



AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

20 March 2018

Meeting Notice

**The AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
of Central Coast Council
will be held in the Committee Room Level 2
2 Hely Street, Wyong on
TUESDAY 20 MARCH 2018 ,
for the transaction of the business listed below:**

Receipt of Apologies

1	PROCEDURAL ITEMS	
1.1	Disclosures of Interest	3
2	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	
2.1	Confirmation of Minutes of Previous Meeting.....	5
3	GENERAL REPORTS	
3.1	Enterprise Risk Management Framework - Update	13
3.2	ARIC Report - Risk Maturity Project.....	24
3.3	Supplementary Client Service Report and Audit Reports 2016-17 (13.5 month statutory reporting period)	26
3.4	Chief Internal Auditor's Quarterly Progress Report	50
3.5	IA Balanced Scorecard Report March 2018.....	57
3.6	Implementation of Management Actions Report	64
3.7	Data Breach Security Update	68
4	INFORMATION REPORTS	
4.1	Action Items.....	70

Note: all items are to be treated as confidential pending a determination as to what documents will be provided.

Brian Glendenning
Acting Chief Executive Officer

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



20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13166944

Author: Meg Newington, Senior Governance Officer
Manager: James Taylor, Section Manager, Governance
Executive: Shane Sullivan, Acting Executive Manager Governance

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the councillors, 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*

1.1 Disclosures of Interest (contd)

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



Item No: 2.1
Title: Confirmation of Minutes of Previous Meeting
Department: Governance

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13166962

Author: Meg Newington, Senior Governance Officer

Manager: James Taylor, Section Manager, Governance

Executive: Shane Sullivan, Acting Executive Manager Governance

Summary

Confirmation of minutes of the previous Ordinary Meeting of Council held on *19 December 2017*.

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 - 19 December 2017 | D12915247 |
|--|-----------|



CENTRAL COAST COUNCIL

MINUTES OF THE
**AUDIT RISK AND IMPROVEMENT COMMITTEE
MEETING OF COUNCIL**

HELD IN THE Committee Room, Level 1, Mann St Gosford
ON 19 December 2017
COMMENCING AT 2.00PM

Present

Dr Colin Gellatly (Chairperson), Carl Millington, John Gordon (via telephone link), Councillor Louise Greenaway and Councillor Doug Vincent (arrived 2.51pm).

In Attendance

Mike Dowling	Director Assets Infrastructure and Business
Julie Vaughan	Director Connected Communities
Brian Glendenning	Executive Manager Governance
Viv Louie	Chief Financial Officer
Martin Elwell	Chief Information Officer (arrived 3.15pm)
Tina Baker	Chief Internal Auditor
Shane Sullivan	Unit Manager Governance and Business Services
James Taylor	Section Manager Governance
Carlton Oldfield	Financial Controller, Finance
Meg Newington	Governance Officer
James Sugumar	Audit Office of NSW
Cathy Wu	Audit Office of NSW
Caroline Mara	Pricewaterhouse Coopers

Apologies

Mr Brian Bell Chief Executive Officer

1.1 Disclosure of Interest

Resolution:

That the Committee receive the report on Disclosure of Interest.

It is noted that Councillor Greenaway made a less than significant non-pecuniary interest disclosure in Item 3.6 during discussion of that item.

1.2 Action Items

Resolution:

That the Committee note the outstanding action items appended to the Minutes.

CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

2.1 Confirmation of Minutes of Previous Meetings

Resolution:

The Committee confirmed the minutes of the previous Audit Risk and Improvement Committee Meeting held on Tuesday 29 August 2017 and the Extraordinary meeting held Tuesday 21 November 2017.

GENERAL REPORTS

3.1 Agenda - Supporting Papers

Resolution:

That the Committee make a recommendation to the CEO as to whether supporting papers to the Agenda be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

3.2 Enterprise Risk Management

Resolution:

That the Committee note the proposed project to develop a Central Coast Council Enterprise Risk Management framework in 2018.

That Council Staff provide a further report to the first Committee meeting in 2018 providing the key milestones for the implementation of the Enterprise Risk Management framework.

3.3 IA Annual Assurance Statement 2016-2017

Resolution:

That the Committee receive the Internal Audit Annual Assurance Statement for 2016/17 and accompanying information from the Chief Internal Auditor.

3.4 Internal Audit Year In Review 2016-2017

Resolution:

That the Committee receive the Internal Audit 'Year In Review' report and accompanying information.

3.5 IA Professional Development and Staff Profile

Resolution:

That the Committee receive the professional development report and plan presented by the Chief Internal Auditor.

That the CEO provide a report back to the first Committee meeting in 2018 on the Internal Audit structure.

That given the detailed personal information relating to the Chief Internal Auditor contained in the professional development plan, the Committee resolved to identify Appendix 1 to the report as confidential.

3.6 Recurring Themes and Risk Outlook 2016-2017

Councillor Louise Greenaway declared a less than significant non-pecuniary interest with regard to Warnervale Airport during discussion of this Item.

Resolution:

That the Committee receive the Emerging Themes and Risk Outlook report presented by Internal Audit.

That the Committee be provided with advice from Council Staff as to whether consideration of matters that relate to the Civil Aviation Hub are within the Audit Risk and Improvement Committee's scope and Terms of Reference.

3.7 Chief Internal Auditor's Quarterly Progress Report

Resolution:

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

The Committee agreed to a risk based rolling work programme for Internal Audit in line with values based internal auditing from 2018/19 onwards instead of a three year fixed programme of reviews.

That the Chief Internal Auditor should move forward with the engagement of appropriate providers to use the allocated funds focusing on critical business issues that face this Council over the next six months.

3.8 Internal Audit Balanced Scorecard Report

Resolution:

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

That the Chief Internal Auditor report back to the Committee on the findings of the Risk and Audit Maturity Assessment being undertaken by Statewide Mutual.

3.9 Implementation of Management Actions Arising From IA Reviews

Resolution:

That the Committee receive the report on the implementation of management actions arising from Internal Audit reviews.

That the CEO provide a report back to the first Committee meeting in 2018 on the outstanding Audit matters.

That the Committee assign 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 information and detail provided by the Chief Internal Auditor in this report and Appendix 1 to this report is sufficient to be used as the standard form and content for future reports from IA on this matter going forward.

3.10 External Audit

Resolution:

That the Committee receive the External Audit report from James Sugumar, Audit office of NSW.

That the External Auditor provide a report back to the first Committee meeting in 2018 on the status of the External Audit.

That the Committee note that the report is to be marked 'confidential' and recommends that it should not be released to the public.

4.1 Report on Complaints Made

Resolution:

That the Committee receive the report on Code of Conduct complaints presented verbally by the Executive Manager Governance.

4.2 Data Breach Security Presentation

Resolution:

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

That the Chief Information Officer provide a further report back to the first Committee meeting in 2018 on the status of Data Breach Security with a guide to be included outlining the risk indicators used, as well as including a timetable for actions undertaken/required.

4.3 Dates for ARIC meetings in 2018

Resolution:

That the dates for ARIC meetings in 2018 be set as below:

20 March 2018

19 June 2018

2 October 2018

4 December 2018

That appropriate notifications be provided to Audit Risk and Improvement Committee

Members and relevant staff for 2018 meeting dates and locations.

General Business

There was no general business

The Meeting closed at 3.50 pm.

Next Meeting: 2pm 20 March 2018
Wyong Committee Room, Level 2
Hely St, Wyong

Appendix 1

ACTION ITEM SCHEDULE		
ITEM	ACTION	RESPONSIBLE OFFICER
GB1/17 20 June 2017 Meeting	A request that the three independent members of the ARIC have a tour of the LGA and view major facilities, capital works and infrastructure in due course.	CEO
3.1 19 December 2017 Meeting	The Committee to make a recommendation to the CEO as to whether supporting papers to the Agenda be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.	Governance
3.5 19 December 2017 Meeting	A report to be provided back to the first meeting in 2018 on the Internal Audit structure.	CEO
3.6 19 December 2017 Meeting	Corporate Risk with regard to the Warnervale airport - the Committee to be advised by Council Staff on the appropriate role it is to play in the matter.	CEO
3.8 19 December 2017 Meeting	A report on the findings of the Risk and Audit Maturity Assessment being undertaken by Statewide Mutual to be presented to the Committee.	Governance
3.9 19 December 2017 Meeting	A report to be provided to the next meeting on outstanding Audit matters.	CEO
3.10 19 December 2017 Meeting	The External Auditor to provide a report back to the first Committee meeting in 2018 on the status of the External Audit.	NSW Audit Office
4.2 19 December 2017 Meeting	A further report to be provided to the first Committee meeting in 2018 on the status of the Data Breach Security including a guide outlining the risk indicators used, as well as a timetable for actions undertaken/required.	CIO
4.3 19 December 2017 Meeting	Outlook Invitations to be issued to ARIC Members and Relevant Staff for the 2018 meeting dates and locations.	Governance



Item No: 3.1
Title: Enterprise Risk Management Framework - Update
Department: Governance

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13161344

Author: Shane Sullivan, Acting Executive Manager Governance

Executive: Brian Glendenning, Acting Chief Executive Officer

Report Purpose

At its meeting held 19 December 2017, the Committee resolved as follows:

3.2 Enterprise Risk Management

Resolution:

- 1 *That the Committee note the project to develop a Central Coast Council Enterprise Risk Management framework in 2018.*
- 2 *That Council Staff provide a further report to the next Committee meeting providing the key milestones for the implementation of the Enterprise Risk Management framework.*

The purpose of this report is to provide the key milestones for the implementation of the Enterprise Risk management framework for the information of the Committee.

Recommendation

- 1 ***That the Committee note the project milestones and that staff will provide further update reports to the Committee through the project lifespan.***
- 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.***

On Tuesday, 6 February 2018, the attached project plan was provided to the Executive Leadership team who endorsed the plan for progression.

As a result, the following key milestones have been identified for the project.

3.1 Enterprise Risk Management Framework - Update (contd)

Milestone	Commence	Complete	Workdays
Develop a Central Coast Council Risk Policy;	29/01/2018	29/03/18	44
Identification and allocation of organisational risk management roles and responsibilities;	19/02/2018	29/03/18	29
Develop a Risk Response process;	3/04/18	27/04/18	19
Develop a risk based decision making and reporting process;	3/04/18	27/04/18	19
Develop a risk assessment process;	30/04/18	1/06/18	25
Develop risk tables;	30/04/18	1/06/18	25
Develop a risk register;	4/06/18	29/06/18	20
Develop risk appetite statements;	2/07/18	27/07/18	20
Develop a risk management implementation plan;	30/07/18	31/08/18	25
Review Software Options	5/03/18	31/08/18	130
Develop ERMS Users Guide	20/08/18	7/09/18	15
Internal review and finalisation	10/09/18	28/09/18	15
Finalise ERMS Framework	8/10/18	26/10/18	15
Undertake ERMS training to staff;	29/10/18	7/12/18	30

Critical Dates or Timeframes

The milestones identified are subject to change within the project lifespan; however it is not expected to change the final delivery date being 7 December 2018. A post implementation report will be prepared at that time including a process for transition to business as usual.

Attachments

- 1 Enterprise Risk Management Framework- ERMS Proposal - 12.2.18 D13161548



Central Coast Council
Proposal – Enterprise Risk Management Framework

V2
Governance and Business Services
12 February 2018

Proposal for a Central Coast Council Enterprise Risk Management Framework

Recommendation

That the Executive Leadership Team endorse the proposal set out below to develop and implement an Enterprise Risk Management Framework.

Objective

To develop an Enterprise Risk Management Framework for Central Coast Council that is consistent with ISO 31000 - 2009 Risk management – principles and guidelines.

Executive Summary

Development of an Enterprise Risk Management Framework is an important advancement in sound management practice for Central Coast Council.

Supported and used by the organisations leadership the Enterprise Risk Management Framework draws together all the elements of risk management and allows a complete view of the risks that can impact on an organisation. This includes internal risks that cross over different Units and Departments and external risks that can impact the organisation as a whole.

The goal of an Enterprise Risk Management Framework is to create a top-down, enterprise wide view of risks to the organisation. The responsibility for setting the tone and leadership for Enterprise Risk Management resides with Executive Management. They have the enterprise view of the organisation and they are ultimately responsible for understanding, managing, and monitoring the organisation's most significant risks.

Increasingly government organisations, including the NSW State Government, are mandating development and operation of Enterprise Risk Management Systems.

Currently the Central Coast Council has no system in place to manage risks. The purpose of this proposal is to gain approval from the Executive Leadership Team to develop and implement an Enterprise Risk Management Framework containing the following elements:

- A Central Coast Council Risk Policy;
- Identification and allocation of organisational risk management roles and responsibilities;
- Risk response business rules;
- A risk based decision making and reporting process;
- A risk assessment process;
- Risk tables;
- Risk register;
- Risk appetite statements;
- A risk management implementation plan;

- An Enterprise Risk Management Users Guide;
- Enterprise Risk Management training packages.

The proposed structure of the PCG is:

Project Sponsor

Acting CEO/Executive Manager Governance

Project Control Group

Chair: Executive Manager Governance;

Member: Director Environment and Planning;

Member: Director Connected Communities;

Member: Director Assets Infrastructure and Business;

Member: Executive Manager People and Culture;

Member: Chief Information Officer;

Member: Chief Financial Officer;

Member: Unit Manager Governance and Business Services

Project Team

Project Manager: Project Manager Governance and Business Services

A total of eight Unit Managers nominated by their Directors to represent their Departments

Environment and Planning x 1

Connected Communities x 2

Assets Infrastructure and Business x 2

Finance x 1

Information Management and Technology x 1

People and Culture x 1

Section Manager Insurance and Risk

Background

Prior to the amalgamation of Wyong Shire Council (WSC) and Gosford City Council (GCC), Wyong Shire Council had developed a fully operational Enterprise Risk Management Framework (ERMF) that aligned with AS/NZS ISO 31000:2009 Risk management – Principles and guidelines. The Enterprise Risk Management System was used across WSC with formal reporting taking place every month to the General Manager/Acting CEO, Directors and Managers, and every quarter to the Audit and Risk Committee and to Council.

Gosford City Council had commenced the process of developing an ERMF however the process was suspended due to competing priorities and in 2014 the Risk Management Committee was abandoned. Accordingly at the time of amalgamation Gosford City Council did not have a formal risk management system.

Central Coast Council currently does not have a risk management system and consequently there is no mechanism to identify, record, control and monitor risks. This proposal seeks to address this situation.

Risk Defined

ISO 3100:2009 defines risk as 'the effect of uncertainty on objectives'. Where the 'effect' is a deviation from the planned means of attaining the organisational goals.

Risk Management Defined

Risk Management is described as the 'coordinated activities to direct and control an organisation with regards to risk' (ISO Guide 73:2009).

Risk Management is part of sound business practices and is applicable to all levels of the organisation.

Risk Management is a core requirement of the NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector, requiring department heads and governing boards of statutory bodies to establish and maintain a risk management process that is consistent with the current AS/NZS standard on risk management AS/NZS ISO 31000: 2009.

Increasingly insurance requirements for Local Councils include the requirement for a risk management system as part of the normal business tools to reduce exposure and hence insurance claims.

Central Coast Council's Audit, Risk and Improvement Committee are actively seeking the development of an ERMF for CCC as part of its responsibility to undertake its activities in a transparent manner utilising the best management practices available.

In particular for Central Coast Council a benefit of developing an Enterprise Risk Management Framework at this stage of the amalgamation process is that it will facilitate an understanding and appreciation across the organisation of individual areas activities and roles and responsibilities.

Enterprise Risk Management Framework Defined.

An Enterprise Risk Management Framework draws together all the elements of risk management and allows a complete view of the risks that can impact on an organisation. This includes internal risks that cross over different Units and Departments and external risks that can impact the organisation as a whole.

A well developed and managed Enterprise Risk Management Framework improves the overall performance of the organisation through the utilisation of a systematic approach to identifying, recording, controlling and monitoring risks to allow the organisation increased certainty of achieving its objectives.

Leadership and Enterprise Risk Management

The goal of an Enterprise Risk Management Framework (ERMF) is to create both a top-down and bottom-up view of risks to the organisation. The responsibility for setting the tone and leadership for the ERMF resides with Executive Management. They have the enterprise view of the organisation and they are ultimately responsible for understanding, managing, and monitoring its most significant risks.

The benefits for a leadership team using the ERM Framework is that they will systematically and thoroughly be able to identify, assess, respond to, and monitor risks related to the organisation's business model.

There are three key elements to a successful long term ERMF. They are strategy, resources and culture. Organisational culture has been identified as potentially the most significant obstacle to successful ERMF implementation. As such, it is the leadership of Council who will most influence the success or failure of the ERMF and the degree to which it is embedded across the organisation.

For an ERMF program to deliver maximum value and impact for Central Coast Council it must be fully integrated into the daily activities and decisions that take place at every level throughout the organisation. Accordingly, ERM must be a primary thread in the cultural fabric of CCC if it is to contribute to its long term success.

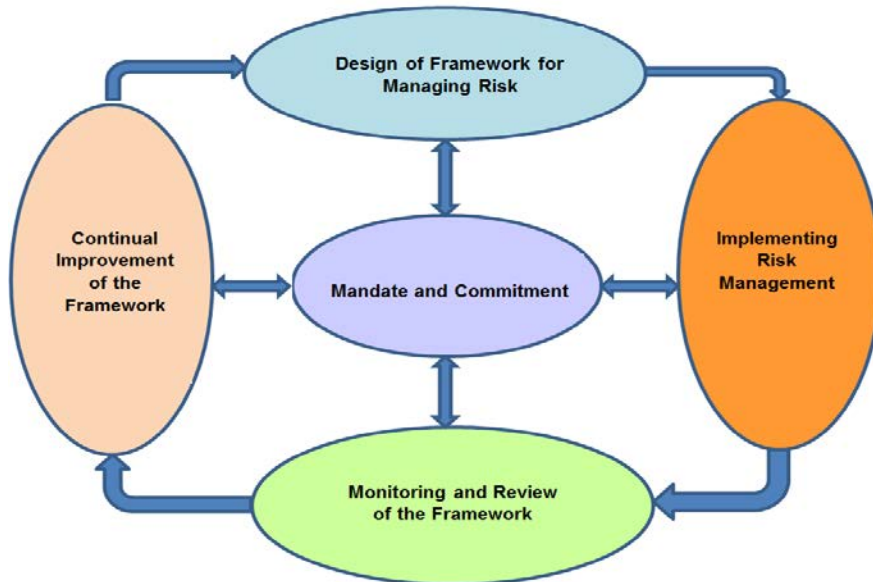
There is a significant opportunity for Council's Executive Leaders to positively shape aspects of organisational culture through the development, design and implementation of the ERMF.

AS/NZS ISO 31000:2009 identifies eleven principles that underpin effective risk management, emphasising the need for the risk management process to:

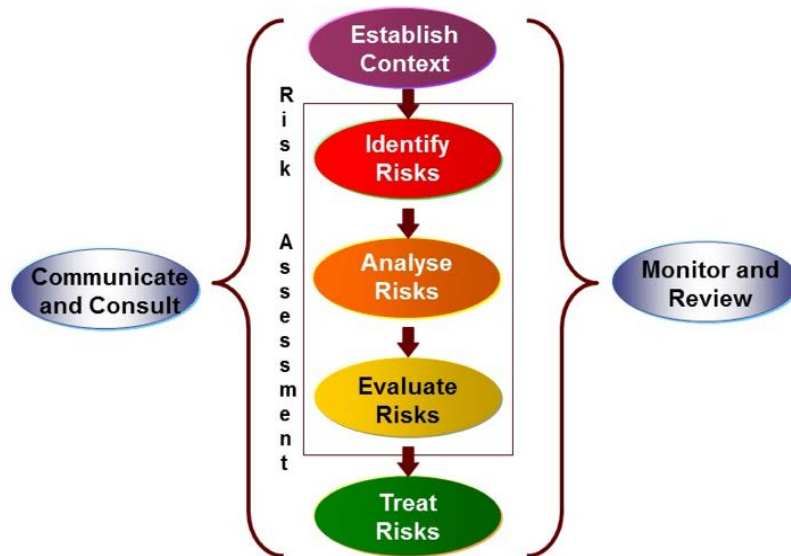
- a) Create and protect value;
- b) Be an integral part of all organisational processes;
- c) Be a part of the decision making process;
- d) Explicitly address uncertainty;
- e) Be implemented in a systematic, structured and timely manner;
- f) Use the best available information;

- g) Be tailored to meet Central Coast Council’s specific needs;
- h) Take human and cultural factors into account;
- i) Be transparent and inclusive;
- j) Be dynamic, iterative and responsive to change;
- k) Facilitate continual improvement.

The diagram below, adapted from AS/NZS ISO 31000:2009 describes the flow of the ERM Framework and highlights the role of leadership (mandate and commitment) in any ERMF.



The diagram below, adapted from AS/NZS ISO 31000:2009 demonstrates the risk management process.



Proposal

It is proposed that Central Coast Council develop and operate an Enterprise Risk Management Framework based on current best practice.

It is proposed that the project will commence at the end of January 2018 and be completed by mid-December 2018.

Whilst it is proposed that as much as possible of the previous Councils Framework be adopted, every aspect will be reviewed and adapted to achieve an optimised fit for the Central Coast Council. This will also be an opportunity to take advantage of the lessons that were learnt in the establishment and management of the Wyong Shire Council ERM Framework when developing and managing the new Framework for Central Coast Council.

This in part will occur through the transparent development of the Framework and the involvement of an across Central Coast Council Project Management Team to be made up of Unit Managers from each Department. It is proposed that once the ERM Framework is established that the Project Management Team will become an ERM reference group who will represent and champion risk management not only within their own departments but also across the whole of Council.

The Framework will comprise of:

- A Central Coast Council Risk Policy;
- Identification and allocation of organisational risk management roles and responsibilities;
- Risk response business rules;
- A risk based decision making and reporting process;
- A risk assessment process;
- Risk tables;
- Risk register;
- Risk appetite statements;
- A risk management implementation plan;
- An ERM Users Guide
- ERM training packages

Appendix A: Proposed Project Structure

There will be a two monthly reporting cycle to the Executive Leadership Team (ELT) as the Project Control Group, this will form part of the regular ELT meetings.

Project Sponsor

Executive Manager Governance

Role:

- ensure the project remains on time, within scope and within budget to deliver the required quality;
- champion the project at Executive Leadership Meetings;
- provide advice and support to the Project Manager;
- available for discussion with the Project Manager regarding changes to the agreed project plan;
- assists/facilitates with issues which have escalated beyond the Project Managers control/authority level;
- chairs the Project Control Group

Project Control Group

Chair: Executive Manager Governance;

Member: Director Environment and Planning;

Member: Director Connected Communities;

Member: Director Assets Infrastructure and Business;

Member: Executive Manager People and Culture;

Member: Chief Information Officer;

Member: Chief Financial Officer;

Member: Unit Manager Governance and Business Services

Comprised of stakeholders with the relevant level of authority to act and who understand and support the projects goals.

- accept responsibility for the project's feasibility, business plan and achievement of outcomes;
- ensure the project's scope aligns with the agreed requirements of the Business Owners and key stakeholder groups;
- provide those directly involved in the project with guidance on project business issues; ensure effort and expenditure are appropriate to stakeholder expectations;
- identifying emerging risks associated with the project
- address any risks which have major implications for the project
- ensuring the project scope under control as emerging risks force changes to be considered;
- reconcile differences in opinion and approach and resolve disputes arising from them;
- communicate the projects progress to relevant staff;

Project Team

Project Manager;

Project Manager: Governance and Business Services

Role of the Project Manager:

- manages the overall project at all levels;
- is accountable for the success or failure of a project;
- responsibilities include: Planning, Executing, and Closing Projects — defining the project, building work plan, and managing to the budget;
- acts as the interface between the Project Sponsor/Project Control Group and the Project Team
- provide communication to all stakeholders on the progress of the project against milestones
- identifying emerging risks associated with the project

Project Team

Role of the Project Team:

A total of eight Unit Managers nominated by their Directors to represent their Departments

Environment and Planning x 1

Connected Communities x 2

Assets Infrastructure and Business x 2

Finance x 1

Information Management and Technology x 1

People and Culture x 1

Section Manager Insurance and Risk x 1

Comprised of staff at the correct level to understand and fulfil the specific project responsibilities,

- understand the purpose and objectives of the project;
- ensure a correct balance between project and non-project work;
- manage specific aspects of the project;
- work to timelines and within cost constraints;
- report progress against plan through to the Project Manager;
- produce the deliverables to agreed specifications;
- identify emerging risks associated with the project



Item No: 3.2
Title: ARIC Report - Risk Maturity Project
Department: Governance

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13168182

Author: Michael Tattoli, Section Manager, Insurance and Risk

Executive: Shane Sullivan, Acting Executive Manager Governance

Report Purpose

At its meeting held 19 December 2017, the Committee resolved as follows:

3.8 *That the Chief Internal Auditor report back to the Committee on the findings of the Risk and Maturity Assessment being undertaken by Statewide Mutual.*

The purpose of this report is to inform the committee of the status of this assessment project.

Recommendations

- 1** *That the Committee note the status of the Risk and Maturity Assessment.*
- 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.*

Background

Council has determined to participate in a Risk and Maturity Assessment project being conducted by Statewide Mutual.

The aim of this project is to assist participating councils address increasing demands and heightened expectations from their communities, governments and other stakeholders to demonstrate good corporate governance.

The maturity assessment will determine Council's level of accountability, risk management practices and internal controls which are increasingly dependent on well-mandated and structured audit activities within Council.

Council's audit and risk management documents will be evaluated against International standards for the Professional Practice of Internal Auditing, an internal audit maturity assessment tool and a risk management maturity assessment model that aligns with the assessment tool of the Audit Office of NSW.

The anticipated benefit to Council is an independent perspective on the operation of the IA function and compliance with the IIA's International Professional Practices Framework.

Participating councils will receive a summary report including a benchmark against risk management and auditing standards and an understanding of how Council's auditing function performs against industry standards and the new legislative framework for internal audit.

Statewide will also be developing new resources for all members on the back of this program. These resources will include guidance materials, benchmarking tools and frameworks to ensure ongoing audit requirements are met with ease.

It is expected that the assessment will be completed by 30 June 2018.

Upon receipt of the assessment it is proposed to develop an action plan and report back to the Committee regarding the assessment and proposed actions.

Current Status

On 4 December 2017 two registers were provided to Statewide Mutual to undertake the Maturity Assessment. A follow up and additional information was provided to Statewide on 2 February 2018. The supplied registers are currently being assessed and will be followed up by staff interviews. The findings will be presented to Council upon completion, indicated as being possibly April 2018, but no later than June 2018.

Attachments

Nil.



Item No: 3.3
Title: Supplementary Client Service Report and Audit Reports: 2016-17 (13.5 month statutory reporting period)
Department: Finance and Information

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13175939

Author: Mellissa McKee, Financial Controller Performance and Partnering

Manager: Vivienne Louie, Acting Chief Financial Officer

Executive: Vivienne Louie, Acting Chief Financial Officer

Summary

Supplementary Client Service Report and Audit Reports to be presented by the Audit Office of New South Wales.

Recommendation

- 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 the Committee make a recommendation 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 the Committee make a recommendation that attachments 2, 3, 4, 5 and 6 to this Report be made publicly available pursuant to Section 419 of the Local Government Act.***

CURRENT STATUS

The attached Supplementary Client Service Report (confidential attachment 1) is from The Audit Office of New South Wales. This report covers the additional audit work and findings since the previous Client Service Report dated 20 November 2017 was presented to the Audit and Risk and Improvement Committee meeting on 21 November 2017.

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

This document is not intended for publication. It may not be distributed to persons other than those who will sign the Statement by Councillors and Management made pursuant to section 413(2)(c) of the Local Government Act 1993.

Also attached is the Report on the Conduct of the Audit (attachment 2) and the audit reports issued by the Audit Office of NSW (attachments 3-6) for the 13.5 month statutory reporting period to 30 June 2017.

Attachments

1	Central Coast Council Supplementary 2017 Client Service Report (FA1710) Confidential - provided separately -	D13176089
2	Central Coast Council 2016-17 Audit Report on the Conduct of the Audit	D13178070
3	Audit Report for Central Coast Council General Purpose Financial Statements 2016-17	D13177081
4	Audit Report for Central Coast Council Special Purpose Financial Statements 2016-17	D13177083
5	Audit Report for Central Coast Council Special Schedule No. 8 2016-17	D13177082
6	Audit Report for Central Coast Council Water Supply Authority Financial Statements 2016-17	D13177079



Mayor Jane Smith
Central Coast Council
2 Hely Street
WYONG NSW 2259

9 March 2018

Dear Mayor Smith

Report on the Conduct of the Audit
Audit for the period 13 May 2016 to 30 June 2017
Central Coast Council

I have audited the general purpose financial statements of the Central Coast Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires me to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under s417(2) of the Act.

Formation of Central Coast Council

The Local Government (Council Amalgamations) Proclamation 2016 dated 12 May 2016 established Central Coast Council on 13 May 2016 following a merger of the former Gosford City Council and Wyong Shire Council.

On merger, the staff, assets, rights and liabilities of the former councils were transferred to the Central Coast Council. The gain on amalgamation to Central Coast Council amounted to \$6.7 billion at 13 May 2016.

This is first set of financial statements for the Council. As such there are no comparative balances available to present in the 30 June 2017 financial statements.

SIGNIFICANT AUDIT ISSUES

I identified and addressed the following significant audit issues during my audit of the Council's financial statements.

Finance System Information Technology Control Deficiencies – Former Gosford City Council

The auditor of the former Gosford City Council issued a disclaimer of opinion in the Independent Auditor's Report on the council's financial statements for the period 1 July 2015 to 12 May 2016. This was because Management was not able to provide appropriate representation on the former Gosford City Council's financial statements as a result of serious access control deficiencies it identified on the Council's finance system database.

For the same reason, the Auditor-General issued a disclaimer of opinion on the financial statements of the former Gosford Water Supply Authority, a business activity of the former Gosford City Council.

Management identified several users with privileged access rights to edit the finance system database. No automated audit trail for access or recording of actions by privileged users was maintained and therefore no monitoring of activity was possible.

To address the risk of inappropriate activity in the database, Management conducted a comprehensive review of all transactions for the period 13 May 2016 to 30 June 2017. In addition, we were required to perform a suite of additional audit procedures and validated financial statements line items.

The additional work by Management and the audit team enabled me to issue unmodified opinions in the Independent Auditor's Reports on the financial statements of Central Coast Council and its Water Supply Authority for the period 13 May 2016 to 30 June 2017.

INCOME STATEMENT

Operating result

	For the period 13 May 2016 to 30 June 2017 \$million
Total revenue	723.7
Total expenses	568.0
Net operating result for the period	155.7
Gain on assets and liabilities transferred from former councils	6,704.8

Net operating result

Council's net operating result of \$155.7 million for the period was largely attributable to:

Revenue items of:

- rates and annual charges revenue of \$371.2 million
- grants and contributions revenue of \$170.5 million.

Expense items of:

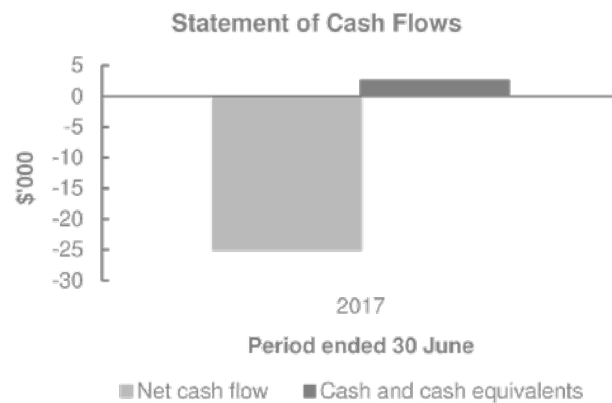
- employee related expenses of \$187.1 million
- depreciation expenses of \$150.2 million
- materials and contracts expense of \$124.5 million.

Grants and contributions for the period included:

- New Council Implementation Fund of \$10.0 million
- Stronger Communities Fund of \$10.0 million
- Commonwealth Financial Assistance Grants of \$36.6 million.

STATEMENT OF CASH FLOWS

- Net cash outflow for the period was \$25 million, as \$321 million from operating activities was offset by \$346 million in payments for investing and financing activities.
- Total cash and cash equivalents were \$2.6 million at 30 June 2017.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$m	
External restrictions	208	• Externally restricted funds include developer contributions of \$125 million and unspent domestic waste management fund of \$43 million.
Internal restrictions	111	
Unrestricted	93	• Internally restricted funds include \$34 million for waste disposal facility, \$20 million for tip rehabilitation, and \$15 million on property development.
Total Cash and Investments	412	

Debt

Council had overdraft and credit facilities of \$10.1 million, of which \$9.1 million remained undrawn at 30 June 2017.

PERFORMANCE RATIOS

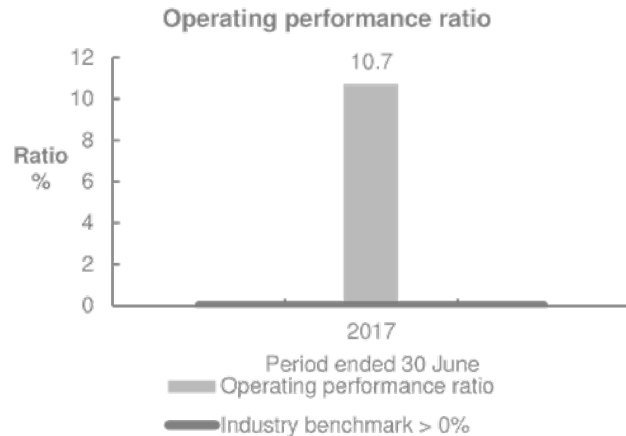
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

- Council exceeded the benchmark of zero per cent.
- Operating revenue exceeded operating expenditure due to \$20 million of one-off grants (New Council Implementation and Stronger Communities Funds) and early receipt of the 2018 Financial Assistance Grant of \$12.5 million.

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

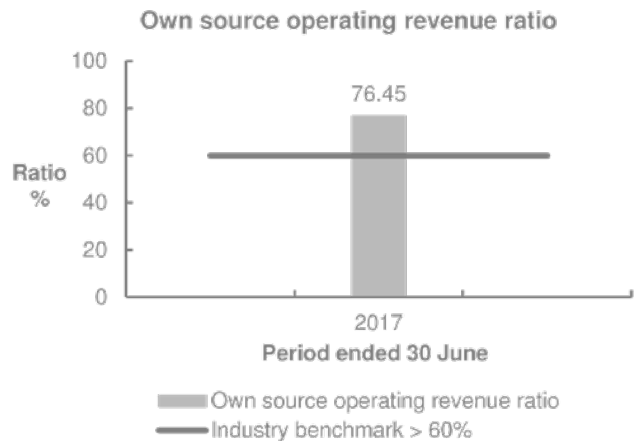


Own source operating revenue ratio

- Council exceeded the benchmark of sixty percent.
- Council generated over 76 per cent of its revenue from sources other than grants and contributions.

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.

The benchmark set by OLG is greater than 60 per cent.

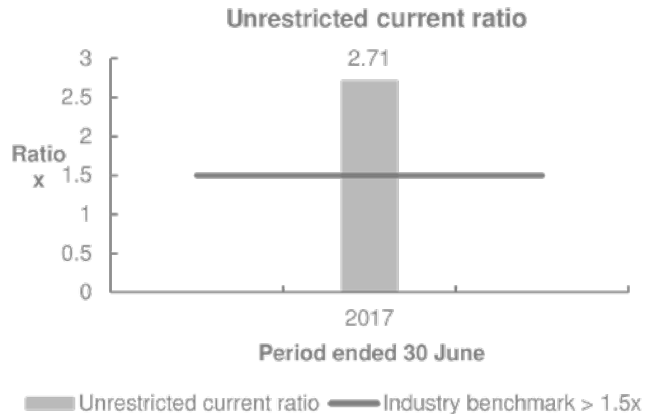


Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its creditor payments as and when they fall due.

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

The benchmark set by OLG is greater than 1.5 times.

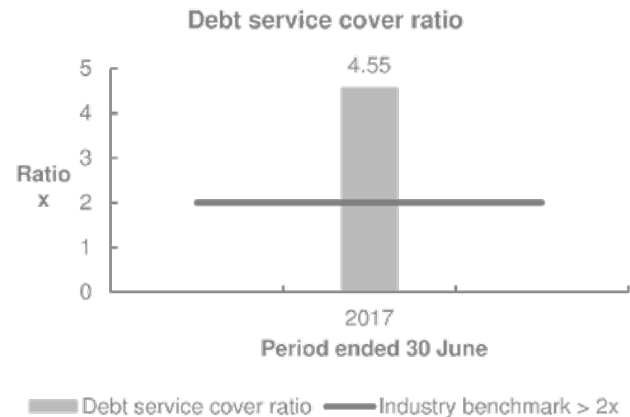


Debt service cover ratio

Council achieved a ratio of 4.55 exceeding the benchmark of greater than two times.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

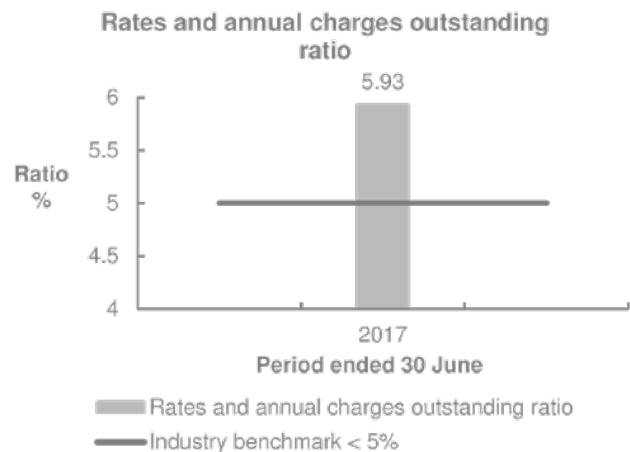


Rates and annual charges outstanding ratio

- Council did not meet the benchmark of less than 5 per cent for metropolitan councils.
- Council advised it plans to continue implementing socially responsible debt management strategies to reduce long-term outstanding debts.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 5 per cent for metro councils.

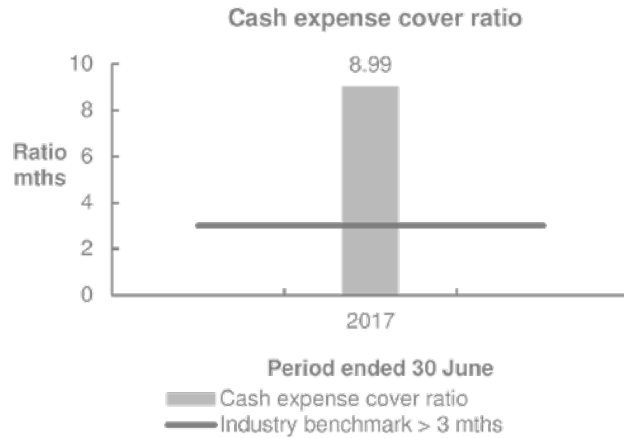


Cash expense cover ratio

Council exceeded the benchmark of greater than three months.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow.

The benchmark set by OLG is greater than three months.



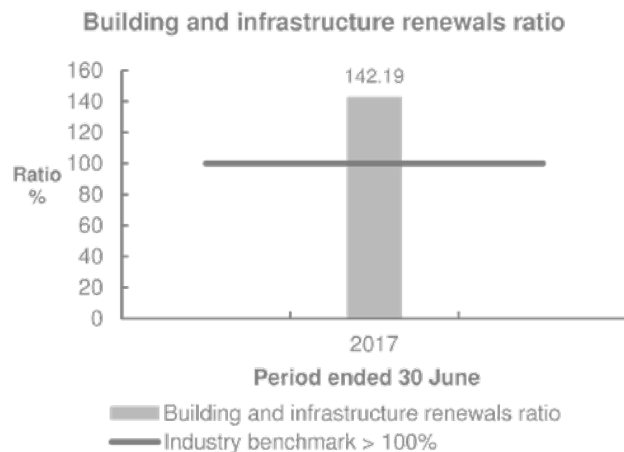
Building and infrastructure renewals ratio

Council exceeded the benchmark of greater than 100 per cent.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Council Entities

I issued an unmodified independent auditor's report on the audit of financial statements of Central Coast Council Water Supply Authority for the period 13 May 2016 to 30 June 2017.

New accounting standards

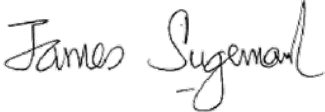
Council is required to implement the Australian Accounting Standards 'Related Party Disclosures' (AASB 124) from 1 July 2017.

This will require Council to identify relevant related parties including key management personnel and include disclosures of remuneration, transactions and outstanding balances in the financial statements for the year ending 30 June 2018.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



James Sugumar
Director, Financial Audit Services

cc: Mayor Jane Smith
Mr Brian Glendenning, Chief Executive Officer
Mr Col Gellatly, Chair of the Audit, Risk and Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Coast Council

To the Councillors of the Central Coast Council

Opinion

I have audited the accompanying financial statements of Central Coast Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2017 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

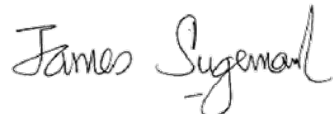
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Central Coast Council

To the Councillors of the Central Coast Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Central Coast Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of the Declared Business Activity for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Other Business Activities (Drainage, Holiday Parks, Leisure Centres, Child Care, Commercial Waste, Building Certification).

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of the Financial Statements' section of my report. I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

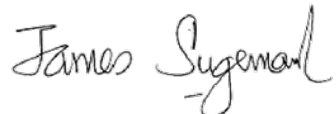
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Central Coast Council

To the Councillors of Central Coast Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Central Coast Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Central Coast Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of Special Schedule No. 8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No. 8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

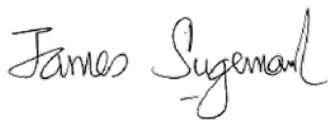
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No. 8.

A description of my responsibilities for the audit of Special Schedule No. 8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No. 8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No. 8.



James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY



INDEPENDENT AUDITOR'S REPORT

Central Coast Council Water Supply Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Central Coast Council Water Supply Authority, (the Authority), which comprise the Statement of Financial Position as at 30 June 2017, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period 13 May 2016 to 30 June 2017, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Authority in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Chief Executive Officer's Responsibilities for the Financial Statements

The Chief Executive Officer of Central Coast Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Authority will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

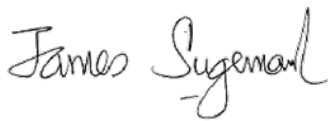
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

9 March 2018
SYDNEY

Item No: 3.4
Title: Chief Internal Auditor's Quarterly Progress Report
Department: Governance



20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13176595

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 19 December 2017.

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.*
- 3** *That the Audit, Risk and Improvement 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.*

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 Business Assurance Reviews

The Chief Internal Auditor was on leave throughout January 2018.

Upon return, the fieldwork relating to *Policies and the Policy Framework* review was completed and a presentation of the findings will be provided to the Committee at the meeting.

The terms of reference for the *Procurement Cards* review were issued but staff in Finance requested deferral for about six months due to process changes. The matter was referred to the A/CEO for decision. The review is on hold until instruction is received.

Procurement of IT Goods – the draft report is still awaiting approval from the A/CEO for issue to management for comment.

Appendix 1 shows the current status of all business assurance reviews in the approved work program.

1.2 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.

2. IA Work Programme – Consulting & Advisory Activities

2.1 Consulting/Advisory Activities

Staff from two different units approached the CIA for advice on CCTV, in light of a previous IA review of this area at the former Wyong Shire Council. An analysis of the NSW Government's "Policy Statement and Guidelines for the Establishment and Implementation of

CCTV in Public Places” was carried out and a proposed framework was drawn up to help staff determine a way forward. The framework includes some background context from a legal perspective and a proposed plan of action. Based on discussions around current practices, some recommendations were put forward to strengthen governance, mitigate risk exposures and help move forward in an optimised way.

The 2014 IA review of CCTV at the former Wyong Shire Council identified that risk exposures occurred because CCTV had been approached in an ad hoc, disparately managed way, resulting in no central database showing the location of all cameras, different maintenance and monitoring arrangements, different technical specifications and non-compliance with various legislative requirements. Recent discussions indicated that these issues still exist, but more so, being across the amalgamated Council.

When CCTV was last audited back in 2014, IA flagged the root cause of the risk exposures faced by Wyong Shire Council as being the lack of a central co-ordinator to develop, oversee and manage CCTV, safety and security strategy and programs. This continues to be the case and the same issues continue to present unnecessary risk to the organisation. If anything, the amalgamation has actually increased the need for a consistent, considered and legally compliant approach for the Council and the community, and it is unlikely that this can be achieved by simply by tacking on CCTV responsibilities to an existing officer’s job description. To quote the NSW Government Policy Statement and Guidelines: CCTV needs to be “part of an integrated crime prevention strategy” and “final responsibility and accountability for the management and operation of a CCTV program lie with the local Council”. From this work therefore, six recommendations have been made:

- Adopt the NSW Government Policy Statement and Guidelines for the Establishment and Implementation of Closed Circuit Television (CCTV) in Public Places in their entirety, insofar as practicably possible
- Appoint a security and safety officer, with responsibility for implementing the policy and guidelines, including developing, executing and maintaining crime prevention/community/employee security schemes and with responsibility for all CCTV installations and security at Council buildings, community facilities and events etc
- Implement ongoing training for staff and third parties
- Collate, report and review relevant data relating to crime and assess the effectiveness of each CCTV placement as a deterrent and where crime displacement may be occurring and where the CCTV is having no/little impact
- Ensure Council policies and practices take into account latest developments such as use of new technology and new initiatives

3.4 Chief Internal Auditor's Quarterly Progress Report (contd)

- Investigate potential for and develop innovative solutions (such as drone cameras to 'patrol' a pre-defined route and record incidents as they are reported or identified, rather than relying on fixed cameras in fixed locations)

A summary of the framework and proposed way forward prepared by IA will be presented to this meeting of the Committee.

2.2 Relationship Management

Arrangements have been made for a member of HR to undertake a secondment to IA in the new financial year. In the meantime, the member of staff will attend Audit, Risk and Improvement Committee meetings as an observer and to provide post-meeting feedback to the Chief Internal Auditor.

2.3 Stakeholder Engagement and Education

The Cash Management Good Practice Guide was distributed to the Executive for cascade to their teams with responsibility for cash handling services. A copy of the Guide will be tabled at the Committee meeting for information.

Three key reports were issued this quarter from other agencies:

- *'Council Reporting on Service Delivery'* published by the NSW Audit Office (1 February 2018)
- *'Strengthening Employment Screening Practices in the NSW Public Sector'* published by ICAC (February 2018)
- *'Detecting and Responding to Cyber Security Incidents'* published by the Audit Office of NSW (2 March 2018)

Time permitting, a summary of these reports will be compiled during the next quarter and provided to the Executive for cascade to relevant officers in their teams.

The IA presentation "*Organisational Culture and the Challenge This Presents for Internal Audit Stakeholder Engagement*" (previously delivered to the Australian Public Sector Anti-Corruption Conference) was presented to the Engagement Community of Practice group. The feedback from group members following the presentation was very positive.

An IA presentation "*How To Fail At Project Management*" was delivered to a staff team meeting, at the request of the team manager, discussing common failure points for projects and key controls around project management disciplines.

3. IA Work Programme – Quality And Performance

3.1 Monitoring and Measuring the Performance of the IA Function

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."

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

- Webinar: IIA Code of Ethics (1 hour - 2 hours mandatory ethics training per annum, as required by IIA)
- Webinar: "Setting the 2018 Audit Committee Agenda" (1 hour)

4. IA Work Programme – Planning and Analysis (Audit Needs Assessment)

Some discussions with key stakeholders have been undertaken this quarter to help build the next IA work program and rolling program of reviews. Any new program needs to factor in the following mandatory reviews:

DRIVES24 – annual, in accordance with the Terms of Access Agreement with RMS (a new agreement between RMS and Central Coast Council is now in effect).

Councillor expenses and facilities – in accordance with part 16 *"the operation of this policy, including claims made under the policy, will be included in Councils audit program and an audit undertaken at least every two years"*

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. Since amalgamation IA has not conducted any NHV compliance audits. It is understood that the pre-amalgamation situation is still extant ie the northern operations hold NHV accreditation and the southern operations do not, so until a cost benefit analysis is undertaken to determine whether or not the scheme will be continued for Central Coast Council, the annual review for the former Wyong operations should feature in the IA work program.

In light of the development of a new Community Strategic Plan, it is also anticipated that the IA work program going forward will incorporate themes or topics arising from this work and

assessment against the recommendations arising in the third party agency reports (ICAC and the NSW Audit Office), resources permitting.

Conclusions

Whilst it continues to be difficult to make headway with the business assurance audit work program, IA's consultancy and advisory role also presents opportunities to identify where there are risk exposures facing the organisation and this is evidenced in the work undertaken this quarter on CCTV. The audit of policies and the policy framework and the situation around NHV Accreditation also indicate how the practices and procedures and dual (or more) systems from the former Council entities still exist across many operational areas and physical locations which creates risk for the organisation as previously highlighted by IA in the *Emerging Themes and Risk Outlook* report (presented to the Committee at the meeting on 19 December 2017).

Attachments

- 1 Appendix 1 to CIA Progress Report March 2018 D13176582

Status of IA Reviews In 2017/18 Work Program (as at March 2018)

Audit	Report No	Date Final Report Issued	Status
2017-18 PROGRAM			
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. Not yet issued for management review and comment. Await A/CEO decision.
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.
Policies and the Policy Framework	04/17-18		Draft report stage. To present key findings to ARIC meeting – 20 March.
Procurement Cards, Fuel Cards, Gift Cards and other Corporate Cards			Terms of Reference issued. Finance staff requested deferral. Await A/CEO decision.
Secondary Employment			Terms of Reference drafted – awaiting decision on procurement cards to determine start date.

Potential Reviews to Outsource (pending approval from ARIC and A/CEO)

- Bank Account Changes (Payment Protection from Fraud and Error)
- Declarations (gifts, benefits, conflicts of interest, code of conduct, pecuniary interests)

NOTE: Fraud and Corruption Risk Assessment (to be undertaken in Q1/18-19 program after NSW Audit Office report on fraud control in local government, taking into account their findings and recommendations)



Item No: 3.5
Title: IA Balanced Scorecard Report March 2018
Department: Governance

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13176607

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 the nature or content of this report does not fall 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

There has been very little movement since the last report. The Policies and Policy Framework review was not concluded within the 12 week timeframe because the Chief Internal Auditor was on leave throughout January.

Conclusions

The Balanced Scorecard measures provide the Committee with an overview of progress and IA performance across a range of deliverable, reflecting the components of the IA Framework. Balanced Scorecards are effective at monitoring and measuring key elements of work in the context of outputs and outcomes. This puts IA in a strong position to provide advice to other units or teams on effective measures for performance monitoring and reporting.

Attachments

- 1** Appendix 1 Balanced Scorecard Report March 2018 D13176577

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

1. Audit, Risk and Improvement Committee

No	Measure	Mechanisms	Target Outcome	Progress To Date
1.1	<p>Level of satisfaction with quality, type and volume of information presented and reported.</p> <p><i>Links to IIA standard 1100</i></p>	<p>Satisfaction survey to all members of the Committee every two years.</p> <p><i>(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).</i></p>	<p>Improved trend for 'overall level of satisfaction' (or sustained positive ratings) indicated by each survey.</p> <p>Satisfaction rating for each part of the survey to be scored as "Good" or higher.</p>	<p>Too early to undertake full survey. Propose first formal survey to be issued December 2018 after Committee's first full year of operation.</p>
1.2	<p>Perspective on IA effectiveness, professionalism and competence</p> <p><i>Links to IIA standards 1200 and 1300</i></p>	<p>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).</p> <p>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.</p>	<p>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.</p>	<p>Biography (staff profile) for Chief Internal Auditor was provided to Committee members at 19 December 2017 meeting along with professional development plan.</p> <p>Professional Development updates provided to Committee under the CIA progress report, section 3 "IA Work Programme - Quality and Performance".</p>

2. **Executive & Audit Stakeholders/Customers**

No	Measure	Mechanisms	Target Outcome	Progress To Date
2.1	<p>Levels of customer satisfaction with individual audits, with respect to:</p> <ul style="list-style-type: none"> ➤ Value added ➤ Usefulness of recommendations <p><i>Links to IIA standard 2000</i></p>	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).	<p>Two audits of the 2017/18 work programme completed to date.</p> <p>One feedback survey has been received to date which rated 'strongly agree' (5) for each of the questions asked.</p> <p>Target currently exceeded.</p>
2.2	<p>Executive expectations of IA vis a vis experience of actual delivery.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	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	<p>Feedback (formal and informal) from staff in relation to advice and information provided by IA and improved understanding of the role.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	<p>Number of referrals to IA for informal or formal advice on risk/control related matters.</p> <p>Consultancy/advisory services provided by IA.</p>	Generally positive feedback on value and usefulness of information.	Positive feedback from managers relating to presentations on organisational culture and project management.

3. **Internal Audit Processes**

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.1	Completion of approved audit programme. <i>Links to IIA standard 2200, 2300, 2400, 2500</i>	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.
3.2	Proportion of audits completed (to draft report stage) within planned number of days budget. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	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. Currently running at 67% (2 out of 3 within target). Target not being met.
3.3	Duration of audits. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	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. Currently running at 75%. Target not being met.

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.4	Finalisation of draft audit reports. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	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 CEO. Currently running at 100%. Target being met.
3.5	Compliance with IIA's International Professional Practices Framework (IPPF) <i>Links to IIA standards 2400 and 2600</i>	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.	Last external review against IIA Standards conducted for former Wyong Shire Council operations and reported February 2016. Rated as "Generally conforms" (highest rating possible).

4. Innovation, Professional Development and Capability

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.1	Training hours per member of IA <i>Links to IIA standards 1200, 1300 and 2000</i>	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: <ul style="list-style-type: none"> • 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 <i>Links to IIA standards 1200, 1300 and 2000</i>	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.	The CIA is undertaking personal study towards the CISA (Certified Information Systems Auditor) examination. 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. <i>Links to IIA standards 1200, 1300 and 2000</i>	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.	Latest version of TopCAATs (TeamMate Analytics) installed. Some training undertaken. Alternative style of reporting outcomes of IA reviews to be presented to the Audit, Risk and Improvement Committee meeting on 20 March 2018.

Item No: 3.6
Title: Implementation of Management Actions Report
Department: Governance



20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13176634

Author: Tina Baker, Chief Internal Auditor

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 not be made 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 issues raised, including identification and dissemination of better practices;
- Monitoring the implementation of internal audit recommendations by management".

Recommendation

- 1 That the Audit, Risk and Improvement Committee receive the report on the implementation of management actions arising from IA reviews.**
- 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 and that the Committee recommend 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."**

Background

When Internal Audit (IA) reviews identify a control weakness, the risk exposure is reported and recommendations are suggested and captured in a written report along with the corrective action agreed by management.

Management nominate a date by which their agreed action will be implemented in accordance with their own operational priorities. All the recommendations and management responses are captured in the Audit Task Tracker system held on Sharepoint and implementation of the agreed or partially agreed actions are tracked in accordance with the implementation date. When a manager closes an item, to indicate that it has been completed, s/he can also attach information on the Tracker system to support closure of the item.

It is the responsibility of the Director/manager to determine whether appropriate action has been undertaken in a timely way and to a sufficient degree to manage down the risk exposure to a more acceptable level. It is also the responsibility of the Director/line manager to determine what action or intervention should be taken in the event of overdue actions.

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

A summary of all the open and overdue agreed 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 **121** open actions relating to **24** audits from the former Councils. Of these, it was proposed that **42** should be closed, leaving **79** remaining open actions relating to **19** audits.

Since the last report, discussions have been held with Assets, Infrastructure and Business Department (AIB) and feedback received from Property and Asset Management Unit (part of AIB). It was determined that 3 actions that were previously highlighted for closure should actually remain open as the recommendations applied to asset management more broadly rather than just to the Leasing and Asset Management unit. Consequently, these three recommendations are shown on the tables as orphaned as they do not have any assigned area of responsibility or assigned officer. In addition, 1 action relating to the installation of a boom gate at Charmhaven Stores, has been sufficiently progressed to be closed. This brings the total of open recommendations up to **81**, from **19** audit reviews. Furthermore, five actions that previously sat with AIB, have moved to Environment and Planning (E&P) Department because the Contributions Team now reports under the Urban Growth Strategies Unit. One action that previously sat with AIB, relating to the reconciliation of out of hours swipe card access records with stock requisition slips, has transferred to the Governance Department as it is related to inventory management of stores.

The updated tables at Appendix 1 shows the 81 open actions, the recommendations, the last management response where provided and the changes in responsibility. New responses, since the last report, are highlighted in yellow. This also includes the responses that were received from E&P after the previous report was run, relating to the Engineering Assessment (DA) Services review. It is not clear from the comments whether management consider the recommendations to have been fully implemented or whether the actions taken have addressed the issues raised, so the actions have been left open.

Headline Data

The status of where responsibility lies for the 81 open actions is as follows:

- Governance – 19
- People and Culture – 17
- Finance – 13
- Environment and Planning – 11
- Assets, Infrastructure and Business – 7
- Connected Communities – 7
- Orphaned (asset management) - 7

Of the **81** open actions:

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

Summary Table

#	Audit Title (Former Council)	Date of Final Report	# Actions Closed	# Actions To Remain Open
1	Rezoning (WSC)	August 2012	0	1
2	CCTV (WSC)	May 2014	2	2
3	Inventory Management in Stores (WSC)	June 2014	1	2
4	Engagement & Management of Temporary Contract Personnel (WSC)	July 2014	0	1
5	Fraud and Corruption Risk Assessment 2014 (WSC)	October 2014	0	3
6	Tendering and Contract Award (WSC)	October 2014	0	4
7	Overtime and Allowances (WSC)	March 2015	0	1
8	Insurance (WSC)	May 2015	2	2
	National Heavy Vehicle Accreditation Scheme 2015 (WSC)	August 2015	4	0 Review closed
9	Delegations Validation Review (WSC)	June 2015	0	4
	The Art House Project (WSC)	August 2015	12	0 Review closed
	Ethical Black Box Penetration Test (WSC)	August 2015	5	0 Review closed
10	Link Rd Validation Review (WSC)	September 2015	0	4
11	Payroll (GCC)	September 2015	0	6
12	Rates Database Integrity Review (GCC)	September 2015	0	4
13	Small Plant (GCC)	October 2015	0	6
14	Cash Management (GCC)	October 2015	0	7
15	Engineering Assessment (DA) Services (WSC)	November 2015	0	6
16	Town Centre Management/ Issue of Licences (WSC)	December 2015	6	7
17	Asset Management (WSC)	February 2016	1	7
	External Assessment of Internal Audit (WSC)	February 2016	3	0 Review closed
	WSC's Audit and Risk Committee (WSC)	March 2016	4	0 Review closed
18	S94 Contributions (WSC)	May 2016	0	5
19	Payroll Validation Review – South Office (CCC)	September 2016	0	9
	TOTALS		40	81 actions remain open from 19 audits

Conclusion

The commitment to improving controls and effectively managing risks through the timely implementation of agreed actions and process improvements are basic management responsibilities and a key component of sound, organisational governance. Whilst actions remain outstanding, the organisation remains exposed to the identified risks unless other mitigating controls are implemented.

Attachments

- 1** Appendix 1 Management Actions Table March 2018 D13176571



Item No: 3.7
Title: Data Breach Security Update
Department: Information

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13177740

Author: Martin Elwell, Chief Information Officer

Manager: Martin Elwell, Chief Technology Officer

Executive: Brian Glendenning, Acting Chief Executive Officer

Report Purpose

An update in relation to the actions and risks of Data Breach Security is provided as an attachment to this report.

Recommendation

- 1 That the Committee receive the report on Council's Data Breach Security.**
- 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 and that the Committee recommend 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."**

Attachments

- 1 Data Breach Security Update - ARIC March 2018 D13177733**

DRAFT

4.1 Action Items (contd)



Item No: 4.1
Title: Action Items
Department: Governance

20 March 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13166979

Author: Meg Newington, Senior Governance Officer

Manager: James Taylor, Section Manager, Governance

Report Purpose

Current Outstanding Action Items listed below.

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.

ACTION ITEM SCHEDULE		
ITEM	ACTION	RESPONSIBLE OFFICER
GB1/17 20 June 2017 Meeting	A request that the three independent members of the ARIC have a tour of the LGA and view major facilities, capital works and infrastructure in due course.	CEO
3.5 19 December 2017 Meeting	A report to be provided back to the first meeting in 2018 on the Internal Audit structure.	CEO
3.6 19 December 2017 Meeting	Corporate Risk with regard to the Warnervale airport - the Committee to be advised by Council Staff on the appropriate role it is to play in the matter.	CEO
3.8 19 December 2017 Meeting	A report on the findings of the Risk and Audit Maturity Assessment being undertaken by Statewide Mutual to be presented to the Committee.	Governance
3.9 19 December 2017 Meeting	A report to be provided to the next meeting on outstanding Audit matters.	CEO

4.1 Action Items (contd)

3.10 19 December 2017 Meeting	The External Auditor to provide a report back to the first Committee meeting in 2018 on the status of the External Audit.	NSW Audit Office
4.2 19 December 2017 Meeting	A further report to be provided to the first Committee meeting in 2018 on the status of the Data Breach Security including a guide outlining the risk indicators used, as well as a timetable for actions undertaken/required.	CIO

Recommendation

- 1 That the Committee note the outstanding action items.***
- 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.***

Attachments

Nil.