AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

04 December 2019

Meeting Notice

**The Audit Risk and Improvement Committee Meeting
of Central Coast Council
will be held in the Committee Room,
2 Hely Street, Wyong on
Wednesday 4 December 2019,**

for the transaction of the business listed below:

GENERAL REPORTS

CONFIDENTIAL ITEMS

Please note item numbers correspond to items as they appear on the Agenda (see pages 3 and 4)

Gary Murphy
Chief Executive Officer

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ITEM		PAGE	RESPONSIBLE OFFICER
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Close			Colin Gellatly

Item No:	1.2
Title:	Disclosures of Interest
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13704492

Report Purpose

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the Councillors 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 in part that:

(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.

Further, the Code of Conduct adopted by Council applies to all Councillors and Staff. The Code relevantly provides that if a Councillor or Staff member has 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 conflict of interests might be managed.

Recommendation

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

2   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 6.4 of the Audit, Risk and Improvement Committee Charter.

Item No:	1.3
Title:	Confirmation of Minutes of Previous Meetings
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference:	F2018/00028 - D13705945
Author:	Kelly Drover, Advisory Group Support Officer
Manager:	Shane Sullivan, Unit Manager, Governance and Business Services
Executive:	Dr Liz Develin, Director Governance

Summary

Confirmation of minutes of the previous Audit, Risk and Improvement Committee meeting held on *1 October 2019.*

These minutes were circulated to all Audit, Risk and Improvement Committee members by email on 15 October 2019.

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 1 October 2019.

2   That the Committee make a recommendation 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 6.4 of the Audit, Risk and Improvement Committee Charter.

Attachments

1 ARIC Minutes - 1 October 2019   D13704500

Central Coast Council

Minutes of the

AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

Held in the Committee Room, 49 Mann Street, Gosford
on 1 October 2019 at 2pm

Present

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

Staff in Attendance

Gary Murphy	Chief Executive Officer
Craig Norman	Chief Financial Officer
Dr Liz Develin	Director Governance
Brett Sherar	Acting Director Environment and Planning
Julie Vaughan	Director Connected Communities (arrived 3.20pm)
Tina Baker	Chief Internal Auditor
Gordon Plath	General Counsel (arrived 2.50pm, left 3.25pm)
Peter Armour	Unit Manager Plant and Fleet (arrived 3.35pm, left 4.02pm)
James Taylor	Acting Unit Manager Governance and Business Services
Phil Moriarty	Section Manager People Development and Expertise (arrived 3.35pm, left 4.02pm)
Kelly Drover	Advisory Group Support Officer
Aaron Green	Audit Office of NSW (phoned in 2pm – 2.20pm)
Cassie Malone	Audit Office of NSW

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

1   INTRODUCTION

1.1   Welcome, Acknowledgement of Country and Apologies

The Chairperson, Colin Gellatly completed an Acknowledgement of Country.

Apologies Received: Nil

1.2   Disclosures of Interest

Resolution

1   *That the Committee receive the report on Disclosures of Interest.*

2   *John Gordon declared a less than significant non-pecuniary interest as an Independent Member on Waverly Council Audit, Risk and Improvement Committee.*

3   *That the Committee recommends that the report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

1.3   Confirmation of previous ARIC meeting minutes

Resolution

1   *That the minutes of the Audit, Risk and Improvement Committee meeting held on 19 June 2019 be confirmed.*

2   *That the Committee recommends that the report and 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 6.4 of the Audit, Risk and Improvement Committee Charter.*

1.4   Outstanding Action Items

Resolution

1   *That the Committee notes the report.*

2   *That a meeting be held with John Gordon, Senior Internal Ombudsman and Director Governance to discuss general observations on best practice and a presentation to be provided at the 4 December 2019 meeting.*

3   *That the Committee recommends that the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

2   INTERNAL AUDIT

2.1   CIA Quarterly Progress Report

Resolution

1   *That the Committee receive the Chief Internal Auditor's report.*

2   *That the Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, a 'confidential' privacy marking be assigned to this report for the reason that it contains information of final audit reports which refer to control weaknesses and risk exposures that could compromise the "security of Council, Council Officials and Council property".*

2.2   Implementation of Management Actions arising from IA Review

Resolution

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

2   *That the Audit, Risk and Improvement Committee recommend an annual assurance statement be provided to the Chief Executive Officer verifying that all audit recommendations closed off during the previous 12 months have been either actioned and/or the identified issues addressed such that the risk exposures are being sufficiently mitigated. A copy of the annual assurance statement to be provided to the Audit, Risk and Improvement Committee for their information.*

3   *Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee recommends assigning a 'confidential' privacy marking to Appendix 1 to this report for the reasons that it contains information that could compromise the "security of Council, Council Officials and Council property".*

2.3   IA Balanced Scorecard Report

Tina Baker – Internal Auditor advised that the Evaluation Panel Meeting for the recruitment of a co-source partner is being held 8 October 2019.

Resolution

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

2   *That the Audit, Risk and Improvement Committee recommend management comments and recommendations from the External Auditor are provided on all future Internal Audit reports and that a dashboard be provided.*

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

3   *That the Audit, Risk and Improvement Committee recommend the 4 year audit schedule is placed on hold till the co-source partner is on board.*

4   *Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee recommends assigning a 'confidential' privacy marking to Appendix 2 to this report for the reasons that it contains personal information that could compromise the "security of Council, Council Officials and Council property".*

2.4   IA Annual Assurance Statement (annual report)

Resolution

1   *That the Audit, Risk and Improvement Committee receive the IA Annual Assurance Statement for 2018/19 and accompanying information from the Chief Internal Auditor.*

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

2.5   IA Work Program to December 2020 (annual report)

Resolution

1   *That the Audit, Risk and Improvement Committee approve the proposed IA schedule of work and longer term work programme in accordance with section 4.5 of their Charter.*

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

2.6   IA Year in Review (annual report)

Resolution

1   *That the Audit, Risk and Improvement Committee receive the Internal Audit 'Year in Review' report.*

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

Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

2.7   IA Emerging Themes Report (annual report)

Resolution

1   *That the Audit, Risk and Improvement Committee receive the IA Emerging Themes Report.*

2   *That the Audit, Risk and Improvement Committee recommend a Data Breach Policy to be investigated (if Council doesn't already have one).*

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

3   EXTERNAL AUDIT

This item was brought forward to follow item 1.3

3.1   Information Technology General Controls (ITCG) Interim Management Letter

Aaron Green – Audit Office of NSW discussed the Information Technology General Controls (ITCG) Interim Management Letter.

John Gordon advised of a State Government matter regarding compliance with a Cyber Risk Policy which doesn't currently apply to Local Government, but it may be something Council want to investigate in the future.

The Audit Office identified that Council are at risk of not meeting the 31 October 2019 deadline for the Audit of Financial Statements and recommended we advise the Office of Local Government that the deadline may not be met.

Resolution

1   *That the Audit, Risk and Improvement Committee receive the Interim Management Letter from the Audit Office of NSW.*

2   *Feedback to be provided at the 4 December 2019 Audit, Risk and Improvement Committee meeting on Management Actions identified in the Information Technology General Controls Management Letter.*

3   *Audit, Risk and Improvement Committee members to be provided with draft financial statements for reporting period 1 July 2018 to 30 June 2019 for review.*

4   *Process to be updated for future years so that the Audit, Risk and Improvement Committee Members are provided with draft financial statements to be able to provide feedback to management to ensure the 31 October deadline is met.*

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

5   *That the Committee recommends that pursuant to Clause 6.4 of the Audit,*
       Risk and Improvement Committee Charter that the Interim Management
       Letter not be made publicly available and be kept "confidential" as these
       documents:

       a. *May contain confidential information about matters affecting the security*
           of Council, Council Officials and/or Council property; and

       b. *Further, 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.

4   RISK MANAGEMENT

4.1   Risk Management Framework and Risk Register

Resolution

1   *That the Audit, Risk and Improvement Committee receive the report about the*
     Enterprise Risk Management Framework.

2   *That the Risk Management Framework and Risk Register be included on the*
     agenda for the 4 December 2019 Audit, Risk and Improvement Committee
     Meeting.

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

4.2   Fraud and Corruption Control Policy

Resolution

1   *That the Audit, Risk and Improvement Committee receive the Fraud and*
     Corruption Control Policy noting it is a very thorough document, however the
     following to be included:

     a   *the Internal Ombudsman should be included in the framework.*

     b   *a quick reference guide to be included at the beginning of the*
          document including definitions and examples.

     c   *Public Interest Disclosures and Complaints to be included.*

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

> d   *Provision of Fraud and Corruption Control Training to be provided for all staff, not just Managers and Team Leaders (including the provision of annual online training).*
>
> e   *The protection of customers and community members privacy when providing information of suspected fraud or corruption to be further investigated.*

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

4.3   Business Continuity Plan – Implementation and Update

Resolution

1   *That the Audit, Risk and Improvement Committee receive the summary update on Council's Business Continuity Planning process.*

2   *Data Breach Reporting and Disaster Recovery Plan and testing to be brought back to the 4 December 2019 Audit, Risk and Improvement Committee Meeting.*

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

5   IMPROVEMENTS

5.1   Dashboard – collection of performance measurement data by the Council

Resolution

1   *That the Audit, Risk and Improvement Committee request a Draft Dashboard be provided at the 4 December 2019 meeting with Key Performance Indicators outlining Council's performance on Productivity and Governance.*

6   GOVERNANCE

6.1   General Observations on best practice

Item deferred to December 2019 meeting.

6.2   ICAC / Code of Conduct

Item deferred to December 2019 meeting.

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

6.3   Update on Legal Matters – CONFIDENTIAL REPORT

Gordon Plath – General Counsel presented the Legal Matters Report.

The reason for dealing with the report confidentially is that it contains advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege.

1   *That the Audit, Risk and Improvement Committee receive the Update on Legal Matters Report.*

2   *The Audit, Risk and Improvement Committee request a report be brought back to the 4 December 2019 meeting on building cladding.*

3   *That the Committee recommends that pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter this report and supporting papers not be made publicly available and be kept confidential as these documents:*

    a. *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.*

6.4   Legislation Compliance Reporting Process

Resolution

1   *That the Audit, Risk and Improvement Committee receive the Legislation Compliance Reporting Process Report.*

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

6.5   GIPA Review Outcomes

Resolution

1   *That the Audit, Risk and Improvement Committee receive GIPA Review Outcomes Report.*

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

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

6.6   **Council Resolution to establish an Integrity and Ethical Standards Unit**

Resolution

1.   *That the Audit, Risk and Improvement Committee receive the report on the Council Resolution to establish an Integrity and Ethical Standards Unit.*

2.   *That the Audit, Risk and Improvement Committee consider that there is no need to establish an Integrity and Ethical Standards Unit as the proposed functions are already addressed by the existing structure. The Committee recommends that Council review the resourcing of the current structure, as well as the preparation and distribution of regular reports from that functional area.*

3.   *That the Committee recommends that this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

7   FINANCE

7.1   **Policy for Investment Management**

Resolution

1.   *That the Audit, Risk and Improvement Committee receive the Policy for Investment Management Report.*

2.   *That the Committee recommends that this report and supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

8   GENERAL BUSINESS

8.1   **Chain of Responsibility**

Phil Moriarty - Section Manager People Development and Expertise and Peter Armour - Unit Manager Plant and Fleet provided a presentation on the Chain of Responsibility.

8.2   **Response to GB5/19 The use of Roundup weed killer in Council's operations**

Resolution

1.   *That the Audit, Risk and Improvement Committee receive the report on the use of Roundup weed killer in Council's operations.*

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Minutes of the Audit Risk and Improvement Committee Meeting of Council 1 October 2019 contd

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

8.3   Notice of Motion – Independent Audit Investigation into RPAC

Resolution

1   *That the Audit, Risk and Improvement Committee receive the correspondence in relation to the proposed independent audit investigation into RPAC.*

2   *That the Audit, Risk and Improvement Committee consider that the proposed audit investigation is not within its area of responsibility, but request that the Committee be kept informed on progress with the matter. The Committee recommends that Council develops comprehensive Terms of Engagement for the project and further recommends the appointment of an independent specialist project manager to support the project.*

3   *That the Committee recommends that this report not be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

8.4   Draft Agenda for December 2019 Meeting

Resolution

1   *That the Audit, Risk and Improvement Committee to provide feedback to the Convenor on any items to be included on the agenda for the 4 December 2019 meeting.*

2   *That the Co-Source partner present at the 4 December 2019 Audit, Risk and Improvement Committee Meeting.*

3   *A tour of Councils' Water and Sewer Assets for the independent committee members to be scheduled for the week commencing 9 December 2019.*

Next Meeting: Extraordinary Meeting to review Financial Statements
                           Tuesday 26 November 2019 (Tentative)
                           2pm – 5pm
                           Gosford Committee Room

                           Ordinary Meeting
                           Wednesday 4 December 2019
                           2pm – 5pm
                           Wyong Committee Room

The Meeting closed at 4.12pm

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Item No:	1.4
Title:	Outstanding Action Items
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13704530

Author:	Zoie Magann, Advisory Group Support Officer
Manager:	Shane Sullivan, Unit Manager, Governance and Business Services
Executive:	Dr Liz Develin, Director Governance

Report Purpose

A review of the Outstanding Action Items from previous meetings.

Recommendation

1   That the Committee notes the report.

2   That the Committee makes a recommendation that the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

ARIC ACTION ITEMS			
ITEM	**ACTION**	**RESPONSIBLE OFFICER**	**STATUS**
1.4 1 October 2019	That a meeting be held with John Gordon, Senior Internal Ombudsman and Director Governance to discuss general observations on best practice and a presentation to be provided at the 4 December 2019 meeting.	Director Governance	To be presented at 4 December 2019 meeting (Item 6.1). Action is closed.
2.2 1 October 2019	That the Audit, Risk and Improvement Committee recommend an annual assurance statement be provided to the Chief Executive Officer verifying that all audit recommendations closed off during the previous 12 months have been either actioned and/or the identified issues addressed such that the risk exposures are being sufficiently mitigated. A copy of	Chief Internal Auditor	Included in CIA Quarterly Progress Report to be presented at 4 December 2019 meeting (Item 2.2 – see page 23). Action is closed.

	the annual assurance statement to be provided to the Audit, Risk and Improvement Committee for their information.		
2.3 1 October 2019	That the Audit, Risk and Improvement Committee recommend management comments and recommendations from the External Auditor are provided on all future Internal Audit reports and that a dashboard be provided.	Chief Internal Auditor	Included in IA Action Tracker to be presented at 4 December 2019 meeting. Director Governance will present to the Committee on a proposed dashboard at the meeting of 4 December 2019 (Item 5.1 – see page 74) Action is closed.
2.3 1 October 2019	That the Audit, Risk and Improvement Committee recommend the four-year audit schedule is placed on hold till the co-source partner is on board.	Chief Internal Auditor	Report provided for 4 December 2019 meeting (Item 2.1). Action is closed.
2.7 1 October 2019	That the Audit, Risk and Improvement Committee recommend a Data Breach Policy to be created (if Council doesn't already have one).	Chief Information Officer / Director Governance	Report provided for 4 December 2019 meeting (Item 6.7 – see page 134). Action is closed.
3.1 1 October 2019	Feedback to be provided at the 4 December 2019 Audit, Risk and Improvement Committee meeting on Management Actions identified in the Information Technology General Controls Management Letter.	Chief Information Officer	Martin Elwell, Chief Technology Officer will be attending to address (Item 7.2).
3.1 1 October 2019	Audit, Risk and Improvement Committee members to be provided with draft financial statements for reporting period 1 July 2018 to 30 June 2019 for review.	Chief Financial Officer	ARIC Extraordinary Meeting is scheduled for 20 February 2020 (Item 9.2).
3.1 1 October 2019	Process to be updated for future years so that the Audit, Risk and Improvement Committee Members are provided with draft financial statements to be able to provide feedback to management to ensure the 31 October deadline is met.	Chief Financial Officer	Actioned by Craig Norman, Chief Financial Officer. Action is closed.

4.1 1 October 2019	That the Risk Management Framework and Risk Register be included on the agenda for the 4 December 2019 Audit, Risk and Improvement Committee Meeting.	Director Governance	Report provided for 4 December 2019 meeting (Item 4.1 – see page 67). Action is closed.
4.1 1 October 2019	That the Audit, Risk and Improvement Committee receive the Fraud and Corruption Control Policy noting it is a very thorough document, however the following to be included: a) the Internal Ombudsman should be included in the framework. b) a quick reference guide to be included at the beginning of the document including definitions and examples. c) Public Interest Disclosures and Complaints to be included. d) Provision of Fraud and Corruption Control Training to be provided for all staff, not just Managers and Team Leaders (including the provision of annual online training). e) The protection of customers and community members privacy when providing information of suspected fraud or corruption to be further investigated.	Director Governance	Report provided to Council on 11 November 2019 incorporating feedback. Resolution of Council emailed to ARIC on 19 November 2019. Further report to be provided to Council on 9 December 2019. Action is closed.
4.3 1 October 2019	Data Breach Reporting to be brought back to the 4 December 2019 Audit, Risk and Improvement Committee Meeting.	Director Governance	Update to be provided at 4 December 2019 meeting (Item 6.7 – see page 134).
4.3 1 October 2019	Disaster Recovery Plan and testing to be brought back to the 4 December 2019 Audit, Risk and Improvement Committee Meeting.	Director Governance	Report provided for 4 December 2019 meeting (Item 6.7 – see page 134). Action is closed.

6.3 1 October 2019	The Audit, Risk and Improvement Committee request a report be brought back to the 4 December 2019 meeting on building cladding.	Director Environment and Planning	Report provided for 4 December 2019 meeting (Item 4.2 – see page 71). Action is closed.
6.6 1 October 2019	That the Audit, Risk and Improvement Committee consider that there is no need to establish an Integrity and Ethical Standards Unit as the proposed functions are already addressed by the existing structure. The Committee recommends that Council review the resourcing of the current structure, as well as the preparation and distribution of regular reports from that functional area.	Director Governance	Reported to Council at 28 October 2019 Ordinary Council Meeting. Further report provided for ARIC meeting of 4 December 2019 (Item 6.5 – see page 110) Action is closed.
8.3 1 October 2019	That the Audit, Risk and Improvement Committee consider that the proposed audit investigation is not within its area of responsibility, but request that the Committee be kept informed on progress with the matter. The Committee recommends that Council develops comprehensive Terms of Engagement for the project and further recommends the appointment of an independent specialist project manager to support the project.	Director Governance	Noted by Director Governance. Action is closed.
8.4 1 October 2019	That the Audit, Risk and Improvement Committee provide feedback to the Convenor on any items to be included on the agenda for the 4 December 2019 meeting.	ARIC members	Emailed Committee Members 17/10 with follow up on 31/10. Feedback received and incorporated. Action is closed.
8.4 1 October 2019	That the Co-Source partner present at the 4 December 2019 Audit, Risk and Improvement Committee Meeting.	Chief Internal Auditor	Presentation to be provided at 4 December 2019 meeting (Item 2.1) Action is closed.
8.4 1 October 2019	A tour of Councils' Water and Sewer Assets for the independent committee members to be scheduled for the week commencing 9 December 2019.	Director Governance	Due to availability of the CEO and external ARIC members, dates for early February

			2020 are being investigated.

Attachments

Nil.

Item No:	2.3
Title:	Implementation of Management Actions Arising From IA Reviews
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13727821
Author: Tina Baker, Chief Internal Auditor
Executive: Dr Liz Develin, Director Governance

Report Purpose

This report is provided to the Committee to help meet section 4.5 of their Charter obligations, which states: "The Committee is responsible for: *[inter alia]*

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

Summary

This report on *Implementation of Management Actions Arising From IA Reviews* forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee. It tracks the open and closed management actions and associated risk exposures and provides the Committee with details of the management responses and actions taken against the recommendations

Recommendation

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

2   Pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter, that the Audit, Risk and Improvement Committee consider assigning a 'confidential' privacy marking to Appendix 1 to this report for the reasons that it contains information that could compromise the "security of Council, Council Officials and Council property".

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Background

When IA reviews identify a control weakness, the risk exposure is reported and recommendations to mitigate the risk are captured in a written report along with responses and any corrective action agreed by management.

Management nominate a date by which their agreed action will be implemented in accordance with their own operational priorities. The recommendations and management responses are now being captured in the Audit Task Tracker system. The Audit Task Tracker is not yet accessible to staff as there are still a number of technical changes to be implemented. Once these have been actioned, staff should be able to update their actions when appropriate, rather than when formally commissioned by IA.

Management updates, implementation of the agreed or partially agreed actions are reported by the Chief Internal Auditor to the Audit, Risk and Improvement Committee on a quarterly basis.

Current Status

One audit report has been finalised since the last report to the Committee. The findings, recommendations and management responses have been incorporated into the tables at Appendix 1.

During this quarter:

- **5** actions were added
- **8** actions were re-opened
- management closed **7 actions**

The eight management actions that were re-opened relate to the *Procurement of IT Goods* review. The actions were originally closed by management without accepting the recommendations and so there are no implementation dates assigned. The original responses to the recommendations are shown in the attached tables. However, a recent investigation by the Internal Ombudsman has led to the closed IA recommendations being re-opened. IM&T management are re-considering their responses and what controls need to be implemented to mitigate the crystallised risks. It is anticipated that implementation dates will accompany the management actions, once determined.

The status summary and trends over time for remaining open management actions is shown below:

Status at Mar 2018	Status at June 2018	Status at Sept 2018	Status at Dec 2018	Status at Feb 2019	Status at June 2019	Status at Sept 2019	Status at Dec 2019
81 open actions from **19** different reviews	**24** open actions from **10** different reviews	**46** open actions from **12** different reviews	**43** open actions from **12** different reviews	**27** open actions from **6** different reviews	**10** open actions from **4** different reviews	**38** open actions from **8** different reviews	**44** open actions from **9** different reviews

The detailed tables at Appendix 1 shows the findings and recommendations for each review, the originally agreed implementation dates and most recent management updates, including those for closing out the **7** items since the last report.

Departmental Headline Data

The **44** open actions are with the following departments:

Finance	7
IM&T	8
Governance	3
People & Culture	4
Connected Communities	19
Roads, Transport, Drainage & Waste	2
Environment & Planning	1

As highlighted in the previous report, one action relating to a review of Contributions that was not originally assigned an action date (due to the style of reporting at the time), has since been assigned an action date of 31 March 2020. So, the action is not yet showing as overdue, although the review was conducted and reported in 2016.

Of the **44** open actions, per department, the due/overdue status is as follows:

	Not yet due	1-6m overdue	7-12m overdue	13-12m overdue	25m+ overdue	No action date	TOTAL
Finance	2	4	0	0	1	0	7
IM&T	0	0	0	0	0	8	8
Governance	2	1	0	0	0	0	3
People & Culture	4	0	0	0	0	0	4
Connected Communities	13	5	0	0	1	0	19
Roads, Transport, Drainage & Waste	0	0	2	0	0	0	2
Environment & Planning	1	0	0	0	0	0	1

There is inequity among the departments due to the following factors:

(i) audit actions may have originated in one department but have been transferred across to other departments. For example CCTV actions originally were assigned to Plant and Fleet (Finance) as the Unit Manager also had carriage of the CCTV project, but this project transferred to Connected Communities recently;

(ii) where there are only a few audit actions eg for Environment and Planning, this is because that Department has closed out all the management actions that have previously been agreed;

(iii) most of the actions that are still open relate to the most recent IA reviews and so have actions that are not yet due. As can be seen from the list of reviews in the summary table below, the audits of Libraries and Seniors Centres – both of which form part of Connected Communities – were completed recently and so the agreed actions are still current.

The new IA audit schedule reflects a more balanced programme of audits across the organisation. As the work programme is rolled out, it is anticipated that the number of actions for each Department will show a broader spread across the Departments to reflect the wider coverage of Council's activities.

Improving Accountability

Whilst the recording of open and closed management actions provides some useful data, it should be acknowledged that this is not effective if it is the *only* measure of 'monitoring the implementation of audit recommendations by management'. Whilst Internal Audit have some responsibility for conducting validation reviews which determine, on closed audits, whether the actions agreed have actually been implemented and address the identified risk exposures, this only forms a very small component of the IA work programme. The re-launched Audit Tracker has provision for management to attach evidence to validate the action undertaken to close out the item and this was utilised by the Unit Manager of Waste Services and Business Development for one of the actions under the *Cash Management in Waste Services* review.

 It is incumbent upon management (at all levels) to ensure controls are effectively mitigating the associated risks and that systems/processes are operating efficiently and cost-effectively. It can be discerned from management comments in the actions table whether audit recommendations are being considered as making an important contribution to strengthening systems and process controls or whether they are perceived as an additional set of management tasks that seem to sit outside of operational business as usual.

To strengthen accountability it was agreed by the Committee at their last meeting on 1 October 2019 that Directors would provide the CEO with an annual assurance statement verifying that all audit recommendations closed off during the previous 12 months have been either actioned and/or the identified issues have been addressed such that the risk exposures are being sufficiently mitigated. This is in line with the proposals in the OLG discussion paper *"A New Risk Management and Internal Audit Framework for Local Councils in NSW"*. The Chief Internal Auditor is drafting a template assurance statement for that purpose.

Summary Table

#	Audit Title (Former Council)	Date of Final Report	# Actions Closed	# Remaining Open Actions	Risk Exposure of Open Actions
1	Libraries	October 2019	3	2	2 moderate
1	Seniors Centres	September 2019	0	11	8 high; 3 moderate
2	NHV Accreditation Scheme (NHVAS)	August 2019	0	6	2 high; 4 moderate
3	Cash Management In Waste Services	August 2019	4	6	5 high; 1 moderate
4	Procurement of IT Goods	August 2019	0	3 + 8 re-opened	10 high; 1 moderate
5	CCTV	August 2018	0	5	4 high; 1 moderate
6	S94 Contributions (WSC)	May 2016	0	1	1 x moderate
7	Cash Management (GCC)	October 2015	0	1	Not assigned
8	CCTV (WSC)	May 2014	0	1	1 x moderate
	TOTALS		**7 closed actions**	**44 open actions from 8 audits**	**29 x high 14 x moderate 1 x not assigned a risk rating**

Conclusions

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.   In addition, it is the responsibility of management 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 to warrant the closure of the action.

Senior management are advised that they are accountable in the event that items have been closed off but the mitigating action has not actually been undertaken and the identified risk crystallises. It is also the responsibility of senior management to determine what action or intervention should be taken in the event of overdue actions and to ensure that action taken to close out an item is appropriate to address the risk and issue highlighted by the audit finding.

The Audit, Risk and Improvement Committee are encouraged to use the information in IA reports, this report and the accompanying tables to:

- ensure they are satisfied that the management responses on closed actions sufficiently address the audit issues and risks highlighted;
- identify any specific strategic or operational activities they would like to discuss with management at future meetings in respect of risk mitigation measures and system/process improvements;
- form a view on the control framework and advise Council and the CEO accordingly, in line with ARIC Charter obligations section 4.2, namely:

- Reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
- Reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
- Reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

The suggestion for Directors to provide the CEO with an annual assurance sign off statement to verify actions taken in response to audit findings is intended to help strengthen accountability in this regard.

Attachments

1 NOV 19 Management Actions table   D13727719

Item No:	2.4
Title:	Internal Audit Four Year Audit Schedule and Work Programme
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13726047

Author: Tina Baker, Chief Internal Auditor

Executive: Dr Liz Develin, Director Governance

Report Purpose

The *IA Four Year Audit Schedule and Work Programme* is presented to the Audit, Risk and Improvement Committee for consideration and approval.

Summary

A paper setting down a schedule of audits for Q2 2019 through to December 2020 (to cover the early election period of the next Council term), a longer-term projected plan of audits through to the end of Financial Year 2022/2023 and a proposed work programme covering the other elements of the IA Framework for the same period.

Recommendation

1   That the Audit, Risk and Improvement Committee approve the proposed IA schedule of work and longer term work programme in accordance with section 4.5 of their Charter.

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.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Context

The full IA work programme comprises:

- Internal audit (business assurance) reviews (which makes up 75-80% of the IA work programme)
- Consulting and advisory activities
- Quality and performance of the IA function
- Organisational risk and audit needs assessment

Changes To The Previous Plan

At their meeting of 1 October 2019 the Committee agreed to postpone ratifying the IA work programme until the co-sourced partner had been appointed and could provide input to the suggested schedule of reviews. Centium were appointed on 1 November 2019 and the revised plan presented to this meeting of the Committee reflects the feedback provided.

Key changes to the previous plan are:

- The proposed Fraud and Corruption Risk Assessment and the review of Business Analytics have been pushed back. The audits of Complaints Management and Cyber Security have been brought forward.

- There is more emphasis on front-line services with the inclusion of reviews relating to Water Supply Management, Roads Maintenance ("Pothole Management") and Development Assessments. Future periods continue this increased cross-organisational coverage by including reviews such as Beach Safety, Rates and Billing and Bridges and Wharves. All of these are of strong community interest.

Plan Review

The full audit work programme is revisited and revised quarterly to ensure it remains focused on areas of strategic importance and relevance and that budgets are appropriate for the proposed scope of the reviews. A revised plan will be submitted to the Audit, Risk and Improvement Committee indicating any proposed changes, each quarter, if required.

The audit schedule will be refined as the Enterprise Risk Management system becomes more sophisticated and aligned with the full range of corporate and operational risks across Council and the risks facing the local government sector more generally.

The Chief Internal Auditor will report progress against the work programme in her quarterly CIA report in line with standard practice.

Conclusion

Under section 4.5 of their Charter, the Audit, Risk and Improvement Committee are responsible for:

- reviewing the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan;
- consider *(sic)* the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan

The proposed IA work programme is intended to provide a balanced and broad coverage of the organisation's activities whilst focusing on key risk areas.   Whilst the previous programme had a strong emphasis on 'back office' functions, this updated programme includes more 'front facing' services, which gives greater balance to the audit schedule, provides broader coverage across the organisation and incorporates areas of Council services that tend to be of the most concern to the community.

Attachments

1   Internal Audit Proposed Work Programme 2019 to 2023   D13725892

2019-20 Internal Audit Schedule

Audit Topic	Dept/ Service Unit	Rationale
Councillor Allowances, Expenses & Facilities (Operational)	Governance	A mandatory requirement under part 16 of the _Councillor Expenses and Facilities Policy_: "the operation of this policy, including claims made under the policy, will be included in Council's audit programme and an audit undertaken at least every two years".
Contract Management (Strategic)	Governance/ Cross organisational	Contracts form a large part of Council expenditure and it is important that the process followed after award of contract is well controlled and that contract costs and the performance of suppliers under contract are well managed. Council is obliged to report on all contracts awarded over $150,000 in the Annual Report so it is important that the Contracts Register is accurate and up to date not simply to feed into the Annual Report but also to identify when contracts are due to expire so sufficient planning can be undertaken if a contract needs to be retendered.
Complaints Management (Strategic)	Cross Organisational	Complaints management is an important component of employee management, customer service and organisational success. Not only is it the means to gather valuable customer and employee insight, if managed effectively it should also help Council identify poor or weak operating/management practices such that improvements can be introduced that lead to increased customer/employee satisfaction, improved reputation with the community and even reduced costs.
ELT/Senior Staff Allowances, Facilities & Expenses (Operational)	People & Culture/ Finance	A review of ELT and senior management expenses will determine the effectiveness of controls vis a vis those around the checks and balances relating to Councillor expenses. This reflects the level of risk relating to senior management of councils and their capacity, often due to seniority, to bypass processes and controls as highlighted through recent ICAC and local government investigations (for example Botany Bay Council, Hays Council, Burwood Council, Exmouth Council, Halls Creek Council and Ipswich Council).

2019-20 Internal Audit Schedule

Audit Topic	Dept/ Service Unit	Rationale
Cybersecurity & Fraud Prevention (Strategic)	IM&T	Strong cybersecurity and IT controls are key to protecting systems, networks, and programs from digital attacks. Cyberattacks are usually aimed at accessing, changing, or destroying sensitive information; extorting money from users; or disrupting/interrupting normal business processes. A cyber-security audit will determine whether robust controls are in place and operating effectively in order to protect the volume, sensitivity, commercial and personal nature of information held by Council from fraud and other outcomes that can arise from cyberattack.
Contractors and Temporary Labour Hire (Strategic)	People & Culture/ Governance/ Cross organisational	Use of contractors and temporary labour hire is a useful way to manage short term projects and provide cover for permanent resourcing shortfall on a temporary basis. A recommendation from the OLG's 2011 'Body Hire' report into the engagement and management practices of the former Wyong Council for contractors and temporary personnel was that "*Council's internal auditor should undertake regular audits to ensure compliance with Council's current procedures governing the engagement and management of temporary contract personne*l". This review is part of IA's continued response to this recommendation, to determine the level of improved practices and effective management of temporary labour hire in terms of cost, tenure, performance, project planning and volume.
Water Supply Management (Strategic) **PLANNING STAGE ONLY (Formed part of original 2020/21 program, still to be endorsed by ARIC)**	Water & Sewer	Water and Sewer provide critical front-line services to the community and given the drought conditions and anticipated population growth for the region, a review would consider and test controls associated with important issues such as: reliability of current water sources and supply; water treatment and storage; future supply scenario modelling; contingencies in the event supply sources become disrupted/contaminated/ limited; drought management and future supply measures.

NOTE: Fraud & Corruption Risk Assessment originally identified in the IA Work Program will now be conducted by Council's insurer

Item No:	3.1
Title:	Performance Audit - Governance and Internal Controls over Local Infrastructure Contributions
Department:	Environment and Planning

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00020-008 - D13729675

Author: Gary Hamer, Section Manager, Strategic Planning

Manager: Karen Tucker, Acting Unit Manager, Strategic Planning Unit

Executive: Scott Cox, Director Environment and Planning

Summary

The purpose of this report is to advise the committee on the Performance Audit being undertaken by the Audit Office of New South Wales (Audit NSW).

The audit is to assess Council's effectiveness of governance and internal controls over Local Infrastructure Contributions, otherwise known as Developer Contributions, collected by Councils.

Recommendation

1   That the Committee note the contents of this report for information purposes.

2   That the supporting papers to this Report not be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter as it contains advice concerning litigation, or advice that would otherwise be privileged from production

Background

The Audit Office of New South Wales (Audit NSW) are currently conducting an internal audit review of the transparency and governance within Council's current Local Infrastructure Contribution (LIC) system including the manner of how Council collects, manages, disburses and audits its contribution schemes.

The audit seeks to examine contributions collected under s7.11, s.7.12, s7.32 and s7.4 (VPAs) of the *Planning and Environment Act and s64 of the Local Government Act.*

Councils that held more than $145,000,000 in contributions were selected to be audited. Council held a total of $163,007,000 in LIC as at 30 June 2018 and is one of four (4) NSW Councils being audited.

Objectives and scope of the performance audit

The objective of the audit is to assess the effectiveness of governance and internal controls over local infrastructure contributions collected by Council.

Audit criteria

The audit has focused on four (4) key criteria including:

1. Effective governance arrangements and internal controls are in place over the collection, management and disbursement of local infrastructure contributions that includes accountability for each part of the process;

2. Councils regularly report to those charged with governance or other senior officers on the status, investment performance and risks related to local infrastructure contributions;

3. Councils can demonstrate that local infrastructure contributions have been spent or are being used for their intended purpose, as described in the development contribution plan;

4. Local Infrastructure Contributions are managed by individuals with appropriate knowledge and skills to perform their duties.

Audit approach

Under section 423 of the *Local Government Act 1993 (LG Act)* an engagement letter (3 September 2019) was issued by Audit NSW that specifically outlined the procedures and processes required to be undertaken by Council. This included Councils' obligations including provision of sources of evidence and interviews with specific staff. (Attachment 1)

Audit Timetable

Below is the proposed timetable of key milestones associated with the performance audit process.

Milestone	Target Dates/Timeframes
Audit fieldwork	August – October 2019
Discussion of preliminary findings with Council	Mid November 2019
Draft report to Council	Mid to late January 2020
Final report to Council	Mid-February 2020
Table report in parliament	18 March 2020

Next Steps

Council is awaiting the finalisation of the audit in accordance with the above schedule. It should be noted that the audit timeframes are behind schedule.

Attachments

1 Performance Audit Local Infrastructure Contributions Engagement Letter Central Coast Council – Confidential Attachment   D13732029

Item No:	4.1
Title:	Update on Enterprise Risk Management Framework
Department:	Governance

Central Coast Council

4 December 2019 Audit Risk and Improvement Committee Meeting

Report Purpose

This report provides an update to the Audit, Risk and Improvement Committee on the progress of the Central Coast Council Enterprise Risk Management Framework.

Recommendation

1   That the Audit, Risk and Improvement Committee receive this report about the Enterprise Risk Management Framework.

2   That the Audit, Risk and Improvement Committee agree with Council seeking the support of external experts to assist with a process to:
   - examine each risk reported, and ensure it is appropriately described and categorised;
   - run sessions with Directorates to clarify their risks and identify any missing based on experience with risk registers in similar organisations
   - assist with upskilling existing staff in working with the ERMF.

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

Background

At the Audit, Risk and Improvement Committee meeting held on 1 October 2019 the Committee considered information regarding Council's Enterprise Risk Management Framework and resolved that this matter be again listed for consideration at this meeting.

At the October meeting, there were concerns raised about the reporting. Upon subsequent investigation, it is very clear that the quality of the data from which the report is drawn, is not sufficiently quality controlled.

Update

The Enterprise Risk Management Framework was completed in March 2019. The framework has been operating for nine months and improvements have been made during this period although it is acknowledged that there are still significant improvements to be made.

In August 2019 there were 144 risks identified in the register. In November 2019 there were 153 risks identified in the register. There continues to be consultation with Unit Managers to refine the description and identification of risks consistently.

In August there were seven risks considered incomplete as they had not identified controls, this has subsequently been improved.

An updated data report is not being provided to the Audit, Risk and Improvement Committee for this meeting. This is due to a lack of confidence in the quality of the information within the register.

While Council is able to produce reports categorising the risk by type (eg operational, asset etc), and reports on risks with unacceptable risk appetites, because the data this is being drawn from is not of an acceptable quality, the reporting is not meaningful.

System Maturity

It is acknowledged that there remains considerable work to be undertaken to embed the Enterprise Risk Management Framework at Central Coast Council.

Since March 2019, when the framework was completed there has been some efforts to ensure the system is being used and that risks are being inputted. To support this, staff accountable for managing the framework have been engaging with Unit Managers and Directors. These are positive moves.

There is also confidence in the framework itself. It is based upon the Australian Standards and was developed in consultation with the Executive Leadership Team and Unit Managers. The Audit, Risk and Improvement Committee also provided valuable feedback during the process. The risk tables that are a key component of the framework are attached to this report.

There remain a number of recognised opportunities for improvement and challenges to delivering those improvements.

Council does not have a dedicated or suitably experienced risk professional to support the framework and its implementation. As a result, the ability to support Unit Managers and upskill them regarding use of the framework has been inadequate. This has resulted in either risks not being recorded, or those risks that are recorded being poorly articulated.

Work has not yet been undertaken to articulate and identify risks at a strategic level. This process requires greater engagement across the Council, engagement with the Executive Leadership Team and suitable resources to facilitate the process.

The reports being provided are not adequate. While work is continuing to be able to extract meaningful and timely reports, this is hampered when the information in the framework is not of an acceptable quality.

Next steps

To address the challenges and opportunities listed above, the next steps are planned:

- Workshop to identify strategic and organisational wide risks (early 2020)
- Engagement of external support as described in Recommendation 2 (February 2020)
- Review of resourcing requirements to support the framework (February 2020)
- Ongoing improvements to reporting from the system.

Attachments

1 Enterprise Risk Management Framework - Risk Tables   D13726748

Central Coast Council Risk Tables

Consequence Table					
	Work, Health &Safety/ Public	**Natural Environment**	**Regulatory/ Compliance**	**Reputation**	**Financial**
Catastrophic	One(1) or more deaths, serious disability or long term ill health	Widespread contamination and environmental damage which cannot be reversed in the short to medium term.	Breach of legal, regulatory requirement or duty; prosecution; custodial sentence;		> $15,000,000
Major	Serious injury (Major surgery > two (2) months admission or long term illness	Significant environmental damage which can be reversed in the medium term.	Breach of legal, regulatory requirement or duty; likely fines, prosecution and/ or litigation		$2,000,000 to $15,000,000
Moderate	Significant injury one (1) to two (2) months absence	Moderate impact on the environment which can be addressed in the short term.	Breach of legal, regulatory requirement or duty; enforcement action or prohibition notices imposed	Substantial customer/community dissatisfaction State coverage. Reputation recoverable in the long term.	$500,000 to $2,000,000
Minor	First aid or medical attention required no long lasting effects several days off work	Minor damage to the environment which is recoverable in the short term.	Non-compliance of legal, regulatory requirement or duty; monitoring by external regulator	Expressed customer/community dissatisfaction local coverage. Reputation recoverable in the medium term.	$50,000 to $500,000
Insignificant	First aid needed. No absence.	Insignificant damage to the environment, can be cleaned up immediately by local crews.	Non-compliance of legal, regulatory requirement or duty; investigation,not reportable.	May cause some public concern	$10,000 to $50,000

Likelihood Table			
	Probability	**Indicative frequency (Whole of Life)**	**Descriptor (Project)**
Almost certain	> 85%	Once a year or more frequently	Almost certain to occur
Likely	50 - 85%	Once every 2 years	More than an even chance of occurring
Possible	21 - 49%	Once every 5 years	Could occur periodically
Unlikely	5 - 20%	Once every 10 years	It is possible for the event to occur, but it is unlikely to happen.
Rare	< 5%	Once every 20 years	Event that may occur very seldom and the chances of it happening are considered exceptionally remote

Level of Risk Table					
	A	**B**	**C**	**D**	**E**
Consequence					
	Catastrophic	**Major**	**Moderate**	**Minor**	**Insignificant**
Almost certain	25	23	20	16	11
Likely	24	21	17	12	7
Possible	22	18	13	8	4
Unlikely	19	14	9	5	2
Rare	15	10	6	3	1

Risk Rating & Action			
Hazard Score	**Risk Level**	**Risk Acceptability**	**Immediate Action / Notification**
23 to 25	**Extreme**	Intolerable	Immediate action required by Senior Management
17 to 22	**High**	Unacceptable	Senior Management attention required
8 to 16	**Medium**	Acceptable with continuous review only when either Reputation or Financial Consequence are the highest rated risk. Otherwise unacceptable.	Manage with consistent monitoring and action when required.
1 to 7	**Low**	Acceptable with periodic review	Manage by routine procedures

Item No:	4.2
Title:	Combustible Cladding
Department:	Environment and Planning

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13709704

Author: Wayne Herd, Section Manager, Building Certification South

Manager: Brian Jones, Unit Manager, Environment and Compliance

Executive: Scott Cox, Director Environment and Planning

Report Purpose

At the meeting of the Audit, Risk and improvement Committee on 1 October 2019, the following action was required.

Item 6.3 The Audit, Risk and Improvement Committee request a report be bought back to the 4 December 2019 meeting on building cladding.

Recommendation

1 That the Committee receive the report on Combustible Cladding

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

Background

Combustible Cladding

The NSW Combustible Cladding Register portal was created in October 2018. There are 28 building owners who voluntarily listed on the register within the Central Coast Council Local Government Area.

Seventeen buildings have been assessed as being either no or low risk and require no further action. Currently, it is not possible to remove a building from the register.

The remaining eleven buildings have been assessed as low to medium risk, with further investigations currently under way.

Four of the eleven buildings are NSW government owned buildings.

Council's Fire Safety Officer is liaising with building owners for the remaining seven buildings and monitoring their progress to address the risks.

The Department of Planning, Industry and Environment has not released details of the buildings which are listed on the combustible cladding register to the public.

All private building owners are co-operating with Council staff to manage any risks to the public. The building owners have engaged experts to mitigate the risk and are co-operating with Council.

Council Owned Buildings

There is one Council owned building listed on the NSW Combustible Cladding Register.

A report has been obtained recommending a Fire Engineer to review the property and produce a Building Fire Safety Risk Assessment.

Council's Facilities and Asset Management Unit is engaging an engineering company to scope the replacement of the paneling.

Ongoing Action

Council staff continue to negotiate with building owners to submit independent reports from appropriately qualified professionals and make recommendations to reduce risks to building occupants and the public.

Council staff will commence enforcement action on building owners where necessary to resolve risks.

External building cladding in new developments will be regulated through the construction certificate process in accordance with the *Environmental Planning & Assessment Act 1979* and *Regulation*.

Link to Community Strategic Plan

Theme 4: Responsible

Goal I: Balanced and sustainable development

I3: Ensure land use planning and development is sustainable and environmentally sound and considers the importance of local habitate, green corridors, energy efficiency and stormwater management.

Attachments

Nil.

Item No:	5.1
Title:	Dashboard – Collection of Performance Measurement Data by the Council
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13728112

Executive: Dr Liz Develin, Director Governance

Summary

To update the Audit, Risk and Improvement Committee on Council's Progress with establishment of a Performance Dashboard (including Governance indicators).

Recommendation

1   That the Audit, Risk and Improvement Committee note the attached presentation on the development of Council's Dashboard and provide feedback and input for possible indicators.

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

Background

At the last ARIC meeting the development of a Performance Dashboard for Council was raised. A Dashboard to monitor Governance indicators was also discussed and has been resolved by Council in response to the discussion about an Integrity and Ethics Unit.

It is proposed to develop one Dashboard that meets both needs, with Governance being one of four domains: Financial, People, Service Delivery & Governance.

Council has been scoping the Dashboard, and the draft presentation attached indicates the direction being taken. This is still quite preliminary as there is still considerable work to be done to finalise the chosen indicators, develop the data dictionary and connect IT systems to produce a stylised Dashboard.

The ARIC's feedback on the proposed domains and indicators would be welcome.

Attachments

1	Draft Presentation on the Development of a Performance & Governance Dashboard for Council	D13732431

Central Coast Council

Performance & Governance Dashboard

Liz Develin

Governance

Indicators for a Dashboard:

- Specific and measurable
- Aligned with objectives
- Relevant
- Time-bound
- Provide a balanced picture of performance
- Understandable to a broad audience
- Comparable and consistent over time
- Aligned with other reporting requirements
- Minimise data collection costs

Proposed Framework:

Dashboard Domains

To promote accountability and drive improvement

| Financial | People | Governance | Service Delivery |

Outcomes

To understand effectiveness

Financial	People	Governance	Service Delivery
Community Connection and Perception of Safety	Participation in Sport, Recreation & Community Life	Social Equality & Community Wellbeing	Education, Skills & Knowledge
Local Economic Growth & Employment	Conservation & Protection of Natural Areas	Housing Affordability, Diversity & Choice	Environmental Sustainability & Human Impacts
Access to Transport, Walking & Cycling			Governance, Consultation & Service Delivery

Central Coast Community Indicators

Dashboard Domain: Financial

POSSIBLE INDICATORS:

Financial Performance against Budget inc. Forecast Result

Capital Spend to budget and forecast

Own Source Operating Revenue Ratio*

Debt Service Cover Ratio*

Proportion of capital program being funded by developer contributions

Total Amount of Develop Contributions held – trend over time

Building & Infrastructure Renewal Ratio

Rates, charges, interest & extra charges – outstanding %* (trend over years)

Cash Expense Cover Ratio*

Trend of grant funding (year on year).

Number and value of grants submitted (trend)

Unrestricted Current Ratio*

Infrastructure backlog percentage (total backlog / written down value (or replacement value)

Central Coast Council

Dashboard Domain: People

POSSIBLE INDICATORS:

Engagement Score

Extended Leave Liability

Overtime Cost / total employee costs

Lost Time Injuries

Employee costs / per 1000 population (cf to other councils)

Women in leadership roles

Turnover within first 2 years

Dashboard Domain: Governance

POSSIBLE INDICATORS:

Complaint resolution timeframes

Public Interest Disclosures

Councillor Requests within benchmark

GIPA – overturned decisions

Enterprise Risks (without acceptable controls)

Legislative Compliance

Community Satisfaction

Overdue Council Resolutions

Open Audit Recommendations

Court Case Success Rate

Compliments

Central Coast Council

centralcoast.nsw.gov.au

6

Dashboard Domain: Service Delivery

PPOSSIBLE INDICATORS:

Environment & Planning*

DA Determination Times

Proportion of population with access to a park/playground within X km**

Percentage of Beachwatch Sampling Events Exceeding Health Guidelines (dry and wet weather)

Waterways Ecological Health Report Card Results (including Trends over time)***

Roads & Waste

Domestic Waste – kg/capita

Number of service requests per 100km on roads (per month)

% of household waste diverted from landfill

% of all bins collected on time

*   Further Indicators to be proposed
**   To be refined
*** Recommended every 2 years

Central Coast Council

Dashboard Domain: Service Delivery

POSISBLE INDICATORS:

Communities

Libraries (Membership, loans, visitation) – trend over time

Tourism expenditure trend

Childcare utilisation rates (actual against projected)

Leisure / Cultural Facility attendance (actual against projected)

Water & Sewer*

*   Awaiting Proposed Indicators

Other Considerations:

- Energy Usage
- Measures of Organisational Environmental Sustainability

Item No:	6.4
Title:	Revised Charter for Audit Risk and Improvement Committee
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference:	F2018/00028 - D13483769
Author:	James Taylor, Section Manager, Governance
Manager:	Shane Sullivan, Unit Manager, Governance and Business Services
Executive:	Dr Liz Develin, Director Governance

Report Purpose

For the Committee to consider the revised Charter for the Audit Risk and Improvement Committee for reporting to Council for determination, and to consider the reappointment terms.

Recommendation

1 *That the Committee endorse the revised Audit, Risk and Improvement Committee Charter at Attachment 1 to then be reported to Council for determination at an Open Council Meeting.*

2 *That the three Independent External Members inform the Chief Executive Officer in writing of their intention or otherwise to seek reappointment to the Committee by 23 December 2019.*

3 *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.*

Context

Council adopted a Charter for the newly formed *Audit Risk and Improvement Committee* (ARIC) for Central Coast Council in late 2016. ARIC has been operating in accordance with this Charter since that time. It is timely that the Central Coast Council's Charter for ARIC be revisited given the passage of time, guidelines developed by NSW Audit Office in November 2018 and feedback received from ARIC itself.

In November 2018, the NSW Audit Office produced guidelines for Local Government in Risk Management. These guidelines included a reference to the Audit and Risk Committee being guided by TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector. In that document, a *Model Audit and Risk Committee Charter* is provided at page 45 which all NSW State Agencies are required to follow.

The attached updated draft ARIC Charter incorporates the additional elements contained in the *Model Audit and Risk Committee Charter* and the feedback received from ARIC about the treatment of confidential information that is referred to ARIC but that is outside ARIC's jurisdiction (at the new clause 80).

Staff also reviewed the ARIC Charters from Inner West Council, Northern Beaches Council and Georges River Council as these were recommended by the Committee and were considered best practice.

All the notable changes are highlighted in red in the attached draft ARIC Charter and are set out in the table below (with the only other minor addition being the insertion of numbers with a few minor format and typographical corrections to update the document and ensure consistency):

Change	Comment
The amendment of clause 7(e) to now read: 7(e) *obtain external legal or other professional advice considered necessary to meet its responsibilities. The engagement and payment of costs for that advice is subject to the prior approval by the Chief Executive Officer.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 45.
The amendment of clause 8 and 9 to now read: 8 *This Charter is required to ~~should~~ be reviewed and endorsed by the Committee each year. Any substantive changes to this Charter need to be approved by the Council.* 9. *Council must review, amend as required and adopt this Charter at least once during each term of Council at an open meeting of Council.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 50.
The amendment of clause 13 to now read: 13 *The two Councillor members (excluding the Mayor) of the Committee will be appointed by resolution of the Council at the start of each Council Term for the length of the Council Term ~~once every two years~~.*	Based on Inner West Council's ARIC Charter at clause 2.1 and Georges River Council's ARIC Charter at clause 2.1.5. This proposed provision provides additional clarity regarding the terms of appointment and represents better practice.

Change	Comment
The amendment of clause 14 to now read: 14 *The Council may also resolve to appoint alternative Councillor members to the Committee* for the same period *to attend meetings in the absence of one or both of the appointed Councillor members. The alternative Councillor members will have the same voting rights as the Councillor member being replaced.*	Based on Georges River Council's ARIC Charter at clause 2.1.5. This proposed provision provides additional clarity regarding the terms of appointment and represents better practice.
The amendment of clause 15 to now read: 15 *The three* Independent *External Members will be appointed, by resolution of the Council* ~~for a term of 3 years~~ for up to an initial period no less than three (3) years and not exceeding five (5) years, *after which they will be eligible for extension or re-appointment following a formal review of their performance by Council* (noting that the total term on the Committee will not exceed eight (8) years).	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 45. This proposed provision provides additional clarity regarding the terms of appointment and represents better practice.
The inclusion of clauses 16 and 17: 16 *Any of the three Independent External Members seeking an extension or re-appointment will be required to notify the Chief Executive Officer in writing six (6) months before their appointment is set to end.* 17 *The three Independent External Members are eligible for extension or re-appointment up to a maximum of eight (8) years of continual service. Appointments must be made so that phased replacement of each of the three Independent external members is required to ensure continuity in the Committee.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 45. This proposed change provides greater clarity as to the process and timeframes for re-appointment.
The inclusion of clause 21 21 *The Chair must be appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five (5) years as the Chair of the Committee.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 45. This provision makes it clearer how long a Chair can be appointed and how it may or may not be extended.

Change	Comment
The inclusion of clause 26: 26 *Other Councillors may attend as observers at the discretion of the Chair. Such request should be placed in writing to the Chair prior to the meeting.*	Based on Georges River Council's ARIC Charter Clause 2.1.4 and this proposed addition clarifies what has been practice at Central Coast Council.
The amendment of clause 35(a) to now read: 35(a) *reviewing whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud, that is consistent with AS/NZS ISO 31000:2009;*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 46.
The inclusion of clause 37 (f), (g), (h) and (i): 37 (f) *satisfy itself that the financial statements are supported by appropriate management signoff on the statements;* (g) *reviewing cash management policies and procedures;* (h) *reviewing policies and procedures for collection, management and disbursement of grants and tied funding;* (i) *review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements;*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 47.
The inclusion of clause 40 (a) and (d): 40(a) *acting as a forum for communication between Council, senior management and internal and external audit;* (d) *providing advice to Council on action taken on significant issues raised in relevant external audit reports and better practice guides;*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 48.

Change	Comment
The inclusion of clause 41 (b) and (g): *41(b) make themselves available as required to attend and participate in meetings;* *(g) understand the relevant legislative and regulatory environment of Audit and Risk Management in NSW Local Government and any requirements appropriate to Central Coast Council, particularly as these pertain to individual matters under consideration by the Committee;*	The inclusion of (b) is based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 48. The inclusion of (g) is based on Georges River Council's ARIC Charter at clause 2.8 and Northern Beaches' ARIC Charter at Clause 4.9. This proposed provision provides additional clarity and represents better practice.
The inclusion of clause 47 (a) to (d) and (g): *a) an overall assessment of Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council;* *b) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;* *c) details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;* *d) a summary of Council's progress in addressing the findings and recommendations made in internal and external audit reports;* *g) any other matters deemed to be of sufficient importance.*	The inclusion of a) to d) is based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 48. The inclusion of g) is based on Northern Beaches' ARIC Charter at Clause 5.1. This proposed provision provides additional clarity for ARIC and represents better practice.
The amendment of clause 56 to now read: *56 The Committee will meet at least four (4) times per year.* ~~with one of these meetings to include~~ *A special additional meeting will be held for the review and endorsement of the annual audited financial reports and external audit opinion.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 49. This proposed change provides greater clarity and reflects what has been current practice.

Change	Comment
The inclusion of clause 58 and 59: *58 It is expected that ARIC Meetings will be attended by each voting Committee member in person. However, if there is a valid reason and with the prior approval of the Chair, a voting Committee member may attend by telephone or by video conference.* *59 Non-voting participants at ARIC Meetings will also be expected to attend in person, however where this is not practical and with the prior approval of the Chair, they may attend by telephone or by video conference.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 49 and on Georges River Council's ARIC Charter at clause 2.11. This change reflects what has been the practice at Central Coast Council.
The amendment of clause 61 to now read: *61 The quorum for a meeting of the Committee will be the majority of the voting members of the Committee. A quorum must include at least two (2) Independent External Members.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 49
The inclusion of clause 77 (d)(iv) and (h): *77(d)Commercial information of a confidential nature that would, if disclosed:* *(iv) contain commercial in confidence information;* *(h) Information that is determined by the Committee or the Chief Executive Officer (or their delegate) to be confidential or unsuitable to be published; or*	No other Charter deals with this aspect. The proposed changes are based on feedback received. from the Committee and Council Staff completing ARIC Reports.
The inclusion of clause 80: *80 When the Committee receives confidential referrals/requests that do not fall within the ambit of this Charter or the Committee's responsibilities, the Committee will refer such matters (with any suitable recommendations) to the Chief Executive Officer to deal with appropriately.*	Included at the request of the Committee. No other Charter deals with this aspect.

Change	Comment
The amendment of clause 92 to now read: 92. *In consultation with the Committee members and the Council, the Chief Executive Officer will establish performance measures for the Committee and implement measurement, feedback, reporting and review mechanisms relating to those measures.*	Based on NSW Audit Office's *Model Audit and Risk Committee Charter* at page 50

It is also noted that there is a current NSW Office of Local Government Discussion Paper on which comments are being sought titled *A New Risk Management and Internal Audit Framework for Local Councils in NSW*. *Council is currently preparing a submission to the Discussion Paper and this is dealt with in a separate report to ARIC by the Internal Auditor to the 4 December 2019 Meeting.*

It is expected that the NSW Office of Local Government *will develop a Model Audit, Risk and Improvement Committee Charter* for Local Government *at the end of this process, however it is unclear how long this process will take.*

Given this lack of clarity and following a request from ARIC to update the ARIC Charter, the updated draft Charter is provided for ARIC's consideration.

When the NSW Office of Local Government review is completed a further report will be provided to ARIC to provide an update on developments and recommending any necessary changes.

Reappointment

As noted in the current ARIC Charter under clause 3.1:

> *The three external members will be appointed, by resolution of the Council, for a term of 3 years after which they will be eligible for extension or re-appointment following a formal review of their performance by Council.*

The current three Independent External Members were appointed by Council Resolution on 26 April 2017, resulting in the three years expiring in April 2020. It is recommended that the three Independent External Members indicate to the Chief Executive Officer in writing whether they are interested in being considered for reappointment, including a submission on their contribution, by 23 December 2019 given the end of year shutdown of Council.

This is to enable sufficient time for the *formal review of their performance by Council* (as per clause 3.1 of the Charter) to be conducted and for a report to Council to be completed and considered prior to the end of March 2020.

The formal review will be a review conducted by the Chief Executive Officer and selected staff on the request and submission for reappointment from the Independent External Members, as well as consideration of any feedback received from the Councillor members of the Committee. The recommendations of the Chief Executive Officer will then be presented to Council in a confidential session, for Council to make a decision on the reappointment submissions.

The attached draft ARIC Charter has also been updated to allow for an initial appointment up to four (4) years to align with the Council's Term of Office and for reappointment of up to a maximum eight (8) years. These timeframes align with both the NSW Audit Office's Model Audit and Risk Committee Charter at page 45 and the NSW Office of Local Government draft framework at page 23.

The draft ARIC Charter has also been modified to include the provision of phased replacement of the three external members at the end of their appointment to provide ARIC with a degree of continuity. This is based on the Georges River Council's ARIC Charter at clause 2.3 and is considered good practice.

Consultation

The NSW Audit Office guidelines were referenced in revising Council's new Charter. ARIC Charters from Inner West Council, Northern Beaches Council and Georges River Council were also reviewed as these were recommended by the Committee and were considered best practice.

Feedback was also received from the Committee to incorporate a set procedure for the referral of confidential matters received that are outside of the ambit of the Committee. This has also been included in the attached draft Charter under the heading "Confidential matters received outside the Charter" on page 17.

Once the Committee has reviewed, provided feedback and endorsed the attached updated Charter, a Council Report providing the updated Charter including any feedback will be provided to the next available Council Meeting.

Summary

It is recommended that the Committee review and endorse the revised ARIC Charter.

It is also recommended that the three Independent External Members inform the Chief Executive Officer in writing of their intention or otherwise to seek reappointment before 23 December 2019.

Attachments

1 Draft Audit Risk and Improvement Committee Charter December 2019   D13488251

Central
Coast
Council

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AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

December 2019

AUTHORITY	NAME & TITLE
AUTHOR	James Taylor, Section Manager Governance
MANAGER	Shane Sullivan, Unit Manager Governance and Business Services
DIRECTOR	Liz Develin, Director Governance
CHIEF EXECUTIVE OFFICER	Gary Murphy, Chief Executive Officer

History of Revisions:

Version	Date	Reason	TRIM Doc. #
1	24 January 2017	Creation	D12590987
2	26 July 2017	Updated given feedback	D12758021
3	4 December 2019	Updated given NSW Audit Office guidelines and feedback from ARIC	D13488251

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INTRODUCTION

Good corporate governance of Central Coast Council ("Council") promotes effective and efficient delivery services to the Central Coast community with honesty and integrity.

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

This Charter, which is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to s. 23A of the *Local Government Act 1993,* the NSW Audit Office guidelines for Local Government in Risk Management and is consistent with best practice, is intended to add value and drive the qualities of effective local government; being openness, transparency and accountability. The Committee helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Gary Murphy
Chief Executive Officer
Central Coast Council

COMMITTEE OBJECTIVES

1. The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities.

2. Part 4A of the *Local Government Act 1993* ("the LG Act") will commence after the adoption of this Charter. When Part 4A of the LG Act commences the Committee will be under a statutory obligation to keep under review the following aspects of the Council's operations:

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

3. This Charter imposes those obligations on the Committee from the date the Committee commences, prior to the commencement of Part 4A of the Act. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

AUTHORITY

4. The Committee is established in accordance with Council's authority granted by s. 355(d) of the Act.

5. The Committee has no executive powers, except those expressly provided by the Council.

6. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and the Chief Executive Officer as defined by the Local Government Act.

7. The Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities, to:

   a) obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
   b) discuss any matters with the Auditor-General (or contracted agent) and/or external auditor and/or other external parties (subject to confidentiality considerations).
   c) request the attendance of any employee or Councillor at Committee meetings.

       d)   obtain external legal or other professional advice considered necessary to meet its responsibilities. The engagement and payment of costs for that advice is subject to the prior approval by the Chief Executive Officer.

8.   This Charter is required to ~~should~~ be reviewed and endorsed by the Committee each year. Any substantive changes to this Charter need to be approved by the Council.

9.   Council must review, amend as required and adopt this Charter at least once during each term of Council at an open meeting of Council.

COMPOSITION AND TENURE

Members (voting)

10. The Committee will consist of five voting members.

      a)   Two (2) Councillors;
      b)   Three (3) Independent external members (one of whom to be the Chairperson)

11. Voting at a Committee meeting is to be by open means (such as by voice or by show of hands).

12. The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one (1) member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

Councillors

13. The two Councillor members (excluding the Mayor) of the Committee will be appointed by resolution of the Council at the start of each Council Term for the length of the Council Term ~~once every two years~~.

14. The Council may also resolve to appoint alternative Councillor members to the Committee for the same period to attend meetings in the absence of one or both of the appointed Councillor members. The alternative Councillor members will have the same voting rights as the Councillor member being replaced.

Independent External Members

15. The three Independent External Members will be appointed, by resolution of the Council ~~for a term of 3 years~~ for up to an initial period no less than three (3) years and not exceeding five (5) years, after which they will be eligible for extension or re-appointment

following a formal review of their performance by Council (noting that the total term on the Committee will not exceed eight (8) years).

16. Any of the three Independent External Members seeking an extension or re-appointment will be required to notify the Chief Executive Officer in writing six (6) months before their appointed is set to end.

17. The three Independent External Members are eligible for extension or re-appointment up to a maximum of eight (8) years of continual service. Appointments must be made so that phased replacement of each of the three Independent external members is required to ensure continuity in the Committee.

18. The Independent External Members can also be removed by resolution of Council.

19. The Independent External Members, in aggregate, will have recent and relevant knowledge and experience of:

   a) Accounting or related Financial management
   b) Risk management experience
   c) Auditing experience in a public sector environment
   d) Performance improvement
   e) The local government framework
   f) Council services, activities and operations
   g) Governance, risk and compliance
   h) Community services.

The Chair

20. The Chair will be elected by the majority of the Committee's voting members and must be one of the Independent External Members.

21. The Chair must be appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five (5) years as a Chair of the Committee.

22. Whenever the voting on a motion put to a meeting of the Committee is equal, the Chair of the Committee is to have a casting vote as well as an original vote.

23. If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee's voting members to elect a Chair from the Independent external members present.

Attendees (non-voting) for all agenda items

24. Meetings of the Committee may, at the discretion of the Committee and with the consent of the Chief Executive Officer, be attended by the following Council staff:

     a)   Chief Executive Officer or nominated delegate;
     b)   Chief Financial Officer or nominated delegate;
     c)   Director Governance or nominated delegate;
     d)   Chief Internal Auditor or nominated delegate; and
     e)   Senior Internal Ombudsman or nominated delegate.

Invitees (non-voting) for specific agenda items

25. Representatives of Council's external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee.

26. Other Councillors may attend as observers at the discretion of the Chair. Such request should be placed in writing to the Chair prior to the meeting.

ROLE AND RESPONSIBILITIES

27. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, for the management of Council, for risk management and for organisational improvements, rests with the elected Council and the Chief Executive Officer in accordance with the Act.

28. Members of the Committee must not act in a way that contravenes the LG Act (which includes compliance with Council's adopted Code of Conduct and Code of Meeting Practice) or any other Act. Members of the Committee are also required to comply with other relevant Policies and Procedures of Council.

29. The Chief Executive Officer will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of a Committee Support Officer for administrative support.

30. The Committee may also, at Council's expense, request the Chief Executive Officer to obtain such legal, accounting or other professional advice as it reasonably considers necessary for the performance of its duties. The Chief Executive Officer will give appropriate consideration to all such requests.

31. The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committees responsibilities are in accordance with Part 4A of the Act, even if that Part 4A has not commenced operation:

     a)   compliance,

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

32. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

33. The following defined responsibilities are in accordance with the OLG model charter for Audit Committees as set out in the Internal Audit Guidelines issued by the Chief Executive of OLG in September 2010 and to meet the future requirement that will be imposed by Part 4A of the Act.

Risk Management

34. Risk management is an essential part of effective corporate governance. It is defined as "the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects."(Risk Management – Principles and Guidelines" ISO 31000:2009(E)). Enterprise Risk Management is the holistic management of all risks within Council, not just insurable risks or work health and safety.

35. The Committee is responsible for:

a)   reviewing whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud, that is consistent with AS/NZS ISO 31000:2009;
b)   reviewing whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
c)   reviewing the impact of the risk management framework on its control environment and insurance arrangements;
d)   reviewing whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically;
e)   reviewing whether a sound and effective approach has been established in relation to technological related risks issues that present a threat to the operations of Council;
f)   considering, and recommending to the Chief Executive Officer, improvements in relation to Council activities, systems and processes; and
g)   reviewing whether Council processes and procedures result in an efficient and effective allocation of resources, and accountability and transparency.

Control Framework

36. The Committee is responsible for:

   a) reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
   b) reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
   c) progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
   d) reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
   e) reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
   f) reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External Accountability

37. The Committee is responsible for:

   a) satisfying itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls;
   b) reviewing the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
   c) considering contentious financial reporting matters in conjunction with Council's management and external auditors;
   d) reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
   e) satisfying itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations;
   f) satisfy itself that the financial statements are supported by appropriate management signoff on the statements;
   g) reviewing cash management policies and procedures;
   h) reviewing policies and procedures for collection, management and disbursement of grants and tied funding;
   i) review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements; and
   j) satisfying itself there is a performance management framework linked to organisational objectives and outcomes.

Legislative Compliance

38. The Committee is responsible for:

   a) determining whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements; and
   b) reviewing the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

Internal Audit

39. The Committee is responsible for:

   a) acting as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit, External Audit and Internal Ombudsman;
   b) reviewing the internal audit coverage and Internal Audit Plan, ensuring the plan has considered the Risk Management Plan, and approving the plan;
   c) considering the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
   d) reviewing all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
   e) monitoring the implementation of internal audit recommendations by management;
   f) periodically reviewing the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
   g) periodically reviewing the performance of Internal Audit;
   h) meeting at least annually, with the Chief Internal Auditor "in-camera" without the presence of management; and
   i) giving advice to the Chief Executive Officer on the appointment and remuneration of the Chief Internal Auditor and the Internal Audit team (if applicable).

External Audit

40. The Committee is responsible for:

   a) acting as a forum for communication between Council, senior management and internal and external audit;
   b) providing input and feedback on the financial statement and performance audit coverage proposed by external audit, and providing feedback on the external audit services provided;
   c) reviewing all external plans and reports in respect of planned or completed external audits, and monitoring the implementation of audit recommendations by management;
   d) providing advice to Council on action taken on significant issues raised in relevant external audit reports and better practice guides;

e) meeting at least annually, with the NSW Auditor General (or contract agent) "in-camera" without the presence of management; and

f) considering significant issues raised in relevant external audit reports and better practice guides, and ensuring appropriate action is taken.

Responsibilities of Members

41. All members of the Committee are expected to:

    a) have a high level of personal integrity and ethics, as well as acting honestly and in good faith;

    b) make themselves available as required to attend and participate in meetings;

    c) perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee;

    d) comply with this Charter;

    e) have strong interpersonal skills;

    f) have strong skills in oral and written communication;

    g) understand the relevant legislative and regulatory environment of Audit and Risk Management in NSW Local Government and any requirements appropriate to Central Coast Council, particularly as these pertain to individual matters under consideration by the Committee;

    h) contribute the time needed to study and understand the papers provided, and to devote to their responsibilities as a Committee Member;

    i) apply good analytical skills, objectivity and with good judgment;

    j) express opinions frankly and ask questions that go to the fundamental core of issues;

    k) pursue independent lines of enquiry when required;

    l) review the risks, progress, controls, finances and performance surrounding major projects;

    m) have an understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices;

    n) have an appreciation of fundamental concepts in areas such as accounting, economics, commercial law, taxation, finance, quantitative methods and IT; and

    o) assist the Council and the Chief Operating Officer with the formulation of Finance, Audit and related policies and procedures.

42. Expressions of Interest appointment as an independent member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Charter.

43. Any such nominations will be received and reviewed by the Chief Executive Officer who will prepare a report for Council's consideration.

44. The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable.

45. All Committee members will be appointed by Council. Once the independent external member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and their award remuneration rates, as well as a copy of this Charter.

46. Committee members must also decline any request to act as referee to any applicants for vacant positions on the Committee.

Reporting

47. At the first Committee meeting post 30 June each year, the Chief Internal Auditor will provide a performance report to the Committee dealing with:

    a) an overall assessment of Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council;
    b) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
    c) details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
    d) a summary of Council's progress in addressing the findings and recommendations made in internal and external audit reports;
    e) the performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
    f) the approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
    g) any other matters deemed to be of sufficient importance.

48. The Committee should report regularly to Council on the internal audit function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the Chief Executive Officer.

49. At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time.

50. The Annual and Three-Year Audit Plans will also be submitted to Council as part of the Committee's report to Council.

51. Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual Report.

Administrative arrangements

Meetings of the Committee

52. The Committee is bound by Council's adopted Code of Conduct.

53. All Committee meetings must be run fairly, and the procedures used should improve decision making and not be used for personal or political advantage.

54. All matters should be considered consistently, fairly, promptly, and on their individual merits.

55. A forward meeting plan for the following year, including meeting dates and agenda items, will be agreed by the Committee in December of each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Charter.

56. The Committee will meet at least four (4) times per year. ~~with one of these meetings to include~~ A special additional meeting may be held for the review and endorsement of the annual audited financial reports and external audit opinion.

57. The need for any additional meetings will be determined by resolution of the Committee. Such resolutions do not bind the Council to commit additional resources to the conduct of those meetings unless the Chief Executive Officer or the Council, by resolution, agrees to those additional meetings.

58. It is expected that ARIC Meetings will be attended by each voting Committee member in person. However, if there is a valid reason and with the prior approval of the Chair, a voting Committee member may attend by telephone or by video conference.

59. Non-voting participants at ARIC Meetings will also be expected to attend in person, however where this is not practical and with the prior approval of the Chair, they may attend by telephone or by video conference.

60. All ARIC Meetings of the Committee are closed to the public.

Attendance at meetings and quorums

61. The quorum for a meeting of the Committee will be the majority of the voting members of the Committee. A quorum must include at least two (2) Independent External Members.

62. If it is determined two (2) days prior to the Committee meeting that a quorum will not be achieved, the Committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting, the meeting shall be rescheduled.

63. A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice or satisfactory (as determined by the Chair – or in the case of the Chair the majority of the Committee) explanation.

64. Section 376 of the LG Act relevantly provides:

    (2)   *The general manager is entitled to attend a meeting of any other committee of the council and may, if a member of the committee, exercise a vote.*

    (3)   *However, the general manager may be excluded from a meeting of the council or a committee while the council or committee deals with a matter relating to the standard of performance of the general manager or the terms of the employment of the general manager.*

65. The Chief Executive Officer (Council's General Manager) may only be excluded from the meeting as set out above or while the Committee deals with a matter relating to the standard of performance of the Chief Executive Officer or the terms of the employment of the Chief Executive Officer.

66. The Chief Executive Officer will permit the Committee to meet separately with the Chief Internal Auditor and any External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.

67. The Committee may also request any other Council Official to participate in meetings should the Committee deem this necessary.

68. All employees of Council are subject to the direction of the Chief Executive Officer and not the Committee or any of its members. In this regard all correspondence or contact with staff is to be through the Chair of the Committee addressed to the Chief Executive Officer.

Secretariat

69. The Director, Governance is to ensure adequate Secretariat support to the Committee is provided.

70. The Committee Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one (1) week before the meeting, and ensure minutes of the meetings are prepared, maintained, approved and distributed as required.

Agendas, Minutes, Internal Audit Reports and Supporting Papers

71. The agenda for meetings of the Committee will be set by the Chair (in consultation with the Chief Executive Officer and the Chief Internal Auditor) at least two (2) weeks before a meeting.

72. The agenda must specify the time and place at which, and the date on which, the meeting is to be held and the business proposed to be transacted at the meeting.

73. If a Committee member wishes to raise an urgent/late item that is not on the agenda, the Chair shall determine the appropriate manner for dealing with the matter in accordance with Council's adopted Code of Meeting Practice.

74. The Committee must ensure that full and accurate minutes of the proceedings of its meetings are kept. In particular, the Committee Secretariat must ensure that the following matters are recorded (at a minimum) in the minutes:

    a) a date and time of meetings, attendees and any apologies;
    b) the endorsement (or otherwise) of the minutes from previous the meeting;
    c) whether there was business arising from previous minutes;
    d) notation of reports or correspondence;
    e) details of each motion moved at a meeting and of any amendments moved to it;
    f) whether the motion or amendment is passed or lost;
    g) Committee recommendations;
    h) items of general business; and
    i) the time meeting closed, date and venue for next meeting.

75. Minutes shall be approved by the Chair and circulated to all Committee members and Councillors within three weeks of the meeting being held and are to be confirmed at the next Committee meeting.

76. All Committee Agendas set by the Chair and Minutes confirmed by the Committee will be recorded in Council's electronic document management system and made publicly available on Council's website.

77. Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website unless the business is of the following kind:

    a) Personnel matters concerning particular individuals;
    b) Personal hardship of any resident or ratepayer;
    c) Information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business;
    d) Commercial information of a confidential nature that would, if disclosed:
        i. prejudice the commercial position of a person who supplied it; or
        ii. confer a commercial advantage on a competitor of Council; or
        iii. reveal a trade secret; or
        iv. contain _commercial in confidence_ information;
    e) Information that would, if disclosed, prejudice the maintenance of law;
    f) Matters affecting the security of Council, Council Officials and Council property;
    g) Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege;
    h) Information that is determined by the Committee or the Chief Executive Officer (or their delegate) to be confidential or unsuitable to be published; or

    i)   Information concerning the nature and location of a place or an item of Aboriginal significance on community land.

78. If the subject business is of a kind listed above then those documents will be issued under separate cover to the Agenda and are to be treated as confidential.

79. The grounds for restricting public access to documents will be stated in the Agenda along with an explanation provided as to why public access would be, on balance, contrary to the public interest.

Confidential matters received outside the Charter

80. When the Committee receives confidential referrals/requests that do not fall within the ambit of this Charter or the Committee's responsibilities, the Committee will refer such matters (with any suitable recommendations) to the Chief Executive Officer to deal with appropriately.

Privacy and Conflicts of Interest

81. The Committee Charter will comply with Council Policies and the LG Act in relation to confidentiality, privacy and reporting.

82. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.

83. A conflict of interest exists where a reasonable and informed person would perceive that members of the Committee could be influenced by a private interest when carrying out their public duty.

84. All members of the Committee must avoid or appropriately manage any conflict of interests. The onus is on members of the Committee to identify a conflict of interest and take the appropriate action to manage the conflict in favour of their public duty. All members of the Committee must comply with Council's Code of Conduct at all times.

85. Committee members, attendees, invitees, observers and Council Officials must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and be dealt with in accordance with Council's adopted Code of Conduct.

86. Where Committee members, attendees, invitees, observers or Council Officials at Committee meetings are deemed by the Chair (or in the case of the Chair by the majority of the Committee) to have a real or perceived conflict of interest, they will be excused from Committee deliberations and leave the meeting on the issue where the conflict of interest may exist in accordance with Council's adopted Code of Conduct.

Health and Safety

87. Council is responsible for providing a safe work environment and gives priority to the health, safety and welfare of Council Officials and of Committee members. Committee members should protect their safety and that of others in the work environment and public areas as required. All safety concerns should be reported immediately to Council Officials.

88. No one should take part in activities or attend Committee meetings while under the influence of alcohol or other drugs which could impair abilities or cause danger to themselves or others.

Public comment and media statements

89. All public comments and media statements representing Central Coast Council must be approved by the Chief Executive Officer.

Induction

90. It is a condition of Committee membership that all members undertake Code of Conduct and Protected Disclosure training.

91. The Director, Governance will ensure that all new Committee members receive all relevant information, training and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment Arrangements

92. In consultation with the Committee members and the Council, the Chief Executive Officer will establish performance measures for the Committee and implement measurement, feedback, reporting and review mechanisms relating to those measures.

93. Additionally, the Chair will initiate a review of the performance of the Committee at least once every two (2) years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from Council's Senior Management and any other relevant stakeholders, as determined by the Chair.

94. The review will also consider and report to Council on this Charter and the Internal Audit Charter, and it is to be included in the Committee's annual report to Council.

Vacancy

95. If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter.

Endorsed by the Committee   **Date:**

Adopted by Council   **Date:**

3

Item No:	6.5
Title:	Integrity and Ethical Standards Unit Update
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13712210
Author: Shane Sullivan, Unit Manager, Governance and Business Services
Executive: Dr Liz Develin, Director Governance

Report Purpose

The purpose of this report is to provide the Audit, Risk and Improvement Committee with an update on Council's resolution with regard to actions to support functions that promote integrity and high ethical standards.

Recommendation

1 That the Committee note the Integrity and Ethical Standards Unit update and associated actions.

2 That a report be provided to the ARIC meeting to be held on 17 June 2020 reviewing the activities undertaken and how they deliver the desired outcomes noting this will be reported to Council for consideration.

3 That the Committee make a recommendation 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 6.4 of the Audit, Risk and Improvement Committee Charter.

Context

At its meeting held 11 November 2019, Council considered the further report regarding the establishment of an Integrity and Ethical Standards Unit. The report provided to Council with relevant attachments is attached.

Council subsequently resolved as follows:

1013/19   That Council note that the Audit, Risk and Improvement Committee (ARIC) consider that there is no need to establish an Integrity and Ethical Standards Unit as the proposed functions are already addressed by the existing structure.

1014/19   *That Council note that the Audit, Risk and Improvement Committee (ARIC) recommends that Council review the resourcing of the current structure, as well as the preparation and distribution of regular reports from that functional area to Council.*

1015/19   *That Council direct the Chief Executive Officer to:*

   a   Develop a Governance Dashboard for Quarterly Reporting to Council;

   b   Increase the transparency associated with the Internal Ombudsman function by:

      i   Developing a Charter for the Internal Ombudsman (IO) to clearly describe the role and function of the IO, and the types of complaints that are investigated;
      ii   Annual reporting by the IO in Council's Annual Report;
      iii   Development of an internet page to clearly describe the IO's role and how the community can interact with them.

   c   Establish an internal forum to monitor the Dashboard and enhance communication between key functions such as Governance, People and Culture, Customer Service, Internal Ombudsman, Internal Audit, and Finance; and

   d   Ensure mechanisms a), b) and c) are in place by the end of 2019 and the outcomes reviewed by mid-2020 so that a report can be provided to Council to determine if these activities have achieved the desired outcomes.

It is noted that the key difference between the recommendation provided to Council was with regard to the reporting lines for the Internal Ombudsman function and Internal Audit function.

Current Status

The following update is provided to ARIC with regard to the implementation of the actions resolved by Council.

a   Develop a Governance Dashboard for Quarterly Reporting to Council;

A presentation will be provided as a separate item from the Director, Governance (Item 5.1 – see report on page 72).

b   Increase the transparency associated with the Internal Ombudsman function by:

   i   Developing a Charter for the Internal Ombudsman (IO) to clearly describe the role and function of the IO, and the types of complaints that are investigated;

> *ii   Annual reporting by the IO in Council's Annual Report;*
> *iii   Development of an internet page to clearly describe the IO's role and how the community can interact with them.*

The Internal Ombudsman's Office have advised that a draft Charter has been prepared and will soon be provided to Council for endorsement.

In addition, work has progressed on the content for the webpage and this will be updated soon.

c   Establish an internal forum to monitor the Dashboard and enhance communication between key functions such as Governance, People and Culture, Customer Service, Internal Ombudsman, Internal Audit, and Finance.

The internal forum held its first meeting on 2 December 2019. The group includes the following positions:

- Director Governance,
- Chief Financial Officer,
- Executive Manager People and Culture,
- Unit Manager Governance and Business Services,
- Internal Ombudsman,
- Internal Auditor, and
- Unit Manager Community Engagement

The forum will meet quarterly and the meeting dates will align with ARIC meeting dates to allow regular reporting where required and appropriate.

In addition, an action plan will be documented and monitored for regular reporting to ARIC.

A verbal update will be provided at the ARIC meeting given the timing of the first meeting.

d   Ensure mechanisms a), b) and c) are in place by the end of 2019 and the outcomes reviewed by mid-2020 so that a report can be provided to Council to determine if these activities have achieved the desired outcomes.

It is anticipated that there will be quarterly report to ARIC against the deliverables.

In addition, a report will be provided to the ARIC meeting to be held on 17 June 2020 (current proposed date in accordance with the report to this meeting) reviewing the activities undertaken and how they deliver the desired outcomes. This will then subsequently be reported to Council for consideration.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

Attachments

1 Report to Council - Establish an Integrity and Ethical Standards Unit - Ordinary Meeting - 28 October 2019   D13712207

Item No:	4.1
Title:	Council Resolution to Establish an Integrity and Ethical Standards Unit
Department:	Governance

28 October 2019 Ordinary Council Meeting

Trim Reference: F2018/00028 - D13682729

Author: Kathy Bragg, Acting Section Manager, Governance

Manager: James Taylor, Acting Unit Manager, Governance and Business Services

Executive: Dr Liz Develin, Director Governance

Report Purpose

To provide Council with feedback from Council's Audit, Risk and Improvement Committee regarding Council's resolution of 22 July 2019 to support the establishment of an Integrity and Ethical Standards Unit, as well as to propose a way forward to progress the resolution and enable the Chief Executive Officer to report back to Council.

Summary

At its meeting held on 22 July 2019, Council resolved:

> *688/19*   *That Council note the objective of the Community Strategic Plan to 'communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.*

> *689/19*   *That Council note that Councils of a similar size and scale have established Integrity Units for effective complaint management and organisational integrity.*

> *690/19*   *That Council supports the establishment of an Integrity and Ethical Standards Unit within the Governance Directorate at Central Coast Council for the investigation and resolution of complaints, organisational integrity, information integrity, ethics and accountability with the objective of ensuring decision making and Council processes are open, transparent and held to a high ethical standard.*

> *691/19*   *That Council request the Chief Executive Officer report back to Council by the end of October 2019 on a mechanism and process to establish this Unit with the report to include consideration of budget implications and input from the Audit, Risk and Improvement Committee.*

In accordance with Resolution 691/19 above, this matter was discussed at the Audit, Risk and Improvement Committee (ARIC) at its meeting held on 1 October 2019.

Recommendation

1   That Council note that the Audit, Risk and Improvement Committee (ARIC) consider that there is no need to establish an Integrity and Ethical Standards Unit as the proposed functions are already addressed by the existing structure.

2   That Council note that the Audit, Risk and Improvement Committee (ARIC) recommends that Council review the resourcing of the current structure, as well as the preparation and distribution of regular reports from that functional area.

3   That Council direct the Chief Executive Officer to:

    a   Develop a Governance Dashboard for Routine Reporting to Council;

    b   Increase the transparency associated with the Internal Ombudsman function by:

        i   Developing a Charter for the Internal Ombudsman (IO) to clearly describe the role and function of the IO, and the types of complaints that are investigated;
        ii   Annual reporting by the IO in Council's Annual Report;
        iii   Development of an internet page to clearly describe the IO's role and how the community can interact with them.

    c   Consider an organisational realignment so that into the future the Internal Ombudsman and Internal Audit report through the Director, Governance;

    d   Establish an internal forum to monitor the Dashboard and enhance communication between key functions such as Governance, People and Culture, Customer Service, Internal Ombudsman, Internal Audit, and Finance; and

    e   Ensure mechanisms a), b) and d) are in place by the end of 2019, with further organisational design required to deliver c) undertaken, and the outcomes reviewed by mid-2020 so that a report can be provided to Council to determine if these activities have achieved the desired outcomes.

Context

As presented to Council's Audit, Risk and Improvement Committee (ARIC), Council currently undertakes many of the 'functions' synonymous with the Council Resolution to establish an Integrity and Ethical Standards Unit (refer Attachment 1). It is also noted that Council is unaware, as were members of the ARIC, of other Councils who have established such units.

Consequently, at the 1 October 2019 meeting, ARIC resolved:

1   *That the Audit, Risk and Improvement Committee receive the report on the Council Resolution to establish an Integrity and Ethical Standards Unit.*

2   *That the Audit, Risk and Improvement Committee consider that there is no need to establish an Integrity and Ethical Standards Unit as the proposed functions are already addressed by the existing structure. The Committee recommends that Council review the resourcing of the current structure, as well as the preparation and distribution of regular reports from that functional area.*

3   *That the Committee recommends that this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

To ensure due diligence on behalf of Council in responding to the Council Resolution, the following is proposed as a way forward:

·   Development of a Governance Dashboard for routine reporting to Council that would enable transparent reporting of key indicators. (ARIC similarly requested such a Dashboard to assist them in fulfilling their functions). Examples of the issues covered by relevant indicators might include:

   Investigation & Resolution of Complaints
   Customer complaints and Timeframes for Response
   Types of complaints under investigation by the Internal Ombudsman
   Public Interest Disclosures
   Privacy Complaints
   Integrity
   Cyber Attacks
   Legal Matters in the Courts
   Administrative Appeals
   Staff Survey Results (Culture)
   Ethics & Accountability
   Legislative Compliance
   Open Audit Recommendations
   Enterprise Risks
   Performance against CSP indicators

A set of Dashboard Indicators will be further refined with assistance from the ARIC. It is noted that some of the above may relate to confidential matters, and hence will need to be aggregated / de-identified as required.

· <u>Increasing the transparency associated with the Internal Ombudsman (IO) function.</u>
It is proposed to increase the transparency of the Internal Ombudsman by developing and publishing a Charter. This document would cover key issues such as the role; scope of the function; management of the function; what will and won't be investigated; reviews and investigations; performance reporting; who can make complaints; and privacy and confidentiality.

In addition, and complementary to the Charter, it is proposed to have the IO report annually in the annual report, and publish an internet page describing the role, and providing guidance on how to contact the IO. It is noted that IO functions in other Councils do have published Charters.

· <u>Implementing an organisational realignment so that into the future the Internal Ombudsman (IO) and Internal Audit (IA) report through the Director, Governance</u>

Currently, the IO and IA functions report to the CEO. While this provides them with independence it also means that they are not embedded within the broader governance function, and hence there is a risk of siloed operations and lack of connection with the broader business. Further, these functions are not part of the Executive Leadership Team, and hence executive sponsorship for their work is limited – due to the high number of direct reports to the CEO.

Into the future, it may be desirable to structure the IO and IA functions within the Governance team more broadly – allowing for key learnings and insights from their work to flow into policy making and be embedded across the organisation. Any such change would need to ensure that their capacity to undertake independent activities and advise the CEO directly when required is not compromised.

It is acknowledged that to proceed with any such organisational realignment requires further consideration. Such consideration needs to further canvass the perspectives of the independent ARIC members, practices/processes in other Councils with such functions, and any available guidance from relevant State or Commonwealth agencies. Further, it needs to be assured that any other functions currently within the Governance directorate do not give cause to any impediments/conflicts in the carrying out of the IO and IA functions.

· <u>Establishment of an internal forum to monitor progress on the Dashboard and ensure good communication between relevant areas such as Governance, Customer Service, People and Culture, Finance, Internal Audit and the Internal Ombudsman.</u> It is recognised that some of the key functions synonymous with the Council Resolution are spread across the organisation. The Dashboard will provide a coherent commentary on their outcomes, and a forum chaired by the Director, Governance will enable the relevant functions to share key learnings, identify areas of concern, and develop whole-of-organisation responses.

Consultation

As requested, the ARIC was consulted about the Council Resolution.

Council will also explore Dashboards and organisational arrangements from other councils to see what further enhancements can be made in the Central Coast.

The Internal Ombudsman and Internal Auditor were consulted, and it is noted that they do not agree with any organisational realignment whereby they would no longer report to the CEO.

Financial Impact

The overall financial impact of the recommended resolution to Council would be minor as existing Council resources will be used. There may be a minor cost in ensuring the appropriate data analytics for the Dashboard.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

Risk Management

Ensuring Enterprise Risks are routinely report and monitored will be part of the Dashboard, which is considered a key aspect in responding to the Council Resolution.

Critical Dates or Timeframes

A Dashboard, increased IO transparency, and the forum can all be in place by the end of the calendar year. Further consultation and consideration are required regarding the organisational realignment which may go beyond the end of the calendar year.

It is recommended that the outcomes of this be reviewed mid-2020, to determine if any further functions are required to achieve the desired outcomes.

Attachments

1	Overview of current activities structures against the proposed functions	D13669413
2	ARIC discussion paper on Council's Resolution to establish an Integrity and Ethical Standards Unit	D13669143

Overview of current activities structures against the proposed functions

Proposed Function	Council's Current Activities / Structures
Investigation and Resolution of Complaints	**CEO –** • Management of complaints and issues that have reached a level of legal action/ mediation • Industrial tribunal issues **Internal Ombudsman-** • Code of Conduct Coordinator for complaints about Councillors • Staff Code of Conduct investigations • S11 ICAC referrals • Some tier 2 complaints – Serious sensitive complaints • Referral of tier 3 complaints to external organisations • Ad hoc investigations • Unreasonable Complainant management • Management of complaints to Human Rights Commission and NSW Anti-Discrimination Board • Investigations referred to Council by external agencies (MPs, ICAC, NSW Ombudsman etc) • Internal appeals from water and sewerage claims • Annual Local Government reporting **Internal Audit -** Relevant audit in the 2019/20 work schedule: • Complaints Management **Community Engagement –** • Management of the Customer Experience System • Complaint Feedback Management Policy • Referral of community complaints as received by phone **Governance** - Privacy complaints - Access to information – GIPA review process
	CEO – • Organisational Culture and ELT Leadership

Organisational Integrity & Ethics	**People & Culture –** • Organisational Culture (values, integrity, ethics) • Management and investigation of some sensitive complaints • Staff training **Internal Ombudsman -** • Public Interest Disclosure Coordinator **Governance –** • Policy Register • GIPA • Code of Conduct Training • Gifts and Benefits • Secondary Employment Returns • Statement of Business Ethics • Contracts & Tendering Process • Fraud and Corruption Control Planning **Internal Audit –** Relevant audits in the 2019/20 work schedule: • Fraud & Corruption Risk Assessment
Information Integrity	**Governance** • Privacy management • Access to information • Proactive release of information **Internal Ombudsman -** • Investigations pursuant to Privacy and Personal Information Protection Act 1998 **IMT Operations -** • Relevant legislation and international standards guide best practice for CCC. • Policy and procedures governing the security, creation, capture, storage and release of information and data are in place. • Personnel with the relevant skills and qualifications partner with the business to guide information and data security, creation, capture, storage and release. • Solution design and processes include information security. • Least privilege access framework with regular review cycles • Annual independent security penetration testing. • Data Sharing agreements are executed prior to releasing data to third parties/external agencies.

	• Master Data Management framework is under development. • Business Intelligence maturity assessment completed May 2019. • Records Management policy (under review). • Information and Security Policy (under review). • Information Technology Appropriate Use Policy
Accountability	**CEO** • Performance Agreements **Innovation & Futures –** • Organisational Performance • Business Improvement • Integrated Planning & Reporting • Service Reviews **Internal Audit -** Relevant audits in the 2019/20 work schedule: • Progress Against Reported Actions in Operational Plan • Organisational Performance

Item No:	1.17
Title:	Council Resolution to establish an Integrity and Ethical Standards Unit
Department:	Governance

1 October 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13669143

Executive: Dr Liz Develin, Director Governance

Summary

A discussion paper to assist the Audit, Risk and Improvement Committee in providing input about a mechanism and process for the establishment of an 'Integrity and Ethical Standards Unit' as per a July 2019 Council Resolution.

Recommendation

1   That the Audit, Risk and Improvement Committee consider the contents of this discussion paper and provide feedback to the Chief Executive Officer to assist him with his report back to Council on the process and mechanism to establish an Integrity and Ethical Standards Unit.

2   That the Committee make a recommendation that this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Background

At the 22 July 2019 Council meeting, Council resolved:

688/19   That Council note the objective of the Community Strategic Plan to 'communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

689/19   That Council note that Councils of a similar size and scale have established Integrity Units for effective complaint management and organisational integrity.

690/19   That Council supports the establishment of an Integrity and Ethical Standards Unit within the Governance Directorate at Central Coast Council for the investigation and resolution of complaints, organisational integrity, information integrity, ethics and accountability with the objective of ensuring

decision making and Council processes are open, transparent and held to a high ethical standard.

691/19   That Council request the Chief Executive Officer report back to Council by the end of October 2019 on a mechanism and process to establish this Unit with the report to include consideration of budget implications and input from the Audit, Risk and Improvement Committee.

The Notice of Motion is shown in full at Attachment 2.

This discussion paper has been prepared to enable the Audit, Risk and Improvement Committee to provide input as per the above resolutions.

Establishing a shared understanding

It is recognised that the functions described by the Council Resolution: investigation and resolution of complaints, organisational integrity, information integrity, ethics and accountability may be interpreted, or have different meanings for different stakeholders.

Hence, to progress this resolution, it is prudent to attempt to define or scope these functions, so that there is a shared understanding of what is being proposed.

The following descriptions of the functions proposed by the Resolution are a starting point:

Investigation and Resolution of Complaints

For the purposes of this paper, a complaint will be defined as:

"... an expression of dissatisfaction with the council's policies, procedures, charges, employees, agents or the quality of the services it provides".

The complaints that are considered 'routine' should be managed by Council processes, and the Office of Local Government provides a guidance on what those processes should cover, such as: clear definitions; user-friendly procedures for lodging complaints; simple process handling; means of recording and reporting; and staffing training etc.   Importantly, all these policies and procedures should be documented. Councils has a published Complaint Management Policy (March 2017).

Complaints that relate to potentially corrupt conduct should be handled by the CEO or their delegate and reported to ICAC as required. Similarly, the CEO should also refer complaints alleging breaches related to pecuniary interests to the Office of Local Government.

Complaints may also be related to a breach of the Code of Conduct. Usually these sorts of complaints will be handled by the Internal Ombudsman within Council.

In recognition that Council has established complaints management processes and there is clear guidance from the Office of Local Government on how to do this, it is perhaps the transparency and awareness of the outcomes of these processes that is most lacking.

It is noted that community engagement provides regular reports to ARIC regarding complaints and compliments. These reports list raw numbers of complaints by categories eg, council decision, general feedback, level of service, quality of work, response time, and values of fees and charges. They also report by the location of where the complaint was first received. These reports are relatively high level, and do not cover detail which may assist in transparency such as timeliness of complaint management, and more detail about the nature of the complaint.

No data is available on the matters handled by the Internal Ombudsman at the time of writing.

Discussion points that the ARIC may wish to consider include:
·   Do you agree with the proposed definition, or can you make further suggestions?
·   Is the brief description of current processes in line with your experience?
·   Do you agree that the focus for responding to this resolution with regard to complaints management is to ensure that there is greater visibility on how the Council's complaints management processes are working?

Organisational integrity and ethics

Unlike, the management of complaints, organisational integrity is less easily defined, and perhaps a less tangible concept. Recognising that individual integrity is the full alignment of what a person thinks, says and does - taking the concept to an organisational level would mean full alignment in what an organisation, thinks, says and does.

For the purposes of this paper, 'organisational integrity' will be defined as:

"... Council functioning in a manner consistent with the purposes and values for which it was created..."

If Council were to demonstrate full alignment, all Council messages, actions, decisions, leadership and rewards would align.

While organisational ethics can be defined separately, for example:

"the principals and standards by which Council operate....best demonstrated through acts of fairness, compassion, integrity, honour and responsibility".

It is clear that there is overlap between these two concepts, and hence it might be helpful to address them as one.

To respond to this Council Resolution, we need to consider how Council ensures its messages, actions, decisions, leadership and rewards align with the Vision: A vibrant and sustainable Central Coast; and with the Values: Be Positive, Be Your Best, Serve, Collaborate and Improve.

This is not a straightforward task, and a starting point might be a mapping of select organisational policies/processes (both formal and informal) against the vision and values. This may highlight particular weaknesses that could be the focus of the response to this resolution.

It is also noted that the Audit Office of NSW provides Corporate Governance Principles – with 8 principles and 17 key components:
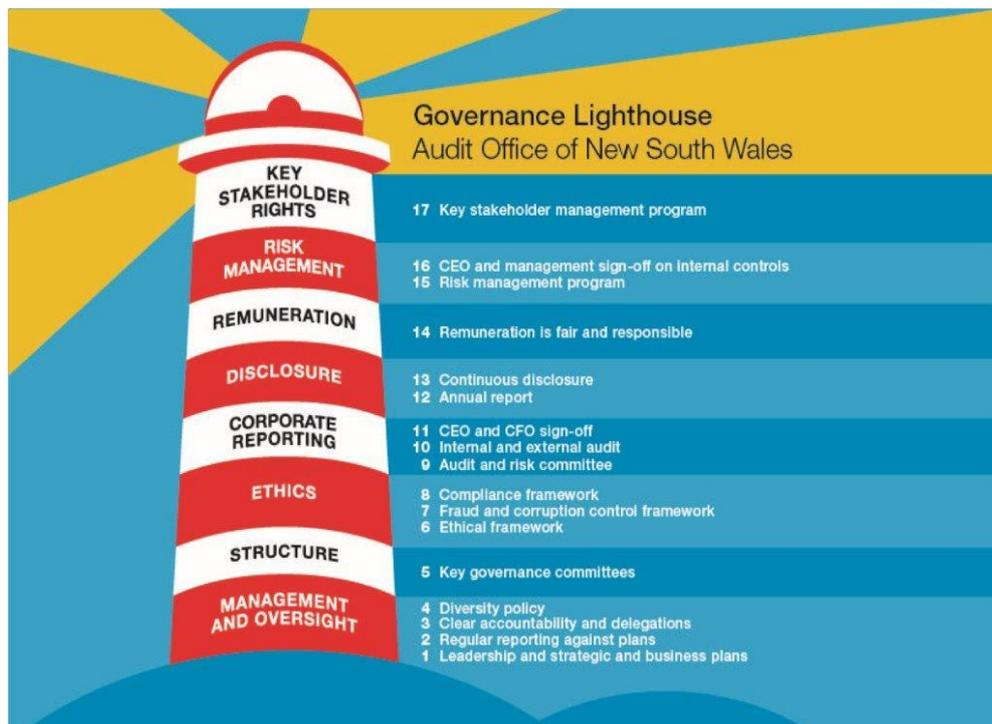
To assist in responding to this resolution, Council could map current processes against these key elements, and identify any weaknesses.

Discussion points that the ARIC may wish to consider include:
·   Do you agree with the proposed definitions, or can you make further suggestions?
·   Do you agree with combining these concepts, as a way forward?
·   Do you have any observations regarding integrity/ethics in the organisation?
·   Do you agree that a starting point might be a mapping of select organisational policies/processes against frameworks such as the Governance Lighthouse?

Information Integrity

For the purposes of this paper, information integrity will be defined as:

> "... the dependability and trustworthiness of information..."

Organisational information comes in a range of formats, be it demographic data, budget information, web content etc, with the integrity of the information protected by the range of quality control/management processes that surround it.

Information Integrity is a whole of business activity, and as such, getting a handle on how Council currently does this and how it performs is not an easy task. At a high-level, information and data are protected through centralised management and governance that is released to the organisation to guide the appropriate creation and use of data and information.

> Discussion points that the ARIC may wish to consider include:
> ·   Do you agree with the proposed definition, or can you make further suggestions?
> ·   Do you have any observations regarding information integrity in the organisation?
> ·   Do you have any suggestions for how Council might respond to this aspect of the resolution?

Accountability

For the purposes of this paper, organisational accountability will be defined as:

> "...when all members of the workforce individually and collectively act to consequentially promote the timely accomplishment of Council's objectives ..."

There are two important elements, how individuals ensure they are accountable, and how the organisation as-a-whole is held to account.

Measuring accountability requires settings objective goals you can track, as well as the organisations or individual's response when you learn the outcomes.

At an individual level, accountability will be driven through the annual performance planning and review processes. This is every manager and employee's responsibility to engage constructively in this.

At an organisational level, accountability will be driven through high level processes, such as the measurement of key performance indicators against agreed organisational outcomes and the CEO's performance agreement.

As part of the Integrated Planning and Reporting guidelines and under Section 404(1) of the Local Government Act 1993, council is required to have an annual operational plan detailing the activities (projects, programs, KPIs) that will be undertaken / delivered during that

financial year and is aligned to the Delivery Program. Council's current Operational Plan is for the 2019-20 financial year and is the second year of this Delivery Program (2018-19 to 2020-21).

Monitoring Council's performance against the Delivery Program and Operational Plan is completed on a quarterly basis and reported to Council within two months after the end of the quarter (with the exception of Quarter 4, which is covered by the Annual Report).

An Annual Report is also prepared and presented to Council in November each year. It is a comprehensive account of Council's performance for the financial year, with final details on how Council performed against its Operational Plan. It is noted that many of the metrics are qualitative in nature.

To assist in responding to this resolution it may be useful to understand if there are other key metrics (not contained as part of the performance reporting framework) that would assist deliver the intent of the Resolution.

Discussion points that the ARIC may wish to consider include:
- Do you agree with the proposed definition, or can you make further suggestions?
- Do you have any observations regarding accountability in the organisation or at an individual level?
- Do you have any suggestions beyond the current performance reporting framework that would assist with accountability?

Proposed Way Forward

Under the Resolution the CEO is to report back to Council by the end of October on a mechanism and process to establish a Unit.

The Resolution identifies very important aspirations of Council, and a 'Unit' may be one of number of potential strategies to address the functions and objectives articulated by the Resolution. It is noted that there are existing activities of Council that align with the functions proposed in the Resolution (refer to Attachment One).

To ensure due diligence on behalf Council in responding to this Resolution, the following is proposed as a way forward to progress the Resolution and enable the CEO to report back in a timely manner:

Define the Scope	• Establish the scope of the functions outlined in the Resolution through seeking ELT and ARIC input on key definitions.
Map Existing State	• Map existing Council policies, processes, resources, staffing against the defined functions.
Identify Opportunities	• Identify the key opportunities to enhance current processes against the aspirations of the Council Resolution.
Identify the Mechanisms	• Identify a range of mechanisms that could be established to achieve the desired objective of the Resolution, with a 'Unit' being one of many options
Develop Assessment Criteria	• Develop criteria to assess the best mechanism to implement the opportunity.
Provide Options and Recommendations	• Provide options and recommendations to Council based on the above analysis.

Discussion points that the ARIC may wish to consider include:

·   Do you agree with this high-level outline of steps in the process?

·   Do you have any further suggestions of what could be done to address the Resolution?

Attachments

1	Overview of current activities structured against the proposed functions	D13669413
2	Notice of Motion - Integrity and Ethical Standards Unit	D13669385

Item No:	6.6
Title:	Business Continuity Management Update
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13715415

Author:	Craig Haskell, Acting Section Manager, Insurance and Risk
Manager:	Shane Sullivan, Unit Manager, Governance and Business Services
Executive:	Dr Liz Develin, Director Governance

Report Purpose

To provide the Audit, Risk and Improvement Committee with an update on Council's Business Continuity Management.

Recommendation

1   That the Audit, Risk and Improvement Committee receive the report on Business Continuity Management.

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

Context

At the 1 October 2019 Audit, Risk and Improvement Committee meeting there was a discussion relating to disaster recovery planning, emergency management, and business continuity – and how these plans interact. ARIC resolved that information on disaster recovery planning would be brought back to the December meeting.

This report provides some further information regarding Council's Business Continuity Management and how it operates in relation to Emergency Management. Disaster recovery of systems is a subset of the Business Continuity Management and is being developed as part of that.

Attached is a table to outline the differences between three of the key tools and the areas of commonality.

Business Continuity Planning Update

Central Coast Council commenced a project to develop a Business Continuity Management framework in late 2018 and workshops were facilitated by Jardine Lloyd Thompson Pty Ltd in September 2018 and February 2019.

Business Process Assessments were completed by Unit Managers to identify all the various functions of Council. Those functions deemed as critical then had a Business Impact Analysis completed following which a Business Continuity Sub Plan was developed. There have been 35 Business Continuity Sub Plans completed across the organisation.

The creation of the Business Continuity Plan uses the identification of Council functions and what is considered a maximum allowable outage. Those functions with a maximum allowable outage of less than two weeks require their own business continuity plan (sub-plans). These sub-plans identify the system requirements and support required for business continuity. In this way systems interruption considerations are incorporated into the overarching process.

On 10 November 2019, consultation was undertaken with Council's Executive Leadership Team to achieve high level commitment to drive the process for developing Council's Business Continuity Management framework. As a result of this it was agreed that each Executive Leadership Team member would review the criticality of all functions identified within their areas of control. They would also review the draft Business Continuity Plan Manual and Procedure documents.

This plan is currently under review to ensure currency and to include sub plans for critical business operations. This work is being done in consultation with Jardine Lloyd Thompson Pty Ltd.

The anticipated delivery date for the final reviewed Plan (including required sub-plans) is Friday, 31 January 2020. As at 19 November 2019, 75% of the review had been completed.

It was originally proposed to have testing of the Business Continuity Plan in early December. However, in light of recent events, it is now proposed to undertake testing of the Business Continuity Plan and Emergency Management Plan simultaneously in February. This will highlight where there may need to be review of resourcing and expectations. It is also considered that this will test a more complex and challenging scenario.

Attachments

1   Comparison Table - BCM, EM and DRP   D13724239

Comparison of Council's Business Continuity Management Framework and Emergency Management Framework

Area	Business Continuity Management	Commonalities (BCP and EM)	Emergency Management
Focus Area	Council Prioritised Business Focus		Community
Lead	Central Coast Council		NSW Police
Who determines to activate the plan	Chief Executive Officer Central Coast Council		Relevant State lead agency – for example RFS for bushfires, SES for storms/floods
Who responds to the plans	Central Coast Council		Multi agency response; "lights & sirens" eg NSW police, RFS, SES
When might the plan be activated	Business interruptions, temporary loss of Council resources facilities/services	Natural disasters that interrupt business, terrorist events that interrupt business.	Terrorist events, Disasters eg plane crash, loss of a large retail centre
What does the plan deliver	Continuous service to the community based on prioritised need	The conscious shifting of resources to maintain the required level of service	Coordinated response to extreme events
Recovery	Recovery of Council's assets and provision of services	Recovery of Council owned/managed assets eg roads, bridges, parks	Recovery of community services – infrastructure, natural environment, socio-economic, financial support
Timeframe for event and recovery	Usually short-term event and recovery		Potentially longer term; months to recover to pre-event state
Funding for recovery	Council's insured assets - reliant on insurer	Uninsured assets reliant on State/Federal funding	Variable
What support services of Council are required?	People and Culture Communications, IM&T, Finance, Facilities Management	Communications (internal & external), IM&T, Finance, Facilities Management	Council's operational areas will provide support to the lead agency
Training and testing	Biennial training and review of the BCP	Biennial training and scenarios for key staff on both BCP and EM	

Comparison of Council's Business Continuity Management Framework and IM&T Disaster Recovery Plan

Area	Business Continuity Management	Commonalities (BCP and DRP)	IM&T Disaster Recovery Plan
Focus Area	Council Prioritised Business Focus		Systems
Lead		Central Coast Council	
Who determines to activate the plan	Chief Executive Officer Central Coast Council	Central Coast Council	Chief Information Officer or delegate
Who responds to the plans		Central Coast Council	
When might the plan be activated	Temporary loss of Council resources facilities/services	Business interruptions	Infrastructure disruptions to a system or multiple systems
What does the plan deliver	Continuous service to the community based on prioritised need		Continuous service to the organisation based on prioritised need
Recovery	Recovery of Council's assets.	Recovery of Council's provision of services	Recovery of Council data (if required)
Timeframe for event and recovery		Usually short-term event and recovery	
Funding for recovery	Council's insured assets - reliant on insurer		Variable – depending on contractual arrangements
What support services of Council are required?	People and Culture Communications, Finance, Facilities Management	IM&T	Relevant and affected operational areas
Training and testing	Biennial training and review of the BCP		Ongoing (overarching and system based)

Item No:	6.7
Title:	Report on Council's draft Data Breach Policy and Procedures
Department:	Governance

Central Coast Council

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference:	F2018/00028 - D13726244
Author:	James Taylor, Section Manager, Governance
Manager:	Shane Sullivan, Unit Manager, Governance and Business Services
Executive:	Dr Liz Develin, Director Governance

Report Purpose

The purpose of this report is to provide the Audit, Risk and Improvement Committee with an opportunity to provide feedback on a Draft Data Breach Policy and Draft Data Breach Procedures.

Recommendation

1   That the Committee receive the report on the Draft Data Breach Policy and Procedures and provide feedback prior to finalisation.

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.

Background

At the 1 October 2019 Audit, Risk and Improvement Committee Meeting the following was resolved:

1   That the Audit, Risk and Improvement Committee recommend a Data Breach Policy to be created (if Council doesn't already have one).

2   Data Breach Reporting to be brought back to the 4 December 2019 Audit, Risk and Improvement Committee Meeting.

The *Draft Data Breach Policy* (Attachment 1) and *Draft Data Breach Procedures* (Attachment 2) are presented to the Audit, Risk and Improvement Committee for feedback prior to finalisation.

The attached draft *Data Breach Policy* and *Procedures* are based on the IPC Data Breach Policy and tailored to the needs of Central Coast Council. It is proposed that once feedback is received from the Committee and internal consultation is finalized, that the policy will be revised for endorsement by the Chief Executive Officer.

Attachments

1	Draft Data Breach Policy	D13726418
2	Draft Data Breach Procedures	D13726421

POLICY NO: CCC047

DATA BREACH POLICY

November, 2019

AUTHORITY	NAME & TITLE - 138 -
AUTHOR	
MANAGER	
DIRECTOR	
CHIEF EXECUTIVE OFFICER	Gary Murphy, Chief Executive Officer

History of Revisions:

Version	Date	Reason	TRIM Doc. #
1	November 2019	New policy established	

Policy Rank: Operational

Table of Contents

POLICY SUMMARY

1.   This policy provides guidance for responding to a breach of Central Coast Council held data.

PURPOSE OF THE POLICY

2.   This policy sets out the Council guidelines for managing a data breach, including the considerations around notifying persons whose privacy may be affected by the breach.

3.   Effective breach management, including notification where warranted, assists the Council in avoiding or reducing possible harm to both the affected individuals/organisations and the Council, and may prevent future breaches.

GENERAL

4.   A data breach occurs when there is a failure that has caused or has the potential to cause unauthorised access to Council data, such as:

   a) accidental loss or theft of classified material data or equipment on which such data is stored (e.g. loss of paper record, laptop, iPad or USB stick);

   b) unauthorised use, access to or modification of data or information systems (e.g. sharing of user login details (deliberately or accidentally) to gain unauthorised access or making unauthorised changes to data or information systems);

   c) unauthorised disclosure of classified material information (e.g. email sent to an incorrect recipient or document posted to an incorrect address or addressee), or personal information posted onto the website without consent;

   d) compromised user account (e.g. accidental disclosure of user login details through phishing);

   e) failed or successful attempts to gain unauthorised access to Council information or information systems;

   f) equipment failure;

   g) malware infection; and/or

   h) disruption to or denial of IT services.

5.   A data breach can result in unauthorised access to, or the unauthorised collection, use, or disclosure of, personal information.

6.   Containment of a data breach is priority for the Council. All necessary steps possible will be taken to contain the data breach and minimise any resulting damage.

7.   If a third party is in possession of the data and declines to return it, Council may seek legal or other advice on possible action available to recover the data.

8.   When recovering data, the Council will make sure that copies have not been made by a third party or, if they have, that all copies are recovered.

9.   The Council recognises that notification to individuals/organisations affected by a data breach can assist in mitigating any damage for those affected individuals/organisations and reflect positively on the Council's reputation.

10.   Notification demonstrates a commitment to open and transparent governance, consistent with the Council's approach.

11.   In general, if a data breach creates a risk of harm to an individual/organisation, the affected individual/organisation will be notified. Prompt notification in these cases can help to avoid or lessen the damage by enabling the individual/organisation to take steps to protect themselves.

12.   The logistics of notifying affected individuals/organisations will depend in large part on the type and scale of the breach, as well as immediately practical issues such as having contact details for the affected individuals/organisations

DEFINITIONS

13.   The following definitions are used in this policy:

(a)   **Data breach** means a failure that has caused or has the potential to cause unauthorised access to Council data.

BREACHES

14.   Any Breaches of this policy by Council Officials will be dealt with under Council's Code of Conduct, noting that breaches the result of third party actions will be managed under the relevant legislation or contract requirements.

REVIEW

15.   This Policy will be reviewed annually.

RELATED RESOURCES

16.   Legislation:
       (a)   Government Information (Public access) Act 2009
       (b)   Health Records & Information Privacy Act 2002
       (c)   Privacy & Personal Information Protection Act 1998
       (d)   Privacy Act 1988

17.   Associated Documents:
       (a)   Council's *Code of Conduct*

DATA BREACH PROCEDURES

November, 2019

	- 144 -
AUTHORITY	**NAME & TITLE**
AUTHOR	
MANAGER	
DIRECTOR	
CHIEF EXECUTIVE OFFICER	Gary Murphy, Chief Executive Officer

History of Revisions:

Version	Date	Reason	TRIM Doc. #
1	November 2019	New procedures established	

SUMMARY

1.   Procedures to be followed when responding to a breach of Central Coast Council-held data.

GENERAL

2.   There are four key steps required in responding to a data breach:

   a) Contain the breach;

   b) Evaluate the associated risks;

   c) Notifying to:
         i.   Management;
         ii. Council's Privacy Officer (where appropriate); and
         iii. affected individuals.

   d) Prevent a repeat.

3.   Each step is set out in further detail below. The first three steps should be carried out concurrently where possible. The last step provides recommendations for longer-term solutions and prevention strategies.

4.   The relevant Council Officers must be informed of any data breach to ensure the application of Council's Data Breach Policy and the appropriate response to and management of complaints or enquiries made by the public as a result of the breach.

Step one: Contain the breach

5.   Once Council becomes aware of a breach, all necessary steps possible must be taken to contain the breach and minimise any resulting damage.

6.   If a third party is in possession of the data and declines to return it, Council may seek legal or other advice on what action can be taken to recover the data.

7.   When recovering data, the Council is to ensure that any copies that have been made by a third party are returned.

Step two: Evaluate the associated risks

8.   Assess the type of data involved in the breach and the risks associated with the breach. Some types of data are more likely to cause harm if compromised. For example, personal information, health information, and security classified Council information, may be more significant than including an unintended recipient on an email.

9.   A combination of data will typically create a greater potential for harm than a single piece of data (for example, an address, date of birth and bank account details, if combined, could be used for identity theft).

10.   Assess whether individuals and organisations have been affected by the breach, how many have been affected and whether any of the individuals have personal circumstances which may put them at particular risk of harm.

11.   Assess whether the breach occurred as part of a targeted attack or through inadvertent oversight, eg:
      a)   Was it a one-off incident or does it expose a more systemic vulnerability?
      b)   What steps have been taken to contain the breach?
      c)   Has the data been recovered?
      d)   Is the data encrypted or otherwise not readily accessible?

12.   Assess the possible use of the data, eg:
      a)   Could it be used for identity theft, threats to physical safety, financial loss, or damage to reputation?
      b)   Who is in receipt of the data?
      c)   What is the risk of further access, use or disclosure, including via media or online?

Step three: Consider notifying affected individuals

13.   Consider the following factors when deciding whether notification is appropriate:
      a)   What is the risk of harm to the individual/organisation?
      b)   What steps has the Council taken to date to avoid or remedy any actual or potential harm?
      c)   What is the ability of the individual/organisation to take further steps to avoid or remedy harm?
      d)   Even if the individual/organisation would not be able to take steps to rectify the situation, is the information that has been compromised sensitive, or likely to cause humiliation or embarrassment for the individual/organisation?
      e)   Are there any applicable legislative provisions or contractual obligations that require the Council to notify affected individuals?

14.   Individuals or organisations affected by the breach should be notified as soon as practicable. Circumstances where it may be appropriate to delay notification include where notification would compromise an investigation into the cause of the breach or reveal a software vulnerability.

15.   Affected individuals/organisations should be directly notified - by telephone, letter, email or in person.

16. Indirect notification – such as information posted on the Council's website, a public notice in a newspaper, or a media release – should generally only occur where the contact information of affected individuals/organisations are unknown, or where direct notification is prohibitively expensive or could cause further harm (for example, by alerting a person who stole the laptop as to the value of the information contained).

17. The notification advice must be tailored to the circumstances of the particular breach. Content of a notification could include:
     a) information about the breach, including when it happened;
     b) a description of what data has been disclosed;
     c) assurances (as appropriate) about what data has not been disclosed;
     d) what Council is doing to control or reduce the harm;
     e) what steps the person/organisation can take to further protect themselves and what the Council will do to assist people with this;
     f) contact details for the Council for questions or requests for information; and
     g) the right to lodge a privacy complaint with Council's Privacy Officer or the NSW Privacy Commissioner by completing the Privacy Internal Review form and lodge it with Council or the Commission.

Step four: Prevent a repeat

18. Investigate the circumstances of the breach to determine all relevant causes and consider what short or long-term measures could be taken to prevent any recurrence. Preventative actions could include a:
     a) security audit of both physical and technical security controls;
     b) review of policies and procedures;
     c) review of employee training practices; or
     d) review of contractual obligations with contracted service providers.

19. A template to be used for reporting on the investigation of the breach and authorising actions in response will be drafted and attached. This template will include details about:

     a) Notification date and time
     b) Breach date, time and duration
     c) Person making notification
     d) Organisation making notification
     e) Description of breach
     f) Impact assessment and risk of harm
     g) Remedial action taken to date (including description of action and when)
     h) Remedial action projected
     i) Other bodies notified
     j) Notification to affected persons
     k) Privacy Officer notified
     l) Notes for person giving notification

20. If the data breach contains any personal information Council's Privacy Officer should be notified and will then conduct the required Privacy Review which will, if proceeding past preliminary investigations stage, involve notification to the NSW Privacy Commissioner.

21. As a matter of good practice, Council's Chief Executive Officer or their delegate may also notify the NSW Privacy Commissioner of a data breach where required and when the circumstances indicate that it is appropriate to do so.

22. Notification by Council's Chief Executive Officer or their delegate to the NSW Privacy Commissioner does not need to contain the personal information about the affected individuals, however it should include:
    a)   a description of the breach;
    b)   the type of data involved in the breach;
    c)   what response the Council has made to the breach;
    d)   what assistance has been offered to affected individuals;
    e)   the name and contact details of the appropriate Council contact person; and
    f)   whether the breach has been notified to other external contact(s).

Item No:	8.1
Title:	Complaints and Compliments Report - Q1 2019-20
Department:	Connected Communities

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference:	F2018/00028 - D13712434
Author:	Lisa Champion, Section Manager Customer Relationships
Manager:	Sue Ledingham, Unit Manager Community Engagement
Executive:	Julie Vaughan, Director Connected Communities

Summary

The purpose of this report is to provide an overview of complaints and compliments received during the first quarter period, 1 July 2019 to 30 September 2019, to the Audit Risk and Improvement Committee (Committee). The information included in this report is based on reports from Council's Customer Experience (CX) system.

Recommendation

1   That the Committee receive the report on Complaints and Compliments Report – Q1 2019-20.

2   That the Committee make a recommendation that this report and the supporting papers to this Report not be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Background

Central Coast Council has a Customer Feedback Management Policy adopted March 2017. This policy sets out the approach that Council takes to ensuring that all customers are given the opportunity to make complaint or provide feedback about issues they may have regarding potentially inappropriate, unethical or unfair behaviours or practices committed by Council Officials. This policy incorporates the principles of the Australian / New Zealand standard: Guidelines for Complaint Management in Organisations (AS/NZS 10002:2014) and the NSW Ombudsman's Complaint Management Framework (2015).

Feedback from our community provides Council with valuable insights into areas where service standards are meeting customers' expectations or where service standards have not been met and improvements need to be made.

Complaints and Compliments are categorised at a high level as follows:
- Council Decision
- General Feedback
- Level of Service
- Quality of Work
- Response Time
- Value of Fees and Charges
- Staff Performance

Reporting

Evaluation of the type of complaints and compliments received.

Complaint Types
A total of 266 complaints were received in the first quarter 2019/20 (including 75 sensitive complaints):

- The majority of complaints received relate to General Feedback followed by Sensitive Complaints (relating to staff) and complaints about Response Time. General feedback could be in relation to a non-specific item (this could be either a compliment or complaint) or something that is not currently listed in the request type and detail.
- On average in the first quarter of 2019/20 Council received approximately 88 complaints per month.
- Sensitive (staff) complaints are 25 per month for Q1 period.

The number of complaints relating to Value of Fees and Charges remains low at 4 for Q1 indicating general satisfaction with the current fees and charges provided by Council.

Compliment Types
A total of 153 compliments were received in the first quarter (including 52 relating to staff performance):

- The majority of compliments relate to Staff Performance, followed by Quality of Work and General Feedback This would indicate that the majority of compliments relate to our staff and their work performance. The attached table outlines the detail on volume of complaint and compliment types received during the reporting period.

Improvement program

Evaluation of the CX system has identified the need to amend the organisational structure in the system. With every change to the organisational structure there is an impact to groups and queues within the CX system. Work in this area is currently in progress to ensure it accurately reflects the latest organisational structure. Once these remediation changes are corrected, the next phase will be to refine the coding for complaint and compliment types so that actions and tasks in the CX system will go to the correct business area.

Until this is updated ongoing, accurate reporting by group and queue remains limited.

System configuration is complex, and upgrades or changes have flow on affects to how a system operate. A two phased program of system development is in place as follows:

- Phase 1 – Remediation of identified issues within the CX system to improve broader functionality scheduled for completion and rollout mid December 2019:
    - o Updating Service Level Response categories and timeframes
    - o Changes to functions for improved user experience
    - o Reporting via profiles and set up of dashboards
    - o Amendments to the organisational structure

Once completed this will provide greater transparency for reporting on the current groups and queues and will be available with the deployment of the new profiles and workspaces.

Supervisors and the Leadership Team will have real time access to open compliments and complaints in their queues and can run reporting for any group and request type and detail (excluding sensitive complaints).

- Phase 2 – Enhancements to CX system to support improved customer experience include:
    - o Changes to request type and workflows for integration with other systems
    - o Enhancements to the online portal for customers self-service
    - o Enhancements to standard fields and inclusion of new functions to improve user experience

The timeframe for Phase 2 work will be reviewed following completion of Phase 1 to determine budget and timeline with other program system developments.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

1   Q1 2019 - Complaints and Compliments Data – 1 July to 30 September 2019   D13721529

Complaints and Compliments – Q1 – 1 July 2019 – 30 September 2019

The below is a report of the complaints and compliments as registered in CX system for the first quarter period 1 July 2019 to 30 September 2019.

Feedback is captured in Council's Customer Experience (CX) system however categorisation by Group and Queue has undergone some change in 2018/19 and this is still currently being reviewed as we refine our reporting and evaluation process.

Complaints and Compliments are categorised at a high level as follows:

· Council Decision
· General Feedback
· Level of Service
· Quality of Work
· Response Time
· Value of Fees and Charges
· Staff Performance

Complaint Types

· The majority of complaints received relate to General Feedback followed by Sensitive Complaints (relating to staff) and complaints about Response Time
· On average in in the first quarter of 19/20 approximately 88 complaints
· Sensitive (staff) complaints are 25 per month for Q1 period
· The number of complaints relating to Value of Fees and Charges remains low at 4 for Q1 followed by 24 for Quality of Work

COMPLAINT TYPES
1 JULY 2019 – 30 SEPTEMBER 2019
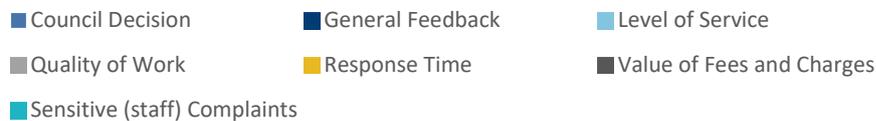
Compliment Types

• The majority of compliments relate to Staff Performance, followed by Quality of Work and General Feedback This would indicate that the majority of compliments relate to our staff and their work performance.

COMPLIMENT TYPES
1 JULY 2019 – 30 SEPTEMBER 2019
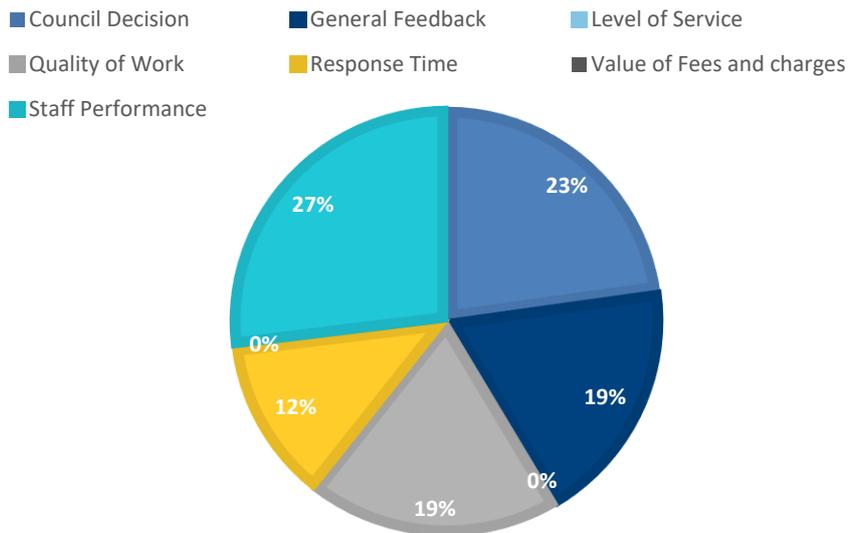
Evaluation of the CX system has identified the need to amend the organisational structure in the system and refine the coding for complaint and compliment types, however ongoing, accurate reporting by group and queue remains limited.

Work is underway to remediate issues within the CX system in Phase 1 which will provide greater transparency for reporting on the current groups and queues and will be available with the deployment of the new profiles and workspaces. All managers from Team Leader and above will have real time access to open compliments and complaints in their queues and can run reporting for any group and request type and detail (excluding staff complaints).

Changes to request type and detail will be reviewed and implemented in Phase 2 of CX remediation program. In the meantime, the following table outlines the detail on volume of complaint and compliment types received during the reporting period.

Complaints and Compliments from CX system 1 July 2019 – 30 September 2019			
LIST BY COMPLAINT TYPES	**No**	**LIST BY COMPLIMENT TYPES**	**No**
Council Decision	36	Council Decision	4
General Feedback	87	General Feedback	36
Level of Service	46	Level of Service	0
Quality of Work	24	Quality of Work	37
Response Time	69	Response Time	24
Value of Fees and Charges	4	Value of Fees and charges	0
Sensitive (staff) Complaints	75	Staff Performance	52
Total Exc Sensitive	266	Total	153
COMPLAINTS BY QUEUE		**COMPLIMENTS BY QUEUE**	**No**
Ask Queue	3	Admin South	0
Building Certification South	0	Ask Queue	1
Carpark	1	Ask Queue South	0
Cemetery	0	Beach Safety	0
CEO Admin	0	Community Infrastructure	0
Coastal Operations	0	Compliance & Health South	0
Communications	0	Customer Service	1
Community Infrastructure	0	Depot Management	0
Community Safety	2	Development Assessment South	0
Compliance & Health North	0	Feedback	127
Compliance & Health South	1	Natural Asset Operation	0
Councillor Support	0	Open Space Management	2
Credit Management	0	Parks & Reserves Management	2
Customer Service	0	Place Activation	0
Depot Management	0	Rates and Water	0
Development Assessment Administration	0	Reactive Maintenance	0
Development Assessment North	0	Road Maintenance North	6
Development Assessment South	2	Road Maintenance South	5
Duty Planner South	0	Roads Assets South	0
Environmental Strategies	1	Roads Construction	1
Feedback	191	Roads Trees - South	2
Governance & Bus Services	1	Sports Facilities & Roadside Management	1

COMPLAINTS BY QUEUE (contd)		COMPLIMENTS BY QUEUE (contd)	No
Holiday Park	3	Tree Assessment - North	1
Learning and Education	0	W&S Dispatch North	1
Leisure Pools & Rec	0	W&S Minor Construction	0
LIS (New)	0	W&S Network Operations & QC South	0
Natural Asset Operation	2	Waterways	2
Open Space Management	1		
Parks & Reserves Management	0		
Place Activation	0		
Rates and Water	5		
Reactive Maintenance	0		
Road Maintenance North	9		
Road Maintenance South	6		
Roads Assets North	1		
Roads Assets South	6		
Roads Business	1		
Roads Construction	4		
Roads Investigations	0		
Roads Trees - South	11		
Sports Activation	1		
Sports Facilities & Roadside Management	0		
Staff Complaint	0		
Strategic Natural Asset Management	0		
Traffic	3		
Tree Assessment - North	2		
W&S Dispatch North	0		
W&S Dispatch South	2		
W&S Major Construction	0		
W&S Minor Construction	2		
W&S Network Operations & QC South	0		
W&S Technical Services	0		
W&S Water Service & Design	0		
Waste	0		
Waterways	1		
Wrap Up	1			

COMPLAINTS BY GROUP	No	COMPLIMENTS BY GROUP	No
Business Enterprise	2	Community Engagement	2
Community Engagement	8	Community Partnerships	1
Community Partnerships	3	Development Assessment	0
Development Assessment	5	Env Plan Bus Perf Integration	1
Env Plan Bus Perf Integration	9	Environment and Certification	12
Environment and Certification	24	Exec Assistants (AIB)	47
Exec Assistants (AIB)	22	Exec Assistants (CC)	32
Exec Assistants (CC)	10	Exec Assistants (CEO)	0
Exec Assistants (CEO)	0	Exec Assistants (E_P)	4
Exec Assistants (E_P)	3	Exec Assistants (FIN)	1
Exec Assistants (FIN)	0	Exec Assistants (GOV)	1
Exec Assistants (GOV)	1	Exec Assistants (P_C)	0
Exec Assistants (IMT)	0	Facilities Management	1
Facilities Management	1	Finance	1
Finance	11	Governance Bus Services	0
Governance Bus Services	8	IMT	0
IMT	0	Learning and Education	0
Leasing and Asset Management	0	Leasing and Asset Management	0
Leisure and Lifestyle	1	Leisure and Lifestyle	1
Libraries	2	Libraries	2
Natural and Environmental Assets	11	Natural and Environmental Assets	5
No Value (unassigned)	61	No Value (unassigned)	5
Open Space and Recreation	3	Open Space and Recreation	6
Plant and Fleet	0	Plant and Fleet	1
Roads and Drainage	49	Roads and Drainage	11
Strategic Planning	0	Strategic Planning	1
Waste Services	10	Waste Services	3
Water and Sewer	20	Water and Sewer	11
Waterways and Coastal Protection	1	Waterways and Coastal Protection	3

Item No:	8.2
Title:	Customer Experience Survey Results
Department:	Connected Communities

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2019/00033 - D13721071

Author: Ellen Suarez, Customer Experience Coordinator

Manager: Sue Ledingham, Unit Manager Community Engagement

Executive: Julie Vaughan, Director Connected Communities

Summary

During the period of 30 May – 7 June 2019, Micromex Research conducted the second annual customer experience telephone survey of 602 Central Coast Council (CCC) residents to identify customer perceptions. This report identifies the key survey results, changes to last year's survey and Council's focus for this year, as well as next steps.

Recommendation

1   That the Committee receive the report on Customer Experience Survey Results.

2   That the Committee make a recommendation that this report and the supporting papers to this Report not be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.

Background

In 2019 residents were interviewed throughout the five wards with approximately 120 surveys per ward using the 2018 survey questions to compare against Council's benchmark performance. This year the survey also included a peri-urban comparison of Councils that have similar growth patterns to Central Coast Council as well as the Regional and Metro Council comparison (where available). The sample provided a maximum error of plus or minus 4.0% at 95% confidence and is representative of the LGA demographics.

Results

Overall Satisfaction
Survey results of Council performance increased significantly in satisfaction over 2018 and showed that 82% of residents are somewhat satisfied with Council's overall performance, with 47% committing to the top two codes of 'very satisfied' or 'satisfied'. Like last year, older residents 50+ and those who have lived in the community more than 20 years are less satisfied. Most respondents - 58% have lived in the community for more than 20 years with 24% living in the community for 11-20 years.

Comparing CCC mean overall satisfaction results of 3.42 against the Peri-urban norm of 3.45 and Merged Council norm of 3.43, CCC is performing at about the same level as these LGA norms which is a significant increase from 3.29 in 2018. When asked about Council's performance since merging, most residents, 59% believed there has been no change in performance since Council merged, while 17% believe Council is performing better and 21% believe Council is performing worse.

When comparing this data to 2018 we find there is a small but significant increase in those residents stating Council performance is worse; yet all respondents rated higher overall satisfaction results than last year.

The main concerns raised by customers are the size of Council to manage, communication/service difficulties, disorganisation and area inequity. It could be that these customers are not seeing the improvements in their areas that other customers are experiencing. Also, the disparity in the results for overall satisfaction and performance since merging may be due to the halo effect; customers having higher perceptions of the former Council satisfaction as time passes, rather than any specific issues currently occurring now.

Survey questions focused on key areas of importance and satisfaction for residents relating to trust, customer engagement, management development, and management services/facilities. Shapley Regression Analysis (which identifies the attributes that build overall satisfaction and image) compared data from over 30,000 LGA interviews since 2005 and provides a clear indication of the key drivers of overall community satisfaction, and derived importance. Eight drivers contribute to over 60% of overall satisfaction with Council with six of the drivers coming from the trust and customer engagement categories. The most significant driver is 'Council is a well-run and well-managed organisation' at 11.3%, up from 10% in 2018.

Customer engagement category drivers have moved from the lowest average Shapley value per attribute to the second highest in 2019, indicating that engagement and communications have increased in importance as drivers of satisfaction. Three of the five attributes now account for 24% of the overall Shapley score of 100%:

- Council responds to customer enquiries in a timely manner,
- Council adequately considers community concerns and views when making decisions,
- Council places a high value on customer experience

Overall Image
With regards to Council's image, 59% of residents rated it as good to excellent; slightly improved over last year at 54%. Again, key drivers of image are closely linked to trust and governance issues with 'Council is a well-managed and well-run organisation' (11.7%) and 'Council works in the best interests of the community' (11.6%) slightly reversed from 2018. Six of the eight key drivers for image were the same for overall satisfaction. It is believed that an improvement in trust and customer engagement is likely to bring about a significant improvement in both Council community image and overall community satisfaction.

Customer Expectations

Council response times to customer enquiries and a focus on customer experience continues to be two key areas requiring improvement. The mean maximum wait time for email has not changed since 2018 at 4.4 days, however the expected mean maximum wait time for a non-urgent response from any enquiry (phone, in person, letter, email) has reduced somewhat from 7.0 days in 2018 to 6.8 days in 2019. Now 17% of customers expect a response to an urgent issue within half a day, up from 14% in 2018. Overall, customers who contact Council via email and letter have a lower satisfaction level than those customers who contact Council via the website.

While overall satisfaction with the way contact was handled in the last 12 months has marginally increased from 2018, dissatisfaction increases with the number of times a customer must contact Council to resolve an issue. Data shows that 91% of customers who only had to contact Council once were either 'satisfied' or 'very satisfied', whereas 41% of customers who had to contact Council 4-6 or more times stated they were 'not very satisfied' or 'not at all satisfied' and 60% of customers who still had their issue unresolved stated the same levels of dissatisfaction.

A new question was included this year about the preferred means to receive urgent information from Council regarding impending water outages, imminent roadwork etc and surprisingly, 77% stated letterbox drop. However, considering the number of residents who have lived in the community for more than 11 years it is not surprising as this is the method they are used to. Conversely, 67% also stated a preference for email and 62% stated a preference for SMS message or text. Residents aged 18-49 expressed higher levels of preference for electronic methods of communication and this is anticipated to trend higher in the future.

Areas of Focus

To determine where CCC should focus its attention, as stated previously Micromex conducts Shapley Regression Analysis which identifies the attributes that build overall satisfaction and image. This ensures that Council understands the derived importance of the stated community priorities. It has been identified that the main areas for improvement and focus lay with perception of Council trust and customer engagement, which relates to Council reputation, specifically the three key trust area drivers are:

- Council is a well-managed and well-run organisation,
- Council works in the best interests of the community, and
- Council manages funds well and provides good value for rates paid.

The three key customer engagement drivers are:

- Council responds to customer enquiries in a timely manner,
- Council adequately considers community concerns and views when making decisions, and
- Council places a high value on customer experience.

These drivers are being used to shape the customer experience through the implementation of the Customer Experience Strategy action plan and the development of the CCC Customer Charter.

Next Steps

Briefing sessions have already occurred with the Leadership Team and Councillors. Data from the survey is being used to create a Customer Charter to clearly communicate what customers can expect from Council with regards to responsiveness, customer engagement and trust. Once the charter is developed and signed off by ELT, it will be promoted both internally and externally for all staff and customers to understand and live up to the customer expectations. It is anticipated that Charter will be presented to ELT no later than 30 January 2020 and once signed off can be implemented.

As part of the Customer Experience Strategy, customer journey mapping is being undertaken to understand the staff and customer pain points to improve the experience and make changes that put the customer at the centre of Council processes. Survey data is also assisting in this process to help understand customer expectations around responsiveness and implementing changes to the CX Platform (Customer Relationship Management).

Attachments

 1   Customer Experience Survey 2019 Drivers Barriers and Optimisers   D13721426

Key Drivers of Overall Satisfaction With Council

Dependent variable: Overall, for the last 12 months, how satisfied are you with Council, not just on one or two issues, but across all responsibility areas?

	2018 result
Council is a well-managed and well-run organisation	11.3% / 10.0%
Council works in the best interests of the community	10.4% / 7.2%
Council responds to customer enquiries in a timely manner	9.4% / 3.5%
Council adequately considers community concerns and views when making decisions	7.6% / 5.7%
Council places a high value on customer experience	7.1% / 6.7%
Council manages funds well and provides good value for rates paid	6.3% / 5.5%
Maintaining local roads	5.9% / 3.2%
New developments are well planned and in keeping with local character	4.7% / 3.2%

The results in the chart above provide Central Coast Council with a picture of the intrinsic community priorities and motivations, and identify what attributes are the key drivers of community satisfaction.

These top 8 services/facilities (so 36% of the 22 attributes) account for over 60% of overall satisfaction with Council. This indicates that the remaining 14 attributes we obtained measures on have a lesser impact on the community's satisfaction with Central Coast Council's performance. Therefore, whilst all 22 service/facility areas are important, only a number of them are significant drivers of the community's overall satisfaction with Council.
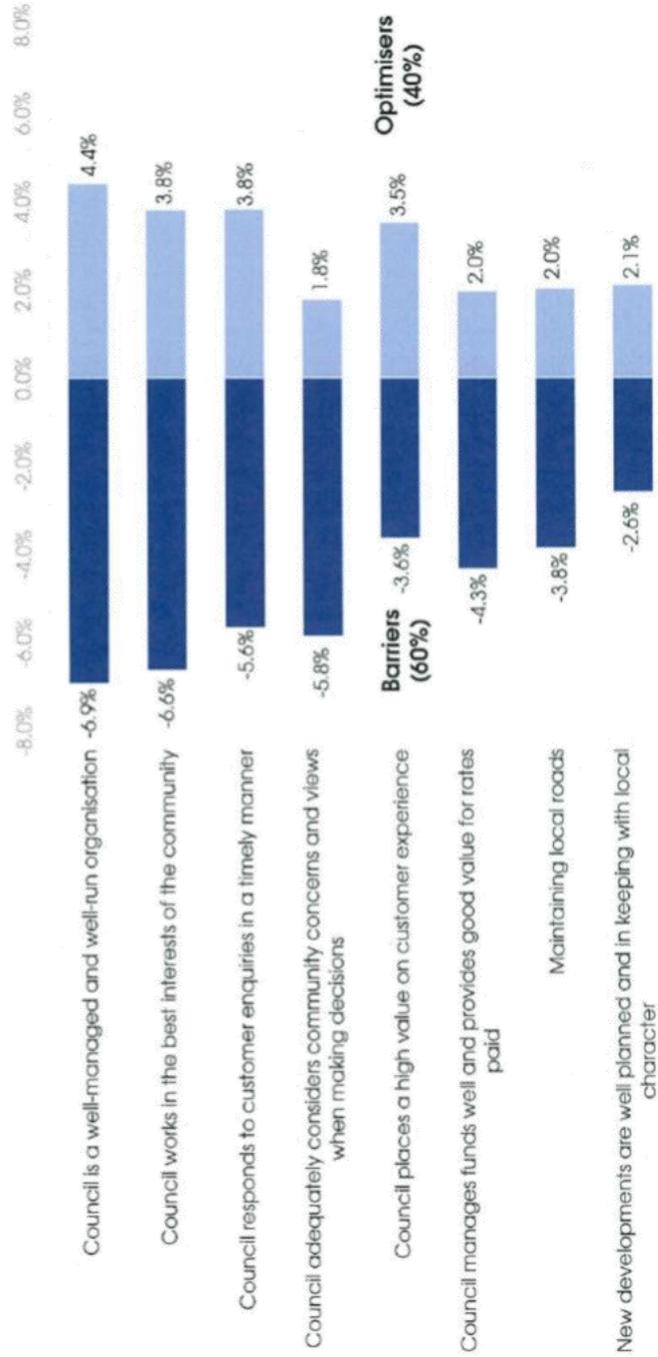
Three of the four 'Trust' measures appear in the eight key drivers towards overall satisfaction, with management and working in the best interests of the community the largest drivers overall.
And three of the five 'Customer Engagement' attributes also appear in the above list of key drivers.

Key Contributors to Barriers/Optimisers of Satisfaction With Council

The chart below illustrates the positive/negative contribution the key drivers provide towards overall satisfaction. Some drivers can contribute both negatively and positively depending on the overall opinion of residents.

The scores on the negative indicate the contribution the driver makes to impeding transition towards satisfaction. If we can address these areas we will see a lift in our future overall satisfaction results, as we will positively transition residents who are currently 'not at all satisfied' towards being 'satisfied' with the overall performance of Council.

The scores on the positive indicate the contribution the driver makes towards optimising satisfaction. If we can address these areas we will see a lift in our future overall satisfaction results, as we will positively transition residents who are currently already 'somewhat satisfied' towards being more satisfied with Council.

	Barriers (60%)	Optimisers (40%)
Council is a well-managed and well-run organisation	-6.9%	4.4%
Council works in the best interests of the community	-6.6%	3.8%
Council responds to customer enquiries in a timely manner	-5.6%	3.8%
Council adequately considers community concerns and views when making decisions	-5.8%	1.8%
Council places a high value on customer experience	-3.6%	3.5%
Council manages funds well and provides good value for rates paid	-4.3%	2.0%
Maintaining local roads	-3.8%	2.0%
New developments are well planned and in keeping with local character	-2.6%	2.1%

Key Drivers of Council's Image Within the Community

Dependent variable: How would you rate Central Coast Council's image within the local community?

Statement	Value
Council is a well-managed and well-run organisation	11.7%
Council works in the best interests of the community	11.6%
Council manages funds well and provides good value for rates paid	8.6%
Revitalising and beautifying town centres and CBDs across the LGA	6.4%
Council adequately considers community concerns and views when making decisions	6.0%
The road network provides for efficient traffic flow	5.4%
Council responds to customer enquiries in a timely manner	5.3%
Council places a high value on customer experience	4.7%

The results in the above chart provide Central Coast Council with the key drivers of image within the local community.

These top 8 statements (so 36% of the 22 statements) contribute to just under 60% towards the community's perception of Council's image within the community. Therefore, whilst all 22 statements are important, only a number of them are potentially significant drivers of Council's image within the community.

The attributes shaded darker above were also key drivers based on the first Shapley Regression using 'overall satisfaction' as the dependent variable.

Note: Please see Appendix B for the derived importance for the full list of statements

Governance and interacting with the community are key areas that drive the community's perception of Council. Six of the eight attributes above (darker shaded bars) were also identified to be key drivers for overall satisfaction with the performance of Council.

Key Contributors to Barriers/Optimisers to Council's Image Within the Community

The chart below illustrates the positive/negative contribution the key drivers provide towards the community perception of Council's image. Some drivers can contribute both negatively and positively depending on the overall opinion of residents.
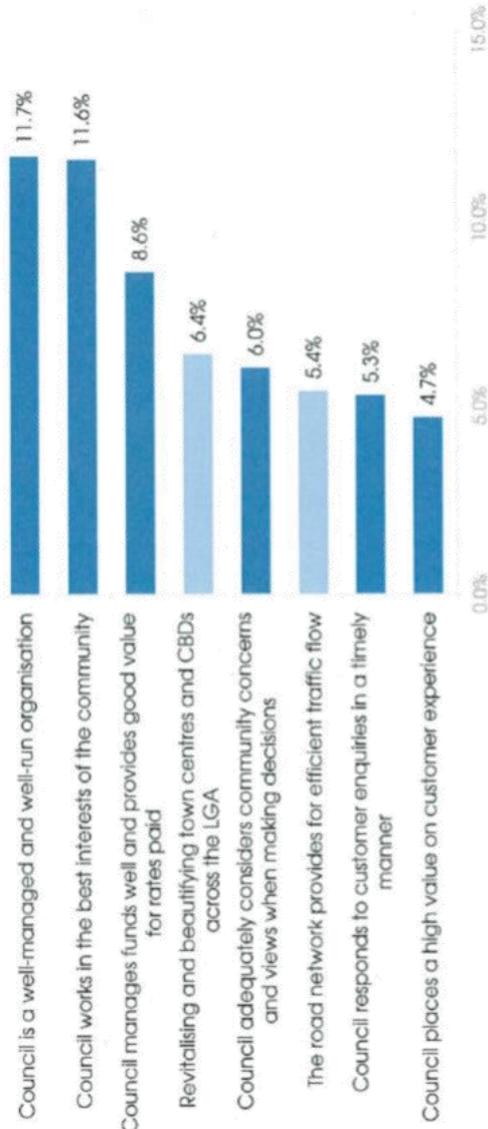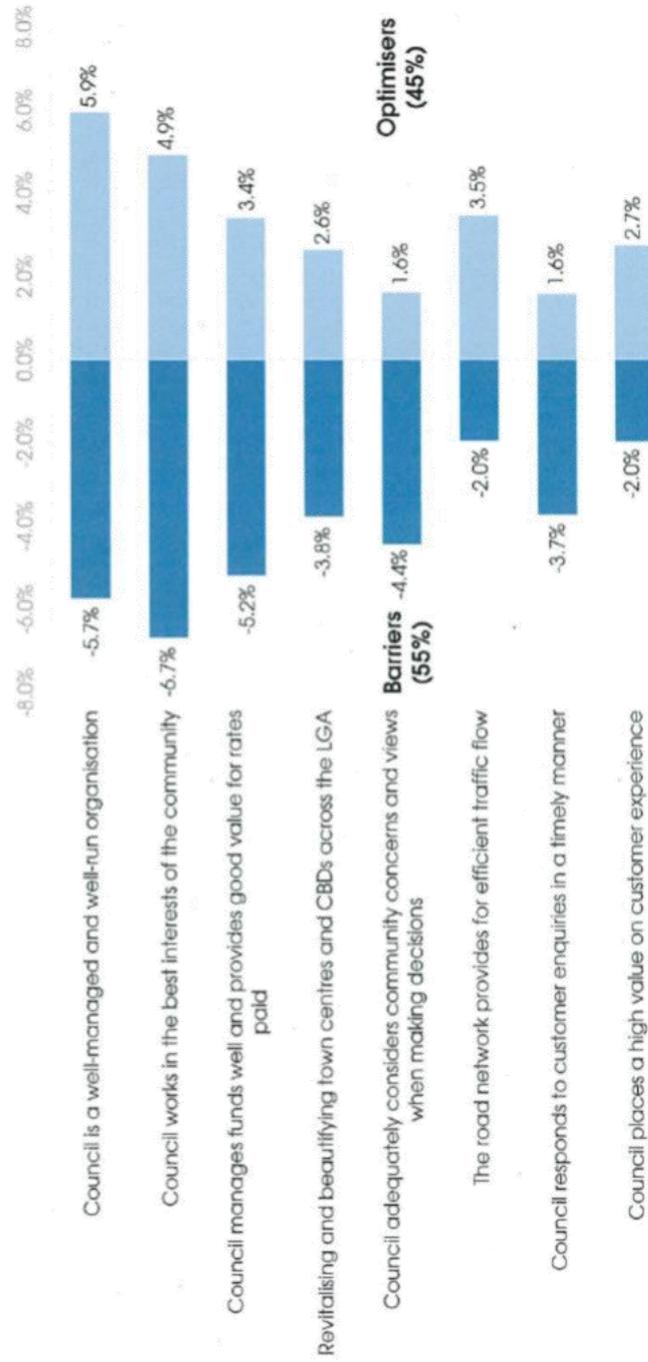
The scores on the negative indicate the contribution the driver makes to impeding transition towards a higher rating. If we can address these areas we will see an improvement in the ratings for Council's image, as we will positively transition residents who currently rate Council's image as 'very poor' towards being 'good/very good'.

The scores on the positive indicate the contribution the driver makes towards improving Council's image. If we can address these areas we will see a lift in perception, as we will positively transition residents who currently rate Council's image as 'fair/good' towards being 'very good/excellent'.

Driver	Barrier	Optimiser
Council is a well-managed and well-run organisation	-5.7%	5.9%
Council works in the best interests of the community	-6.7%	4.9%
Council manages funds well and provides good value for rates paid	-5.2%	3.4%
Revitalising and beautifying town centres and CBDs across the LGA	-3.8%	2.6%
Council adequately considers community concerns and views when making decisions	-4.4%	1.6%
The road network provides for efficient traffic flow	-2.0%	3.5%
Council responds to customer enquiries in a timely manner	-3.7%	1.6%
Council places a high value on customer experience	-2.0%	2.7%

Barriers (55%)   Optimisers (45%)

Item No:	9.1
Title:	Policy for Investment Management - ESG Investments
Department:	Finance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2004/06604 - D13721997

Author: Carlton Oldfield, Unit Manager, Financial Services

Executive: Craig Norman, Chief Financial Officer

Report Purpose

This report provides a response to Resolution 1043/19 from the Ordinary Council meeting on 28 October 2019 requesting an investigation of the suitability of incorporating ESG investments into Council's investment policy.

Recommendation

1   That ARIC recommend ESG Investments be considered suitable investments if they meet the requirements under the Policy for Investment Management.

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

Context

Council resolved the following at the Ordinary Council meeting on 28 October 2019, part thereof:

1042/19   That Council adopt the Policy for Investment Management.

1043/19   That Council note in light of the recent announcement by NSW Treasury Corporation that they will soon issue a Sustainability Bond that the Chief Executive Officer be requested to investigate the suitability of incorporating investment into such bonds as part of Council's Investment Policy and to report back through the Audit, Risk and Improvement Committee

1044/19   The Chief Executive Officer provide a further report to Council after consideration by ARIC.

Click here to view Council's Policy for Investment Management.

Current Status

Council's investment activities operate under the Local Government Act 1993, Local Government (General) Regulation 2005, the Investment Policy adopted at the Ordinary Council meeting on 28 October 2019, Ministerial Investment Order issued February 2011 and Division of Local Government (as it was then known) Investment Policy Guidelines published in May 2010.

The current legislation framework in place arose in response to losses incurred by Council's during the Global Financial Crisis (GFC). The effect of the legislation restricts Council's from investing in asset classes that are considered speculative. Council's resulting investment options are in asset classes generally considered to be risk averse or conservative and can only be with counterparties listed as authorised deposit taking institutions (ADI's) with APRA (e.g. banks).

Environmental, Social, and Governance (ESG) Investments

In recent years there has been an increased awareness around non-financial returns by organisations. Investors have introduced such concepts into their investment selection criteria and asset classes generally referred to as ESG has grown in recent years.

Definition
Environmental, Social and Governance (ESG) criteria are a set of standards that socially conscious investors use to screen potential investments. Environmental criteria consider how an underlying investment performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with the underlying investment's leadership, executive pay, audits, internal controls, and shareholder rights.

ESG is typically an equity market (e.g. listed shares) concept where there is an abundance of choice across multiple industries. Council's investment options however are restricted, as noted above, and limited to debt securities with ADI's (e.g. Banks and Government Finance Entities). Implementing ESG criteria would exclude most banks as they provide finance and transactional services to most industries considered exclusions under ESG criteria.

Nonetheless Council at 31 October 2019 already holds $25m of 6.2% in ESG rated investments and has identified a further $2m in a recent issuance of a sustainability bond by TCorp NSW. This will increase Council's exposure to $27m or 6.7%.

Click here to view the TCorp NSW Sustainability Bond Framework (September 2019).

Direct investments in ADI's that have satisfied ESG criteria are Council's only current option should it wish to invest with a criterion that extends beyond financial return outcomes.

In the past 12-18 months there has been very limited issuances of debt securities from ADI's that meet ESG criteria. The returns on those issuances can however be inferior to other

issuances that no have ESG aspects, that is, compared to a standard bond issued from a bank of similar credit rating. As a result, Council is taking a moderated approach to investing material funds into ESG investments.

A recent issuance of an ESG rated bond offered a return of 50 basis points (0.5%) below comparable bonds. Extrapolating this deficit across an average portfolio of $400m would amount to $2m per annum in reduce interest income. As such there are wholistic benefits to the community by investing in ESG rated bond issuances but it must be considered against the financial return it provides.

Proposal

ESG Investments be considered as a suitable investment but not a mandatory investment class/category under the Policy for Investment Management.

Options

1. ESG Investments are to be considered suitable under the Policy for Investment Management and will be evaluated depending upon their compliance with the Governing Legislation and its rate of return (recommended).
2. ESG Investments are introduced into the Policy for Investment Management where it meets compliance with the Governing Legislation and a specific holding benchmark is attributed to this asset class.

Financial Impact

Mandating a material exposure to ESG Investments in the Policy for Investment Management has the potential to reduce investment returns that funds Council services.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

Nil

Item No:	10.1
Title:	Dates for 2020 Audit, Risk and Improvement Committee (ARIC) meetings
Department:	Governance

4 December 2019 Audit Risk and Improvement Committee Meeting

Trim Reference: F2018/00028 - D13705935

Author:	Kelly Drover, Advisory Group Support Officer
Manager:	Shane Sullivan, Unit Manager, Governance and Business Services
Executive:	Dr Liz Develin, Director Governance

Report Purpose

To set dates for future Audit, Risk and Improvement Committee meetings in 2020 pursuant to Clause 6.1 of the Audit Risk and Improvement Committee Charter.

Recommendation

1   That the Committee set the dates Dates for 2020 Audit, Risk and Improvement Committee (ARIC) meetings as set out in this report.

2   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 6.4 of the Audit, Risk and Improvement Committee Charter.

Background

Clause 6.1 of the Audit Risk and Improvement Committee Charter states that forward meeting dates for the following year will be agreed by the Committee in December each year. The proposed dates for the 2020 meetings are as follows:

	Date	Location	Time
1	Tuesday 17 March 2020	Gosford Committee Room	2pm – 5pm
2	Wednesday 17 June 2020	Wyong Committee Room	2pm – 5pm
3	Tuesday 6 October 2020	Gosford Committee Room	2pm – 5pm
4	October/November 2020 – Date TBA (Finance Meeting for purpose of Financial Statements)	Location TBA	2pm – 5pm
5	Wednesday 2 December 2020	Wyong Committee Room	2pm – 5pm

In addition to the above, an extraordinary meeting to review the 2018-19 Financial Statements is also proposed for Thursday 20 February 2020. This meeting was originally scheduled for November 2019 but was postponed as the statements would not be available until February 2020.

10.1   Dates for 2020 Audit, Risk and Improvement Committee (ARIC) meetings (contd)

It is noted that the Committee may determine to have additional meetings as required.

Attachments

Nil