

Audit, Risk and Improvement Committee

A circular logo with a dark blue background and white text that reads "Central Coast Council".

Central
Coast
Council

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

Annual Report 2020

Audit, Risk and Improvement Committee Annual Report 2020



About the report

This annual report documents the operation and activities of the Audit, Risk and Improvement Committee for Central Coast Council during the 2020 calendar year.

The Central Coast Council Audit, Risk and Improvement Committee

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

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

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

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

The Committee consists of three independent members and two Councillor members who are nominated by Council. Effective 30 October 2020, the State Government issues a Suspension Order to suspend Councillors of Central Coast Council for a period of three months and appoint an interim administrator. During this time the Administrator performs the Councillor role on the Committee.

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

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Central Coast Council

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

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

Council Structure

For the majority of 2020 Central Coast Council's organisation was led by the Chief Executive Officer and comprised of the following ten sections: Office of the Chief Executive, Connected Communities, Environment and Planning, Finance, Governance, Information Management and Technology, Innovation and Futures, People and Culture, Roads Transport Drainage and Waste, and Water and Sewer.

On 30 October 2020 the [NSW State Government issued a Suspension Order](#) to suspend all Councillors of Central Coast Council for a period of three months and appoint an Interim Administrator effective immediately. Following this development, a revised Central Coast Council organisation structure was created and Council is now being led by an Acting Chief Executive Officer and will comprise of the following five Directorates reporting to the Acting Chief Executive Officer: Corporate Affairs, Community and Recreation Services, Environment and Planning, Infrastructure Services, and Water and Sewer.

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

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Community Vision

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

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

BELONGING

SMART

GREEN

RESPONSIBLE

LIVEABLE

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Independent Member profiles

Dr Colin Gellatly (AO)



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

Mr Carl Millington



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

Mr John Gordon



Mr Gordon is a Chartered Accountant and Chartered Secretary with 40 years' experience providing assurance, advisory and corporate governance assistance to a broad range of clients in the private and public sectors. This includes 22 years as a senior Audit/Assurance Partner with PwC Australia. He has 35 years of continuous involvement in the Local Government, Health and not for profit (NFP) sectors. Since 2009, Mr Gordon has served as Chair or Member on Audit & Risk Committees for 20 State, Territory, Local Government and NFP organisations including 11 NSW Local Government Councils.

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The following Councillors were appointed to the Committee by Council Resolution on [9 October 2017 Ordinary Council Meeting](#).

Councillor Representatives

Councillor Doug Vincent



Budgewoi Ward

Councillor Louise Greenaway



Wyong Ward

Alternative Councillor Representatives

Mayor Lisa Matthews



The Entrance Ward

Councillor Jeff Sundstrom



Gosford East Ward

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At the [25 May 2020 Ordinary Council Meeting](#), Council noted the resignation of Councillors Greenaway and Vincent from the Audit, Risk and Improvement Committee and appointed the following Councillors for the remainder of the Council term:

Councillor Representatives

Deputy Mayor Jane Smith



Gosford East Ward

Councillor Jeff Sundstrom



Gosford East Ward

Alternative Councillor Representatives

Mayor Lisa Matthews



The Entrance Ward

Councillor Kyle MacGregor



Wyong Ward

Other Regular Attendees

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

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In 2020 the Central Coast Council Audit, Risk and Improvement Committee convened six times to review internal audit reports and the internal audit program for Central Coast Council.

Audit Committee Performance

Committee meeting dates and members' participation in 2020.

- Thursday 20 February 2020 (Financial meeting postponed from November 2019)
- Tuesday 17 March 2020 (Ordinary Meeting)
- Wednesday 17 June 2020 (Ordinary Meeting)
- Wednesday 14 October 2020 (Financial Scenario Planning Workshop)
- Friday 6 November 2020 (Ordinary Meeting)
- Thursday 10 December 2020 (Ordinary Meeting)

Attendance details

Name	Role	Meetings Attended
Colin Gellatly (AO)	Chair (Independent)	6
Carl Millington	Independent	6
John Gordon	Independent	6
Doug Vincent	Councillor	0
Louise Greenaway	Councillor	1
Jane Smith*	Councillor	2
Jeff Sundstrom*	Councillor	1 (as alternate)

* As noted above on 30 October 2020 the [NSW State Government issued a Suspension Order](#) to suspend all Councillors of Central Coast Council for a period of three months, which had a direct impact on Councillors' attendance.

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Prior to the 17 June 2020 and 10 December 2020 meetings, an “in-camera” meeting was held with the Committee and the Chief Internal Auditor, without the presence of management, as per the clause 39(h) of the Audit, Risk and Improvement Committee Charter.

Prior to the 17 June 2020 and 10 December 2020 meeting, an “in-camera” meeting was held with the Committee and the Senior Internal Ombudsman, without the presence of management, as per clause 39(i) of the Audit, Risk and Improvement Committee Charter.

Committee Report Card

Committee Charter	Compliance
Committee Meetings	A quorum was maintained at every meeting.
Composition	Three Independent Members and two Councillors/Administrator.
Broad range of skills and experience	A diverse Committee with strong local government and commercial experience.
Sufficient time allocated to tasks	The Committee agenda allowed equal time to discuss all audit reviews, status of implementation of audit recommendations and the strategic internal audit plan
Risk Management	Enterprise Risk Management Framework (ERMF) reviewed. Risk register developed. Development of a Data Breach Policy and Procedure.
Control Framework	Effective review of controls and policies and procedures through audit reports and high-level briefings received. The development of a Performance Dashboard.
Legislative Compliance	A register of legislative compliance requirements has been developed.
Internal Audit	Review and approval of the Internal Audit Plan; review of audit findings; monitoring of implementation of Internal Audit recommendations; in-camera meeting with Internal Audit Manager.
External Audit	Discussed review of financial statements, compliance with local government regulatory requirements and resolution of audit findings. NSW Audit Office officially invited to attend all meetings. In-camera meeting with External Auditors as per clause 40(e).
Responsibilities of Members	Members remain aware of changing regulatory requirements and receive regular briefings on Council developments

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Agenda Items

The following highlights the formal matters consider by the Audit, Risk and Improvement Committee at meetings throughout 2020.

20 February 2020

Report Title	Report purpose
<i>Draft Financial Statements for the Reporting Period 1 July 2018 to 30 June 2019</i>	To present the draft 2018-19 Consolidated Financial Statements for Central Coast Council, which covers the period from 1 July 2018 to 30 June 2019, including analysis of the financial position and financial performance for the reporting period.
<i>Interim Management Letter from NSW Audit Office – Financial Audit</i>	To provide the Committee with the Interim Management Letter from the NSW Audit Office.

17 March 2020

Report Title	Report purpose
<i>Chief Internal Auditor's Quarterly Progress Report</i>	The Chief Internal Auditor's (CIA) Quarterly Progress Report forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC) and reports on the activities of Internal Audit since the last update to the Committee.
<i>Implementation of Management Actions Arising from IA Reviews</i>	To report on Implementation of Management Actions Arising from IA Reviews forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee.
<i>IA Balanced Scorecard Report</i>	To deliver a balanced scorecard progress report to each quarterly meeting.
<i>Updated IA Charter</i>	To present the updated Internal Audit Charter in line with clause 14 of that Charter and clause 39(f) of the Audit, Risk and Improvement Committee Charter.
<i>Central Coast Council and Central Coast Water Supply Authority 2019 Audit Reports</i>	To provide the Audit, Risk and Improvement Committee with the Central Coast Council and Central Coast Council Water Supply Authority 2019 Audit Reports.

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Report Title	Report purpose
<i>COVID-19 Council Readiness</i>	To provide the Committee with an outline of Council's COVID-19 readiness and preparation actions.
<i>Update on Performance Dashboard</i>	To provide the Committee with an update on actions taken to date as a result of Council's resolution of 28 October 2019 in response to a report regarding the establishment of an Integrity and Ethical Standards Unit.
<i>Update on ICAC/Code of Conduct Matters</i>	To report on the functions of the Office of the Internal Ombudsman from 1 July 2019.
<i>IO Charter</i>	To present the Committee with the draft Charter for Council's Office of the Internal Ombudsman for review and endorsement.
<i>Local Organisation Constitution Changes</i>	To provide the Committee with a timeline of Central Coast Group Training's constitutional changes and implications of those changes for Council.
<i>Update on Council's Data Breach Policy and Procedures</i>	To provide the Committee with a draft Data Breach Policy and Procedures for information and feedback.
<i>Governance and Risk Activities Update</i>	To provide the Committee with an update on key Governance and Risk activities.
<i>ARIC Survey</i>	To provide the Committee with the results of the Audit, Risk and Improvement Committee Self-Assessment Survey and seek comment as to the key areas for action.
<i>Policy – Probity Advice</i>	To provide the Committee with a draft Probity Advice Policy and Guidelines for information and feedback.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.
<i>Update on status of actioning the matters raised in the Interim Management Letter</i>	To provide the Committee with an update on the actions from the 2018-19 interim management letters.

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17 June 2020

Report Title	Report purpose
<i>CIA Quarterly Progress Report</i>	The Chief Internal Auditor's (CIA) Quarterly Progress Report forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC) and reports on the activities of Internal Audit since the last update to the Committee.
<i>Implementation of Management Actions arising from IA Review</i>	To report on Implementation of Management Actions Arising from IA Reviews forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee.
<i>IA Balanced Scorecard Report</i>	To deliver a balanced scorecard progress report to each quarterly meeting.
<i>IA Four Year Work Programme and 2020/21 Operational Plan</i>	To present to the Committee the IA Work programme covering all the elements of the IA Framework for 2020/21, along with a projected plan through to 2023/24.
<i>Resourcing of the Audit Function</i>	To present to the Committee resourcing options for Internal Audit and the corresponding level of service delivery under the work programme aligned with the different options, including costings and cover for the CIA role.
<i>Review by External Consultant on Holiday Parks</i>	To provide the Committee with the results of an internal audit on Holiday Park conducted by an independent consultant, including the outcomes of that audit and what actions have been undertaken and planned as a result.
<i>2020 Annual Engagement Plan</i>	To provide the Committee with the 2020 Annual Engagement Plan (AEP) as provided by the NSW Audit Office.
<i>SIO Quarterly Progress Report</i>	To report on completion of major investigations from the Office of the Internal Ombudsman for the period March – June 2020.
<i>Update on SIO IT Investigation Recommendations</i>	To provide the Committee with an update on recommendations following the IT theft investigation.
<i>Audit, Risk and Improvement Committee Charter Update</i>	For the Committee to consider the revised charter for the Audit, Risk and Improvement Committee.
<i>Review of Actions – Council Resolution</i>	To provide the Committee with an update on actions taken to date as a result of Council's resolution of 28 October 2019 in

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Report Title	Report purpose
	response to a report regarding the establishment of an Integrity and Ethical Standards Unit.
<i>Governance and Risk Activities Update</i>	The purpose of this report is to provide the Committee with an update on key Governance and Risk activities. This report is provided to the Committee at each Ordinary Meeting.
<i>OLG Framework Document Compliance Assessment</i>	The purpose of this report is to provide the Committee with an assessment of Council's status against the Office of Local Government's draft Risk Management and Internal Audit Framework for Local Councils prior to the conduct of a briefing with Councillors on 29 June 2020.
<i>COVID-19 Council Actions</i>	This report is provided to update the Committee of actions taken by Council in response to COVID-19.
<i>Audit, Risk and Improvement Committee Action Plan</i>	To provide the Committee with a draft Action Plan to address the areas for improvement noted in the ARIC Self-Assessment Survey Summary report and seek endorsement for the actions identified.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.
<i>Presentation on Cyber Security (including Australian Signals Directorate Essential Eight Review)</i>	To provide an update in relation to the actions and risks of Cyber Security.
<i>Financial Planning after COVID-19</i>	A presentation provided by Grant Thornton.
<i>Audit Office Final Management Letter for year ended 30 June 2019.</i>	To provide the Committee with the Final Management Letter for Year Ended 30 June 2019 as provided by the NSW Audit Office.
<i>Finance Update April 2020</i>	To provide the Committee with an update on Council's Finances.
<i>Update on Workforce Planning and Staff Arrangements</i>	To provide the Committee with current Contingent Workforce Engagement Report.

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14 October 2020 Workshop (further to an emergency briefing conducted on 7 October 2020)

Report Title	Report purpose
<i>Review of DMB Consulting report</i>	to discuss a draft interim report provided to the Chief Executive Officer that highlighted that some expenditure over the past 12-18 months may have resulted in restricted funds being used contrary to the provisions of the Local Government Act 1993.
<i>Roles and Responsibilities – Grant Thornton, OLG and External Legal Counsel</i>	to discuss the role of external parties. Grant Thornton were engaged to formulate the key actions as part of a 100 day plan for recovery. MBM Legal were engaged to seek advice regarding Council's position and the legal implications of information received to date.
<i>Scope for Forensic Accountant</i>	to discuss the scope of engagement of a forensic accounting firm to investigate and report on the matters raised in the draft interim report of DMB Consulting and to establish the correct position in respect of those matters.
<i>100 Day Plan Review and Comments</i>	to provide a summary of Council's proposed adopted Business Recovery Plan (formerly known as the 100 Day Recovery Action Plan) as reported to Council on 12 October 2020

6 November 2020

Report Title	Report purpose
<i>Progress of the 100 day plan</i>	to provide an overview summary of Council's progress against the adopted Business Recovery Plan (formerly known as the 100 Day Recovery Action Plan).
<i>CIA Quarterly Progress Report</i>	The Chief Internal Auditor's (CIA) Quarterly Progress Report forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC) and reports on the activities of Internal Audit since the last update to the Committee.
<i>Management Actions Arising from Third Line of Defence Reviews</i>	The report on <i>Implementation of Management Actions Arising From Third Line of Defence Reviews</i> forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee.
<i>IA Balanced Scorecard Report</i>	To deliver a balanced scorecard progress report to each quarterly meeting.

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Report Title	Report purpose
<i>Annual Internal Audit – Year in Review</i>	To provide the Audit, Risk and Improvement Committee with a summary of the work of Internal Audit for 2019/20 in respect of the deliverables in the approved work programme for that period.
<i>IA Annual Assurance Statement</i>	This report provides the Audit, Risk and Improvement Committee (ARIC) with an annual assurance statement for 2019/20 from the Chief Internal Auditor in line with the Institute of Internal Auditors professional practices and Office of Local Government <i>Internal Audit Guidelines</i> .
<i>Performance Audit – Governance and Internal Controls over Local Infrastructure Contributions</i>	The purpose of this report is to provide ARIC with correspondence regarding the Performance Audit on governance and internal controls over Local Infrastructure Contributions as provided by the NSW Audit Office.
<i>Airport Review (Phase Two) Final report</i>	This report provides the Audit Risk and Improvement Committee (ARIC) with the final report on the Central Coast Airport Review (Phase 2) from Morrison Low. This was an independent review into decisions made in association with the Central Coast Airport (now called the Warnervale Aircraft Landing Area).
<i>Service Review – report from Innovation and Futures</i>	In February 2020, the Chief Executive Officer discussed a Service Review with Councillors as a priority project for consideration. Based on support from Council, a Scoping Group was formed to discuss how to progress a Service Review for Central Coast Council. Preparatory work has been completed by the Performance & Innovation unit, including a workshop with the Executive Leadership Team in June 2020, and in-principle agreement was provided to commence the Service Review.
<i>SIO Quarterly Progress Report</i>	A report on the completion of major investigations from the Office of the Internal Ombudsman for the period June – September 2020.
<i>Governance and Risk Activities Update</i>	The purpose of this report is to provide the Committee with an update on key Governance and Risk activities. This report is provided to the Committee at each Ordinary Meeting.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.
<i>Update on Data Security and Phishing training</i>	An update in relation to Council’s Cyber Security and Phishing training.
<i>Update on Regional Library Project</i>	The purpose of this report is to provide an update on the progress of the Gosford Regional Library project.

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Report Title	Report purpose
<i>Update on Complaints and Compliments</i>	The purpose of this report is to provide an overview of complaints and compliments during 2019/20 and the fourth quarter period, 1 April to 30 June 2020, results to the Audit Risk and Improvement Committee (Committee).
<i>Update on Mardi to Warnervale Pipeline Project</i>	To provide the Committee with an update on the \$61M project which is an integral piece of water supply infrastructure for the northern part of our region.
<i>Update on IPART</i>	This report provides an update on Council's upcoming pricing submission to the Independent Pricing and Regulatory Tribunal (IPART) for its water, sewer and stormwater charges. The report provides an update on the project status, achievements, key milestones and risks/issues.
<i>Update on Contingent Workforce Engagement</i>	The purpose of this report is to provide the Audit, Risk and Improvement Committee (ARIC) with the current Contingent Agency Hire Engagements and progress from the Contingent Agency Hire Project as discussed in item 8.1 at the 17 June 2020 meeting.
<i>Commencement of Selection Process for New ARIC Member</i>	The purpose of this report is to provide an update on the progress of the Action Plan that was endorsed at the 17 June 2020 ARIC Meeting, which includes presenting the proposed process to recruit an additional Independent Member.

10 December 2020

Report Title	Report purpose
<i>CIA Quarterly Progress Report</i>	The <i>Chief Internal Auditor's (CIA) Quarterly Progress Report</i> forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC). This report provides an update on the activities of Internal Audit since the last update to the Audit, Risk and Improvement Committee on 6 November 2020 in accordance with the four elements of the IA framework.
<i>Management Actions Arising from Third Line of Defence Reviews</i>	The report on <i>Implementation of Management Actions Arising From Third Line of Defence Reviews</i> forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee (ARIC).

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Report Title	Report purpose
<i>IA Balanced Scorecard Report</i>	The <i>Internal Audit Balanced Scorecard Report</i> forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee. There are thirteen balanced scorecard measures to monitor and report on the performance of the IA service to Council.
<i>Emerging Themes</i>	An annual report summarising the recurring risks and themes that emerged from the 2019/20 work programme. This report also contains a suggested remediation work programme.
<i>Comparative Data and Risk Outlook</i>	The IA Comparative Data and Risk Outlook Report analyses Central Coast Council's performance against a peer group of other Councils. IA provides some insights on interpretation of the data and a risk outlook of the PESTLE strategic risks facing Council with some suggested strategies to mitigate against the identified risks.
<i>Update on External Audit Activities</i>	Verbal Update from NSW Audit Office
<i>SIO Quarterly Progress Report</i>	A report on the completion of major investigations from the Office of the Internal Ombudsman for the period October – December 2020.
<i>Governance and Risk Activities Update</i>	To provide the Committee with an update on key Governance and Risk activities. This report is provided to the Committee at each Ordinary Meeting.
<i>Draft Policies for Review</i>	At the 30 November 2020 Ordinary Council Meeting , Council considered reports on a draft Lobbying Policy and a draft Gifts and Benefits Policy. It was recommended that both policies be referred to the Audit, Risk and Improvement Committee for comment, as well as being placed on public exhibition for a period of at least 28 days.
<i>Update on Legal Matters</i>	To provide the Committee with information relating to Legal matters.
<i>Progress Report on Actions Identified in the Business Recovery Plan</i>	To provide an overview summary of Council's financial position, progress against the adopted Business Recovery Plan (formerly the 100 Day Recovery Action Plan), progress of the Forensic Audit, and details of progress against any strategies or performance improvement orders that are in place.
<i>Draft Financial Statements for 2019/20</i>	To present the draft 2019-20 Consolidated Financial Statements for Central Coast Council, which covers the period from 1 July

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Report Title	Report purpose
	2019 to 30 June 2020, including analysis of the financial position and financial performance for the reporting period.
<i>Policy for Investment Management</i>	For the Audit, Risk and Improvement Committee to consider the Policy for Investment Management and Strategy.
<i>Update on Environmental Management System Update</i>	Verbal Update from Section Manager Environmental Reporting.
<i>Draft Works-In-Kind Policies for Works under the Environmental Planning and Assessment Act 1979 and Water Management Act 2000</i>	To seek the Committee's support for the two draft Works-In-Kind (WIK) policies and supporting guideline (for works under the Environmental Planning & Assessment Act 1979 and the Water Management Act 2000) being reported to Council to seek authorisation to publicly exhibit the documents.
<i>Meeting Dates for 2021</i>	To set the Audit, Risk and Improvement Committee dates for 2021, in accordance with Clause 55 of the ARIC Charter.

Internal Audit

Internal Audit plays a key role in helping Council to achieve its objectives by testing how effectively management controls are operating across specific systems, processes and activities to manage the associated risks. To ensure audit reports are independent and objective and to protect the integrity of the audit opinion, the Chief Internal Auditor reports administratively to the CEO and functionally to the Audit, Risk and Improvement Committee. This is in line with global professional practices for internal audit, State Government best practice and OLG guidelines for internal audit. Also in line with best practice, a Charter governs the Internal Audit function at Central Coast Council. The Charter, which is reviewed every two years, outlines the purpose, authority and responsibility of management and the Internal Audit function.

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

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

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Since October 2019 Internal Audit has had a co-sourced partnership with Centium, to help deliver the business assurance audits in the IA work program.

All finalised IA reports are provided to the Audit, Risk and Improvement Committee members. The Chief Internal Auditor also provides a summary of the findings and recommendations from each report to the ARIC, in the quarterly CIA's progress report presented at each meeting.

To monitor the effectiveness of the control environment, ARIC also reviews management's progress to fix any control weaknesses identified by IA reviews, through a quarterly report on management's implementation of recommendations. During 2020, at the request of ARIC, this report was extended to also include identified risk exposures and recommendations arising from other independent review functions, namely the NSW Audit Office, the Internal Ombudsman and any external consultants engaged to conduct reviews for the purpose of identifying risk exposures and making recommendations for improvement.

During 2019/20 the following final IA reports were issued and reviewed by the Committee, relating to audits of:

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

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

At the ARIC meeting of 17 June 2020, the Chief Internal Auditor presented a paper to the Committee on *Fixing the Basics* with some suggestions to help mitigate the risk exposures identified through the combined total of 253 open management actions. At the meeting on 10 December 2020 it was determined that Internal Audit services (including Centium) would, for the remainder of the financial year at least, switch from a business assurance (audit) focus to consultancy/advisory work, helping management to fix controls relating to a top five 'quick wins' and top five high impact systems/processes, identified from the findings and recommendations of IA, the Audit Office and external consultant reviews.

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External Audit

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

Chair's Summary

The ARIC oversight and support role in 2020 was initially focused on the business-as-usual issues (taking into account COVID-19), including follow-up of outstanding Internal Audit recommendations and support for management in improving the immature risk management framework in the context of continuing merger issues and ongoing management changes. The ARIC also focused on the External Audit for the 2018/2019 year which was again delayed due to a number of issues. The variety of topics covered by the ARIC are outlined in this report.

The second half of the year was overtaken by the emergence of a difficult financial situation with a shortage of available cash. The ARIC first became aware of an issue in June 2020 when the CEO indicated he was having some work done by an external consultant to examine the impact on cashflows of COVID-19 and the IPART determination on rating. The ARIC assisted management in engaging a consultant to help identify the possibility of inappropriate use of restricted cash. This issue was not raised during the External Audit for 2018/2019 or by the Council's financial management team. Both Councillors and the ARIC were made aware of the seriousness of the situation in September 2020.

The NSW Government decided in October 2020 to suspend the Councillors and appoint an Administrator, Mr Dick Persson and an Acting CEO, Mr Rik Hart. At the same time, a new Chief Financial Officer, Ms Natalia Cowley, commenced. Through the significant efforts of management and staff, a recovery plan was formulated and is currently being implemented. The ARIC was consulted in this process and continued its role of oversight to the extent possible under the circumstances. Going forward, the ARIC will continue to support the management team and the Council as it recovers from its current financial status to achieve its full potential as a major NSW Local Government Council.

Colin Gellatly

ARIC Chair