



Central Coast Council

Audit Risk and Improvement Committee
Meeting

Held Remotely - Online

14 September 2021

MINUTES

Present

Carl Millington (Chairperson)
Arthur Butler
John Gordon
Rik Hart

Independent member
Independent member
Independent member
Administrator (joined 9.50am)

In Attendance

David Farmer
Natalia Cowley
Scott Cox
Lilly Mojsin
Jade Maskiewicz
Jamie Beal
Edward Hock
David Milliken
James Taylor
Kelly Drover
David Daniels
Cassie Malone
Penelope Corkill
Phil O'Toole

Chief Executive Officer
Director Corporate Affairs and Chief Financial Officer
Director Environment and Planning
Senior Internal Ombudsman
Assistant Internal Ombudsman
Unit Manager Information and Technology
Unit Manager Governance and Legal Counsel
Unit Manager Strategic Planning
Section Manager Governance Services
Meeting Support Officer
Audit Office of NSW
Audit Office of NSW
Account Manager, Centium, IA Co-Sourced Partner
Centium, IA Co-Sourced Partner

1 INTRODUCTION

Welcome, Acknowledgement of Country and Apologies

The Chairperson opened the meeting at 9.01am, 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

1.2 Disclosures of Interest

Resolution

87/2021(ARIC) *The Committee noted the standing declarations of current Committee members outlined in the report.*

88/2021(ARIC) *The Committee noted the following less than significant non-pecuniary declarations from John Gordon, who is also a member of the following Committees, and noted the standing declarations would be amended to reflect this list:*

NSW State Government

- *Audit Office of NSW – Independent Member of ARC*
- *NSW Department of Education – Independent Member of ARC*
- *NSW Education Standards Authority (NESAs) – Independent Chair of ARC*
- *NSW Healthcare Complaints commission – Independent Chair of ARC*

NSW Local Government

- *Camden Council – Independent Member (former Chair) of ARC*
- *Inner West Council – Independent Chair of ARC*
- *Liverpool City Council – Independent Member of ARC*
- *Shoalhaven Council – Independent Member of ARC*
- *Sutherland Shire Council – Independent Chair of ARC*
- *Waverley Council – Independent Member of ARC*
- *Woollahra Council – Independent Member (former Chair) of ARC*

89/2021(ARIC) *The Committee recommended 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

90/2021(ARIC) *The Committee confirmed the minutes of the previous meeting held on 24 June 2021.*

91/2021(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

Resolution

92/2021(ARIC) *The Committee noted the report on Outstanding Action Items.*

93/2021(ARIC) *The Committee recommended that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of this report do not fall within any listed exceptions.*

1.5 Council's current status

David Farmer, Chief Executive Officer provided the Committee with an update on Council's current status including the following:

- General financial performance in the current financial year
- Special Rate Variation application
- Water and Sewer pricing and submission to IPART
- A formal review has been commissioned looking into what Council can do regarding the Water and Sewer business and its interaction with the *Local Government Act* and the *Water Management Act*.

The Committee discussed concerns regarding a Water and Sewer business running at a loss and the examples of privatisation of Hunter Water and Corporatisation of Sydney Water.

2 FINANCE

2.1 General finance update

Natalia Cowley, Director Corporate Affairs and Chief Financial Officer provided a General Finance verbal update including the following:

- Unrestricted cash – return to surplus balance as of 30 August 2021.
- Property sales update – as of end of last financial year Council settled \$3.1M of

properties (made up of 7 properties). As of today (14 September 2021), there are \$47.9M of properties under contract (made up of 3 properties) and they are expected to settle by November 2021.

- Rates recovery – Council has reduced its outstanding rates ratio from 9% in the 2020 financial year to 5.4% in 2021.
- As of July 2021, all monthly financial accounts will be placed on the website for the information of the public. A council wide corporate overheads presentation was also provided to staff.
- Restructure – ELT decreased from 9 people to 5, Unit Managers have decreased from 38 people to 25 and Section Managers have decreased from 97 people to 65. Council is also trialing 2 additional Unit Manager realignments in the Corporate Affairs Directorate.

Resolution

94/2021(ARIC) The Committee resolved to accept the General Finance verbal update provided by Director Corporate Affairs and Chief Financial Officer.

2.2 Monthly Financial Report - July 2021

The Committee discussed staff morale including the pressures due to reduced staff numbers, EAP statistics and the ongoing public enquiry.

The Committee discussed bottom line reporting on a costing basis for Council business units and the importance of everyone needing to understand what a bottom line is and how their decisions affect the business.

Resolution

95/2021(ARIC) The Committee noted the Monthly Financial Report - July 2021.

96/2021(ARIC) The Committee requested a briefing be provided at a future meeting on what level the bottom line reporting goes to and an understanding of how the financial reporting is going back to the business and how that data is being used to manage the business properly to the bottom line.

97/2021(ARIC) The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.

Item 4.1 was brought forward ahead of item 2.3

2.3 Draft Financial Statements for the period 1 July 2020 to 30 June 2021

The Committee suggested giving thought to expanding the standing disclosures around internal restrictions, external restrictions, how they are made, how they are controlled and how they are disclosed on a consolidated basis.

Resolution

- 98/2021(ARIC) *The Committee noted the report on Draft Financial Statements for the period 1 July 2020 to 30 June 2021.*
- 99/2021(ARIC) *The Committee recommended that Council adopt the 2020-2021 Draft Consolidated Financial Statements for Central Coast Council that include General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules and refer them to audit.*
- 100/2021(ARIC) *The Committee recommended that Council adopt the 2020-2021 Central Coast Council Water Supply Authority General Purpose Draft Financial Statements and refer them to audit.*
- 101/2021(ARIC) *The Committee requested a report be provided to a future ARIC meeting on Council's insurance arrangements.*
- 102/2021(ARIC) *The Committee recommended 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 INTERNAL AUDIT

3.1 Internal Audit Transitional Activities

Natalia Cowley, Director Corporate Affairs and Chief Financial Officer provided the Committee with an update on personnel matters pertaining to the Chief Internal Audit position, and transitional and future plans for the functions. Council is proposing a model of working directly with the external provider in the current co-source model and having that function being project managed by the Unit Manager Governance and Legal Counsel in consultation with the Internal Ombudsman. This model will be trialled for a 12 month period.

The Committee considered that the proposal constituted an Outsourced Model given the lack of internal audit capacity.

Resolution

- 103/2021(ARIC) *The Committee noted the report on Internal Audit Transitional Activities.*
- 104/2021(ARIC) *The Committee requested a report be provided at a future meeting by the Unit Manager Governance and Legal Counsel on the proposed Outsourced function including the risks, budget and an organisation diagram.*
- 105/2021(ARIC) *The Committee recommended 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, because it contains details of personnel matters concerning particular individuals.*

4 EXTERNAL AUDIT

4.1 NSW Audit Office Management Letter for year ended 30 June 2020 - CONFIDENTIAL

This item was moved ahead of Item 2.3 as a number of the action item due dates are 30 September 2021 and it was important to understand any potential impacts on the draft financial statements before they were discussed.

Resolution

106/2021(ARIC) The Committee noted the NSW Audit Office Management Letter for year ended 30 June 2020.

107/2021(ARIC) The Committee requested that in regard to Issue 2 – Framework and documentation outlining the Council's understanding of restrictions, that the policy document and tracking spreadsheet be presented to the next ARIC meeting after they are available.

108/2021(ARIC) The Committee recommended that this report and the supporting papers to this report not be made publicly available:

- a) pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, as they contain information about matters affecting the security of Council, Council Officials and/or Council property; and*
- b) as on balance it would not be in the public interest to make this information available as Council does not disclose to the public confidential information (such as Management Letters) from the NSW Audit Office to ensure the efficacy of its investigating, auditing or reporting functions.*

4.2 NSW Audit Office Annual Engagement Plan for year ended 30 June 2021 - CONFIDENTIAL

David Daniels, NSW Audit Office noted that the audit timetable was ambitious and there was a risk of it not being met. It was noted that the stability of the Finance team is being demonstrated through the responsiveness and quick turnaround of queries.

Natalia Cowley noted that Council are making every effort to ensure that the 31 October 2021 deadline is met. It was noted that Council still has the option to request an exemption from the OLG with just one week's notice if required, however this will only be exercised if absolutely necessary.

Resolution

109/2021(ARIC) The Committee noted the report on NSW Audit Office Annual Engagement Plan for year ended 30 June 2021.

110/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report not be made publicly available:*

- a) *pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, as they contain information about matters affecting the security of Council, Council Officials and/or Council property; and*
- b) *as on balance it would not be in the public interest to make this information available as Council does not disclose to the public confidential information (such as Annual Engagement Plans) from the NSW Audit Office to ensure the efficacy of its investigating, auditing or reporting functions.*

4.3 Feedback on actions proposed in ITGC Management Letter

Resolution

111/2021(ARIC) *The Committee noted the report on Feedback on actions proposed in ITGC Management Letter.*

112/2021(ARIC) *The Committee recommended 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 it contains matters that may affect the security of Council, Council Officials and Council property.*

5 GOVERNANCE

5.1 Update on Public Inquiry

The Public Hearings will commence 27 September 2021.

Resolution

113/2021(ARIC) *The Committee noted the report on Update on Public Inquiry.*

114/2021(ARIC) *The Committee recommended 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.*

5.2 Update on investigations regarding contingency workforce engagement

It was noted that this report is still yet to be finalised.

Resolution

115/2021(ARIC) *The Committee request that the update on investigations regarding*

contingency workforce engagement be deferred to a future ARIC meeting.

5.3 Update on Legal Matters – CONFIDENTIAL

Edward Hock, Unit Manager Governance and Legal Counsel advised the Committee of an update that was in addition to matters contained in the report distributed to the Committee.

Resolution

116/2021(ARIC) The Committee noted the report on Update on Legal Matters.

117/2021(ARIC) The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as:

- 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*

6 RISK MANAGEMENT

6.1 Enterprise Risk Management Report - August 2021

The Committee suggested contacting Statewide Mutual to obtain information on the top 20 strategic risks of every Local Government in Australia. Statewide offer this as a free service and Council should be leveraging that relationship.

Resolution

118/2021(ARIC) The Committee noted the report on Enterprise Risk Management Report - August 2021.

119/2021(ARIC) The Committee requested a one hour meeting be held before all future Ordinary ARIC meetings with the Unit Manager Governance and Legal Counsel and Enterprise Risk Manager providing a Risk briefing to the Committee.

120/2021(ARIC) The Committee recommended that this report not be 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.

6.2 Minutes of the Risk Management Committee Meeting 17 August 21

The Committee noted that the Risk Management Committee Meeting minutes did not contain sufficient detail to enable the Committee to monitor the effectiveness of Council's management of its various risks. It was suggested more thorough minutes be prepared in future, including detailed discussion, issues that are being addressed and outstanding action points.

Resolution

121/2021(ARIC) *The Committee noted the report on Minutes of the Risk Management Committee Meeting 17 August 21.*

122/2021(ARIC) *The Committee recommended 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.*

6.3 IM&T Update

Resolution

123/2021(ARIC) *The Committee noted the verbal IM&T update provided by Unit Manager Information and Technology.*

124/2021(ARIC) *The Committee requested that this item be deferred to the December ARIC meeting to allow time for a more detailed discussion.*

125/2021(ARIC) *The Committee recommended 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 it contains matters that may affect the security of Council, Council Officials and Council property.*

7 PERFORMANCE

7.1 Q4 2020/ 2021 - Complaints and Compliments Report

Resolution

126/2021(ARIC) *The Committee noted the report on Q4 2020/ 2021 - Complaints and Compliments.*

127/2021(ARIC) *The Committee recommended 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.*

8 LEGISLATIVE COMPLIANCE

8.1 Governance activities update

The Committee discussed Council's Compliance Register, and recommended that Council identify all legislation that is applicable to Council and allocate responsibility for ensuring compliance.

Resolution

128/2021(ARIC) The Committee noted the report on Governance activities.

129/2021(ARIC) The Committee recommended that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is confidential and unsuitable to be published.

8.2 Integrated Planning and Reporting Activities for 2021-22

David Milliken, Unit Manager Strategic Planning advised that the end of term report will be going to the 28 September 2021 Council meeting.

Under usual circumstances a full review of the Community Strategic Plan (CSP) would have occurred in 2021 following the local government elections and driven by the newly elected body. However, as Council is currently under Administration and subject to a public inquiry, the elections have been postponed till 2022. Therefore, a comprehensive review of the CSP won't occur until the elections have been held for the Central Coast.

It is proposed to complete a two stage review of the CSP with the first phase being a desktop review to ensure it is fit for purpose for the next 4 year cycle. The second phase will commence once we know when Councillors are returning at which point we will review more holistically. Both phases will require public exhibition.

The development of a Delivery Program is underway which is normally a 4 year plan but due to COVID-19 the next cycle will only be 3 years. A workshop will be held shortly with Unit Managers to start this process.

Resolution

130/2021(ARIC) The Committee noted the report on Integrated Planning and Reporting Activities for 2021-22.

131/2021(ARIC) The Committee recommended 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.

9 FRAUD CONTROL

9.1 Report from the Office of the Internal Ombudsman

Lilly Mojsin, Senior Internal Ombudsman advised the Committee of changes to some responsibilities relating to complaints handling, and management of Audit Tracker.

Resolution

132/2021(ARIC) The Committee noted the Report from the Office of the Internal Ombudsman.

133/2021(ARIC) The Committee recommended 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.

10 GENERAL BUSINESS

10.1 OLG's Risk Management and Internal Audit Framework

The Committee discussed the Risk Management and Internal Audit Framework for NSW Councils which was released on 24 August 2021 for a 3 month consultation period.

Following June 2022, Councils will have two years, until 30 June 2024 to comply with the risk management and internal audit requirements under the guidelines and five years to comply with the audit, risk and improvement committee requirements.

Edward Hock advised that the ARIC Terms of Reference (formerly referred to as the Charter) and constitution of our ARIC Committee is broadly complying in advance of the aforementioned deadline.

Resolution

134/2021(ARIC) The Committee received the verbal update on the Risk Management and Internal Audit Framework.

10.2 ARIC Annual work plan

The Committee discussed the development of the annual work plan and acknowledged the amount of effort that has been applied in progressing the plan.

The Committee agreed the plan will improve the effectiveness of both ARIC and the whole organisation's management.

Feedback continues to be sought from the relevant stakeholders to ensure that the plan will assist ARIC to comply with its Charter.

Resolution

135/2021(ARIC) The Committee request that a comprehensive report on the ARIC Annual Work Plan be tabled at the December ARIC meeting and that it be circulated for discussion prior to the meeting.

10.3 Performance Audit Program

The Performance Audit Program was discussed and it was identified that there may be a number of audits of interest to the Committee such as *Cyber Security* and *Effectiveness of financial management and governance in selected councils*. It was suggested that David Daniels, NSW Audit Office may be able to provide insight at the next meeting into whether or not Central Coast Council is in the frame for any of those audits and provide details of the proposed program.

Resolution

136/2021(ARIC) The Committee request that David Daniels, NSW Audit Office run through the Performance Audit Program at the December ARIC meeting.

The Meeting closed at 12.59pm.

Next Meeting Tuesday 7 December 2021
 2pm – 5pm
 Microsoft Teams