



Central Coast Council

Audit, Risk and Improvement
Committee Meeting

Held Online via Microsoft Teams / Wyong Committee Room

8 June 2022

MINUTES

Present

Carl Millington (Chairperson)
Arthur Butler
Rik Hart

Independent member
Independent member
Administrator

In Attendance

David Farmer
Natalia Cowley
Edward Hock
Rachel Callachor
Caroline Karakatsanis
Rochele Antolin
Penelope Corkill

Chief Executive Officer (CEO)
Director Corporate Affairs and Chief Financial Officer
Unit Manager Governance and Legal Counsel
Meeting Support Officer
Director, Financial Audit, Audit Office of NSW
Audit Leader, Financial Audit, Audit Office of NSW
Director Risk and Assurance, Centium, Internal Audit
Partner

1 INTRODUCTION

Welcome, Acknowledgement of Country and Apologies

The Chairperson, opened the meeting, welcomed attendees and completed an Acknowledgement of Country.

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

Apologies received:

Boris Bolgoff	Director Infrastructure Services
Jamie Loader	Director Water and Sewer
Lilly Mojsin	Senior Internal Ombudsman
Jade Maskiewicz	Assistant Internal Ombudsman

1.2 Disclosures of Interest

Resolution

46/22(ARIC) *That the Committee note the standing declarations of current Committee members outlined in the table below.*

47/22(ARIC) *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.3 Confirmation of Minutes of Previous Meeting

Resolution

48/22(ARIC) *The Committee confirmed the minutes of the previous meeting held on 9 March 2022 and that the meeting recording will be deleted following finalisation of the meeting minutes.*

49/22(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.4 Outstanding Action Items

The Committee requested that quarterly reports be provided to ARIC with regards to the Council's Workplace Health and Safety (WHS) reporting.

Resolution

50/22(ARIC) *That the Committee note the report on Outstanding Action Items.*

51/22(ARIC) *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.5 Council's current status

The Chief Executive Officer provided the Committee with an update on Council's current status including the following key areas of focus:

- Update regarding the Land and Environment Court proceedings between Verde Terra and Central Coast Council. It noted discussions regarding this matter are confidential but that the topic is within the public domain.
- The CEO and Director Environment and Planning recently addressed the Public Accounts Committee regarding a Performance Audit, undertaken by the Audit Office, into the management of Developer Contributions which was reported on in 2020.
13 findings were made, Council was able to demonstrate 11 of the 13 actions have been addressed, the other 2 actions are underway.
- Council is coming to the conclusion of the Annual Planning and Budget cycle. There were satisfactory outcomes from IPART in relation to Special Rate Variation (SRV) and Water and Sewer pricing determination, and certainty provided with both matters. Focus is now on performance standards and repairing and rebuilding the organisation and its performance to the Community.
- Council is performing considerably better than budgeted, income streams are stable and next year's budget projecting \$28 million surplus.

Resolution

52/22(ARIC) *The Committee noted the verbal update on Council's current status provided by the Chief Executive Officer.*

2 FINANCE

2.1 General Finance Update

The Director Corporate Affairs and Chief Financial Officer, provided the Committee with a general update on financial matters, which included:

- Council estimates a surplus of \$70 million will be achieved for the year, \$25 million of which relates to property sales.

- The organisation now has certainty and validation regarding the Special Rate Variation (SRV) outcome to maintain the rate base increase for a further 7 years. This provides base for improvement with staff morale, and may provide options going forward in the recruitment space.
- Update provided regarding Finance unit staffing, specifically the Group Financial Controller position.
- Confirmation there will be some changes to the information contained in the Long Term Financial Plan (LTFP) and related documents, prior to adoption by Council, to align with the IPART Water and Sewer pricing determination.

In response to enquiries from the Committee regarding Investments reporting, the following information was provided:

- Confirmed Council has floating rate notes, as opposed to fixed.
- Investment strategy and decisions are made by Council and executed on Council's behalf by an independent external advisor.
- Discussion regarding investments, including A and AA ratings, as further detailed in the monthly Investment reports.
- Monthly Finance Reports and information provided are being refined and improved to encompass the presentation of key areas based on: Financial Strategy, Outstanding Loans, General Fund and Water and Sewer Fund.
- In response to a query from the Committee regarding changes to Accounting Standards the Committee was advised of the changes required to accounting for Software as a Service (SaaS) compared to the previous approach to ownership and utilisation.

Resolution

53/221(ARIC) *That the Committee note the General Finance Update report including the Finance Report (April 2022), 2021-2022 Quarter 3 Review report and the Investment Report (April 2022) .*

54/222(ARIC) *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

3.1 Enterprise Risk Management Report - May 2022

Council's Enterprise Risk Manager provided an update at a briefing meeting prior to the formal ARIC meeting, in relation to this report and other issues.

It was agreed at that meeting that a Plan for future Risk updates would be developed.

Resolution

- 55/22(ARIC) *That the Committee note the report on Enterprise Risk Management Report May 2022.*
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- 56/22(ARIC) *That the Committee recommend that this report is not made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council, Council Officials and Council property.*

3.1 (a) Risk Committee Meeting Minutes 11 May 2022

Recommendation

- 57/22(ARIC) *That the Committee note the Minutes from the Risk Management Committee 11 May 2022*
- 58/22(ARIC) *That the Committee make a recommendation that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain matters affecting the security of Council, Councillors, Council staff or Council property.*

4.1 Internal Audit - Consolidation of Management Actions Tracker

The report from Centium was considered and discussed by the Committee. Key points discussed included:

- The recommendation that the Management Actions Tracker cease tracking recommendations from external consultants reports, Internal Ombudsman's reports and recommendations that Council management did not agree with.
- Council's intention to manage the recommendations removed from the management actions Tracker through work and business plans.
- Dealing with situations where management disagreed with a recommendation and the process to follow before referring the matter to ARIC.
- Proposed presentation of information on tracked recommendations in future internal audit reports.

The Unit Manager Governance, Risk and Legal provided the Committee with an update in relation to the 2022/2023 Audit Plan and the internal audits planned.

Resolution

- 59/22(ARIC) *That the Committee endorse the report provided by Centium on the Review of 'Audit-Like' Recommendations.*

- 60/22(ARIC) *That the Committee agree to adopt the recommendations 1 to 10 in the Report.*
- 61/22(ARIC) *That the Committee note the discussions and additional information provided regarding the Audit Plans.*
- 62/22(ARIC) *That the Committee make a recommendation that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as on balance it would not be in the public interest to make this information available as Council does not disclose to the public any information from the NSW Audit Office to ensure the efficacy of its investigating, auditing, or reporting functions, some of which are raised in this report.*

5.1 Quarterly External Audit Report

NSW Audit Office provided a verbal update on changes to the external audit team, progress with planning for the 2022 interim audit and key areas of focus for the audit.

Resolution

- 63/22(ARIC) *That the Committee note the verbal update in relation to the Quarterly External Audit Report.*

5.2 Audit Office Final Management Letter for Year Ended 30 June 2021

NSW Audit Office provided a high level overview of the information provided in the management letter arising from the audit for the year ended 30 June 2021. The Committee noted the number of issues raised and Council's commitment to addressing all issues in a timely manner.

Resolution

- 64/22(ARIC) *That the Committee note the Final Management Letter for Year Ended 30 June 2021 as at Attachment 1 to this report.*
- 65/22(ARIC) *That the Committee recommend that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as*
- a) *they contain information about matters affecting the security of Council, Council Officials and/or Council property; and*
 - b) *as on balance it would not be in the public interest to make this information available as Council does not disclose to the public any information from the NSW Audit Office to ensure the efficacy of its investigating, auditing, or reporting functions*

6.1 Governance Lighthouse Report as at 31 March 2022

The Unit Manager Governance, Risk and Legal provided the Committee with an update to the report. The Committee discussed the report, including:

- Proposals to improve information provided and the compilation of the Governance Lighthouse report
- Alignment of the report with the Annual ARIC workplan
- Providing the Committee with an update on Service Level reviews at a future meeting.

Resolution

66/22(ARIC) *That the Committee note the Governance Lighthouse report as at 31 March 2022.*

67/22(ARIC) *The Committee requested that Council explore options to have this report further align with ARIC Workplan with an update be provided at the September 2022 meeting.*

68/22(ARIC) *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

6.2 Council's Insurance Arrangements (34/2022)

Unit Manager Governance, Risk and Legal updated the Committee on Council's self-insurance cover.

Resolution

69/22(ARIC) *That the Committee note the verbal update in relation to Council's self insurance arrangements.*

6.3 Update on Legal Matters - CONFIDENTIAL

Item 6.3 was brought forward ahead of item 3.1

Resolution

70/22(ARIC) *That the Committee note the report on Update on Legal Matters.*

71/22(ARIC) *That the Committee recommend that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

- a) they may contain confidential advice or confidential communications concerning litigation or legal matters that may otherwise be privileged from production on the grounds of legal professional privilege.*

- b) *further, on balance, it would not be in the public interest to make this information available as it may compromise Council's ability to ensure the optimum outcome for the community.*

7 CONTROL FRAMEWORK

7.1 Report from the Office of the Internal Ombudsman

The Committee agree to hold any questions over until Internal Ombudsman staff are available. Any questions arising from the report will be addressed at the next ARIC Meeting.

Resolution

72/22(ARIC) *That the Committee note the report on Report from the Office of the Internal Ombudsman.*

73/22(ARIC) *That the Committee make a recommendation that this report not be made publicly available, pursuant to Clause 78(a) of the Audit, Risk and Improvement Committee Charter, as it contains personnel matters concerning particular individuals.*

8 GENERAL BUSINESS

8.1 Update on Public Inquiry

Unit Manager Governance, Risk and Legal provided the Committee with a verbal update on the Public Inquiry. Key points included:

- All 8 recommendations made by the Commissioner are to be adopted by Council.
- Local Government Elections for the Central Coast LGA will be held in September 2024, continuing the period of Administration for the Council until such time.

Resolution

74/22(ARIC) *That the Committee note the verbal update in relation to the Outcome of the Public Inquiry.*

8.2 Update on ARIC Independent Member recruitment, ARIC Performance review and Meeting cycle

Unit Manager Governance, Risk and Legal provided a verbal update in relation to:

- Recruitment of ARIC Independent Member, with a report to be considered at the June 2022 Council meeting.
- ARIC performance review, noting that the review will be performed either prior to or at the next ARIC meeting

- ARIC Meeting cycle, with the intention of reviewing the timing of future ARIC meetings to better align them with Council's quarterly management cycle.

Resolution

75/22(ARIC) *That the Committee note the verbal update in relation to update on the recruitment of an ARIC independent committee member.*

76/22(ARIC) *That the Committee note a review of the Audit, Risk and Improvement Committee will be considered and undertaken in due course, as per the ARIC Charter.*

The Chair recognised Director Corporate Affairs and Chief Financial Officer Natalia Cowley as this was the final ARIC meeting before her employment with Central Coast Council concludes.

The Chair congratulated and thanked Natalia for her contributions and efforts in helping Council onto a stable footing during her time with the organisation, highlighting Natalia's forthright nature and ability to both provide information to, and challenge, ARIC as being beneficial to the whole process.

The Meeting closed at 4:01pm.

Next Meeting Wednesday 14 September 2022, 2pm – 5pm,
Wyong Committee Room