AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

19 June 2018

Meeting Notice

The Audit Risk and Improvement Committee Meeting
of Central Coast Council
will be held in the Committee Room, Level 1,
49 Mann Street, Gosford on
Tuesday 19 June 2018 ,
for the transaction of the business listed below:

Receipt of Apologies

1   GENERAL REPORTS

2   INFORMATION REPORTS

Brian Glendenning
Acting Chief Executive Officer

Item No:	1.1
Title:	Disclosures of Interest
Department:	Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13189291

Author:	Meg Newington, Governance Officer
Manager:	James Taylor, Section Manager, Governance
Executive:	James Taylor, Section Manager, Governance

Report Purpose

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the councilors, members of Council Committees 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:

"(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.

(4)   Subsections (1) and (2) do not apply to a councillor who has a pecuniary interest in a matter that is being considered at a meeting, if:

(a)   the matter is a proposal relating to:

(i)   the making of a principal environmental planning instrument applying to the whole or a significant part of the council's area, or

(ii)   the amendment, alteration or repeal of an environmental planning instrument where the amendment, alteration or repeal applies to the whole or a significant part of the council's

area, and

(a1)   the pecuniary interest arises only because of an interest of the councillor in the councillor's principal place of residence or an interest of another person (whose interests are relevant under section 443) in that person's principal place of residence, and

(b)   the councillor made a special disclosure under this section in relation to the interest before the commencement of the meeting.

(5)   The special disclosure of the pecuniary interest must, as soon as practicable after the disclosure is made, be laid on the table at a meeting of the council and must:

(a)   be in the form prescribed by the regulations, and
(b)   contain the information required by the regulations."

Further, the Code of Conduct adopted by Council applies to all councillors and staff. The Code relevantly provides that if a councillor or staff have 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 conflicts of interests might be managed.

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

Recommendation

1   That Council now disclose any conflicts of interest in matters under consideration by Council at this meeting.

2   That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Attachments

Nil.

Item No:	1.2
Title:	Confirmation of Minutes of Previous Meeting
Department:	Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13189305

Author:	Meg Newington, Governance Officer
Manager:	James Taylor, Section Manager, Governance
Executive:	James Taylor, Section Manager, Governance

Summary

Confirmation of minutes of the previous Ordinary Meeting of Council held on *20 March 2018*.

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

Recommendation

1   That the Committee confirm the minutes of the previous Meeting held on 19 December 2017.

2   That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Attachments

1   MINUTES - Audit Risk and Improvement Committee Meeting - 20 March   D13184966
       2018

Central Coast Council

Minutes of the

AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING of Council

Held in the Committee Room, Level 2
2 Hely Street, Wyong
on 20 March 2018
 Commencing at 2PM

Present

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

In Attendance

Brian Glendenning	Acting Chief Executive Officer (CEO)
Julie Vaughan	Director Connected Communities
Shane Sullivan	Acting Executive Manager Governance
Viv Louie	Chief Financial Officer
Martin Elwell	Acting Chief Information Office
Tina Baker	Chief Internal Auditor
James Taylor	Section Manager Governance
Leanne Evans	People & Culture Officer
Meg Newington	Governance Officer
James Sugumar	Audit Office of NSW
Cathy Wu	Audit Office of NSW
Caroline Mara	Pricewaterhouse Coopers

PROCEDURAL ITEMS

1.1   Disclosures of Interest

Resolution:

That the Committee receive the report on Disclosure of Interest.

Councillor Greenaway made a non-pecuniary interest disclosure during General Business discussions regarding a confidential letter written by a member of the public.

2.1   Confirmation of Minutes of Previous Meeting

Resolution:

1   *The Committee confirmed the minutes of the previous Meeting held on 19 December 2017.*

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

4.1   Action Items

Councillor Greenaway tabled two documents about item 3.6 on the Action Item Schedule.

Resolution:

1   *The Committee discuss the outstanding action items appended to the Minutes.*

2   *That the Acting CEO provide a report about the potential corporate risk around Warnervale Airport to the next Committee meeting.*

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

GENERAL REPORTS

3.1   Enterprise Risk Management Framework - Update

Resolution:

1   *That a further report be provided to the next meeting outlining the top risks and key deliverables for the ERM framework.*

2   *That this report and the supporting papers to this report be made publicly available, following the making of minor amendments, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

3.2   ARIC Report - Risk Maturity Project

Resolution:

1   *That the status of the Risk and Maturity Assessment be noted.*

2   That this report and the supporting papers to this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter

3.3   Supplementary Client Service Report and Audit Reports 2016-17 (13.5 month statutory reporting period)

Resolution:

1.   That the Committee receive the Supplementary Client Service Report presented by The Audit Office of New South Wales.

2.   That the Committee receive the audit reports and Conduct of the Audit Report issued by the Audit Office of New South Wales

3.   That attachment 1 to this Report not be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, as the Audit Office Client Service Report and any supplementary reports are not intended for publication as stated by the Audit Office of New South Wales.

4.   That attachments 2, 3, 4, 5 and 6 to this Report be made publicly available pursuant to Section 419 of the Local Government Act.

3.4   Chief Internal Auditor's Quarterly Progress Report

Resolution:

1   That the Committee receive the Chief Internal Auditor's Report.

2   That Page 52 of the attachment to the report be amended as discussed.

3   That this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

4   That the Committee approve the recommendations arising from the CCTV advisory work to be incorporated in to the Action Tracker for management comment and tracking the implementation of identified action.

3.5   IA Balanced Scorecard Report March 2018

Resolution:

1   That the Committee receive the Chief Internal Auditor's Balanced Scorecard Report.

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

3.6   Implementation of Management Actions Report

Resolution:

1   *That the Committee receive the report on the implementation of management actions arising from IA reviews.*

2   *That the Acting CEO provide a further report to the next meeting.*

3   *That this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter and that Appendix 1 to this report not be made publicly available for the reasons that it contains information that could compromise the security of Council, Council Officials and Council property.*

3.7   Data Breach Security Update

Resolution:

1   *That the Committee receive the report on Council's Data Breach Security.*

2   *That this Report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter and that Attachment 1 not be made publicly available for the reasons that it contains information that could compromise the security of Council, Council Officials and Council property.*

GB1/18   Confidential letter dated 16 March 2018 addressed to the Chair from a member of the public.

Councillor Greenaway tabled a document.
The Chair circulated a letter received.

Resolution:

1   *That the Acting CEO provide a report to the next Committee meeting dealing with the contents of this letter.*

2   *That, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, the tabled letter and document not be made publicly available for the*

reason that if they were disclosed could prejudice the maintenance of law.

GB2/18   Chief Executive Officer

The committee members requested that they meet the new Chief Executive Officer prior to the next meeting in June.

The Meeting closed at 3.41 pm.

Next meeting: 2pm 19 June 2018

Committee Room, Level 1

Mann St, Gosford

Attachment 1

ACTION ITEMS		
ITEM	ACTION	RESPONSIBLE OFFICER
GB1/17 20 June 2017 Meeting	A tour of the LGA for the independent committee members to be scheduled.	CEO
3.1 20 March 2018	A report to be provided to the next meeting on the top risks and key deliverables for the ERM Framework.	Governance
3.4 20 March 2018	A report to be provided to the next meeting on the Internal Audit structure.	CEO
3.6 20 March 2018	A further report to be provided to the next meeting on the Implementation of Management Actions arising from Internal Audit reviews.	CEO
3.7 20 March 2018	A further report to be provided to the next meeting on what steps have been taken by Council re Data Security.	CIO
4.1 20 March 2018	A report to be provided to the next meeting about the potential corporate risk with regard to the Warnervale airport.	CEO
GB1/18 20 March 2018	A report to be provided to the next meeting regarding this issue.	CEO

Item No: 1.3

Title: Outstanding Action Items

Department: Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13189316

Author: Meg Newington, Governance Officer

Manager: James Taylor, Acting Unit Manager, Governance

Executive: James Taylor, Acting Unit Manager, Governance

Report Purpose

Response to two outstanding action items from 20 March 2018 meeting.

Recommendation

1 That the Committee note the report.

2 That the Committee make a recommendation that the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

A) Item GB1/17 – 20 June 2017 Meeting – Tour of LGA

Summary

At its 20 June 2017 meeting, it was requested that the independent members of the committee be given a tour of the LGA.

Recommendation

That the tour of the LGA be conducted following the commencement of Mr Gary Murphy as Chief Executive Officer at a suitably convenient time.

Background

At its meeting held 20 June 2017, the Committee requested a tour of the Central Coast Council's LGA for the three independent committee members to be scheduled.

This tour was initially scheduled in 2017, but had to be postponed due to the unavailability of one of the three independent committee members for health reasons.

It is now recommended that this tour be conducted following the commencement on 2 July 2018 of Mr Gary Murphy as Central Coast Council's Chief Executive Officer at a suitable convenient time to both the three Independent ARIC Committee Members and the Chief Executive Officer.

B)   Item GB1/18 – 20 March 2018 – Confidential Letter

Summary

A confidential letter was presented to the Chair of the meeting during General Business at its 20 March 2018 meeting.

It was requested at the meeting that the CEO provide a report regarding this issue back to the next committee meeting.

Recommendation

That the Committee note that this matter has been referred to the Internal Ombudsman for investigation and is a confidential matter on which a report would not be appropriate at this time.

Background

At its meeting held 20 March 2018 a confidential document was circulated as part of general business.

The Committee requested that a report be provided to the next meeting regarding the issues raised in the document.

The Committee is advised that this is a confidential matter that has been referred to Council's Internal Ombudsman for investigation and accordingly it is not appropriate at this time to provide any further comment on this.

Attachments

Nil.

Item No: 1.4

Title: Enterprise Risk Management Framework - Update

Department: Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00303 - D13206628

Author: Stephen Bignill, Project Manager

Manager: Shane Sullivan, Acting Executive Manager Governance

Report Purpose

At its meeting held 20 March 2018, the Committee resolved as follows:

3.2	Enterprise Risk Management

Resolution:

1   *That a further report be provided to the next meeting outlining the top risks and key deliverables for the ERM framework.*

The purpose of this report is to provide a summary of the top risks facing local councils and the key deliverables (milestones) of the Central Coast Council Enterprise Risk Management Framework Project.

Recommendation

1   That the Committee note the report outlining the top ten risks for local councils and the key deliverables for the Enterprise Risk Management Framework.

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

Enterprise Risk Management Framework Project Key Deliverables

#	Milestone	Commence	Complete
1	Develop a Central Coast Council Risk Policy;	*29/01/18*	*29/03/18*
2	Identification and allocation of organisational risk management roles and responsibilities;	*19/02/18*	*29/03/18*
3	Develop a Risk Response process;	*3/04/18*	*27/04/18*
4	Develop a risk based decision making and reporting process;	*3/04/18*	*27/04/18*
5	Develop a risk assessment process;	*30/04/18*	*1/06/18*
6	Develop risk tables;	*30/04/18*	*1/06/18*

7	Develop a risk register;	*4/06/18*	*29/06/18*
8	Develop risk appetite statements;	*2/07/18*	*27/07/18*
9	Develop a risk management implementation plan;	*30/07/18*	*31/08/18*
10	Review Software Options	*5/03/18*	*31/08/18*
11	Develop ERM Users Guide	*20/08/18*	*7/09/18*
12	Internal review and finalisation	*10/09/18*	*28/09/18*
13	Finalise ERM Framework	*8/10/18*	*26/10/18*
14	Undertake ERM training to staff;	*29/10/18*	*7/12/18*

The above milestones are key elements of the Enterprise Risk Management Framework (ERMF). Milestones One (1) to Eight (8) tie together the ERMF by delivering the critical aspects that support the development of the Framework and providing the organisation with the foundation it requires to build an active and aware risk management culture.

Milestone Nine (9): the Implementation Plan will provide the staff responsible for driving risk management with clear direction on how to introduce, maintain and continuously improve risk management within the organisation.

Milestone Ten (10): Review Software Options will provide a summary of the current risk management software options available with the view to making risk management as user friendly as possible for staff.

Milestone Eleven (11): the ERM Users Guide will provide an easy to use reference guide for the day to day operation of risk management including using the risk register, risk management terminology and risk management reporting.

Milestone Twelve (12): Internal Review and Finalisation will be the final review by the Project Team of the entire framework to ensure that it is complete and meets all the criteria of the project proposal.

Milestone (13): Finalise ERM Framework is review and approval by the Project Control Group/Executive Leadership Team of the entire Framework prior to release to the organisation.

Milestone Fourteen (14): Undertake ERM training to staff will be the commencement of delivering to staff the information they will need to understand risk management and use the ERMF to its maximum advantage. The training process will continue indefinitely across the organisation to allow staff to continuously improve their understanding of risk management.

Please note that the milestones identified are subject to change within the project lifespan; however it is not expected there will be any delay to the final delivery date of the 7th December 2018.

Attachments

1   Greatest Risks for Local Councils- 2018   D13206607

Greatest Risks for Local Councils

Risk management practices and approaches vary across different local councils. Central Coast Council is currently undertaking a project to develop an Enterprise Risk Management Framework (ERMF) based on AS/NZS ISO 31000:2009 that will allow staff too systematically manage risks through identifying, analysing, provide and monitor controls, and recording all risks.

Central Coast's Top Risk Survey

A preliminary survey was undertaken of what the Leadership team (Executive, Senior Managers and Unit Managers) thought were the greatest risks for Central Coast Council.

The outcome identified a mixture of risks, causes and consequences and provides a useful benchmark for gauging the understanding of risk management and the maturity of the organisation with regard to risk management at a point in time, prior to the implementation of the ERMF.

The outcome also highlights the importance of training staff in risk management. A similar exercise will be undertaken in the first quarter of 2019 to gauge the increase in understanding of risk management that the finalisation of the ERMF project and the implementation of risk management across the organisation will produce.

The risks identified were as follows (please note that the risks have not been prioritised):

- Financial;

- Asset Failure (ours and gifted assets);

- System failure (IM&T and other);

- Failure of water quality;

- Negative impact on public health;

- Impact on resources, loss of corporate knowledge, WHS impact;

- Legal Action against Council;

- Competition;

- Failure to deliver on Community Strategic Plan;

- Negative impact on environment (environmental management);

- Climate change – how we do or do not plan for it;

• Failure to adequately plan for future population growth.

Aon's 2017 Top Ten Risk Survey

Aon Risk Solutions have been undertaking an annual risk management survey since across local councils in Australia since 2015.

The 2017 survey was based on feedback from 135 local council risk management executives. The results of the survey are as follows (please note these risks are prioritised):

1)   Financial sustainability and stability:
Within this category the key issues are rate capping, the freeze on financial assistance grants and cost shifting.

2)   Infrastructure:
The key issues are a lack of adequate funding for infrastructure maintenance and investment. The report cites the NSW Treasury Corporation found NSW local councils have an infrastructure shortfall of $7.2 billion.

3)   Asset Protection:
This refers to the gap that exists between council's ability to renew assets and the greater number of assets that need to be renewed.

4)   *Weather:*
Extreme weather events are a threat to local council infrastructure, stretch resources at critical periods and have negative impacts on community's activities and health, and have the potential to cause medium to long term damage to the environment.

5)   Health and Safety:
The breadth of activities under taken by local councils exposes staff and volunteers to a myriad of potential safety issues.

6)   Funding:
The 2014 - 2017 freeze on Financial Assistance Grants was a significant source of concern for local councils costing NSW Councils up to $300 million. It is believed that this will have long term detrimental impacts on many local council areas.

7)   Reputation:
The perception of risk to a local council's reputation stems from the pressure to maintain and improve services, programs and amenities as well as responding to the need for transparency and sound governance in all areas.

8)   Cyber:
This is inherent in the increasing use of computer technology, the rate of advancement in cyber related crimes and the ability of local councils to stay ahead of cyber criminals and ensure the security of all the sensitive data held within their IT systems.

9)   Environmental:

The increase in urbanisation due to the growth in population is placing increasing pressure on the natural environment in many local council areas.

10)   Human Resources:

It is a challenge for local government to compete with private enterprise to attract and retain high quality employees and employees with skills that are in high demand.

Item No:	1.6
Title:	Chief Internal Auditor's Quarterly Progress Report
Department:	Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13247754

Author: Tina Baker, Chief Internal Auditor

Report Purpose

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.

Consideration of confidentiality (if required)

Section 6.4 of the Audit, Risk and Improvement Committee Charter states: "Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website" with a number of specified exceptions to this. The Chief Internal Auditor considers that that neither the nature nor content of this report falls within any of the listed exceptions and so recommends that this report and its attachment is made publicly available in line with Section 6.4 of the Charter.

Summary

A report on the activities of Internal Audit since the last update to the Audit, Risk and Improvement Committee on 20 March 2018

Recommendation

1   That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Report.

2   That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Context

The Internal Audit (IA) work programme from 1 July 2017 to 30 June 2018 was endorsed by the Central Coast Council's Audit, Risk and Improvement Committee (independents and Administrator) at their inaugural meeting on 20 June 2017.

This reports sets out the activities of the IA function since the Committee's last meeting, in line with the approved work programme.

1. IA Work Programme - Assurance Services

1.1 Progress Against Agreed Schedule of Audits

As the timeframe for this year's work programme draws to a close, Appendix 1 shows the business assurance audits that were originally approved by the Committee, what happened along the way and what work was undertaken in their place.

The 'replacement' reviews were usually as a result of IA being approached directly by relevant unit managers, keen to get independent advice and an objective assessment on current risk exposures to enable corrective practices to be implemented.   So, no independent assurance could be provided to Council on how effectively key risks in areas such as contracts and labour hire has been managed through and since the amalgamation as these audits did not take place. However, the 'replacement' reviews can be considered a positive reflection on those unit managers who have engaged the services of Internal Audit to help them understand their operational risk and control environment better and identify areas for improvement.

The September/October meeting of the Committee will be presented with the formal review and conclusions of the 2017/18 year through the standard annual reports of the *IA Year in Review*, *Emerging Themes* and the *IA Annual Assurance Statement*.

1.2 Audit Reports Completed

Since the last Committee meeting, two draft reports have been compiled:

- CCTV
- Cash Management in Waste Services

No IA reports have been finalised since the last meeting.

1.3 Audits Currently in Progress

To help the Committee and new CEO get better oversight of issues arising from IA reviews not in the original work programme, the Chief Internal Auditor is in the process of formalising the advisory reports, previously provided only to relevant managers in PowerPoint presentation style, into the same written report format for business assurance reviews. The reports relate to advisory work undertaken on libraries and seniors centres. This ensures all issues identified through the advisory work have audit recommendations assigned and gives

management the opportunity to review the recommendations and provide a considered response. It also enables the reports to be provided to the Committee members once finalised and the management actions to be captured in the Action Tracker for follow up purposes.

At the conclusion of the Audit, Risk and Improvement Committee meeting on 20 March 2018, The A/CEO commissioned the Chief Internal Auditor (CIA) to undertake a review of compliance with federal funding agreement requirements relating to issues raised in a letter received by the Chair of the Committee from a member of the local community. The terms of reference (which sets out the scope of every IA review) were drafted and some preliminary background work was undertaken. As part of this research it came to light that the Australian National Audit Office (ANAO) has undertaken a review relating to the _Award of Funding Under the Community Development Grants Programme_ and that the report is due to be tabled in Parliament in August 2018. This is relevant because the ANAO committed to considering issues as part of the planning, objectives and scope of their audit that were similar to, if not the same as those identified in the letter sent to the Committee Chair. The CIA referred back to the A/CEO for direction on whether to continue the review or defer until the ANAO report is published so that any findings, recommendations and responses could be taken into account with the internal review.

1.4 Follow Up of Management Outstanding Actions

A separate report is presented to this meeting of the Audit, Risk and Improvement Committee on the management actions outstanding as a result of IA reviews.   Requests for action updates were co-ordinated by the Acting Executive Manager, Governance during this period.

2. IA Framework – Consulting & Advisory Activities

2.1 Consulting/Advisory Activities

Your Council Report is published annually by the Office of Local Government (OLG) and presents comparative data for all councils across a number of categories, including local population, local economy, financial performance and expenditure on services. The OLG data tends to lag by about 18-24 months so it is limiting in that respect. Furthermore, the 2015/16 data did not include any information for amalgamated councils and OLG have confirmed that the 2016/17 (which they anticipate will be available from June) will not include financial data for amalgamated councils. However, financial comparative information has already been published by the NSW Audit Office for this period.

Prior to amalgamation, IA produced a comparative data report based on the OLG data, the purpose being to:

- ✓ provide the Audit, Risk and Improvement Committee with an overview of Council's performance against its peer group across a number of different activities/functions to help generate Committee discussion and lines of enquiry
- ✓ provide the Executive with a summary of how the Council has performed against it peers over a period of time
- ✓ show trends over time and indicate where intervention or a change in strategic/operational direction may be required if correction has not already occurred
- ✓ provide managers with key information to help identify potential risks, inform decisions and assist with resource/work prioritisation
- ✓ inform the IA audit needs assessment and feed into the IA strategic work programme
- ✓ provide IA commentary on the key messages and implications for the organisation and region and help direct conversations as part of IA's stakeholder engagement
- ✓ inform IA's risk outlook report

The report showed how the former Councils of Wyong and Gosford performed compared to other councils in the same peer group. The CIA is preparing an historical comparative data report for 2014/15 showing the information for the peer group and the performance of the two former Councils prior to the year of amalgamation. This will be made available to the Committee members and Executive when complete and a report prepared with the 2016/17 data when released by OLG, to provide a more up to date picture and show the most recent performance figures for the amalgamated Council in relation to its peer group.

2.2 Relationship Management

Two members of staff have approached the CIA this quarter, showing an interest in working in the IA field. The secondment of an officer from HR to IA is still pending.

2.3 Stakeholder Engagement and Education

The Cash Management Good Practice Guide has been distributed directly to relevant staff who did not receive a copy when it was issued for cascade previously.

The CIA has held a number of discussions with staff tasked with CCTV responsibilities to discuss best practice and the issues identified in the recent review.

3. IA Framework – Quality And Performance

3.1 Monitoring and Measuring the Performance of the IA Function

Statewide Mutual conducted a review of Councils risk and IA maturity. IA was considered to be operating at the highest level of maturity ("optimising") for all of the Institute of Internal Auditors' Professional Standards with the exception of:

- Standard 2300 – performing the engagement (classed as "managed")

- Standard 2500 – monitoring progress (classed as "managed")

Two recommendations were made relating to these areas for 'optional improvement'. The issues identified and IA responses are as follows:

Finding	Recommendation	CIA Response
Standard 2300 –Performing The Engagement We found that CCC has a full set of Internal Audit policies and procedures which clearly define internal audit engagement process. Audit work plans are tailored for each engagement. There is no supervisory review and sign-off occurs due to limited resources. Most of the audit work rely on MS office software for some automated working paper systems is in place.	CCC may consider using Computer–Aided Audit Tools or IDEA data analysis or generalised audit software or other audit techniques to assist CIA to perform the audit engagement if the budget allows.	The IA unit has had TeamMate (formerly TopCAATs) since 2011. It has not been used since amalgamation because no data has been available to perform any meaningful transaction analysis, for the audits conducted. TeamMate has recently moved to a perpetual pricing model. The purchase request to change the subscription and pay for the latest release was raised in early May. This needs to be approved before the invoice will be paid so the updated software can be installed and be functional for data analysis for future audits.
Standard 2500 – Monitoring Progress We found CCC has established follow up protocol, follow up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audits recommendations quarterly and annually. However we found that the automated system for receiving progress updates from management is not functioning after the amalgamation process due to structure transformation. And the rate of audit recommendation clearance is not high.	We noted that an Audit Tracker is maintained and periodic follow up reviews are carried out and the results are reported to Audit and Risk Committee on a quarterly basis. Due to the amalgamation, the audit tracker is not at its optimum function and available to all users. We understand from CIA that audit tracker will be restored soon to all users.	The Audit Tracker is controlled through the IA intranet site on Sharepoint. Departmental specific versions were available prior to amalgamation so information could be accessed and updates provided by officers for their specific actions at any time. However, it is not possible for staff to access the Tracker system currently, as it is held on a "hidden" IA intranet site which will only become available when a single platform, corporate wide intranet is available to all staff, regardless of their location.

A separate report on how IA is progressing against the Balanced Scorecard metrics is presented to this meeting of the Audit, Risk and Improvement Committee.

3.2 Professional Development

IIA Professional Standard 1230 states that: "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development."

Since the last Committee meeting the Chief Internal Auditor has been successful in completing and passing the **Certified Information Systems Auditor** (CISA) exam awarded through ISACA (Information Systems Audit and Control Association). The qualification is a globally recognised standard of achievement for information systems (IS) audit professionals.

Other Training/professional development activity undertaken since the last report to the Committee:

- Local Government Internal Audit Network meeting at Willoughby Council which included presentations from and discussions with the NSW Audit Office and ICAC

4. IA Framework – Planning and Analysis

The new work programme will be developed in collaboration with the new CEO once it has been clarified whether the in house IA function will continue, future resourcing and areas of focus. In the meantime, reviews will be conducted based on mandatory reviews and those in the 2017/18 that can be carried.

Mandatory reviews are:

- **Councillor Expenses** – in accordance with part 16 of the '*Councillor Expenses and Facilities Policy*' "*the operation of this policy, including claims made under the policy, will be included in Councils audit programme and an audit undertaken at least every two years*". Given the obvious alignment, it makes sense that such an audit also incorporates a review of staff expenses at the same time.

- **NHV Accreditation Scheme** – the former Wyong Shire Council held NHV accreditation which allowed Council to service and maintain a nominated fleet of heavy vehicles in house without the need to present the vehicles to RMS for annual inspections for re-registration purposes. Part of this scheme was the requirement for an annual audit, performed by IA, which were undertaken each year until 2015/16. Gosford City Council did not hold this accreditation and so had to send all vehicles to an RMS inspection station annually. It is understood that the pre-amalgamation situation is still extant ie the northern operations hold NHV accreditation and the southern operations do not, and this will continue to be the case for the foreseeable future. Until a cost benefit analysis is undertaken to determine whether or not the scheme will be continued for Central Coast Council as a whole, the annual review for the former Wyong operations should feature in the IA work programme.

- Prior IA work programmes have also included an annual **DRIVES24** review in accordance with the Terms of Access Agreement between the former councils and Roads and Maritime Services (RMS). However, IA has received no notification from either RMS or the relevant section and unit managers that these reviews are still required or that a new contract is place, so they will not feature in the new programme unless advised otherwise.

The proposed audit programme then, for the early part of financial year 2018/19 is as follows:

July/Aug 2018	NHV Accreditation
Aug/Sept 2018	Declarations (incorporating gifts and benefits, conflicts of interest, code of conduct, pecuniary interest)
Oct/Nov 2018	Expenses

Conclusions

Whilst it continues to be difficult to make headway with the business assurance audit work programme, the reviews that have been undertaken demonstrate that practices and procedures and dual (or more) systems from the former Council entities still exist across many operational areas and physical locations, presenting considerable risk exposure for Council. With work teams also split across two or more locations, many managers are facing significant personal challenges to maintain service levels and an effective control environment whilst also responding to the day to day operational requirements arising under their areas of responsibility.

Attachments

1 Appendix 1 2017 2018 Audit Progress Against Plan   D13247741

Status of IA Reviews In 2017/18

Original Work Program At June 2017

Audit	Report No	Date Final Report Issued	Status
RMS DRIVES24 Gosford Office	01/17-18	June 2017	Completed
RMS DRIVES24 Wyong Office	02/17-18	July 2017	Completed
Fraud & Corruption Risk: Procurement of IT Goods	03/17-18		Drafted – Oct 2017. Report not issued for management review or comment at request of A/CEO.
Fraud & Corruption Risk: Contracts Awarded Since Amalgamation			Review started but put on hold at request of A/CEO.
Fraud & Corruption Risk: Contractors Appointed Since Amalgamation			Review started but put on hold at request of A/CEO.
Fraud & Corruption Risk: ERP Phase 1 assessment			Review started but put on hold at request of A/CEO.
Procurement Cards, Fuel Cards, Gift Cards and other Corporate Cards			Terms of Reference issued. Finance staff requested deferral. Referred to A/CEO for decision.
Fraud & Corruption Risk Assessment			On hold pending results of NSW Audit Office performance review.
Secondary Employment			Terms of Reference drafted.
Bank Account Changes (payment protection from fraud and error)			Not started.
Declarations (gifts and benefits, conflicts of interest, code of conduct, pecuniary interest)			Not started.

Actual Reviews Conducted

Audit	Report No	Date Final Report Issued	Status
RMS DRIVES24 Gosford Office	01/17-18	June 2017	Completed
RMS DRIVES24 Wyong Office	02/17-18	July 2017	Completed
Fraud & Corruption Risk: Procurement of IT Goods	03/17-18		Drafted – Oct 2017. Report not issued for management review or comment at request of A/CEO. To be picked up with new CEO.
Policies and the Policy Framework	04/17-18		Report drafted – issues to be discussed with new CEO.
CCTV	05/17-18		Report drafted – issues to be discussed with new CEO.
Cash Management in Waste Services	06/17-18		Report drafted. With unit manager for review and management comments. Also comprises 3 portfolio reports for each site and a best practice guide.
Seniors Centres	07/17-18		Report being drafted based on advisory report previously provided to managers.
Libraries	08/17-18		Report being drafted based on advisory report previously provided to managers (from 2016/17 program).

Item No:	1.7
Title:	IA Balanced Scorecard Report June 2018
Department:	Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13247776

Author: Tina Baker, Chief Internal Auditor

Report Purpose

The *Internal Audit Balanced Scorecard Report* forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee.

Consideration of confidentiality (if required)

Section 6.4 of the Audit, Risk and Improvement Committee Charter states: "Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website" with a number of specified exceptions to this. The Chief Internal Auditor considers that that the nature or content of this report does not falls within any of the listed exceptions and so recommends that this report and its attachment is made publicly available in line with Section 6.4 of the Charter.

Summary

A standing agenda item for the Audit, Risk and Improvement Committee is for IA to deliver a balanced scorecard progress report to each quarterly meeting. There are thirteen balanced scorecard measures against which IA is required to report.

Recommendation

1   That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Balanced Scorecard Report.

2   That the Committee make a recommendation that this report and supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Context

Internal Audit has a set of performance metrics presented as a "Balanced Scorecard". These metrics are intended to provide Management and the Audit, Risk and Improvement Committee with information and data which give a snapshot of IA progress against key

measures and how the unit is operating from the perspective of different stakeholders and areas of competence.

The attached table shows IA's latest progress against the existing balanced scorecard measures.

Key Headlines

- The disruption to the audit work programme has meant that there has been very little to report against the scorecard measures this year, but generally the target outcomes have been achieved.
- The most recent review, *Cash Management in Waste Services,* was completed within the relevant targets for IA processes.
- The CIA's recent success in the Computer Information Systems Auditor exam contributes towards the measure relating to knowledge, skills, technical expertise and competency.
- Use of computer assisted audit techniques (CAATs) software through TeamMate is in abeyance until the purchase requisition has been approved.

Conclusions

IA's Balanced Scorecard measures provide the Committee with an overview of progress and IA performance across a range of deliverable, reflecting the key components of the IA Framework. Balanced Scorecards are effective at monitoring and measuring key elements of work in the context of outputs, outcomes and performance.

According to best-selling business author and strategic advisor Bernard Marr, "research has shown that organisations that use a Balanced Scorecard approach tend to outperform organisations without a formal approach to strategic performance management." The key benefits are:

- Better strategic planning
- Improved strategy, communication and execution
- Better alignment of projects and initiatives
- Better management information
- Improved performance reporting
- Better organisational alignment
- Better process alignment

Attachments

1 Appendix 1 Balanced scorecard report to June Committee meeting   D13247769

PROGRESS AGAINST EACH OF THE BALANCED SCORECARD PERFORMANCE MEASURES (June 2018)

1.   *Audit, Risk and Improvement Committee*

No	Measure	Mechanisms	Target Outcome	Progress To Date
1.1	Level of satisfaction with quality, type and volume of information presented and reported. *Links to IIA standard 1100*	Satisfaction survey to all members of the Committee every two years. (*The survey will cover as a minimum the audit mandate, audit coverage, the adequacy of reporting, an overall level of satisfaction and the perception of trend of the internal audit activity ie better, same, declining).*	Improved trend for 'overall level of satisfaction' (or sustained positive ratings) indicated by each survey. Satisfaction rating for each part of the survey to be scored as "Good" or higher.	Too early to undertake full survey. Propose first formal survey to be issued December 2018 after Committee's first full year of operation.
1.2	Perspective on IA effectiveness, professionalism and competence *Links to IIA standards 1200 and 1300*	CIA to provide a "staff profile" to the Audit, Risk and Improvement Committee each year (covering elements such as auditing and work experience, qualifications, auditing certifications, years of auditing experience and professional outreach). CIA to present a Professional Development Plan to the Committee each year based on development priorities and plans and to report on progress against this plan.	IA staff to achieve majority of priorities in Professional Development Plan that is agreed with the Audit, Risk and Improvement Committee and CEO and have demonstrated reasonable progress with others.	Professional Development updates provided to Committee under the CIA progress report, section 3 "*IA Work Programme - Quality and Performance*". Computer Information Systems Auditor (CISA) examination pass, contributing towards CPE and audit skills identified in the CIA's 2017/18 Professional Development Plan (presented to the Audit, Risk and Improvement Committee at their meeting of 19 December 2017).

2. *Executive & Audit Stakeholders/Customers*

No	Measure	Mechanisms	Target Outcome	Progress To Date
2.1	Levels of customer satisfaction with individual audits, with respect to: ➢ Value added ➢ Usefulness of recommendations *Links to IIA standard 2000*	Customer Satisfaction Survey distributed to all relevant stakeholders after each audit.	Average rating of 3.5 or higher (out of 5) for the two key questions on the survey concerning "value add" and "usefulness of recommendations". (Each 'other' question on the survey points to the possible causes).	One feedback survey has been received to date which rated 'strongly agree' (5) for each of the questions asked. Like the Audit Tracker, the feedback survey is on a 'hidden' IA site, which won't be available to all staff until a single platform, corporate wide intranet is available for all staff, regardless of their location.
2.2	Executive expectations of IA vis a vis experience of actual delivery. *Links to IIA standard 2000 and 2100*	Executive expectations/ experience survey conducted every two years.	Analysis of gap between expectations and experience is <2.5 points for each area surveyed.	Too early to undertake full survey. Propose first formal survey to be undertaken 12 months after appointment of permanent CEO.
2.3	Feedback (formal and informal) from staff in relation to advice and information provided by IA and improved understanding of the role. *Links to IIA standard 2000 and 2100*	Number of referrals to IA for informal or formal advice on risk/control related matters. Consultancy/advisory services provided by IA.	Generally positive feedback on value and usefulness of information.	Positive feedback from managers relating to presentations on organisational culture and project management. Managers sought IA assistance for cash handling/management practices and CCTV implementation.

3.   *Internal Audit Processes*

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.1	Completion of approved audit programme. *Links to IIA standard 2200, 2300, 2400, 2500*	Number of audits completed and reported to the Audit, Risk and Improvement Committee as per the ratified plan.	90%.	The Chief Internal Auditor's report summarises progress against the agreed schedule of audits. The approved work schedule for 2017/18 has been considerably disrupted, as reported to the Committee.
3.2	Proportion of audits completed (to draft report stage) within planned number of days budget. *Links to IIA standards 2200, 2300, 2400, 2500*	Number of audits completed in line with planned budget as per the ratified audit plan.	90%	RMS Drives24 Wyong Shire Council - on budget (10 days total budget) RMS DRIVES24 Gosford City Council – on budget (10 days total budget) Procurement of IT Goods – over budget. 15 days were scheduled but 20 days were taken owing to extent of consultation required and need to understand and interrogate operation of new online procurement system. Cash Management in Waste Services – within budget Other reviews undertaken during 2017/18 were not allocated formal budgets. **Currently running at 75% (3 out of 4 within target). Target not being met.**
3.3	Duration of audits. *Links to IIA standards 2200, 2300, 2400, 2500*	Number of audits completed and taken to draft report stage in 12 weeks or less (measured from the start date of fieldwork to the date of issue of the draft audit report).	80%	RMS Drives 24 Wyong Shire Council - under 12 week target (2 weeks) RMS DRIVES24 Gosford City Council – under 12 week target (2 weeks) Procurement of IT Goods – under 12 week target (7 weeks) Policies and the Policy Framework – over 12 weeks due to the CIA being on leave throughout January 2018. Cash Management in Waste Services – under 12 week target (8 weeks) **Currently running at 80%. On target.**

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.4	Finalisation of draft audit reports. *Links to IIA standards 2200, 2300, 2400, 2500*	Number of audit reports finalised and distributed to Audit, Risk and Improvement Committee within 3 weeks (15 working days) of issue of the draft report (in line with service standard of 10 days for management to respond to draft audit reports).	80%	RMS Drives 24 Wyong Shire Council - finalised within 8 days RMS DRIVES24 Gosford City Council – finalised within 9 days. Procurement of IT Goods – report drafted but not yet issued, at request of A/CEO. Cash Management in Waste Services – report drafted. Await management comments. **Currently running at 100%. Target being met.**
3.5	Compliance with IIA's International Professional Practices Framework (IPPF) *Links to IIA standards 2400 and 2600*	Self-assessment External assessment An annual assertion on compliance with the IIA Standards provided by the CIA to the Audit, Risk and Improvement Committee	"Generally conforms" rating of compliance with IIA Standards by the external review. External review conducted at least every five years.	External QA review against IIA Standards reported February 2016. Rated as "Generally conforms" (highest rating possible). External assessment of IA by Statewide Mutual reported April 2018 gave an overall maturity rating of "optimising" for all IIA standards with the exception of standard 2300 and standard 2500 which were classified as "managed".

4.   Innovation, Professional Development and Capability

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.1	Training hours per member of IA *Links to IIA standards 1200, 1300 and 2000*	Log of training/professional development.	80 hours CPE every 2 years as per IIA requirements with a minimum of 20 hours in any one year. Training undertaken through >2 types of learning mechanisms.	2017/18 training undertaken since the last report: • Webinar: IIA code of ethics – mandatory training • Webinar: Setting the 2018 Audit Committee Agenda

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.2	Range of knowledge skills, technical expertise and competency within IA *Links to IIA standards 1200, 1300 and 2000*	Skills assessment against the IIA competency model. Log of training/professional development. Learning needs analysis. Professional Development Plan (PDP) for each member of IA.	Increasing trend in coverage of skills, knowledge and expertise within IA when assessed against the IIA competency model. Areas of training attended align with PDP.	Computer Information Systems Auditor (CISA) examination pass, contributing towards CPE and audit skills identified in the CIA's 2017/18 Professional Development Plan (presented to the Audit, Risk and Improvement Committee at their meeting of 19 December 2017). A log of professional development is required as part of IIA professional membership.
4.3	Consideration and development of innovative methods to deliver elements of the IA framework and through IA recommendations/advice. *Links to IIA standards 1200, 1300 and 2000*	IA recommendations IA advice Implementation of initiatives as part of the IA work programme	Demonstration of considerations and innovative solutions provided through recommendations and issues raised in audit reports. CIA report to Audit, Risk and Improvement Committee outlining initiatives under development or consideration.	The IA unit has had TeamMate (formerly TopCAATs) since 2011. It has not been used since amalgamation because no data has been available to perform any meaningful transaction analysis, for the audits conducted. TeamMate has recently moved to a perpetual pricing model. The purchase request to change the subscription and pay for the latest release was raised in early May. This needs to be approved before the invoice will be paid so the updated software can be installed and be functional for data analysis for future audits. Alternative style of reporting outcomes of IA reviews will be presented to the Audit, Risk and Improvement Committee meeting once the future operating model (in-house, outsourced, co-sourced) of the IA function has been determined.

Item No: 1.8

Title: Implementation of Management Actions Arising From IA Reviews

Department: Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Report Purpose

The report on *Implementation of Management Actions Arising From IA Reviews* forms part of the standard suite of reports presented to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee by Internal Audit.

Consideration of confidentiality (if required)

Section 6.4 of the ARIC Charter states: "Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website" with a number of specified exceptions to this. It is the Chief Internal Auditor's opinion that the attachment (Appendix 1) to this report contains information that falls under the listed exception of:

☐   Matters affecting the security of Council, Council Officials and Council property

This applies in so far as the table of actions indicates where there are control weaknesses and risk exposures in Council's systems and operations that have not been resolved. This could be exploited to the detriment of Council resources if the information was in the public domain.

It is recommended therefore that the attachment – Appendix 1 – to this report should <u>not</u> be publicly available.

Summary

This report is provided to the Audit, Risk and Improvement Committee to enable them to meet their Charter obligation under section 4.5 which states: "The Committee is responsible for: *(inter alia)*

☐ Review all audit reports and consider significant issues identified in audit reports and action taken on issued raised, including identification and dissemination of better practices;
☐   Monitoring the implementation of internal audit recommendations by management".

Recommendation

That the Audit, Risk and Improvement Committee receive the report on the implementation of management actions arising from IA reviews

That the Audit, Risk and Improvement Committee consider assigning a 'confidential' privacy marking to Appendix 1 to this report for the reasons that it contains information that could compromise the "security of Council, Council Officials and Council property"

That the Audit, Risk and Improvement Committee consider the following process to assist them in meeting their objectives as per section 1 of the Committee Charter:

 upon the closure of each review ie when management determine the last remaining action has been completed, the relevant Director provides the Committee with a formal, written sign off to the effect that s/he is satisfied that all actions have been implemented as agreed and that the identified risk exposures have been sufficiently mitigated;

 after a review has been signed off, the Committee invite a Director and relevant senior/unit manager to address the meeting to present examples of actions taken in response to the findings, to discuss ongoing operational risks, how they get assurance that risks are being managed and controls are effective, time taken and challenges for implementing agreed actions and the usefulness of the IA review in helping to identify control weaknesses and improve the control framework.

Background

When IA reviews identify a control weakness, the risk exposure is reported and recommendations are suggested the corrective action agreed by management.

Management nominate a date by which their agreed action will be implemented in accordance with their own o recommendations and management responses are captured in the Audit Task Tracker system held on Sharepoi partially agreed actions are tracked in accordance with the implementation date. When the Tracker system is full item from the Tracker link on their Departmental intranet page, to indicate that the action has been completed a Tracker system to validate closure of the item.

It should be noted however the Audit Tracker is controlled through the IA intranet site on Sharepoint. Departme amalgamation so information could be accessed and updates provided by officers for their specific actions at an to access the Tracker system currently, as it is held on a "hidden" IA intranet site which will only become availabl intranet is available to all staff, regardless of their location. Presently, the Sharepoint Tracker system is not availa operating on two separate platforms, one for Gosford and one for Wyong. Instead, updates have to be provide data updated manually.

As part of the IA program of reviews, a small number of validation audits are incorporated into the annual work whether the issues that gave rise to the original findings are still present and what more, if anything, should be o

A summary of the remaining open actions per audit is shown in the summary table at the end of this report.

Current Status

The last report to the Committee noted that there were **81** open actions relating to **19** audits from the former Co

The Acting Executive Manager, Governance took responsibility for coordinating management responses/review a result, **57** actions have been closed. This leaves **24** open actions relating to **9** audits.

The detailed tables at Appendix 1 shows the recommendations for each review, the latest management respons that the action is complete and can be closed.

Headline Data

The status of where responsibility for the remaining 24 open actions is as follows:

 Governance – 1
 People and Culture – 9
 Finance – 9
 Environment and Planning – 1
 Assets, Infrastructure and Business – 3
 Connected Communities – 1

The chart below shows the number of open actions per department and the changes since the last report.
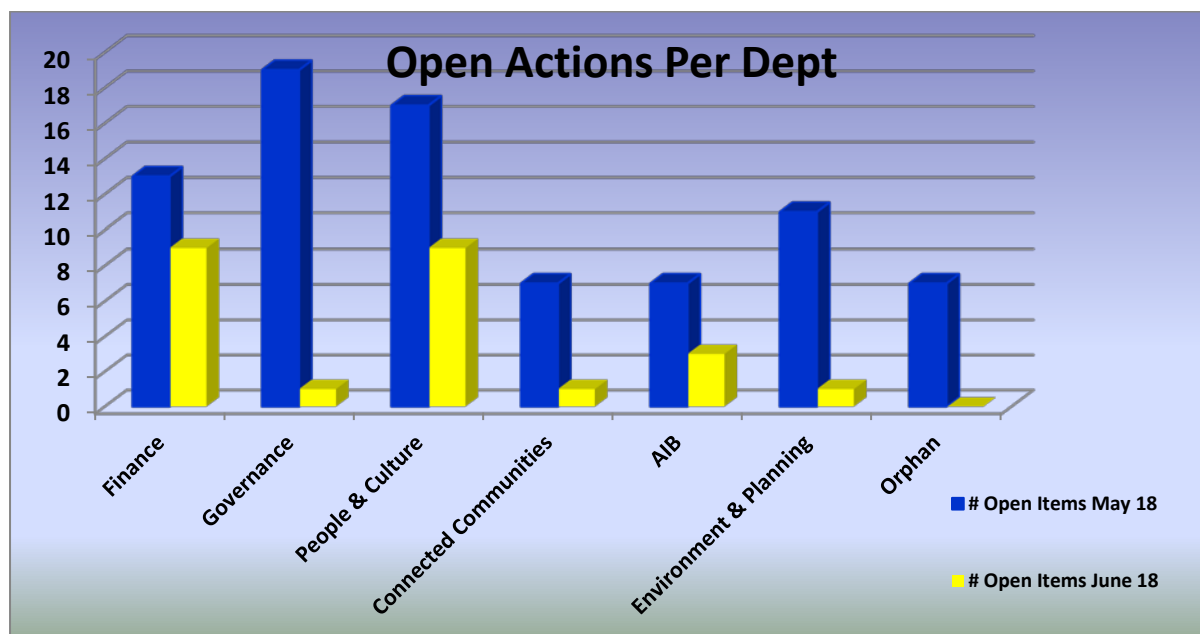
Of the **24** remaining open actions:

- **14** had no allocated action date
- **5** are overdue by 25 months or more
- **5** are overdue by 13-24 months

Summary Table

#	Audit Title (Former Council)	Date of Final Report	# Actions Closed Since Mar 18	# Actions To Remain Open
	Rezoning (WSC)	August 2012	1	0 CLOSE REVIEW
1	CCTV (WSC)	May 2014	1	1
	Inventory Management in Stores (WSC)	June 2014	2	0 CLOSE REVIEW
2	Engagement & Management of Temporary Contract Personnel (WSC)	July 2014	0	1
	Fraud and Corruption Risk Assessment 2014 (WSC)	October 2014	3	0 CLOSE REVIEW
3	Tendering and Contract Award (WSC)	October 2014	3	1
	Overtime and Allowances (WSC)	March 2015	1	0 CLOSE REVIEW
	Insurance (WSC)	May 2015	2	0

#	Audit Title (Former Council)	Date of Final Report	# Actions Closed Since Mar 18	# Actions To Remain Open
				CLOSE REVIEW
	Delegations Validation Review (WSC)	June 2015	4	0 CLOSE REVIEW
	Link Rd Validation Review (WSC)	September 2015	4	0 CLOSE REVIEW
4	Payroll (GCC)	September 2015	4	2
5	Rates Database Integrity Review (GCC)	September 2015	3	1
	Small Plant (GCC)	October 2015	6	0 CLOSE REVIEW
6	Cash Management (GCC)	October 2015	1	6
	Engineering Assessment (DA) Services (WSC)	November 2015	6	0 CLOSE REVIEW
7	Town Centre Management/ Issue of Licences (WSC)	December 2015	6	1
8	Asset Management (WSC)	February 2016	4	3
9	S94 Contributions (WSC)	May 2016	4	1
10	Payroll Validation Review – South Office (CCC)	September 2016	2	7
	TOTALS		**57 actions closed since March 2018**	**24 actions remain open from 10 audits**

Conclusions

The commitment to improving controls and effectively managing risks through the timely implementation of agreed action management responsibilities and a key component of sound, organisational governance.   Whilst actions remain outstand identified risks unless other mitigating controls are implemented. It is the responsibility of senior management to determin undertaken in a timely way and to a sufficient degree to manage down the risk exposure to a more acceptable level to warr management are advised that they are accountable in the event that items have been closed off but the mitigating action h identified risk crystallises. It is also the responsibility of senior management to determine what action or intervention shoul ensure that action taken to close out an item is appropriate to address the risk and issue highlighted by the finding.

When possible, IA conduct a small number of validation audits as part of annual work programme to determine whether th still present and what more, if anything, should be done to address the matter.   However, the Committee remain unsighted areas not included in the validation review programme and whether or not the IA recommendations were effective in mitiga therefore, IA propose that the Committee consider the following:

•upon the closure of each review ie when management determine the last remaining action has been completed, the releva the effect that s/he is satisfied that all actions have been implemented as agreed and that the identified risk exposures have

•after a review has been signed off, the Committee invite a Director and relevant senior/unit manager to address the meeti response to the findings, to discuss ongoing operational risks, how they get assurance that risks are being managed and co implementing agreed actions and the usefulness of the IA review in helping to identify control weaknesses and improve the

Such a process will help the Committee to meet its objectives set out under section 1 of the Charter to "provide information Council's performance of its functions" and "to keep under review the following aspects of Council's operations:

a)   compliance
b)   risk management
c)   fraud control
d)   financial management
e)   governance
f)   implementation of the strategic plan, delivery program and strategies
g)   service reviews
h)   collection of performance measurement data by the Council, and
i)   any other matters prescribed by the regulations".

Item No: 2.2

Title: Internal Audit Structure

Department: Governance

19 June 2018 Audit Risk and Improvement Committee Meeting

Report Purpose

At the request of the Audit Risk and Improvement Committee this brief report is to advise on the Internal Audit structure as it currently stands.

It is noted that the ongoing structure is subject to the view of the incoming Chief Executive Officer who has statutory responsibility for setting the organisational structure of positions not designated as senior staff positions.

Recommendation

1. *That the Committee note the contents of the report.*

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

Context

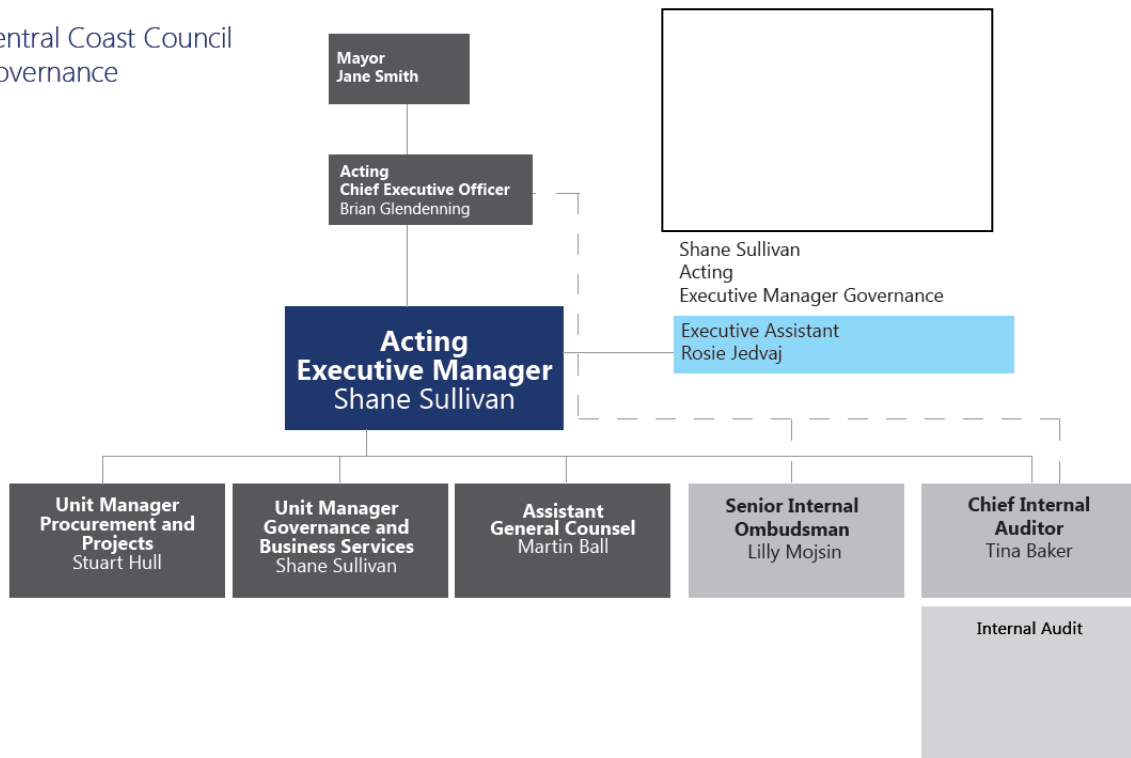Below is a structure diagram showing where Internal Audit sits within the structure at Central Coast Council.

Internal Audit is responsible for conducting risk base business assurance and consultancy review across Council's approved work program to provide assurance to Council (via the Audit, Risk and Improvement Committee) and effectiveness of controls.

Internal Audit also provides advice, training and education on various governance, risk and compliance matters

The Internal Audit Section has 1 FTE and a proposed operating budget in 2018/19 of $396,220.

The Guidelines issued by the Office of Local Government (then the Division of Local Government) under section Internal Audit provide options for resourcing Internal Audit. Central Coast Council has capacity for a co-sourced supplemented by funding for the engagement of private audit service providers.

Central Coast Council
Governance

Mayor
Jane Smith

Acting
Chief Executive Officer
Brian Glendenning

Shane Sullivan
Acting
Executive Manager Governance

Acting
Executive Manager
Shane Sullivan

Executive Assistant
Rosie Jedvaj

| **Unit Manager Procurement and Projects** Stuart Hull | **Unit Manager Governance and Business Services** Shane Sullivan | **Assistant General Counsel** Martin Ball | **Senior Internal Ombudsman** Lilly Mojsin | **Chief Internal Auditor** Tina Baker |

Internal Audit

Attachments

Nil