



AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

02 October 2018

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
Tuesday 2 October 2018,
for the transaction of the business listed below:**

Receipt of Apologies

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Gary Murphy
Chief Executive Officer

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



2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13299266

Author: Meg Newington, Governance Officer

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Brian Glendenning, Executive Manager, Governance

Report Purpose

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the councillors, members of Council Committees and relevant staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public functions.

Section 451 of the LG Act states:

- (1) *A councillor or a member of a council committee who has a pecuniary interest in any matter with which the council is concerned and who is present at a meeting of the council or committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.*
- (2) *The councillor or member must not be present at, or in sight of, the meeting of the council or committee:*
 - (a) *at any time during which the matter is being considered or discussed by the council or committee, or*
 - (b) *at any time during which the council or committee is voting on any question in relation to the matter.*
- (3) *For the removal of doubt, a councillor or a member of a council committee is not prevented by this section from being present at and taking part in a meeting at which a matter is being considered, or from voting on the matter, merely because the councillor or member has an interest in the matter of a kind referred to in section 448.*
- (4) *Subsections (1) and (2) do not apply to a councillor who has a pecuniary interest in a matter that is being considered at a meeting, if:*
 - (a) *the matter is a proposal relating to:*
 - (i) *the making of a principal environmental planning instrument applying to the whole or a significant part of the council's area, or*

1.1 Disclosures of Interest (contd)

- (ii) *the amendment, alteration or repeal of an environmental planning instrument where the amendment, alteration or repeal applies to the whole or a significant part of the council's area, and*
- (a1) *the pecuniary interest arises only because of an interest of the councillor in the councillor's principal place of residence or an interest of another person (whose interests are relevant under section 443) in that person's principal place of residence, and*
- (b) *the councillor made a special disclosure under this section in relation to the interest before the commencement of the meeting.*
- (5) *The special disclosure of the pecuniary interest must, as soon as practicable after the disclosure is made, be laid on the table at a meeting of the council and must:*
 - (a) *be in the form prescribed by the regulations, and*
 - (b) *contain the information required by the regulations.*

Further, the adopted Code of Conduct adopted by Council applies to all councillors, members of Council committees and staff. The Code relevantly provides that if a councillor, member of a Council committee or staff have a non-pecuniary conflict of interest, the nature of the conflict must be disclosed as well as providing for a number of ways in which a non-pecuniary conflicts of interests might be managed.

Council's Audit Risk and Improvement Committee Charter states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 6.4 of the Charter and release to the public be approved.

Recommendation

- 1** *That Council now disclose any conflicts of interest in matters under consideration by Council at this meeting.*
- 2** *That the Committee make a recommendation that this report be made publicly available 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

Nil.



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

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13299275

Author: Meg Newington, Governance Officer

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Brian Glendenning, Executive Manager, Governance

Summary

Confirmation of minutes of the previous Ordinary Meeting of Council held on *19 June 2018*.

Council's *Audit Risk and Improvement Committee Charter* states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 6.4 of the Charter and release to the public be approved.

Recommendation

- 1** *That the Committee confirm the minutes of the previous Meeting held on 19 June 2018.*
- 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

- | | |
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| 1 MINUTES - Audit Risk and Improvement Committee Meeting - 19 June 2018 | D13257453 |
|--|-----------|



Central Coast Council

Minutes of the
**AUDIT RISK AND IMPROVEMENT COMMITTEE
MEETING of Council**

Held in the Council Committee Room, Level 1
49 Mann Street, Gosford
on 19 June 2018
Commencing at 2PM

Present

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

In Attendance

Shane Sullivan	Acting Executive Manager Governance
Viv Louie	Chief Financial Officer
Martin Elwell	Acting Chief Information Officer
Tina Baker	Chief Internal Auditor
James Taylor	Acting Unit Manager Governance and Business Services
Boris Bolgoff	Acting Director Assets, Infrastructure & Business
Jamie Barclay	Unit Manager Business & Economic Development
Meg Newington	Governance Officer
Kelly Drover	Advisory Group Support Officer
James Sugumar	Audit Office of NSW
Marco Monaco	Audit Office of NSW
Caroline Mara	Pricewaterhouse Coopers

Apologies

Brian Glendenning Acting Chief Executive Officer

GENERAL REPORTS**1.1 Disclosures of Interest**

Resolution:

- 1 That the Committee receive the report on Disclosure of Interest.**
- 2 That this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**
- 3 Acting Executive Manager Governance, Shane Sullivan, made a non-pecuniary interest disclosure under Item 1.6 that her husband had been employed by the company TeamMate Asia Pacific mentioned in the attachments to the report.**

1.2 Confirmation of Minutes of Previous Meeting

Resolution:

- 1 That the Committee confirm the minutes of the previous Meeting held on 20 March 2018.**
- 2 That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**
- 3 That the Committee make a recommendation that the report and the supporting papers for Item 3.4 of the minutes for the previous ARIC meeting held on 20 March 2018 not be made publicly available as they contain matters affecting the security of Council, Council officials and Council property.**

1.3 Outstanding Action Items

Resolution:

- 1 That the Committee note the report.**
- 2 That the Committee make a recommendation that the supporting papers to this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**
- 3 That the tour of the LGA for the independent members of ARIC be conducted following the commencement of the new CEO, Mr Gary Murphy.**

1.4 Enterprise Risk Management Framework - Update

Resolution:

- 1 That the Committee note the report outlining the top ten risks for local councils and the key deliverables for the Enterprise Risk Management Framework.**
- 2 That the Councillors be given a presentation on the ERM Framework when it has been finalised.**
- 3 That the supporting papers to this report be made publicly available pursuant to Clause 6.4 of the Audit Risk and Improvement Committee Charter.**

1.5 Central Coast Airport

Mr Boris Bolgoff, Acting Director Assets, Infrastructure & Business and Jamie Barclay, Unit Manager Economic Development & Project Delivery attended the meeting to discuss this item, and left the meeting at the conclusion of discussions.

Resolution:

- 1 That the report be noted.**
- 2 That the supporting papers to this report not be made publicly available due to matters affecting the security of Council, Council Officials and Council property, pursuant to Clause 6.4 of the Audit Risk and Improvement Committee Charter.**

1.6 Chief Internal Auditor's Quarterly Progress Report

Resolution:

- 1 That the Committee receive the Chief Internal Auditor's Report.**
- 3 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.**
- 4 That the Chief Internal Auditor provide further information on the requirement for an annual DRIVES24 review back to the Committee at its next meeting.**
- 5 That the results of the recent "My Voice" survey be presented to the Committee when available.**

1.7 IA Balanced Scorecard Report June 2018

Resolution:

- 1 That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Balanced Scorecard Report.**
- 2 That the Committee make a recommendation that this report and supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

1.8 Implementation of Management Actions Arising From IA Reviews

Resolution:

- 1 That the Committee receive the report on the implementation of management actions arising from IA reviews.**
- 2 That the Committee make a recommendation that Appendix 1 to this report be not made publicly available for the reasons that it contains information that could compromise the security of Council, Council Officials and Council property.**
- 3 That the Chief Internal Auditor provide the Committee with a program for reviewing which management actions have been implemented to the next meeting.**
- 4 That the Chief Finance Officer provide an update on the Payroll accounts outlined on Page 103 of the Attachment to the report.**

1.9 Data Breach Security Update

Resolution:

- 1 That the Committee receive the report on Council's Data Breach Security.**
- 2 That the Committee recommend that this report and Attachment 1 not be made publicly available for the reasons that it contains information that could compromise the security of Council, Council Officials and Council property.**

INFORMATION REPORTS**2.1 Audit and Risk Maturity Assessment Report**

Resolution:

- 1 That the Committee note the Audit and Risk Maturity Assessment report.**
- 2 That the Committee note the actions proposed or currently being undertaken, listed in attachment No 2 – Audit and Risk Maturity Report recommendation actions, to address the recommendations in the Audit and Risk Maturity Assessment report.**
- 3 That the supporting papers to this Report not be made publicly available, as it is commercial information of a confidential nature pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

2.2 Internal Audit Structure

Resolution:

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

2.3 External Audit of Financial Statements for the year ending 30 June 2018

Resolution:

- 1 That the Committee receive the report on the External Audit of Financial Statements for the year ending 30 June 2018.**
- 2 That the Committee recommend that this report and the supporting papers not be made publicly available, as per Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

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

The Chair circulated a copy of a letter he had received from Scott MacDonald MLC, Parliamentary Secretary for Planning regarding previous correspondence from Mrs Joanne Eyes in which she raised matters concerning Central Coast Group Training Limited. It was confirmed that this matter is currently being investigated by Council's Internal Ombudsman, as such is confidential and does not fall within the remit of the Committee.

Resolution:

That the Committee takes no further action on this matter.

GB3/18 Council's Financial Statements

Discussion was held on possible dates for the committee to review Council's financial statements for the year ended June 2018.

Resolution:

That an extraordinary meeting to review the financial statements be held on 18 October 2018 between 9am and 11am at the Gosford offices in Mann Street.

The Meeting closed at 3.42 pm.

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

ACTION ITEMS		
ITEM	ACTION	RESPONSIBLE OFFICER
GB1/17 20 June 2017 Meeting	A tour of the LGA for the independent committee members to be scheduled.	CEO
1.4 19 June 2018	The Councillors be given a presentation on the ERM Framework when finalised.	Executive Manager, Governance
1.6 19 June 2018	The results of the recent "My Voice" survey be presented to the Committee when available.	Executive Manager, People & Culture
1.6 19 June 2018	Further information on requirement for DRIVES24 review to be provided to the next Committee meeting.	Chief Internal Auditor
1.8 19 June 2018	An update on the payroll accounts outlined on Page 103 of the Attachment to the report to be provided.	Chief Finance Officer
1.8 19 June 2018	A program for reviewing those management actions which have been implemented to be provided to the next committee meeting.	Chief Internal Auditor



Item No: 1.3
Title: Outstanding Action Items
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13299291

Author: Meg Newington, Governance Officer

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Brian Glendenning, Executive Manager, 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.**

ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	COMMENT
GB1/17 20 June 2017 Meeting	A tour of the LGA for the independent committee members to be scheduled.	CEO	To be organised by CEO in October 2018
1.4 19 June 2018	The Councillors be given a presentation on the ERM Framework when finalised	Executive Manager, Governance	ERM Framework not yet finalised
1.6 19 June 2018	The results of the recent "My Voice" survey be presented to the Committee when available	Executive Manager, People & Culture	To be presented to the following Committee meeting
1.6 19 June 2018	Further information on requirement for DRIVES24 review to be provided to the next Committee meeting.	Chief Internal Auditor	

1.3 Outstanding Action Items (contd)

ACTION ITEMS			
ITEM	ACTION	RESPONSIBLE OFFICER	COMMENT
1.8 19 June 2018	An update on the payroll accounts outlined on Page 103 of the Attachment to the report to be provided.	Chief Finance Officer	To be provided to the next meeting of the Committee
1.8 19 June 2018	A program for reviewing those management actions which have been implemented to be provided to the next committee meeting.	Chief Internal Auditor	

Attachments

Nil.



Item No: 1.4
Title: Tour of LGA by Independent Committee Members
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13330260

Author: Meg Newington, Governance Officer

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Brian Glendenning, Executive Manager, Governance

Report Purpose

To determine a date for Independent Committee Members of the Audit Risk and Improvement Committee and the Chief Executive Officer to conduct a tour of the Local Government Area.

Recommendation

- 1 That the Committee set a date for the Independent Members of the ARIC and the Chief Executive Officer to tour the Local Government Area.***
- 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.***

Background

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

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

At its 19 June 2018 meeting, it was further agreed that the tour be rescheduled following the commencement of Mr Gary Murphy as Council's Chief Executive Officer at a suitable time for the independent committee members and Mr Murphy.

Attached is a draft itinerary with proposed sites and times of the visit for the committee's consideration. It is recommended that a suitable date be agreed by all parties so the tour can be scheduled.

Attachments

- 1 Itinerary for tour of LGA - independent members of ARIC D13330264**

Itinerary for ARIC site inspections – (Date to be inserted)

Depart	Arrive	Address	Parking
Gosford CBD 10.30am	Kariong Child Care Centre 10.40am	46 Langford Dr, Kariong	Yes
Kariong Child Care Centre 11am	Tuggerah Regional Sports & Recreation Facility 11.30am	Lake Rd, Tuggerah	Yes
Tuggerah Regional Sports Facility 12pm	Art House Wyong 12.10	Anzac Rd, Wyong	Yes
Lunch	Art House	Catered for by Council	
Art House 1.15pm	Buttonderry Waste & Recycling Facility 1.30pm	Hue Hue Rd, Jilliby	Yes
Buttonderry Facility 1.50pm	Warnervale Airport 2.15pm	Jack Grant Ave, Warnervale	Yes
Warnervale Airport 2.30pm	Laycock St Theatre 3pm	5 Laycock St, North Gosford	Yes
Laycock St Theatre 3.20pm	Gosford CBD 3.30pm	Mann St, Gosford	Yes



Item No: 1.5
Title: Enterprise Risk Management Framework - Update
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13336416

Author: Stephen Bignill, Project Manager

Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Executive: Brian Glendenning, Executive Manager, Governance

Report Purpose

At its meeting held 19 June 2018, the Committee resolved as follows:

That the Councillors be given a presentation on the ERM Framework when it has been finalised.

The purpose of this report is to provide an update on the Central Coast Council Enterprise Risk Management Framework and to confirm that Council will be given a briefing on the Framework once it is completed.

Recommendation

- 1 That the Committee note the report on the current status of the Enterprise Risk Management Framework project and the confirmation that Councillors will receive a presentation on the Framework after the completion of the project.***
- 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 exception, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter***

The Enterprise Risk Management Framework project commenced at the end of January 2018 and is on schedule to be completed by early December 2018. The development of the Framework follows the international standards guide for risk management ISO 31000. The project has 14 key milestones to meet, the majority of which have been successfully completed by the due date.

Enterprise Risk Management Framework Project Key Milestones

	Milestone	Completion Date	Status
1	Develop a Central Coast Council Risk Policy;	29/03/18	Complete
2	Identification and allocation of organisational risk management roles and responsibilities;	29/03/18	Complete
3	Develop a Risk Response process;	27/04/18	Complete
4	Develop a risk based decision making and reporting	27/04/18	Complete

1.5 Enterprise Risk Management Framework - Update (contd)

	Milestone	Completion Date	Status
	process;		
5	Develop a risk assessment process;	01/06/18	Complete
6	Develop risk tables;	01/06/18	Complete
7	Develop a risk register;	29/06/18	Complete
8	Develop risk appetite statements;	27/07/18	Complete
9	Develop a risk management implementation plan;	31/08/18	Complete
10	Review Software Options	31/08/18	Complete
11	Develop ERM Users Guide	07/09/18	Underway*
12	Internal review and finalisation	28/09/18	Complete
13	Finalise ERM Framework	26/10/18	Underway
14	Undertake ERM training to staff;	07/12/18	Underway

**Completion subject to implementation of the Risk Management Software*

The project is structured as follows:

Project Sponsor: *Executive Manager Governance;*

Project Control Group: *Executive Leadership Team, Manager Governance and Business Services;*

Project Manager: *Project Manager Governance and Business Services*

Project Team: *Eight Unit Managers from across Council nominated by their Directors to represent their Departments and the Section Manager for Insurance and Risk*

The project process has been for the Project Manager to develop the documents detailed in the above Key Milestones table, have them reviewed by the Project Team, updated as appropriate and then presented to the Project Control Group for finalisation and approval.

This process has now taken place, the constituent documents of the framework have been approved by the Project Control Group and the framework as a whole has been approved. There will now be a final review framework before it is presented to the organisation.

The software options have been reviewed and a solution agreed upon, once this is in place the User Guide will be completed. The User Guide is a summary version of the risk management process and will include instructions on how to use the software.

Training in the Enterprise Risk Management Framework will take place for all members of the Executive Leadership Team, all Unit Managers and all Section Managers. Further training and risk management consultation will be available on request as part of business as usual for Central Coast Council risk management.

1.5 Enterprise Risk Management Framework - Update (contd)

As part of the engagement aspect of the project the Leadership Team have been receiving periodic updates on the progress of the project and will continue to do so. Councillors will receive a briefing on the Enterprise Risk Management Framework.

Attachments

Nil.



Item No: 1.6
Title: Management Letter on the interim phase of external audit for the year ending 30 June 2018
Department: Finance and Information

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13338785

Author: Vivienne Louie, Unit Manager, Financial Performance

Executive: Brian Glendenning, Executive Manager, Governance

Recommendation

- 1** *That the Committee receive the Management Letter on the interim phase of external audit for the year ending 30 June 2018 (attachment 1).*
- 2** *That the Committee recommend that this report and the supporting papers not be made publicly available, as per Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

Observations on the internals during the interim audit have been discussed and presented as Interim Management Letter by the external audit.

The recommendations include opportunities for improvement in information technology controls, internal controls and governance which Management has agreed to implement.

Attachments

- 1** CCC Management Letter on the interim phase of the audit for the year ending 30 June 2018 - D13338719



Item No: 1.7
Title: Update on Management Actions Arising from IA Reviews (Payroll Items 5 and 9)
Department: Finance and Information

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13340302

Author: Vivienne Louie, Unit Manager, Financial Performance

Executive: Brian Glendenning, Executive Manager, Governance

Report Purpose

This report is to provide an update for payroll items 5 and 9 from the *Implementation of Management Actions Arising From IA Reviews* report presented at the 19 June ARIC meeting and forms part of the standard suite of reports presented to the Audit, Risk and Improvement Committee.

Consideration of confidentiality (if required)

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

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

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

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

Summary

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

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

Recommendation

- 1 That the Audit, Risk and Improvement Committee receive the update to the report on the implementation of management actions arising from IA reviews for payroll items 5 and 9**

1.7 Update on Management Actions Arising from IA Reviews (Payroll Items 5 and 9) (contd)

- 2** *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"*

Background

At the 19 June 2018 ARIC meeting a request was made for an update on payroll items 5 and 9. This report provides the update requested.

Current Status

Appendix 1 shows payroll items 5 and 9 from the Payroll Validation Review – South Office – September 2016, the recommendation, latest management response, the action is complete and can be closed.

Attachments

- 1** Updated June 2018 Management Actions Table - Payroll - D13339468



Item No: 1.8
Title: My Voice Survey Results
Department: People and Culture

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2004/07245 - D13341169

Author: Hayley Egan, PA to Unit Manager People Plan Ops

Manager: Kellie Reeves, Executive Manager, People and Culture

Executive: Kellie Reeves, Executive Manager, People and Culture

Summary

In May to June 2018, Central Coast Council conducted their first full staff survey with Voice Project following their pulse survey in 2017 after the merger. The survey provided staff with the opportunity to give feedback about the quality of current work practices at Central Coast Council. The survey also enabled the outcomes of passion (employee engagement) and organisation progress to be measured.

This report summarises the key findings from the survey data and outlines next steps.

Recommendation

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.

The 2018 Central Coast Council My Voice Staff Survey achieved a strong participation rate, with 70% or 1615 staff completing the survey, out of a total of 2297. This is significantly higher than 49% achieved in 2017, and slightly lower compared to the industry average (75%). The organisation level results are reliable (accurate within plus or minus 1.2%).

Passion and Progress Results

Overall, the results indicate that staff have moderate levels of passion/employee engagement (70%), which is 3% lower than other local government councils. However, scores across the three passion/engagement outcomes have all improved since 2017 (average of +4%), with job satisfaction showing the largest improvement (+7%). Staff perceptions of organisation progress are low (42%). This progress result is driven primarily by lack of clarity in organisation objectives and strategy senior management uses to achieve these objectives. Also, only 24% of staff believe that Central Coast Council manages change and innovation well.

High Performing Practices

Staff see Central Coast Council as having key strengths in the areas of teamwork (90%), role clarity (83%) and safety (81%). Central Coast Council outperforms other local government councils on staff perception of the talent and expertise of co-workers (+8%), the motivation and initiative of their co-workers (+6%), and their direct supervisors (+7%). The knowledge and capability of fellow co-workers, their enthusiasm, motivation and passion, and effective collaboration in a team setting were also highlighted as strengths in the open-ended text responses.

Changes Since 2017

Since 2017, preventing and discouraging discrimination practices has shown the greatest improvement (+9%). Other areas of improvement include perceptions of flexibility in working hours (+5%), staff alignment to Central Coast Council values (+5%), safety practices (+5%) and feelings of personal work accomplishment (+7%).

However, staff perceived that the transition was not well managed (-5%), and that the way the council has run has not improved over the last year (-6%). These quantitative results are also reflected in the open-ended responses outlining staff dissatisfaction with amalgamation processes. In addition, staff perception that the council has a strong focus on achieving positive results has decreased (-5%).

Low Performing Practices

Cross-unit cooperation (23%), staff perceptions of the transition (28%) and organisation direction (29%) were the three lowest rated work practices. Greater stability and transparency in executive leadership, a better transition to a unified council, greater communication and collaboration across departments and units and more efficient processes and procedures were also marked as key areas of improvement in the open-ended text responses.

Next Steps

To date, briefing sessions relating to the results have been held with the Executive Leadership Team and broader leadership group, Union Delegates and key People and Culture teams. The full results have also been shared with all staff.

In order to create real change, there is a need to further understand the results as they relate to specific teams in order to develop meaningful actions to respond to the key themes identified. In order to complete this effectively, a consultative and collaborative approach with staff is required.

With this in mind, each Manager has cascaded their results and is engaging in action planning discussions and workshops to both celebrate achievements and better understand the key areas for opportunity. All action planning will be reported on

1.8 My Voice Survey Results (contd)

quarterly to monitor the progress of the identified actions and strategies put in place to response to the My Voice results.

In addition, corporate action planning will also occur with the Executive Leadership Team to ensure that cross-unit cooperation, staff perceptions of the transition and organisation direction are appropriately addressed.

It is anticipated that all action plan setting will be finalised by 31 October 2018 with the first round of quarterly reporting to occur in January 2019.

Attachments

Nil.



Item No: 1.10
Title: IA Balanced Scorecard Report September 2018
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13339245

Author: Tina Baker, Chief Internal Auditor

Report Purpose

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

Consideration of confidentiality (if required)

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

Summary

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

Recommendation

- 1 That the Audit, Risk and Improvement Committee receive the Chief Internal Auditor's Balanced Scorecard Report.**
- 2 That the Committee make a recommendation that this report and supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

Context

Section 5 of the Audit, Risk and Improvement Committee Charter states that:

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

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.”

To meet these obligations, the Chief Internal Auditor provides the Committee with a Progress Update Report each quarter to show the status of audits in the agreed work programme and this report on the performance of Internal Audit against the balanced scorecard measures (which are the KPIs for the unit) is also provided quarterly.

The Chief Internal Auditor also provides annual summary reports on:

- The IA Year in Review
- IA Emerging Themes and Risk Outlook
- IA Annual Assurance Statement

Background

Internal Audit has a set of performance metrics presented as a “Balanced Scorecard”. These metrics are intended to provide the CEO and the Audit, Risk and Improvement Committee with information and data which give a snapshot of IA progress against key measures and how the unit is operating from the perspective of different stakeholders and areas of competence.

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

Key Headlines

- Feedback from stakeholders through the satisfaction survey is tracking very positive with the following average scores (out of a maximum 5) across the rating categories of:
 - Scope of work: 4.75
 - Communication and Collaboration: 4.92
 - Timeliness: 4.79
 - Knowledge and Professionalism: 5.0
 - Quality and Value: 4.75
- With audit reports from the previous work period now starting to get finalised and mandatory audits for 2018/19 already completed there has been a positive response for completion of the feedback survey, with five responses received since the last report.

- It should be noted under scorecard measure 4 - *Innovation, Professional Development and Capability* – that the subscription to TeamMate Analytics has been cancelled. The Chief Internal Auditor determined that neither efficiency nor value for money were not being achieved given the 1 FTE resource for the IA unit, the uncertainty over future resourcing and the lack of meaningful data generated by Council that could benefit from transactional analysis as part of audit assessment.
- Resourcing constraints (1 FTE) will impact on the completion of the approved programme and the timeliness of completion of reviews due to many conflicting priorities facing the Chief Internal Auditor in the normal course of business. Any changes to current resourcing, such as moving to a co-sourced model and/or recruitment of additional permanent employees to create an in-house team will also impact on these factors in the short term at least owing to the time required to compile various business cases, undertake contracting and/or recruitment.
- Resourcing will also continue to impact on the elements of the IA framework relating to work other than business assurance reviews, which is likely to lead to a drop in 'visibility', informal advisory work and stakeholder engagement and education activities by the Chief Internal Auditor. This in turn may show a downturn over time in stakeholder feedback satisfaction ratings.
- Likewise, the IA quality and performance elements of process improvement and efficiencies within the IA operations will likely be comprised (measures relating to innovation, professional development and capability) due to prioritisation of business assurance reviews.

Conclusions

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

The Chief Internal Auditor continues to refer to the balanced scorecard approach in conversations with management to demonstrate how useful such measures can be in determining desired service levels and outcomes, leading to improved performance and a perspective not only on what is achieved (outputs) but also on how well it is achieved (behaviours). Ultimately however, adequate resourcing is necessary to the successful delivery of a work programme, continuous improvement and effective mitigation of existing and emerging risks.

Overall the feedback received from stakeholders on recent audit activity is positive and key turnaround targets for scheduled reviews have been met.

Attachments

- 1 Appendix 1 Balanced scorecard report to September 2018 ARIC meeting D13339902

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

1. Audit, Risk and Improvement Committee

No	Measure	Mechanisms	Target Outcome	Progress To Date
1.1	<p>Level of satisfaction with quality, type and volume of information presented and reported.</p> <p><i>Links to IIA standard 1100</i></p>	<p>Satisfaction survey to all members of the Committee every two years.</p> <p><i>(The survey will cover as a minimum the audit mandate, audit coverage, the adequacy of reporting, an overall level of satisfaction and the perception of trend of the internal audit activity ie better, same, declining).</i></p>	<p>Improved trend for 'overall level of satisfaction' (or sustained positive ratings) indicated by each survey.</p> <p>Satisfaction rating for each part of the survey to be scored as "Good" or higher.</p>	<p>Too early to undertake full survey. Propose first formal survey to be issued post December 2018 after Committee's first full year of operation, although Committee members are welcome to submit feedback at any time without waiting for a formal survey process to be undertaken.</p>
1.2	<p>Perspective on IA effectiveness, professionalism and competence</p> <p><i>Links to IIA standards 1200 and 1300</i></p>	<p>CIA to provide a "staff profile" to the Audit, Risk and Improvement Committee each year (covering elements such as auditing and work experience, qualifications, auditing certifications, years of auditing experience and professional outreach).</p> <p>CIA to present a Professional Development Plan to the Committee each year based on development priorities and plans and to report on progress against this plan.</p>	<p>IA staff to achieve majority of priorities in Professional Development Plan that is agreed with the Audit, Risk and Improvement Committee and CEO and have demonstrated reasonable progress with others.</p>	<p>Professional Development updates provided to Committee under the CIA progress report, section 3 "IA Work Programme - Quality and Performance".</p> <p>Since the last report to the Committee, the Chief Internal Auditor (CIA) has been requested by <i>International Business Review</i> to present at the "Corporate Governance Culture and Risk Management for Public Sector" conference in Canberra (3-4 April 2019) and to take part in a panel discussion at the same event.</p>

2. Executive & Audit Stakeholders/Customers

No	Measure	Mechanisms	Target Outcome	Progress To Date
2.1	<p>Levels of customer satisfaction with individual audits, with respect to:</p> <ul style="list-style-type: none"> ➤ Value added ➤ Usefulness of recommendations <p><i>Links to IIA standard 2000</i></p>	<p>Customer Satisfaction Survey distributed to all relevant stakeholders after each audit.</p>	<p>Average rating of 3.5 or higher (out of 5) for the two key questions on the survey concerning "value add" and "usefulness of recommendations". (Each 'other' question on the survey points to the possible causes).</p>	<p>There have been 5 feedback surveys received to date. Average ratings across the different rating categories are as follows:</p> <p>Scope of work: 4.75 Communication and Collaboration: 4.92 Timeliness: 4.79 Knowledge and Professionalism: 5.0 Quality and Value: 4.75</p> <p>Target being met</p>
2.2	<p>Executive expectations of IA vis a vis experience of actual delivery.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	<p>Executive expectations/ experience survey conducted every two years.</p>	<p>Analysis of gap between expectations and experience is <2.5 points for each area surveyed.</p>	<p>Too early to undertake full survey. Propose first formal survey to be undertaken 12 months after appointment of permanent CEO. Survey issued to departing Executive member. The Chief Internal Auditor has taken the initiative to seek 360° feedback from a range of stakeholders to inform performance appraisals, when they have been conducted.</p>
2.3	<p>Feedback (formal and informal) from staff in relation to advice and information provided by IA and improved understanding of the role.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	<p>Number of referrals to IA for informal or formal advice on risk/control related matters.</p> <p>Consultancy/advisory services provided by IA.</p>	<p>Generally positive feedback on value and usefulness of information.</p>	<p>Manager comment provided through the feedback survey:</p> <p><i>"Tina has and continues to provide a very professional approach to her audit process "</i></p> <p><i>"It is clear that Tina has experience in the subject matter area and holds an interest in this specific area with a vested interest in reducing Council liability."</i></p>

3. **Internal Audit Processes**

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.1	Completion of approved audit programme. <i>Links to IIA standard 2200, 2300, 2400, 2500</i>	Number of audits completed and reported to the Audit, Risk and Improvement Committee as per the ratified plan.	90%.	The Chief Internal Auditor's report summarises progress against the agreed schedule of audits and notes the disruption to the 2017/18 programme. The mandatory audits of RMS DRIVES and NHV Accreditation for 2018/19 have already been completed and a new work programme is to be presented to the Committee for consideration at their meeting of 4/12/18.
3.2	Proportion of audits completed (to draft report stage) within planned number of days budget. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audits completed in line with planned budget as per the ratified audit plan.	90%	RMS Drives24 - on budget (10 days total budget) NHV Accreditation – on budget (20 days) Currently running at 100%. Target being met.
3.3	Duration of audits. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audits completed and taken to draft report stage in 12 weeks or less (measured from the start date of fieldwork to the date of issue of the draft audit report).	80%	RMS Drives 24 - under 12 week target (2 weeks) NHV Accreditation – under 12 week target (8 weeks) – note this review had to be put on hold for two weeks for DRIVES review to be conducted. Currently running at 100%. Target being met.
3.4	Finalisation of draft audit reports. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audit reports finalised and distributed to Audit, Risk and Improvement Committee within 3 weeks (15 working days) of issue of the draft report (in line with service standard of 10 days for management to respond to draft audit reports).	80%	CCTV – finalised within 7 days RMS Drives 24 - finalised within 2 days Currently running at 100%. Target being met.

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.5	Compliance with IIA's International Professional Practices Framework (IPPF) <i>Links to IIA standards 2400 and 2600</i>	Self-assessment External assessment An annual assertion on compliance with the IIA Standards provided by the CIA to the Audit, Risk and Improvement Committee	"Generally conforms" rating of compliance with IIA Standards by the external review. External review conducted at least every five years.	External assessment of IA by Statewide Mutual reported April 2018 gave an overall maturity rating of "optimising" for all IIA standards with the exception of standard 2300 and standard 2500 which were classified as "managed". Issues highlighted: <ul style="list-style-type: none"> • Potential for use of CAATs • Audit Tracker needs to be accessible by all No action being undertaken on this at present.

4. Innovation, Professional Development and Capability

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.1	Training hours per member of IA <i>Links to IIA standards 1200, 1300 and 2000</i>	Log of training/professional development.	80 hours CPE every 2 years as per IIA requirements with a minimum of 20 hours in any one year. Training undertaken through >2 types of learning mechanisms.	No training or professional development activity undertaken since the last report
4.2	Range of knowledge skills, technical expertise and competency within IA <i>Links to IIA standards 1200, 1300 and 2000</i>	Skills assessment against the IIA competency model. Log of training/professional development. Learning needs analysis. Professional Development Plan (PDP) for each member of IA.	Increasing trend in coverage of skills, knowledge and expertise within IA when assessed against the IIA competency model. Areas of training attended align with PDP.	No training or professional development activity undertaken since the last report

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.3	<p>Consideration and development of innovative methods to deliver elements of the IA framework and through IA recommendations/advice.</p> <p><i>Links to IIA standards 1200, 1300 and 2000</i></p>	<p>IA recommendations IA advice Implementation of initiatives as part of the IA work programme</p>	<p>Demonstration of considerations and innovative solutions provided through recommendations and issues raised in audit reports.</p> <p>CIA report to Audit, Risk and Improvement Committee outlining initiatives under development or consideration.</p>	<p>The IA unit has had TeamMate (formerly TopCAATs) since 2011. It has not been used since amalgamation because no data has been available to perform any meaningful transaction analysis, for the audits conducted. Consequently and due to uncertainty around resourcing of the IA function, the subscription to TeamMate Analytics has been cancelled.</p> <p>No action being undertaken on this at present.</p>



Item No: 1.11
Title: Implementation of Management Actions Arising From IA Reviews
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13340684

Author: Tina Baker, Chief Internal Auditor

Summary

The 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. This report is provided to the Committee to help meet section 4.5 of their Charter obligation, 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".

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"***

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. It is intended that all the recommendations and management responses eventually will be captured in an Audit Task Tracker system (as has existed previously). Implementation of the agreed or partially agreed actions are tracked in accordance with the implementation date by the Chief Internal Auditor. When the Tracker system is fully functional a manager will be able to update/close an item from the Tracker and also attach information to validate closure of the item. Some work has been conducted

this quarter to migrate Tracker information onto SmartSheet which has greater functionality for data analysis and graphical representation than SharePoint. However, resurrection and development of the Audit Tracker system is on hold due to resourcing constraints. Instead, reminders have to be issued by the Chief Internal Auditor via e-mail, updates have to be provided in Word table format, changes to the totals tracked through Excel and the reports and data updated manually which is time consuming and inefficient. Management updates to the open actions have not been sought this quarter due to time pressures and the requirements to complete mandatory reviews within a specific deadline against a backdrop of organisational restructure discussions and activities.

Current Status

At their last meeting, the Committee requested the Chief Internal Auditor to provide a program for reviewing which management actions have been implemented. At the formation of the Central Coast Audit, Risk and Improvement Committee there were 24 audits dating back as far as August 2012 for the former Councils that still had open actions, with a total of 121 items still to be addressed. As part of the IA program of reviews, a small number of validation audits are usually incorporated into the annual work program where possible, to revisit systems/processes where all management actions have been closed out from a previous audit and to determine whether the issues that gave rise to the original findings are still present and whether the agreed actions have been implemented and are effective. Validation reviews are the means by which the Chief Internal Auditor assesses whether management actions have been implemented in accordance with the agreed response. Management can assist this process by attaching information to validate the implementation of actions to the Audit Tracker, when operable.

As previously noted, some councils have also implemented a process whereby senior management attend Audit, Risk and Improvement Committee meetings by invitation and provide Committee members with a briefing on their strategic and key, operational and project risks and the measures in place to corroborate the effectiveness of the controls to manage these risks, including those specifically highlighted in IA reports. **The Committee may wish to introduce this or something similar to add further context to the information in the IA reports and help deliver against their Charter responsibility in this regard.**

Two audits have been finalised since the last report resulting in an additional 22 actions being added to the report; 17 of which fall to Environment and Planning and 5 of which fall to the current Assets, Infrastructure and Business Directorate. It should be noted that the latest organisational re-structure will result in some of the management actions being reassigned in accordance with the newly formed Directorates.

The status summary is as follows:

Status at May 2018	Status at June 2018	Status at Sept 2018
81 open actions from 19 different reviews	24 open actions from 10 different reviews	46 open actions from 12 different reviews

1.11 Implementation of Management Actions Arising From IA Reviews (contd)

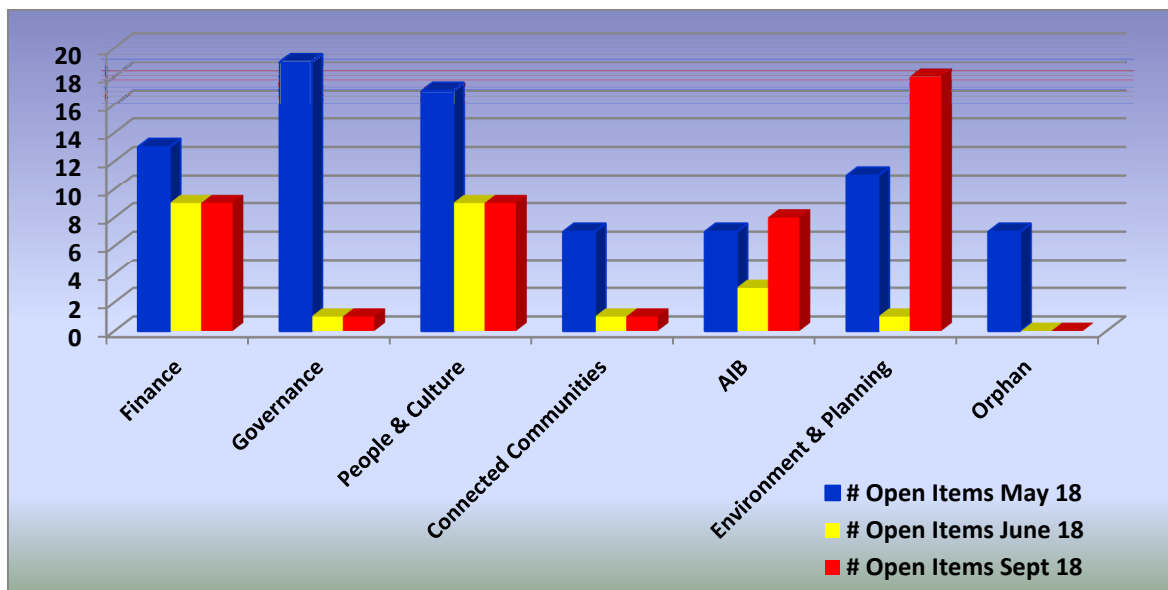
The detailed tables at Appendix 1 shows the findings and recommendations for each review, the last management response received and the management responses to the newly added reviews, along with implementation dates. Given the risk exposures that this document identifies, it has been recommended that the Committee assign it a confidential privacy marking, pursuant to clause 6.4 of their Charter.

Headline Data

The status of where responsibility for the **46** open actions is as follows:

- Environment and Planning – 18
- Finance – 9
- People and Culture – 9
- Assets, Infrastructure and Business – 8
- Governance – 1
- Connected Communities – 1

The chart below shows the number of open actions per department and the changes since the last two reports.



Of the 46 open actions:

- **14** had no allocated action date
- **9** are overdue by 25 months or more
- **1** is overdue by 13-24 months
- **22** are not yet due or have fallen due in September

1.11 Implementation of Management Actions Arising From IA Reviews (contd)

Summary Table

#	Audit Title (Former Council)	Date of Final Report	# Open Actions	Risk Rating of Open Actions
1	CCTV (WSC)	May 2014	1	1 x moderate
2	Engagement & Management of Temporary Contract Personnel (WSC)	July 2014	1	1 x moderate
3	Tendering and Contract Award (WSC)	October 2014	1	1 x moderate
4	Payroll (GCC)	September 2015	2	2 x not assigned
5	Rates Database Integrity Review (GCC)	September 2015	1	1 x not assigned
6	Cash Management (GCC)	October 2015	6	6 x not assigned
7	Town Centre Management/ Issue of Licences (WSC)	December 2015	1	1 x high
8	Asset Management (WSC)	February 2016	3	2 x high 1 x moderate
9	S94 Contributions (WSC)	May 2016	1	1 x moderate
10	Payroll Validation Review – South Office (CCC)	September 2016	7	7 x not assigned
11	CCTV	August 2018	6	5 x high 1 x moderate
12	DRIVES24 (2017-18)	September 2018	16	9 x high 7 x moderate
	TOTALS		46 open actions from 12 audits	17 x high 13 x moderate 16 x not assigned

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. 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 finding.

Attachments

1 Appendix 1 Sept 2018 Management Actions Table D13340448



Item No: 1.12
Title: IA Year in Review 2017-2018
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13341183

Author: Tina Baker, Chief Internal Auditor

Summary

To provide the Audit, Risk and Improvement Committee with a summary of the work of the Chief Internal Auditor for 2017/18.

Recommendation

- 1. That the Audit, Risk and Improvement Committee receive the Internal Audit 'Year In Review' report and accompanying information.**
- 2. That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.**

Context

This *Year In Review* takes a look back at the deliverables and some of the key achievements of the IA function over the period 1 July 2017 to 30 June 2018, aligned to the IA framework, vis a vis:

- IA assurance services (delivery of business assurance reviews)
- consulting and advisory activities
- IA quality and performance
- IA planning and organisational analysis

Key Headlines

For 2017/18, the theme for the IA work programme was **fraud and corruption risks** and intended to focus on core systems and processes that are often vulnerable to control weakness in environments of flux and transition.

Only **two** of the eleven scheduled audits were finalised; six were put on hold at the request of the A/CEO; and three were not conducted owing to uncertainty around the IA role and resourcing.

Instead a number of consultancy style reviews were carried out at the request of specific managers.

The Chief Internal Auditor informed the Audit, Risk and Improvement Committee that owing to the disruption to the scheduled reviews **no independent assurance could be provided** to Council on how effectively risks in key vulnerable areas such as contracts, labour hire and a major IT project has been managed through and since the amalgamation as these audits were not conducted.

The Chief Internal Auditor focused on stakeholder education and engagement to highlight the importance of effective controls and risk mitigation, especially through periods of change and transition. A number of guides and presentations were delivered to various teams in order to raise awareness in this regard.

The budgeted FTE of the IA Unit was downsized from 2 to 1 and the Chief Internal Auditor role was classified as a 'section manager' in the Governance Unit.

Assurance Services

- RMS Drives Wyong Shire Council
- RMS Drives Gosford City Council

A review of all the outstanding management actions relating to IA reviews at the former Wyong Shire Council and Gosford City Council was conducted and the items were captured in a new set of tables for tracking and reporting, providing a good platform for the development of the resurrected Audit Tracker.

IA Consulting & Advisory Activities

A number of consultancy/advisory reviews were undertaken in relation to:

- Seniors Centres
- Policies and the Policy Framework
- CCTV
- Cash Management In Waste Services

These have since been or are in the process of being reworked into formal IA reports to help the new CEO and the Audit, Risk and Improvement Committee get better oversight of issues arising from IA reviews and capture issues for management attention.

A 'lessons learned' feedback session relating to the outcome of the reviews for 2016-17 operations was held with the DRIVES Security Administrators for both team (North and South).

A presentation to Library Supervisors was held to discuss the results of the IA review of libraries and portfolio reports for the eleven libraries were finalised and issued during this period.

A presentation was given to around 100 staff working on transformation projects relating to critical project management controls.

A comprehensive *Cash Management Good Practice Guide* was issued to Directors and others to cascade to their relevant team members to help them take a consistent and holistic approach to handling and managing cash across their cash handling services.

Significant input was provided to the Risk and Governance teams to respond to an organisational Risk and Audit Maturity Assessment being undertaken by Council's insurer (Statewide Mutual). The subsequent report identified that IA was considered to be operating at the highest level of maturity ("optimising") for all of the Institute of Internal Auditors' Professional Standards with the exception of:

- Standard 2300 – performing the engagement (classed as "managed") – where it was recommended that IA utilise computer assisted audit tools for transactional/data analysis
- Standard 2500 – monitoring progress (classed as "managed") – where it was noted that the Audit Tracker system was not at its optimised level of operation

Scoping documents to initiate a tendering process for a co-sourced IA arrangements were completed but not carried through due to uncertainty around the future of the IA function and its resourcing.

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

IA Quality and Performance

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

The Chief Internal Auditor conducted a *Ted Talk* style presentation at the Institute of Internal Auditor's Local Government IA Forum on *The Scenic Route to Stakeholder Engagement*. Feedback from delegates awarded an average of 4.25 out of 5 for this presentation.

The Chief Internal Auditor spoke on "*Organisational Culture and the Challenge This Presents for Internal Audit Stakeholder Engagement*" at the Australian Public Sector Anti-Corruption Conference in November 2017. This was also presented internally to Council's Engagement Community of Practice group with excellent feedback received.

Planning and Organisational Analysis

Stakeholder engagement meetings were held to help shape the IA work programme going forward.

Analysis of the OLG's *'Your Council'* report was conducted looking at the comparative data for Councils to highlight areas where Council is an outlier in the peer group, which might warrant inclusion in the IA work programme.

Analysis of *'Stronger Councils'* data was carried out to review and compare major project funding for all the amalgamated councils to inform the IA work programme in respect of projects that could be reviewed.

Headlines and key stories from the local press are collated across the course of the year to identify community issues and areas of concern that might be incorporated into the IA work programme.

Conclusions

Undoubtedly this has been a challenging year for internal audit in terms of being able to conduct audits to provide independent advice and assurance to Council (through the Audit, Risk and Improvement Committee) on the effectiveness of governance, risk and compliance frameworks, at a time when the organisation has been at its most vulnerable. It is acknowledged that relations with staff at a unit manager level and below remain strong and stable, where the added value and business improvement capacity of IA is recognised and this can be seen through positive customer feedback survey responses. However, there is much work to do for the Chief Internal Auditor to re-connect with the Executive and senior management to re-build trust and manage the perceived threat that IA seems to present at this level, whilst ensuring that the independence, integrity and objectivity of the IA function is not compromised.

Attachments

Nil.



Item No: 1.13
Title: IA Annual Assurance Statement 2017 2018
Department: Governance

2 October 2018 Audit Risk and Improvement Committee Meeting

Trim Reference: F2017/00092 - D13341588

Author: Tina Baker, Chief Internal Auditor

Manager: Brian Glendenning, Executive Manager, Governance

Executive: Shane Sullivan, Unit Manager, Governance and Business Services

Summary

This report provides the Audit, Risk and Improvement Committee (ARIC) with an annual assurance statement from the Chief Internal Auditor in line with the Institute of Internal Auditors professional practices and Office of Local Government *Internal Audit Guidelines*. It is based on the 2017-2018 IA work programme.

Recommendation

- 1** *The Audit, Risk and Improvement Committee receive the IA Annual Assurance Statement for 2017/18 and accompanying information from the Chief Internal Auditor.*
- 2** *That the Committee make a recommendation that this report and the supporting papers be made publicly available, pursuant to Clause 6.4 of the Audit, Risk and Improvement Committee Charter.*

Context

The Institute of Internal Auditors' *International Professional Practices Framework* contains a number of professional standards to help protect the integrity and validity of assurance provided by Internal Audit through the IA programme of reviews.

The annual assurance statement covers the following key areas:

- Conflicts of interest
- Error and omissions
- Impairments to objectivity and independence
- IA accountability

The annual assurance statement is intended to give some comfort to the Audit, Risk and Improvement Committee that Internal Audit (IA) is operating independently, competently and with integrity. When reviewed as part of the full suite of reports provided by IA to the Committee, the statement helps the Committee to determine whether IA is able to deliver the IA annual work programme '*without fear or favour*' and in line with the professional standards

as established by the Institute of Internal Auditors and the Office of Local Government's Internal Audit Guidelines.

The independent and objective nature of the work performed by IA, does not obviate the need for accountability and so this IA Annual Assurance Statement shows the various ways in which the role and work of IA is open to scrutiny, challenge and performance assessment.

The Annual Assurance Statement therefore provides Council, through the Audit, Risk and Improvement Committee with information relating to the integrity of the IA function, whether any significant elements of IA's work have been compromised and with a summary of how conflicts are managed.

Summary Of Results For 2017/18

No potential or actual conflicts of interest were identified or reported.

No errors or omissions were identified or reported.

All audits were conducted to conform with the International Standards for the Professional Practice of Internal Auditing.

The Chief Internal Auditor was unable to perform or complete six of the eleven audits in the ratified programme for undisclosed reasons. Furthermore the IA function was downsized from 2 FTE (pre-amalgamation) to 1 FTE, post amalgamation. The Chief Internal Auditor role, through classification in the organisational structure as a 'section manager' does not form part of the leadership group and is therefore not part of the regular meetings or discussions for this forum. All of these actions collectively could be considered to impair the objectivity and/or independence of the IA function as per the IIA interpretation of professional Standard 1130 – *"impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations such as funding."*

There is scope for the Audit, Risk and Improvement Committee to more closely align with their responsibilities for IA, under the obligations of their Charter.

Conclusions

The annual assurance statement provides some comfort to the Committee that the IA function is operating with reasonable independence and objectivity, in line with professional standards and Office of Local Government guidance. For 2017-18 there was some potential compromise of the independence/objectivity of the IA function and these issues were brought to the attention of the Committee by the Chief Internal Auditor, throughout the year.

Attachments

1 Appendix 1 IA Annual Assurance Statement 2017 2018 D13343204



Purpose of the Annual Assurance Statement

To provide an annual summary of assurance to the Audit, Risk and Improvement Committee based on the past 12 months of IA activity, in line with IIA professional standards

To give the Audit, Risk and Improvement Committee an indication as to whether IA reviews are being performed independently and objectively to determine the level of reliance that can be placed upon the assurance provided through IA reports

Provides information to help the Audit, Risk and Improvement Committee review the performance of Internal Audit and ensure appropriate organisational structure, authority, access and reporting arrangements are in place, as per the Committee's Charter

Conflicts of Interest Arising During Audits

IIA Attribute Standard 1120: Individual Objectivity	How Conflicts Are Managed	2017-18 Results
<p><i>“Internal Auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.”</i></p>	<p>IA Post Audit Declaration form completed for each review</p> <p>Where conflicts exist, the circumstances and reasons are fully detailed in a separate report and lodged in TRIM audit file</p> <p>CEO, Director and relevant Manager and ARIC informed of the nature of the conflict</p> <p>Action taken to address the issue is highlighted and noted for file</p>	<p>There were <u>no</u> conflicts of interest identified or reported for the Chief Internal Auditor during the 2017-18 IA work programme</p>


Errors and Omissions

IIA Performance Standard 2421: Errors and Omissions	How They Are Managed	2017-18 Results
<p><i>“If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.”</i></p>	<p>IA Post Audit Declaration form completed for each review</p> <p>Where errors/omissions occurred, the reasons and circumstances are fully detailed in a separate report and lodged in the TRIM audit file</p> <p>CEO, Director, relevant Manager and ARIC informed of the nature of the errors/omissions</p> <p>Action taken to address the issue is highlighted and noted for file</p>	<p>There were <u>no</u> significant errors or omissions identified or reported in IA work, reviews or communications during the 2017-18 IA work programme</p>

Impairments to IA Objectivity and Independence

IIA Attribute Standard 1130: Impairment to Independence or Objectivity	How They Are Managed	2017-18 Results
<p><i>“If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.”</i></p>	<p>IA Post Audit Declaration completed for each review</p> <p>Where impairment does occur, reasons and circumstances detailed in a separate report and lodged in TRIM audit file</p> <p>CEO, Director, relevant manager and ARIC informed of the nature of the impairment</p> <p>Action taken to address the issue is highlighted and noted for file</p>	<ul style="list-style-type: none"> × Six of the 11 audits in the ratified work programme were put on hold at the request of the ACEO × Resourcing of the IA function was downsized from 2 to 1 × Chief Internal Auditor (CIA) role classified as ‘section manager’ so CIA not part of leadership group meetings × No assurance could be provided on key risk areas such as contracts and labour hire • CIA notified ARIC of the situation regarding resourcing and the restrictions on the work programme in her IA quarterly progress reports ✓ Of the reviews that did take place, information was freely provided and staff co-operative

Example of IA Post Audit Declaration Form



Central Coast Council
Internal Audit

AUDIT REVIEW: DECLARATIONS

The IIA's International Professional Practices Framework (IPPF) requires the following:

Attribute Standard 1100: Independence and Objectivity
The internal audit activity must be independent and internal audits must be objective in performing their work.

Attribute Standards 1110.A1
The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

Attribute Standard 1120: Individual Objectivity
Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Attribute Standard 1130: Impairment to Independence or Objectivity
If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Performance Standard 2421: Errors and Omissions
If a final communication contains a significant error or omission, the chief audit executive must correct the information to all parties who received the original communication.

The IIA's Code of Ethics requires internal auditors to apply and uphold the principles and rules of conduct relating to: integrity, objectivity, confidentiality and competency


To ensure these Standards and the requirements of the Code of Ethics are being adequately met, each internal auditor is required to make a declaration at the conclusion of each review.

I (name)..... declare that this review was conducted in accordance with the IIA International Professional Practices Framework. In particular the following were observed:

- The IA activity for this review was/was not free from interference in determining the scope of the review, performing the work and/or communicating the results.
- I did/did not have any conflicts of interest on this review.
- To the best of my knowledge, there are/there are no significant errors or omissions in the final report.
- During this review, I upheld/was not able to uphold the IIA Code of Ethics requirements relating to: integrity, objectivity, confidentiality, competency

Where I have indicated an unfavourable response, the reasons and circumstances are fully detailed in a separate report, lodged in the relevant TRIM audit file and the matter brought to the attention of relevant parties.

Date: **Signature:**

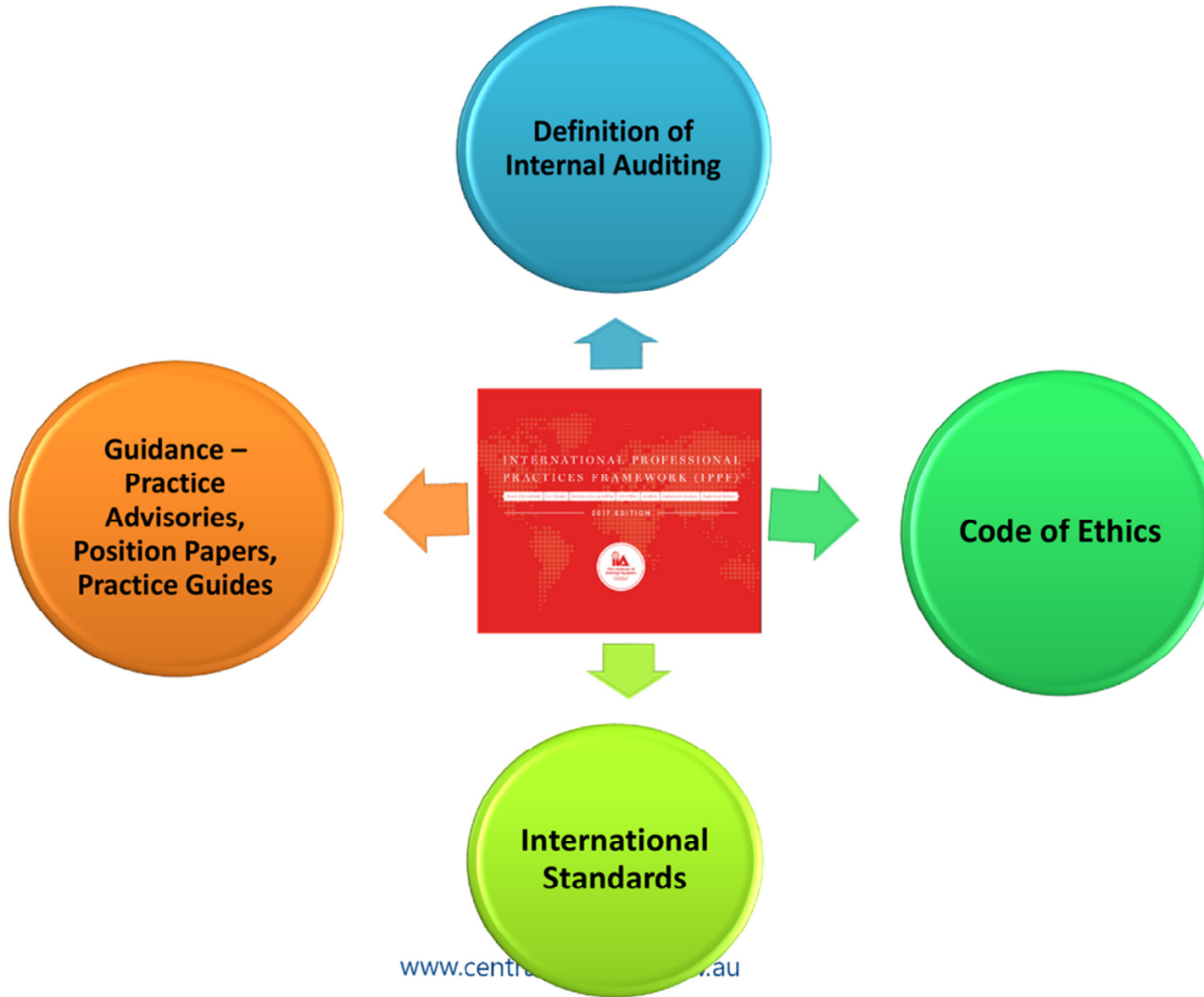


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IA Accountability Framework



IA Accountability: IIA International Professional Practices Framework



www.centra... .au

IA Accountability: Compliance With Professional Standards

The IIA Standards state:

“the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity” (1300)

“the quality assurance and improvement program must include both internal and external assessments” (1310)

“external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.” (1312)

“the chief audit executive may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.” (1321)

Last external review of IA was conducted by StateWide Mutual and reported in April 2018. IA considered to be operating at highest level of maturity (“optimising”) with the exception of 2 issues: need to utilise computer audit tools and need to optimise the Audit Tracker functionality

IA Accountability: Measuring Performance



Balanced Scorecard: 13 individual measures falling under four separate categories



Customer Feedback Survey: 22 questions, across five different focus areas, following each completed review



IA Quality and Performance form part of IA framework and comprises five elements of required activity, including professional development



IA Accountability: Reporting to ARIC



Quarterly/Each Meeting

- CIA's Progress Report
- IA Balanced Scorecard Report
- Implementation of Management Actions Report



Annual

- IA Annual Work Programme
- IA Year In Review
- Emerging Themes From IA Reviews
- Annual Assurance Statement



Infrequent

- IA Strategic Plan (every 3 years)
- Results of Executive and ARIC surveys (every 2 years)
- Results of external QA review of IA function (every 5 years or less)

ARIC Charter Responsibilities for IA

In respect of IA, the ARIC Charter states:

- **“the objective of the Committee is to provide independent assurance and assistance to Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities” (s1)**
- **“The CEO 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.” (s6.2)**
- **“The agenda for meetings of the Committee will be set by the Chair (in consultation with the CEO and the Chief Internal Auditor) at least two weeks before a meeting.” (s6.4)**
- **“The review [of the Committee’s performance against established measures] 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.” (s6.9)**

ARIC Charter Responsibilities For IA

Section 4.5 Internal Audit

“The Committee is responsible for:

- **Acting as a forum for communication between the Council, CEO, Senior Management, Internal Audit, External Audit and Internal Ombudsman;**
- **Reviewing the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan and approve the plan;**
- **Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved IA Plan;**
- **Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;**
- **Monitoring the implementation of IA recommendations by management;**
- **Periodically reviewing the IA Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;**
- **Periodically reviewing the performance of Internal Audit;**
- **Meeting at least annually with the Chief Internal Auditor ‘in camera’ without the presence of management; and**
- **Giving advice to the CEO on the appointment and remuneration of the Chief Internal Auditor and the Internal Audit team (if applicable).”**

ARIC Charter Responsibilities For IA

Section 5 Reporting

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

- The performance of IA for the financial year as measured against agreed key performance indicators; and**
- The approved IA plan of work for the previous financial year showing the current status of each audit.**

The Committee should report regularly to Council on the IA function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the CEO.

At a minimum the Committee will report Council on its activities at least yearly coinciding with the financial year and the annual statement time. The Annual and Three Year Audit Plans will also be submitted to Council as part of the Committee’s report to Council. 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.”

Summary

For the 2018-19 IA work programme:

- ✓ there were no reported potential or actual conflicts of interest
- ✓ There were no identified or reported significant errors or omissions
- ✓ All audits were conducted to conform with the International Standards for the Professional Practice of Internal Auditing
- ✗ There were actions in relation to the IA work programme and resourcing that could be construed as limiting or impairing the objectivity or independence of IA
- ✗ Not all elements of the ARIC Charter in respect of responsibilities for IA were followed