7/12/21 - Natalia Cowley provided a verbal update on the contingency workforce engagement. 9/3/22 - Unit Manager People and Culture provided a verbal update at the meeting.
22/2021(ARIC)	10/03/2021	The Committee requested they be provided with copies of Council's monthly Financial reporting to the Office of Local Government.	Director Corporate Affairs	ONGOING Statements provided to members, as made available by Director, Corporate Affairs.
60/2021(ARIC)	24/06/2021	The Committee resolved that a cyber security audit should be undertaken for the IT element of the 2021/22 work program.	Chief Internal Auditor	ONGOING Audit is currently underway, as per update to 9 March 2022 meeting.
101/2021(ARIC)	14/09/2021	The Committee requested a report be provided to a future ARIC meeting on	Unit Manager Governance and Legal Counsel	Reported to the 9 March 2022 meeting. Action

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
		Council's insurance arrangements.		is considered complete.
104/2021(ARIC)	14/09/2021	The Committee requested a report be provided at a future meeting by the Unit Manager Governance and Legal Counsel on the proposed Outsourced function including the risks, budget and an organisation diagram.	Unit Manager Governance and Legal Counsel	Reported to the 9 March 2022 meeting. Action is considered complete.
107/2021(ARIC)	14/09/2021	The Committee requested that in regard to Issue 2 – Framework and documentation outlining the Council's understanding of restrictions, that the policy document and tracking spreadsheet be presented to the next ARIC meeting after they are available.	Director Corporate Affairs and Chief Financial Officer	ONGOING The policy document and tracking spreadsheet be presented to the next ARIC meeting after they are available.
142/2021(ARIC)	7/12/2021	A tour of Council's Water and Sewer Assets for the independent committee members to be considered at the March 2022 ARIC meeting.	Meeting Support Officer	This item was discussed at 9 March 2022 meeting. Tour is to be facilitated by Water and Sewer Directorate, who will plan and discuss arrangements directly with the independent committee members.
147/2021(ARIC)	7/12/2021	Council to provide advice to the ARIC Committee on review of the financial statements.	Director Corporate Affairs and Chief Financial Officer	Reported to the 9 March 2022 meeting. Action is considered complete.

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
150/2021(ARIC)	7/12/2021	Work, Health and Safety report to be provided to the March 2022 ARIC meeting.	Unit Manager People and Culture	Reported to the 9 March 2022 meeting. Action is considered complete.
156/2021(ARIC)	7/12/2021	The Committee request an IT update to be provided at the March 2022 meeting including any examples of significant cyber issues/events and a copy of the phishing attack reviews. This update should also include the Business Continuity Plan and IT Disaster Recovery Plan and details of the last time there was a test of the plans.	Unit Manager Information and Technology	Reported to the 9 March 2022 meeting. Action is considered complete.
159/2021(ARIC)	7/12/2021	Draft Internal Audit plan to be provided at the March 2022 ARIC meeting including an update on the outstanding recommendations and a plan to address them.	Unit Manager Governance and Legal Counsel / Centium	Reported to the 9 March 2022 meeting. Action is considered complete.
29/2022(ARIC)	9/03/2022	The Committee requested that the Complaints and Compliments Report be included in the Governance Lighthouse Report for future meetings.	Unit Manager Governance Risk and Legal	Noted for future meetings.
34/2022(ARIC)	9/3/2022	The Committee requested an update be provided at the June 2022 meeting on Council's Self Insurance arrangements regarding Public Liability Cover.	Unit Manager Governance, Risk and Legal	Included on agenda for 8 June 2022 meeting
35/2022(ARIC)	9/03/2022	The Committee requested a further report be provided to the September 2022 meeting including a table outlining what the level of cover and	Unit Manager Governance, Risk and Legal	ONGOING Update to be provided to September 2022 meeting.

1.4 Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
		premium was last time and what it is this time.		
44/2022(ARIC)	9/03/2022	The Committee requested that an update on the Modern Slavery Act 2018 be provided at the June 2022 meeting.	Unit Manager Governance, Risk and Legal	Update to be provided via Briefing Note, June 2022

Attachments

Nil



Item No: 2.1
Title: General Finance Update
Department: Corporate Affairs

8 June 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2020/03205 - D15065981
Author: Peter Correy, Unit Manager Finance
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation







- 1 *That the Committee note the report on General Finance Update.*
- 2 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 23/05/2022.

Summary

This report presents the summary position of Council's Financial position for the financial year-to-date 30 April 2022.

Attachments

- | | | |
|---|-----------------------------------|-----------|
| 1   | Monthly Finance Report April 2022 | D15149857 |
| 2   | 2021-2022 Quarter 3 Review | D15047001 |
| 3   | Investment Report April 2022 | D15154028 |

AMENDED REPORT

Item No: 2.1
Title: Monthly Finance Report April 2022
Department: Corporate Affairs

24 May 2022 Ordinary Council Meeting

Reference: F2020/03205 - D15149857
Author: Michelle Best, Financial Controller
Mellissa McKee, Financial Controller
Peter Correy, Group Financial Controller, Finance
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer



Recommendation

- 1 That Council receive the report *Monthly Financial Reports – April 2022*.**
- 2 That Council adopt a \$2.1M increase to Water and Sewer Developer Contribution income in 2021-2022.**
- 3 That Council adopt the amendments to the 2021-2022 Capital Works Program detailed in Attachment 9.**

Report purpose

To present to Council the monthly financial reports for April 2022.

Executive Summary

This report presents the April 2022 monthly financial reports for Central Coast Council. The reports cover the period 1 July 2021 to 30 April 2022.

Background

The monthly financial reports have been prepared in accordance with the requirements of the *Local Government Act 1993* ("LG Act"), the *Local Government (General) Regulation 2005* ("LG Reg"), and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting and Australian Accounting Standards.

Report

The reports disclose the year-to-date financial results in Operating Statement format, they reflect the organisational structure and are presented by Department and Unit. The reports include a traffic light indicator of current status – on track (green light), off track (red light)

2.1 Monthly Finance Report April 2022 (contd)

continue to monitor status (orange light). Relevant supporting comments are included, as well as a graphical representation of the financial results. The Local Government Code of Accounting Practice and Financial Reporting (Guidelines) require Council to recognise rates income at the beginning of the financial year when levied. However, for internal reporting purposes Council recognises rates revenue on a continual basis throughout the financial year thereby aligning revenue with Council's expenditure for the delivery of services to the community.

Consultation

In the preparation and finalisation of the monthly reports for April 2022, all business areas of Council contributed to the information contained within the financial reports.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Financial Results

The attached financial reports record actual revenue and expenditure tracking against the year-to-date Q2 adjusted budget of Council for the reporting period 1 July 2021 to 30 April 2022 and the forecast position at 30 June 2022.

In April, Council is reporting a surplus of \$2.6M (unfavourable to budget by \$18.3M) for its net operating result, excluding capital income and profit/loss on sale of assets.

In April, Council's net operating result including capital income and profit/loss on sale of assets is \$6.6M (unfavourable to budget by \$20.4M).

Year to date, Council is reporting a surplus of \$71.7M (favourable to budget by \$32.5M) for its net operating result, before capital amounts – which amounts to \$58.3M (favourable to budget by \$19.1M) for its net operating result, excluding capital income and profit/loss on sale of assets.

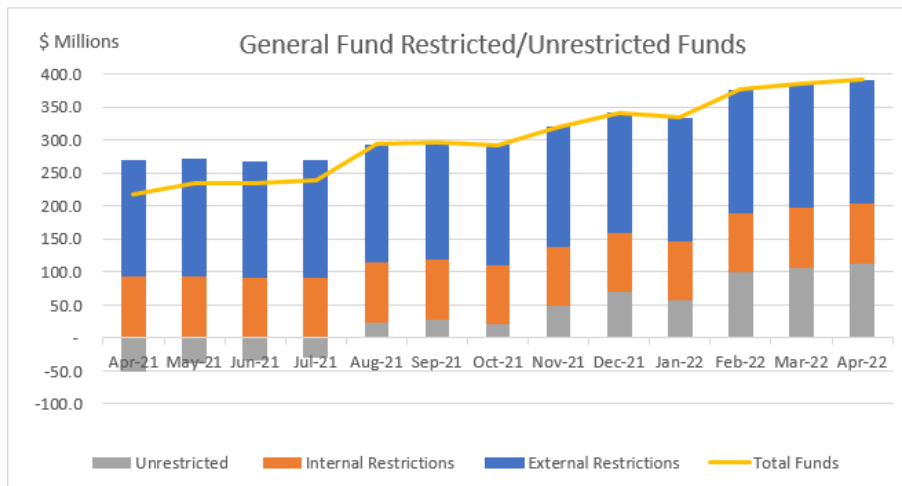
Council's YTD net operating result including capital income and profit/loss on sale of assets is \$113.1M (favourable to budget by \$32.8M).

Year to date capital expenditure was \$74.6M against budget of \$110.8M. There are currently 213 active projects in various stages of completion.

2.1 Monthly Finance Report April 2022 (contd)

Consolidated Operating Statement - Internal April 2022										
	CURRENT MONTH			YEAR TO DATE				FULL YEAR		
	Actuals	Adopted Budget	Variance	Actuals	Adopted Budget	Variance	Last Year YTD Actuals	Last Year Actual	Original Budget	Year End Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income										
Rates and Annual Charges	33,213	33,620	(407)	306,559	306,397	161	277,033	331,384	361,871	365,986
User Charges and Fees	11,376	12,289	(913)	115,488	115,695	(208)	117,588	139,105	140,269	139,387
Other Revenue	732	753	(21)	9,437	8,063	1,374	8,053	12,666	9,196	10,261
Interest	637	362	275	4,985	3,619	1,366	5,017	5,598	4,442	4,442
Grants and Contributions	21,791	17,038	4,753	41,448	36,275	5,173	24,077	42,409	49,491	49,097
Gain on Disposal	130	-	130	24,942	-	24,942	1,582	2,609	-	24,812
Other Income	711	590	121	6,232	6,179	53	6,627	8,214	8,056	7,681
Internal Revenue	5,301	5,444	(143)	54,759	58,372	(3,613)	61,209	74,557	93,467	69,375
Total Income attributable to Operations	73,889	70,095	3,794	563,848	534,599	29,250	501,185	616,542	666,792	671,041
Operating Expenses										
Employee Costs	12,958	13,863	906	133,202	142,234	9,032	174,885	222,617	175,833	172,696
Borrowing Costs	842	822	(20)	9,614	9,653	39	12,841	16,414	17,471	12,748
Materials and Services	17,548	12,916	(4,632)	129,271	138,180	8,909	135,461	181,128	175,793	178,438
Depreciation and Amortisation	20,719	14,613	(6,105)	130,669	124,565	(6,104)	135,245	162,303	177,106	170,021
Other Expenses	2,934	2,522	(411)	29,666	29,926	261	29,998	36,059	39,192	36,417
Loss on Disposal	11,329	-	(11,329)	11,560	-	(11,560)	998	9,660	-	345
Internal Expenses	4,917	4,381	(536)	48,176	50,833	2,657	48,597	59,051	74,354	59,931
Total Expenses attributable to Operations	71,246	49,119	(22,127)	492,157	495,392	3,234	538,024	687,231	659,749	630,595
Operating Result after Overheads and before Capital Amounts	2,643	20,976	(18,333)	71,691	39,207	32,484	(36,839)	(70,689)	7,043	40,445
Capital Grants	1,818	4,248	(2,430)	22,091	26,967	(4,876)	23,378	36,893	8,445	36,431
Capital Contributions	2,122	1,780	341	19,345	14,170	5,175	14,991	46,810	34,445	19,871
Grants and Contributions Capital Received	3,940	6,029	(2,089)	41,436	41,137	299	38,369	83,703	42,890	56,302
Net Operating Result	6,583	27,005	(20,422)	113,128	80,344	32,783	1,530	13,014	49,933	96,748

Council held \$639.1M in cash and investments and had external borrowings of \$321.3M at 30 April. The recovery in Council's General Fund continues to improve with an unrestricted cash balance of \$112.5M compared to (\$51.1M) at 30 April 2021.



2.1 Monthly Finance Report April 2022 (contd)

Capital Works Amendments

Proposed amendments to the 2021-2022 capital works program have been identified and are detailed in Attachment 9.

The reduction is required due to delays experienced in 2021-2022, and a change in Accounting standards.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

Attachments

1	Financial Performance - Monthly Finance Report April 2022	D15176660
2	Consolidated and By Fund April 2022 Monthly Financial Report	D15166545
3	Office of the Chief Executive Officer April 2022 Monthly Financial Report	D15166546
4	Community and Recreation Services April 2022 Monthly Financial Report	D15166547
5	Infrastructure Services April 2022 Monthly Financial Report	D15166548
6	Water and Sewer April 2022 Monthly Financial Report	D15166550
7	Environment and Planning April 2022 Monthly Financial Report	D15166552
8	Corporate Affairs April 2022 Monthly Financial Report	D15166553
9	Proposed capital budget amendments	D15164783

Item No: 2.3
Title: 2021-2022 Quarter 3 Review
Department: Corporate Affairs and Environment and Planning



24 May 2022 Ordinary Council Meeting

Reference: F2021/00508 - D15047001
Author: Mellissa McKee, Financial Controller
Michelle Best, Financial Controller
Manager: Sharon McLaren, Section Manager Corporate Planning and Reporting
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

That Council adopt Central Coast Council's Q3 Business Report for 2021-2022 including the proposed budget amendments.

Report purpose

To report on Central Coast Council's performance progress as measured against the organisation's Operational Plan for 2021-2022 to 31 March 2022 (Q3). The Q3 Business Report covers the progress on the operational plan activities and financial performance for the period 1 January 2022 to 31 March 2022.

Executive Summary

Clause 203 of the *Local Government (General) Regulation 2005* requires a Council's Responsible Accounting Officer to prepare and submit a Quarterly Budget Review Statement to the governing body of Council. The Quarterly Budget Review Statement must show, by reference to the estimated income and expenditure that is set out in the Operational Plan adopted by Council for the relevant year, a revised estimate of income and expenditure for that year. It also requires the budget review statement to include a report by the Responsible Accounting Officer as to whether or not they consider the statement indicates Council to be in a satisfactory financial position and if not, to include recommendations for remedial action. Council's Operational Plan sets out the achievements, goals and revenue policy, including estimates of income and expenditure. The Quarterly Budget Review Statement plays an important role in monitoring Council's progress against the Operational Plan.

Operational Plan Action and Target Progress

At the end of Quarter 3 the overall performance against the Operational Plan actions and targets shows 8 out of 67 actions are Completed and 37 are On Track for delivery by the end of the financial year, 1 is On Hold and 2 are Closed. The remaining 19 are Delayed,

2.3 2021-2022 Quarter 3 Review (contd)

with the majority of these KPIs impacted by the NSW Public Health Orders for COVID-19, weather and a subsequent increase in customer requests.

Financial Performance

- The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable variance of \$50.8M, consisting of an actual surplus of \$138.6M compared to a budget surplus of \$87.8M. Of the favourable variance, \$24.8M relates to the Gain on Disposal of land parcels as part of Council's financial recovery plan.
- The YTD operating result (including capital grants and contributions) is showing a favourable variance of \$53.2M, consisting of an actual surplus of \$176.1M compared to a budget surplus of \$122.9M. Of the favourable variance, \$24.8M relates to the Gain on Disposal of land parcels as part of Council's financial recovery plan.
- The proposed Q3 adjustments will move the 2021-2022 budgeted operating surplus (excluding capital grants and contributions) from \$6.0M to an operating surplus (excluding capital grants and contributions) of \$40.4M.
- The proposed Q3 adjustments will move the 2021-2022 approved operating surplus (including capital grants and contributions) from \$68.5M to an operating surplus (including capital grants and contributions) of \$96.7M.
- The YTD capital expenditure is \$65.8M compared to a YTD budget of \$89.5M.
- The proposed Q3 capital expenditure budget adjustment is a decrease of \$22.2M that is expected to result in a revised 2021-2022 full year capital works program of \$136.7M, down from \$158.9M.

For more information and details of progress and financial performance please refer to the Q3 Business Report (Attachment 1).

Background

The 2021-2022 Q3 Business Report for Central Coast Council is provided in Attachment 1. It incorporates reporting on the progress of actions and targets against the objectives of the Operational Plan and a Quarterly Budget Review Statement.

Clause 203 of the *Local Government (General) Regulation 2005* requires that no later than two months after the end of each quarter (except the June quarter), the Responsible Accounting Officer of Council must prepare and submit to Council a Quarterly Budget Review Statement that shows a revised estimate of the income and expenditure for that year.

2.3 2021-2022 Quarter 3 Review (contd)

Sub-section 404(5) of the *Local Government Act 1993* requires that Council report on its progress with respect to its actions and targets against the objectives of the Operational Plan, at least every six months. This report contains progress information for Quarter 3 and is prepared to coincide with the Quarterly Budget Review Statement.

This quarterly report is presented in the necessary format and is considered to satisfy the legislative requirements.

Current Status

The 2021-2022 Q3 Business Report is included as Attachment 1 and reports on progress for the year to 31 March 2022 (Q3 YTD), against the Operational Plan 2021-2022, including budget.

Operational Plan Actions and Targets

The table below is a summary of the overall progress on the actions, measures and projects for Q3. The information contained in the Q3 Business Report includes specific details of progress.

Theme:	Belonging	Smart	Green	Responsible	Liveable	Total
Completed	1	2	0	3	2	8
On Track	2	1	7	18	9	37
Delayed	2	0	0	8	9	19
Not Commenced	0	0	0	0	0	0
On Hold	0	0	1	0	0	1
Closed	1	1	0	0	0	2
Total	6	4	8	29	20	67

Financial Performance

The YTD operating result (excluding capital grants and contributions) is showing a favourable variance of \$50.8M, consisting of an actual surplus of \$138.6M compared to a budget surplus of \$87.8M. Of the favourable variance, \$24.8M relates to the Gain on Disposal of land parcels as part of Council's financial recovery plan. For more information, please refer to sections 1.1 and 2.2 of Attachment 1.

The YTD operating result (including capital grants and contributions) is showing a favourable variance of \$53.2M, consisting of an actual surplus of \$176.1M compared to a budget surplus of \$122.9M. Of the favourable variance, \$24.8M relates to the Gain on Disposal of land parcels as part of Council's financial recovery plan. For more information, please refer to sections 1.1 and 2.2 of Attachment 1.

2.3 2021-2022 Quarter 3 Review (contd)

These results are reported in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines), which requires Council to recognise rates income at the beginning of the financial year when levied. The impact of this on Council's operating results is a large surplus at the beginning of the financial year, which reduces as the year progresses as Council incurs expenditure from delivering services to the community. Quarter 3 YTD capital expenditure is \$65.8M compared to a year-to-date budget of \$89.5M.

Consultation

All Units of Council were consulted during the development of this report and contributed to the information contained in the report.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Budget adjustments are proposed in this report and are detailed in the Attachment 1.

The proposed Quarter 3 adjustments will improve the 2021-2022 budgeted operating surplus (excluding capital grants and contributions) from \$6.0M to an operating surplus (excluding capital grants and contributions) of \$40.4M.

The proposed Quarter 3 adjustments will improve the 2021-2022 budgeted operating surplus (including capital grants and contributions) from \$68.5M to an operating surplus (including capital grants and contributions) of \$96.7M.

Adjustments proposed to be adopted as part of the Quarter 3 budget review include:

Increase of \$31.7M in operating income

- \$24.8M gain on disposal of assets, including the sale of land at Warnervale Town Centre, Kiar Ridge and Lucca Road Wyong as part of Council's financial recovery plan.
- \$8.2M favourable increase in prepaid Financial Assistance Grant (FAG) income, announced in the Federal budget.
- \$1.4M favourable increase in tipping income as waste was received from Sydney councils during recent storm events.
- \$0.6M additional income from restoration works and works to be undertaken on State roads, partially offset by additional expenses.

2.3 2021-2022 Quarter 3 Review (contd)

- \$0.4M favourable increase in pool and leisure centre income in line with current usage, post COVID restrictions.
- \$0.2M favourable increase in fine income.
- \$0.2M favourable increase in Child Care operating grant income.
- (\$0.5M) unfavourable reduction in Child Care fees due to reduced utilisation rates. Offset by a reduction in expense budgets.
- \$0.2M additional sewer annual charges income in line with full year forecast.
- (\$0.4M) unfavourable reduction in Shop Inspection income as result of COVID restrictions.
- (\$0.5M) unfavourable reduction in Roads and Drainage Infrastructure project income as works have been delayed until 2022-2023, offset by a reduction in Materials and Services expense budgets.
- (\$0.7M) unfavourable reduction in water usage income as water demand has continued to be low during Q3 due to high rainfall levels.
- (\$0.8M) unfavourable reduction in development assessment income due to delay in securing temporary resources, offset by a reduction in Materials and Services expense budgets.
- (\$1.8M) unfavourable reduction in Environmental Management grant income, offset by a reduction in Materials and Services expense budgets.

Decrease of \$6.1M in capital income

- \$2.1M increase for contributed asset; EDSACC Grandstand.
- (\$0.5M) reduction in s7.11 developer contribution forecast income.
- (\$0.7M) reduction in s64 developer contribution forecast income.
- (\$7.1M) reduction in capital grant income to be received in this financial year as a result of reduced capital program and delays (weather and supplier) incurred during Quarter 3.

Reduction of \$2.8M in operational expenditure

- \$1.8M favourable reduction in Environmental Management expense, which offsets the reduction in operating income above.
- \$1.4M favourable reduction in general materials services budgets across Council.
- \$1.0M favourable reduction in budget required for contributions to NSW Fire Brigade, Rural Fire Service and State Emergency Service this financial year.
- \$0.8M favourable reduction in development contract expense, which offsets the reduction in operating income above.
- \$0.5M favourable reduction in project expenditure as some works have been delayed until 2022-2023, which offsets the reduction in operating income above.
- \$0.4M favourable decrease in Child Care Employee Cost budgets due to lower utilisation rates at Council's centres.
- \$0.2M favourable reduction in software license costs.
- (\$0.2M) unfavourable increase in amortisation of tip discount in line with Accounting Standard treatment.

2.3 2021-2022 Quarter 3 Review (contd)

- (\$0.2M) unfavourable increase in Leisure Recreation and Community Facilities materials and contracts, that partially offsets additional user charges and fee income.
- (\$0.2M) unfavourable increase in EPA waste levy costs due to increased waste tonnages being received at Council's waste management facilities.
- (\$0.3M) minor losses on disposal of plant and equipment, buildings and open space assets.
- (\$0.3M) unfavourable increase Hunter Water Bulk Water transfer adjustment.
- (\$0.6M) increase in contract costs in Emergency Management section related to March 2022 storm event.
- (\$0.6M) additional expense due to work on State roads, which offsets the additional operating income above.
- (\$0.9M) unfavourable increase in waste contract costs - garbage, green waste processing and recycling due to waste volumes received at Council's waste management facilities.

Council's focus continues to be on reducing expenditure, raising additional income, monitoring incoming cash flow, performing cashflow forecasts and ensuring a more sustainable cash preservation. Council's Business Recovery Plan is a multi-faceted approach aimed at ensuring the longer-term financial sustainability of Council operations. For more information on the proposed budget adjustments please refer to section 3.1 and 3.2 of Attachment 1.

Capital Works Program

The proposed Quarter 3 budget adjustment is a decrease of \$22.2M, resulting in a revised 2021-2022 full year capital works program of \$136.7M. For a full list of proposed changes to the capital works program please refer to section 3.3 of Attachment 1.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Options

Quarterly reporting of Council's financial performance is mandatory under the *Local Government (General) Regulation 2005*.

2.3 2021-2022 Quarter 3 Review (contd)

Critical Dates or Timeframes

Sub-clause 203(1) of the *Local Government (General) Regulation 2005* requires a Council's Responsible Accounting Officer to prepare and submit a quarterly budget review statement to the Council within two months of the end of each quarter (excluding June).

Attachments

- 1 2021-2022 Quarter 3 Review Provided Under Separate Cover D15159021



Item No: 2.2
Title: Investment Report for April 2022
Department: Corporate Affairs

24 May 2022 Ordinary Council Meeting

Reference: F2004/06604 - D15154028
Author: Devini Susindran, Team Leader
Manager: Mellissa McKee, Financial Controller
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 That Council note the Investment Report for April 2022.**
- 2 That Council note that internally restricted funds are unrestricted funds that have been internally allocated to a certain purpose.**
- 3 That Council allocate the required unrestricted funds available in the General Fund to meet its April 2022 unrestricted funds deficit of \$39.81M in Water and Drainage funds as set out in this report.**

Report purpose

To present monthly Investment Reports in accordance with cl. 212 of the *Local Government (General) Regulation 2005* which states as follows:

- 1 *The Responsible Accounting Officer of a Council*
 - a *must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented—*
 - i. *if only one ordinary meeting of the council is held in a month, at that meeting, or*
 - ii. *if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and*
 - b *must include in the report a certificate as to whether the investment has been made in accordance with the Act, the regulations and the council's investment policies.*
- 2 *The report must be made up to the last day of the month immediately preceding the meeting.*

Executive Summary

This report details Council's investments as at 30 April 2022.

2.2 Investment Report for April 2022 (contd)

Background

Council's investments are made in accordance with the Local Government Act 1993, Local Government (General) Regulation 2005, the amended Investment Policy adopted at the Ordinary Council Meeting on 3 February 2021, Ministerial Investment Order issued February 2011 and Division of Local Government (as it was then known) Investment Policy Guidelines published in May 2010.

Current Status

Council's current cash and investment portfolio totals \$639.12M as at 30 April 2022.

Council's Cash and Investment Portfolio by Source of Funds

Source of Funds	Value (\$'000)
Investment Portfolio	599,207
Transactional accounts per bank statement and cash in hand	39,909
Total	639,116

Council's Portfolio is held in separate funds by purpose and summarised as follows:

Fund	General Fund (\$'000)	Water Fund (\$'000)	Sewer Fund (\$'000)	Drainage Fund (\$'000)	Domestic Waste Fund (\$'000)
External Restricted Funds	188,648	9,931	22,502	37,194	94,398
Internal Restricted Funds	90,312	989	855	15	58
Total Restricted Funds	278,960	10,920	23,357	37,209	94,456
Unrestricted Funds	112,472	(4,610)	113,327	(35,203)	8,229
Total funds by Fund	391,432	6,310	136,684	2,006	102,685

During April, Council's total cash and investments increased by \$3.78M from \$635.34M to \$639.12M. The increase during April was due to Financial Assistance Grant of \$21.28M received in April, offset by expected trading cash outflows. Cash inflows will increase in May 2022 as it is rate instalment month.

2.2 Investment Report for April 2022 (contd)

Detailed restrictions have been provided in Attachment 2. Council is managing the previously reported negative unrestricted funds balance, as part of Council’s Business Recovery Plan.

The negative unrestricted balance is currently \$39.81M, made up of unrestricted fund deficits in the Water and Drainage Funds, as per the table above.

The unrestricted funds balances above, across the five Funds will increase and decrease during the 2022 financial year as rates revenue and property sale settlements occur. In the interim, the unrestricted funds deficit of \$39.81M is proposed to be funded through the General Fund’s available unrestricted cash balance of \$112.47M as at 30 April 2022.

Portfolio management

Council’s Investment Portfolio is managed through term deposits and floating rate note maturities and placements.

Total net return on the portfolio for Council in April, comprising entirely of interest earned, was \$517k. The total value of the Council’s investment portfolio at 30 April 2022 is outlined in Table 1 below.

Table 1 – Portfolio movement Investment only

Description	2020-21	Jul-Sep Qtr	Oct-Dec Qtr	Jan-Mar Qtr	Apr-22	FYTD
	Financial					
	Year	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	348,210	447,221	510,478	557,728	591,888	447,221
Movement for the period	99,011	63,257	47,251	34,160	7,319	151,987
Closing Balance	447,221	510,478	557,728	591,888	599,207	599,207
Interest earnings	4,508	1,129	1,223	1,396	517	4,265

The market value of Council’s investment portfolio at 30 April is \$599.21M.

Council’s investments are evaluated and monitored against a benchmark appropriate to the risk (APRA Standards BBB long term or above) and time horizon of the investment concerned. A summary of the term deposit and floating rate notes maturities are listed in Table 2 below.

2.2 Investment Report for April 2022 (contd)

Table 2 - Investment Maturities

Time Horizon	Percentage Holdings	Maturity on or before	Value \$'000
At Call	0.33%	Immediate	1,952
Investments			
0 - 3 months	14.67%	Jul-2022	87,907
4 - 6 months	6.68%	Oct-2022	40,000
7 - 12 months	6.01%	Apr-2023	36,010
1 - 2 years	10.27%	Apr-2024	61,542
2 - 3 years	20.10%	Apr-2025	120,461
3 - 4 years	20.47%	Apr-2026	122,668
4 - 5 years	21.47%	Apr-2027	128,667
Total Investments	99.67%		597,255
Total Portfolio	100.00%		599,207
Interest Accrued to 30 April 2022 (Excluding Interest on call accounts)			1,596
Market Value of Investment per Portfolio Valuation Report (Attachment 5)			600,803

The investment portfolio is concentrated in AA above (22.13%), A (24.39%), and BBB (53.48%).

Council monitors and manages the portfolio taking into consideration credit ratings of financial institutions, interest rates offered for the maturity dates required and counterparty exposure. All of Council's investments were within policy guidelines at 30 April 2022.

The current spread of investments and counterparty exposure for April 2022 are shown in Graphs 1 and 2 respectively in Attachment 3.

Environmental, Social and Green (ESG) Investments

Council continues to look for 'ESG' investment opportunities subject to prevailing investment guidelines. A list of current ESG investments held is contained on the investment listing, highlight in green.

Council currently holds 5.29% or \$31.67M in ESG investments as at 30 April 2022.

Portfolio Return

Interest rates on investments in the month, ranged from 0.10% to 3.18%, all of which exceeded the monthly Bank Bill Swap Rate (BBSW) benchmark of 0.08%.

2.2 Investment Report for April 2022 (contd)

The weighted running yield for April of 1.05% for Central Coast Council is favourable compared to the rolling three-year benchmark bank bill swap (BBSW) Index of 0.33% as shown in Graph 3 - Portfolio Returns in Attachment 3.

Market values reflected in the Portfolio valuation report in Attachment 5 have been used to record the unrecognised gains in tradeable fixed rate bonds and floating rate notes. Interest accrued has been recorded separately and is not reflected in portfolio valuations.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Council's investment portfolio includes rolling maturity dates to ensure that Council has sufficient liquidity to meet its ongoing obligations.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

1	Summary of Investments as at 30 April 2022	Provided Under Separate Cover	D15161639
2	Summary of Restrictions as at 30 April 2022	Provided Under Separate Cover	D15161641
3	Investment Report for 30 April 2022 - Graphs 1, 2 and 3	Provided Under Separate Cover	D15161662
4	Trading Limits Report as at 30 April 2022	Provided Under Separate Cover	D15161649
5	Portfolio Valuation Investment Report Pack as at 30 April 2022	Provided Under Separate Cover	D15161653



Item No: 6.1
Title: Governance Lighthouse Report as at 31 March 2022
Department: Corporate Affairs

8 June 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15128544
Author: Edward Hock, Unit Manager Governance, Risk and Legal
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the Governance Lighthouse report as at 31 March 2022.*
- 2 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 27/05/2022.

Summary

The purpose of this report is to provide the Committee with the Governance Lighthouse report as at 31 March 2022 (end of Q3), for their information.

The Governance Lighthouse report is updated at the end of each quarter in accordance with the Council resolution of 27 July 2020 and provided to the Audit, Risk and Improvement Committee prior to reporting to Council.

The Governance report was created to report against measures using the structure of the NSW Audit Office Governance Lighthouse. As well as quantitative information, the report includes commentary to provide context. It covers eight principles and 17 key governance components.

The Governance Lighthouse report for Q3 2021-22 is Attachment 1.

Attachments

- 1   Governance Lighthouse Report Card - Q3 2021-22 D15179413

Governance Report Card - Central Coast Council



This quarterly report is based upon the Governance Lighthouse. (NSW Audit Office). It covers eight principles and 17 key governance components.

Report date: Quarter 3 - 2021/2022

General Comments:

Quarter ending 31 March 2022

During Q3, activities included the conclusion of the financial statements for the 2020-2021 financial year, ongoing review of the management actions tracker, and development of a strategic risk profile owned by the executive management of the organisation.

Governance Report Card - Central Coast Council

Light house principle: Stakeholder rights

Measure: Number of Code of Conduct complaints
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21 Data provided by: Office of the Internal Ombudsman

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Trend
# complaints (total)	5	9	4	9	7	4	2	↓
% Upheld	40%	0%	0%	11%	0%	0	100%	↑
# complaints (Clrs + CEO)	2	4	0	3	1	0	0	-
% Upheld	50%	0%	N/A	0%	0%	N/A	N/A	-

Commentary: The suspension of Councillors has resulted in fewer Code of Conduct complaints over all.

Governance Report Card - Central Coast Council

Measure: % of Tier 1 customer complaints resolved at first point of contact
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21 Data provided by: Section Manager Customer Service

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Total 21/22
Number of community complaints	97	97	99	84	43	83	77	↓
Number of total compliments	Data previously not included in this report. Resolved for inclusion at ARIC meeting held 9 March 2022						100	-
% resolved at fpoc	100%	100%	100%	100%	100%	99%	100%	↑

Commentary: There has been minimal reduction in the number of community complaints received this quarter compared to Q2. However, comparing community complaints in Q3 to the previous fiscal year there is a 22% reduction from 2022 to 2021.

Total compliments data shows we received 23% more staff and community compliments than community complaints. There were no requests for a community complaint review this quarter resulting in 100% of complaints being resolved at first point of contact.

Governance Report Card - Central Coast Council

Light house principle: Risk management

Measure: Number of GIPA applications and % of reviews
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21 Data provided by: GIPA team

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Trend
GIPA applications	31	28	28	36	27	34	34	↑
Number of reviews	2	2	6	1	4	2	0	↓
Informal information requests	450	247	305	341	307	319	339	↑
Average days to complete	40	45	50	40	50	45	60	↑

Commentary: Q3 continued an upward trend in the receipt of both formal and informal GIPA applications, and the average time for completion.

It is noteworthy that, despite this increase, and the ongoing resourcing constraints within the team, applications for internal review remain low, reflecting the quality of the service being provided to the community.

Governance Report Card - Central Coast Council

Measure: Risk profile against Council's Enterprise Risk Management Framework
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21
 Data provided by: Enterprise Risk Manager

Total number of operational risks	
Total number of Extreme risks	0
Total number of High risks	13
Total number of Medium risks	101
Total number of Low risks	109

Risk by Type	
Asset	33
Business	34
Fraud and Corruption	27
Governance	24
HR	4
IM	1
Legal	11
Operational	50
Resources	7
WHS	18
Strategic	14

Commentary: Of the 20 highest risks currently identified: three are asset related, two are business related, one is governance related, one is human resources related, six are related to operations, two are WHS related, one is related to legal activities, three are strategic and one is fraud and corruption related.

The controlled risk heat map is below.

Governance Report Card - Central Coast Council

Central Coast Council Risk Management Heat Map						
CONSEQUENCE						
		Catastrophic	Major	Moderate	Minor	Insignificant
LIKELIHOOD	Almost Certain	0	0	1	1	0
	Likely	0	0	3	6	1
	Possible	1	2	17	30	8
	Unlikely	6	14	18	58	9
	Rare	6	9	16	11	6

Governance Report Card - Central Coast Council

Light house principle:	Disclosure
Measure:	% of annual disclosures completed within statutory timeframes
Reporting cycle:	Annual
Current as at:	31-Mar-21
	Data provided by: Unit Manager Governance, Risk and Legal

	17/18	18/19	19/20	20/21	21/22
% completed by 30 Sep (staff)	97%	96%	100%	100%	100%
% completed by 30 Sep (Clrs)	100%	100%	100%	53%	N/A
% completed by 30 Sep (Admin)	NA	NA	NA	NA	100%
% completed by 30 Sep (ARIC)	NA	NA	100%	100%	100%

Commentary: Returns for the period of 2020/21 were tabled at the Ordinary Council Meeting held on 26 October 2021, as previously advised at the ARIC meeting held 7 December 2021.

Redacted Returns are published to Council's website in accordance with the requirements of the Government Information (Public Access) Act and the Information and Privacy Commission's Guideline 1.

Updated Returns for Council's Chief Executive Officer and Acting Director Environment and Planning were reported to the Ordinary Council Meeting held on 25 January 2022, as both Designated Persons became aware of a new interest that must be disclosed (in accordance with clauses 4.8 to 4.27 of Council's Code of Conduct).

Governance Report Card - Central Coast Council

Light house principle:

Corporate reporting

Measure: Financial statements completed within timeframes
 Reporting cycle: Annual
 Current as at: 31-Mar-21 Data provided by: Group Financial Controller, Finance

	16/17	17/18	18/19	19/20	20/21	21/22
Date resolved	26/03/2018	10/12/2018	9/03/2020	27/04/2021	28/02/2022	TBA

Commentary: The legislated deadline for the finalisation of the Financial Statements is 31 October each year. However, the Office of Local Government grants extensions where there are valid reasons why that timeframe cannot be met.

Financial year ended 30 June 2021

We have requested and have received approval from the OLG to defer lodgement of the 30 June 2021 Financial Statements to 28 February 2022. This is because the audit of the 2019-202 financial reports did not conclude until 10 May 2021 and significant planning and interim work was delayed until June 2021. This has impacted timeframes for completion of the audit of 2020-2021 Financial Reports by the legislated deadline of 31 October 2021. Notification of the extension was tabled at the 14 December 2021 Ordinary Council Meeting.

Governance Report Card - Central Coast Council

Measure: Management Actions identified as part of audits completed by risk rating
Reporting cycle: Quarterly
Current as at: 31-Mar-21 Data provided by: Unit Manager Governance, Risk and Legal

	Extreme	High	Medium	Low	Total	Date	
2020/2021	0	73	63	16			
IT General Controls	0	7	14	7	28	Mar-21	NSW Audit Office
Water Quality and Supply Mgmt	0	8	9	3	20	Dec-20	Internal Audit
Purchase cards	0	13	7	2	22	Nov-20	Internal Audit
Payroll	0	2	4	0	6	Nov-20	Internal Audit
Contractors, Temps, Labour Hire	0	13	3	0	16	Oct-20	Internal Audit
Contract Management	0	6	6	0	12	Jun-20	Internal Audit
Leadership Allowance and Expense	0	11	6	1	18	Sep-20	Internal Audit
Complaints Management	0	11	5	1	17	Pending	Internal Audit
IT Governance	0	2	9	2	13	Sep-20	Internal Audit
2019/2020	0	42	54	15			
Procurement of IT Goods	0	11	1	0	12	Jul-19	Internal Audit
NHV Accreditation (2017/18)	0	3	4	1	8	Jul-19	Internal Audit
Cash Management (Waste Services)	0	11	3	0	14	Jul-19	Internal Audit
Seniors Centres	0	11	6	0	17	Sep-19	Internal Audit
Cash Management (Library Service)	0	2	4	0	6	Oct-19	Internal Audit
Interim Audit 30/6/19	0	0	16	7	23	Jan-20	NSW Audit Office
Final Audit 30/6/19	0	2	9	3	14	Mar-20	NSW Audit Office
Infrastructure contributions	NA	NA	NA	NA	*13	Mar-20	NSW Audit Office
Councillor Expenses and Facilities	0	2	11	4	17	Apr-20	Internal Audit
2018/19	0	20	10	0			

Commentary: Work has been undertaken to ensure that management actions being tracked relate only to those recommendations and actions that have been (a) properly risk-rated; (b) identified by internal or external audit; and (c) agreed by management.

This work has resulted in a marked proposed reduction in ongoing tracking, which will be presented to ARIC in June 2022, for recommendation of acceptance.

Governance Report Card - Central Coast Council

Light house principle: **Ethics**

Measure: No instances of failure to meet legislative deadlines
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21 Data provided by: Meeting Support Officers

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Trend
# of missed deadlines	2	3	0	1	0	1	0	↓

Commentary: On 2 July 2020 a Legislative Compliance Policy (Operational) was adopted. From 1 July 2020 a Legislative Compliance Register was established and implemented.

There were a total of 15 items due in Q3 21/22 and no instances of failure to meet legislative reporting deadlines. There were three items completed late.

There are ongoing issues with ensuring each area of Council is recording the completion of the legislative requirements in the register. Staff continue to follow up with responsible staff about completion of reporting items, and update the register as required.

Governance Report Card - Central Coast Council

Light house principle:

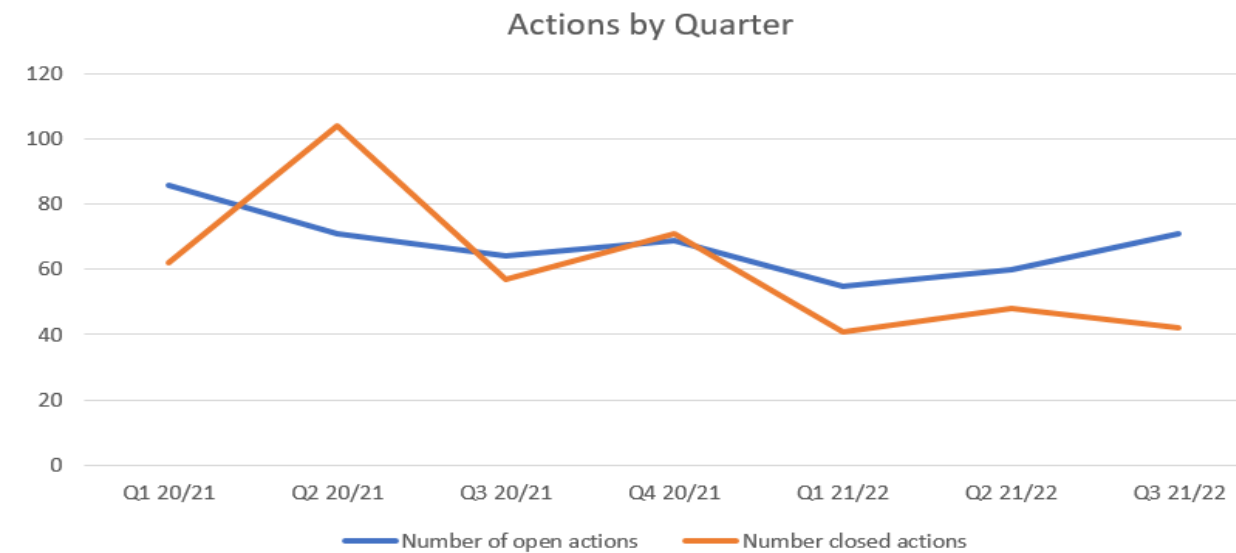
Structure

Measure: # of Council actions completed
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21 Data provided by: Meeting Support Officers

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Trend
Number of open actions (at end of quarter)	86	71	64	69	55	60	71	↑
Number closed actions (during quarter)	62	104	57	71	41	48	42	↓
Open and overdue (at end of quarter)	14	14	5	3	3	13	27	↑

Commentary: Open and overdue actions are as at the end of each quarter. Closed actions are those completed during the quarter.

Updates on outstanding Council actions are provided by the Unit Manager Governance, Risk and Legal Counsel to the Executive Leadership Team on a monthly basis.



Governance Report Card - Central Coast Council

Measure: % of items considered in Confidential Session of Council
 Reporting cycle: Quarterly
 Current as at: 31-Mar-21 Data provided by: Meeting Support Officers

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Trend
Total number of items	90	150	100	106	120*	56	45	↓
% in closed session	2%	10%	6%	1%	<1%	0%	0%	-

Commentary: In Q3 2021/22 there were no items considered in Confidential Session of Council. There continues to be a focus on providing as much as practicable in open sessions of Council by using Confidential attachments.

As noted at the end of Q2 2021-22, it is expected there was an error in the data prior to Q2 2021-22. The data for Q3 is consistent with the correct method used to retrieve item numbers.

At the Ordinary Council Meeting held 22 February 2022 Council adopted a revised Code of Meeting Practice that provides for one monthly Ordinary Council Meeting, rather than the two per month previously held.

Governance Report Card - Central Coast Council

Light house principle: **Management oversight**

Measure: % of actions delivered against Community Strategic Plan

Reporting cycle: Quartley

Current as at: 31-Mar-21 Data provided by: Section Manager Corporate Planning and Reporting

	18/19 (Annual)	19/20 (Annual)	20/21 (Annual)	21/22 Q2	21/22 Q3
Actions due to be completed	157	147	23	5	8
Number of actions completed	121	109	72	61	56

Commentary: Q3 results for 2021-22 shows good progress, with 8 out of 67 actions Completed and 37 are On Track for delivery by the end of the financial year, 1 is On Hold and 2 are closed. The remaining 19 are Delayed, but again, these are mainly KPIs that are impacted by COVID-19 restrictions and also due to an increase in customer requests. Q3 results will be reported to the 24 May 2022 Council meeting.