



Central Coast Council

Audit, Risk and Improvement Committee Meeting

Held Online via Teams / Wyong Committee Room
14 September 2022

MINUTES

Present

Carl Millington (Chairperson)
Arthur Butler
Peter McLean
Rik Hart

Independent member
Independent member
Independent member
Administrator

In Attendance

David Farmer
Edward Hock
Peter Correy
Jade Maskiewicz
Sharon McLaren
Robert King
Sue Ledingham

Chantelle Ahio
Carolyn Patelis
Rachel Gibson
Rachel Callachor
Caroline Karakatsanis
Rochele Antolin
Penelope Corkill

Chief Executive Officer
Unit Manager Governance, Risk and Legal
Group Financial Controller
Assistant Internal Ombudsman
Section Manager, Corporate Planning and Reporting
Acting Unit Manager, People and Culture
Unit Manager, Communications, Marketing and
Customer Engagement
Civic Support Officer
Civic Support Officer
Team Leader, Civic Support
Meeting Support Officer
Director, Financial Audit, Audit Office of NSW
Audit Leader, Financial Audit, Audit Office of NSW
Director Risk and Assurance, Centium, Internal Audit
Partner

1 INTRODUCTION 2:02pm

Welcome, Acknowledgement of Country and Apologies

The Chairperson, Carl Millington, opened the meeting, 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:

Jamie Loader - Director Water and Sewer

Lilly Mojsin - Senior Internal Ombudsman

Krystie Bryant –Director Corporate Services (Acting)

Boris Bolgoff – Director Infrastructure Services

Alice Howe – Director Environment and Planning

Melanie Smith - Director Community and Recreation Services

1.2 Introduction of and Welcome to new member 2:03pm

Carl Millington introduced and welcomed new member Peter McLean to the committee.

1.3 Disclosures of Interest 2:04pm

The Committee Members made the following standing disclosures:

- Peter McLean is involved with the following councils, Shoalhaven City Council – ARIC Chair and Goldenfields Water County Council – ARIC Chair. Federation Council – Independent ARIC Member and is a current councillor for Camden Council.
- Carl Millington is a member of the Woollahra Municipal Council Audit Risk and Improvement Committee.

Resolution

78/22 (ARIC) *That the Committee note the standing declarations of current Committee members outlined in the table below.*

79/22(ARIC) *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*

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.

1.4 Confirmation of Minutes of Previous Meeting 2:05pm

The Chair confirmed and accepted the Minutes with changes to be made to amend the minute numbers from item 62/22 and beyond. This is a typographical error, and has been amended in the Minutes.

Resolution

80/22 (ARIC) *That the Committee confirm the minutes of the previous meeting held on 8 June 2022.*

81/22 (ARIC) *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.*

1.5 Outstanding Action Items 2:06pm

The Committee requested updates regarding a number of outstanding action items, with information provided detailed below:

- Monthly Financial Reports, Unit Manager Governance, Risk and Legal confirmed all reports and attachments are available online, August reports will show in September.
- Council staff proposed to allow ARIC members to self-serve this information rather than circulating it individually.
- Action item 35/2022: Committee queried level of insurance cover, should have date and be reviewed to know what is insured and covered, Unit Manager Governance, Risk and Legal clarified he would address this later in the meeting .

Resolution

82/22 (ARIC) *That the Committee note the report on Outstanding Action Items.*

83/22 (ARIC) *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.*

1.6 Council's current status – CEO David Farmer

The CEO, David Farmer, provided the following verbal update:

- Now that the financial crisis has been resolved, Council is turning its attention to improving customer service and experience.
- Focusing on improving the effectiveness and efficiency of the Capital Works program.

- Council has adopted a Financial Strategy. The strategy sets key financial parameters for the organisation as a preventative measure to future financial issues.

The CEO otherwise provided a point of clarification to an item recorded in the minutes, regarding Investments. The June ARIC meeting minutes recorded that Council had informed ARIC of floating rates on the whole of its investment portfolio. In fact, about 75% of investments are variable or will reset within the next year.

2.1 General Finance Update 2:27pm

The Group Financial Controller, Peter Correy, provided the committee with a general update on financial matters and spoke to his report.

In response to enquiries from the Committee the Group Financial Controller agreed to provide to future meetings:

- A simplified Finance report, to include a different breakdown on funds and deficit also a tabled report rather than a graph.
- Focus on 12-18 months value added information, to go out to business units, simplifying internal charges, how to interpret funding.
- Detailed Capital Works report which is distributed monthly, table from Capital Works report to be included in Finance report.

Resolution

84/22 (ARIC) *That the Committee note the report on General Finance Update.*

85/22 (ARIC) *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.*

2.2 Draft Financial Statements for the period 1 July 2021 to 30 June 2022 3:14pm

The Group Financial Controller, Peter Correy, spoke to the report provided, which was taken as read by the Committee.

In response to enquiries from the Committee the following information was provided:

- The draft financial statements had been provided to the Audit Office
- The Technical Asset register had been updated to remove identified issues from previous year around the voluntary certification included in the 2021 financial statements.

The Director, Financial Audit, Audit Office of NSW provided an update:

- FY21 audit was finalised in February 2022, Changes to the Audit team occurred in May resulting in this year's audit being slightly behind schedule.

- Planning has been completed and the interim audit fieldwork completed but AO had not completed the related management letter report.
- A further update will be provided at the conclusion of the final audit fieldwork and will include details of any outstanding matters particularly in relation to the reconciliation of the fixed asset registers.

In response to enquiries from the Committee the following information was provided

- A dedicated audit team is scheduled to complete the audit, The Director, Financial Audit, Audit Office of NSW will inform Council of any anticipated cost increases.
- The Director, Financial Audit, Audit Office of NSW and audit team will be completing the audit of the draft financial statements as efficiently as possible.

Resolution

- 86/22 (ARIC) *That the Committee note the report on Draft Financial Statements for the period 1 July 2021 to 30 June 2022.*
- 87/22 (ARIC) *That the Committee recommends that Council refer the draft 2021-2022 Consolidated Financial Statements for Central Coast Council that include General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules to audit.*
- 88/22 (ARIC) *That the Committee recommends that Council refer the 2021-2022 Central Coast Council Water Supply Authority General Purpose Financial Statements to audit.*
- 89/22 (ARIC) *That the Committee make a recommendation 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.*

Item 5.1 was brought forward ahead of item 3.1

5.1 NSW Auditor-General's Local Government Report 2021

The Director, Financial Audit, Audit Office, Caroline Karakatsanis of NSW provided an update to the committee:

- Audit office has 7 recommendations for council
- Audit office recommends ARIC should be monitoring external audit and public enquiry reviews.
- Recommended that ARIC track resolution of internal audit recommendations.

In response to enquiries from the Committee the Director, Financial Audit, Audit Office, Caroline Karakatsanis provided the following information:

- Audit Office recommended that council seek to complete asset valuations early, ideally by 31st March each year to reduce year end pressures.

Resolution

- 90/22 (ARIC) *That the Committee note NSW Auditor-General's Final Report – Local Government 2021*
- 91/22 (ARIC) *That the Committee recommend that this report and/or the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

3.1 Enterprise Risk Management Report

The Unit Manager Governance, Risk & Legal, Edward Hock, provided the committee with a general update which included:

- Confirmation that discussion was had regarding this report, with the presence of Council's Enterprise Risk Manager, who provided an update at a briefing meeting prior to the formal ARIC meeting, in relation to this report and other issues including framework with plans for the future.
- Action – a detailed report on Council's WHS risk profile, including the WHS and Hazard risk registers, to be provided to a future meeting.

Resolution

- 92/22 (ARIC) *That the Committee note the report on Enterprise Risk Management Report.*
- 93/22 (ARIC) *That the Committee recommend that this report is not 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 Risk Management Committee Meeting Summary 10 August 2022

The Unit Manager Governance, Risk & Legal, Edward Hock, presented the minutes of the Risk Management Committee.

Resolution

- 94/22 (ARIC) *That the Committee note the Minutes from the Risk Management Committee 10 August 2022*
- 95/22 (ARIC) *That the Committee make a recommendation 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 matters affecting the security of Council, Councillors, Council staff or Council property.*

4.1 Internal Audit Work Plan 2022-23 3:44pm

The Director Risk and Assurance, Centium, Penelope Corkill, Internal Audit Partner provided the committee with an internal audit update which included:

- Advice that no major concerns found within the completed audit reports provided.

In response to enquiries from the Committee the following information was provided:

- Internal Audit workplan is in final stages of scoping the various activities, field work underway for National Heavy Vehicle Accreditation Scheme audit which is a mandatory audit for Council, compliance framework has been drafted with the Unit Manager Governance, Risk & Legal to ensure compliance across organisation.
- The Unit Manager Governance, Risk & Legal confirmed that Council is ensuring the internal audit workplan is targeting enterprise-wide risks, to ensure that there is a solid base for future, more tightly-scoped audit activities.
- The Unit Manager Governance, Risk & Legal confirmed Council's risk profile is fluid and projecting a 2-3 year forward looking plan may change rapidly. However, he agreed to bring a 3-year projected plan to a future meeting within this financial year.

Resolution

96/22 (ARIC) *That the Committee endorse the Internal Audit Work Plan 2022-23.*

97/22 (ARIC) *That the Committee recommend that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

4.2 Internal Audit Final Reports

The Director Risk and Assurance, Centium, Penelope Corkill, Internal Audit Partner provided the committee with Internal Audit Final Reports which included:

- Annual DRIVES Audit – Completed a few audits between meetings, two low and two medium risks that Council needs to work through, not quite as good as last year, emphasis to make sure communication is filtering through to Transport NSW.
- Cyber Security Audit – Emphasis on excellent results, have completed 8 audits for other local councils, includes 20 foundational requirements, council outperformed other councils. Penelope recommends suggested target score for council, council

needs to agree if it is the right score, looking at something around 65 mark and ongoing improvement.

- Claims Management Audit.

In response to enquiries from the Committee, The Director Risk and Assurance, Centium, Penelope Corkill provided the following information:

- Council to update standard operating procedure to remove authorized premises and communicate this to Transport NSW, this was mainly due to Council not occupying Gosford Administration building.
- Cyber Security report varies due to different company doing previous years audit.

Resolution

- 98/22 (ARIC) *That the Committee note the report provided by Centium Transport for South Wales Annual Audit DRIVES24.*
- 99/22 (ARIC) *That the Committee note the report provided by Centium Insurer Claims Management Audit.*
- 100/22 (ARIC) *That the Committee note the report provided by Centium Cyber Security Health Check*
- 101/22 (ARIC) *That the Committee recommend 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, on balance, it would not be in the public interest to release this information to the public on the basis of ensuring the efficacy of investigation and auditing functions, some of which are raised in these reports.*

5.2 NSW Audit Office Engagement Plan for year ended 30 June 2022 - CONFIDENTIAL

The update from the Audit Office was received by the Committee.

Resolution

- 102/22 (ARIC) *That the Committee note the report on NSW Audit Office Engagement Plan for year ended 30 June 2022.*
- 103/22 (ARIC) *That the Committee make a recommendation 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 (such as Annual Engagement Plans) from the NSW Audit Office to ensure the efficacy of its investigating, auditing or reporting functions.

6.1 Governance Lighthouse Report as at 30 June 2022 4:05pm

The Committee received the report and noted its contents.

In response to enquiries from the Committee the Unit Manager Governance, Risk & Legal, Edward Hock provided the following information:

- the Governance Lighthouse report is based on the principles published by the NSW Audit Office, but would seek to ensure that the information provided to the Committee was also of benefit to, and elsewhere being reported by, Council.

Resolution

104/22 (ARIC) *That the Committee note the Governance Lighthouse report as at 30 June 2022.*

105/22 (ARIC) *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.*

6.2 Governance Workplan 4:08pm

The Unit Manager Governance, Risk & Legal provided the committee with an update which included:

- Council want to improve efficiency within the organisation by removing obstacles and ensuring obligations are well-understood.
- Underway dates – haven't started everything in July 2022, proposed to report back at every ARIC in work plan, tracker, compliance audit within audit program.

In response to enquiries from the Committee the Unit Manager Governance, Risk & Legal, Edward Hock provided the following information:

- Updated progress reports would be provided to future meetings.
- Confirmed the approach and plan for Council's *One Way* organisational pillar is to strip out inconsistencies and have a one-council approach, 2-3 year horizon plan.

Resolution

106/22 (ARIC) *That the Committee note the ELT-endorsed Governance Workplan.*

- 107/22 (ARIC) *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.*

Sharon McLaren joined the meeting for item 6.3 and left at the conclusion of this item.

6.3 Integrated Planning and Reporting Activities for 2022-23 4:19pm

The Section Manager Corporate Planning & Reporting presented her report.

In response to enquiries from the Committee the following information was provided:

- Council would undertake planning to ensure it is ready before next Council election.
- The model of long term financial plan should be reviewed every quarter.

Resolution

- 108/22 (ARIC) *That the Committee note the report on Integrated Planning and Reporting Activities for 2022-23.*
- 109/22 (ARIC) *That the Committee recommend that this report and/or the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter*

6.4 Update on Legal Matters - CONFIDENTIAL

Resolution

- 110/22 (ARIC) *That the Committee note the report*
- 111/22 (ARIC) *That the Committee recommend 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 advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege;*

7.1 Report from the Office of the Internal Ombudsman 4:33pm

The Assistant Internal Ombudsman presented her report.

Resolution

- 112/22 (ARIC) *That the Committee note the report on Report from the Office of the Internal Ombudsman.*
- 113/22 (ARIC) *That the Committee make a recommendation 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.

Robert King joined the meeting for item 8.1 and left at the conclusion of this item.

8.1 Work, Health and Safety Report 4:40pm

The Acting Unit Manager People & Culture, Robert King, provided the committee with an update on Work, Health and Safety which included:

- Number of occurrences that are happening, spike in injuries, variety of different events, hard to pinpoint why these have increased, although there has been an increase in psychological claims and this is an area of focus

In response to enquiries from the Committee The Acting Unit Manager People & Culture, Robert King, provided the following information:

- The cause of accidents and what type of accidents are occurring are being recorded and also records of near misses be included, The Acting Unit Manager People & Culture will ensure that this information is included in future WHS reports.
- A spike in Covid related illness was related to the current season and also the new variant of the virus.
- Information is not made public to ensure the protection of personal and sensitive information.

Resolution

114/22 (ARIC) *That the Committee note the report on Work Health and Safety.*

115/22 (ARIC) *That the Committee recommend 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.*

Sue Ledingham and Sharon McLaren joined the meeting for item 8.2 and left at the conclusion of this item.

8.2 Service Reviews 4:51pm

Unit Manager, Communications, Marketing and Customer Engagement & Section Manager, Corporate Planning & Reporting presented their report.

In response to enquiries from the Committee and the following information was provided:

- Council is engaged in a LG Professionals performance excellence program will help Council benchmark community expectations and Council's performance in certain generic metrics.

Resolution

116/22 (ARIC) *That the Committee note the report on Service Reviews*

117/22 (ARIC) *That the Committee recommend that this report and/or the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter*

9 General Business 4:37pm

- Unit Manager Governance, Risk & Legal, Edward Hock updated the Committee on further revisions on the interaction between the Office of Local Government Internal Audit and ARIC Guidelines and the NSW Treasury pre-qualification scheme, and confirmed that the draft guidelines were now expected to come into force in July 2024.
- Unit Manager Governance, Risk & Legal, Edward Hock confirmed that ARIC was due for its biennial self-assessment was required in 2022, and undertook to circulate the self-assessment survey after the meeting.
- The Committee discussed the timing of meetings, and considered whether aligning the meetings to the end of a financial quarter would be of benefit. It was decided that the access to up-to-date monthly financial reporting was of greater relevance to the Committee, and determined to ensure future meetings would align to the access of the monthly reports of each end of quarter.

The Meeting closed at 5:06pm

Next Meeting Wednesday 7th December 2022